

Telecom Egypt (ETEL)

Strong topline growth, positive operating leverage and forex gain drove profit

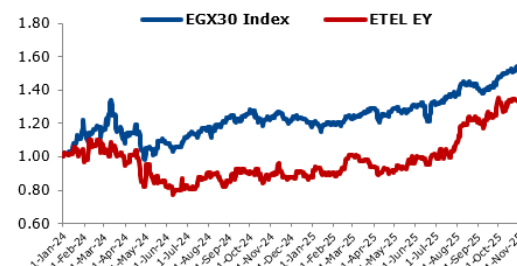
Current Price
EGP 65.27

Target Price
EGP 75.25

Upside/Downside (%)
+15.29%

Rating
BUY

- Expects to exceed its 2025 guidance provided earlier for topline growth and EBITDA margin, while maintaining guidance for capex.
- Customer base rose steadily across fixed line, fixed broadband and mobile segments by 6.8%, 8.3% and 8.8% YOY, respectively, in 3Q25. Fixed line ARPU rose 35.1% YOY to EGP 314.4, and fixed data ARPU rose 27.2% YOY to EGP 49.0 in 3Q25 due to a price adjustment that happened across the Retail segment in late 2024.
- Cash Capex excluding mobile license reached EGP 20.7 Bn in 9M25, with In-Service Capex of EGP 12.2 Bn in 9M25.
- Telecom Egypt's Express Subsea Cable "Coral Bridge" completed, connecting Egypt and Jordan.



3Q25 Net Profit higher than our estimate

Telecom Egypt's (the Company) net profit more than tripled from EGP 2,126 Mn in 3Q24 to EGP 6,461 Mn in 3Q25, exceeding our estimate of EGP 4,620 Mn. This robust growth is supported by strong revenue growth across both the Wholesale and Retail segments, complemented by positive operating leverage, higher income from associates, and a decline in net finance cost driven by foreign exchange gain compared to a loss in 3Q24, partially offset by an increase in tax expenses.

P&L Highlights

Telecom Egypt's revenue grew 35.4% YOY to EGP 27,634 Mn in 3Q25, mainly driven by strong growth in the Retail and Wholesale segments. The retail segment was the primary growth driver with revenue rising 38.3% YOY to EGP 15,822 Mn in 3Q25, with data revenue growing 45% YOY supported by price adjustments implemented across the retail portfolio in late 2024. Revenue from Home Services grew 44.1% YOY to EGP 13,265 Mn in 3Q25, supported by a surge in Data and Voice revenue, coupled with higher ARPU and an increasing customer base. On the other hand, Enterprise Solution revenue grew 14.6% YOY to EGP 2,557 Mn in 3Q25, mainly driven by in-voice, data and other services. The Wholesale segment revenues grew 31.7% YOY to EGP 11,812 Mn in 3Q25, driven by a 32% YOY increase in International incoming call revenue and FX appreciation, coupled with a 45% increase in Domestic Infrastructure services revenue. Domestic Wholesale revenue increased significantly 44.3% YOY to EGP 2,838 Mn in 3Q25 supported by an increase in infrastructure revenue. Similarly, revenue from International Carriers surged 35.9% YOY to EGP 5,038 Mn in 3Q25 owing to an increase in international calls traffic and foreign currency appreciation, while IC&N revenue increased 19.5% YOY to EGP 3,936 Mn due to healthy contribution from capacity

Stock Information

Market Cap (EGP, Mn)	110,686.52
Paid Up Capital (Mn)	17,070.72
52 Week High	68.48
52 Week Low	32.40
3M Avg. daily value (EGP)	34,784,840

3Q25 Result Review (EGP, Mn)

Total Assets	206,726
Total Liabilities	148,604
Total Equity	58,121
EBITDA	12,499
Net Profit	6,461

Financial Ratios

Dividend Yield (12m)	2.31
Dividend Pay-out (%)	36.57
Price-Earnings Ratio(x)	6.74
Price-to-Book Ratio (x)	1.91
Book Value (EGP)	34.03
Return-on Equity (%)	31.90

Stock Performance

5 Days	6.12%
1 Months	27.64%
3 Months	40.35%
6 Months	75.24%
1 Year	99.51%
Month to Date (MTD%)	29.42%
Quarter to Date (QTD%)	27.14%
Year to Date (YTD%)	95.89%

increase and international customer support. Furthermore, operating costs rose 21.9% YOY to EGP 15,691 Mn in 3Q25 due to an increase in call cost driven by currency devaluation, higher staff cost, D&A and other operating costs, partially offset by a marginal decline in maintenance cost and cost of merchandise available for sale. Thus, gross profit grew significantly from EGP 7,533 Mn in 3Q24 to EGP 11,944 Mn in 3Q25, with a gross margin of 43.2% compared to 36.9% in 3Q24. Selling and overhead expenses increased 11.2% YOY to EGP 3,664 Mn in 3Q25 due to higher expenditure on salaries & wages, commissions of agents and collection organizations, organizations services costs & consultants and other selling & distribution expenses, partially offset by a decline in advertising and marketing costs. Telecom Egypt recorded other operating expenses of EGP 1,306 Mn in 3Q25 compared to an income of EGP 120 Mn in 3Q24 due to higher capital losses owing to fire accident at Ramses Central Building. However, operating profit rose from EGP 4,358 Mn in 3Q24 to EGP 6,974 Mn in 3Q25 driven by strong operational performance and ongoing cost optimization initiatives, offsetting the increase in D&A expenses. Similarly, the Company's EBITDA increased from EGP 7,967 Mn in 3Q24 to EGP 12,499 Mn in 3Q25, whereas EBITDA margin surged from 39.0% in 3Q24 to 45.2% in 3Q25, demonstrating strong top line growth coupled with operational efficiency. Income from associates rose significantly from EGP 2,354 Mn in 3Q24 to EGP 4,157 Mn in 3Q25, owing to the strong contribution from Vodafone Egypt caused by organic growth, coupled with a price hike of telecom services. Net finance costs fell 41.4% YOY to EGP 2,431 Mn in 3Q25, mainly due to forex gains compared to a loss in 3Q24. In addition, income tax expense rose from EGP 476 Mn in 3Q24 to EGP 2,303 Mn in 3Q25.

Balance Sheet Highlights

Telecom Egypt's cash and cash equivalents declined from EGP 9.3 Bn in 2Q25 to EGP 7.4 Bn in 3Q25. The Company's total debt stood at EGP 76.4 Bn in 3Q25, down from EGP 81.0 Bn in 2Q25. The annualized net debt to EBITDA ratio stood at 1.5x in 9M25 compared to 1.6x in 1H25. The Company's in-service capex stood at EGP 12.2 Bn in 9M25, while the cash capex (excluding mobile licenses) was EGP 20.7 Bn in 9M25. Telecom Egypt's net cash from operating activities decreased from EGP 9.1 Bn in 2Q25 to EGP 5.9 Bn in 3Q25.

Target Price and Rating

We maintain our BUY rating on Telecom Egypt with a revised target price of EGP 75.25. Telecom Egypt reported strong financial results in the 3Q25, driven by increased ARPU, a growing subscriber base, rising call traffic, and enhanced pricing across all segments. In 3Q25, the company's customer base expanded, with mobile customers increasing by 8.8% YOY to 14.8 Mn. Fixed broadband subscribers rose by 8.3% YOY to 10.9 Mn, while fixed line users grew by 6.8% YOY to 13.8 Mn. Notably, the ARPU for fixed line and fixed data services increased by 27.2% and 35.1% YOY, respectively, primarily due to a price hike implemented in late 2024. Telecom's net cash from operating activities rose 50.9% YOY to EGP 22.7 Bn in 9M25, along with FCFF of EGP 12.1 Bn in 9M25. It expects to recognize additional revenue from Indefeasible Right of Use in the upcoming quarters. In addition, Telecom Egypt expects to recognize additional revenue from the ICN segment in 4Q25, driven by a strong pipeline. The company also experienced significant growth in income from associates, driven by strong performance from Vodafone, which benefited from improved operational performance, organic growth, and price increases. Additionally, Telecom Egypt continues to benefit from the agreement to receive 60% of VFE's free cash flow as annual dividends, thereby benefiting from higher cash flows. It also managed to control its expense on salary & wages on a QOQ basis by implementing merit increases. Telecom Egypt is also expected to benefit from the declining interest rate environment, as the Egyptian Central Bank cut rates four times in 2025 amid easing inflation. These rate reductions help lower the Company's financing costs and support profitability. Furthermore, Telecom Egypt's board has given preliminary approval for Helios Investments to acquire a 75% to 80% stake in a new subsidiary that will own the Regional Data Hub (RDH), with the business valued between USD 230 Mn and USD 260 Mn, contingent on performance indicators. Telecom Egypt will retain a 20% to 25% stake, pending final agreements, restructuring, regulatory approvals, and an independent fair value assessment. It plans to use the majority of the proceeds for debt repayment from the stake sale. The Company plans to deleverage all debt within four years and aims for a net cash position. Telecom Egypt expects to exceed its topline and EBITDA guidance for FY2025, provided at the beginning of the year, with YOY Revenue growth of low 20s, and EBITDA margin of high 30s. Thus, based on our analysis, we assign a BUY rating on the stock.

Telecom Egypt - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	27.19	14.48	13.63	10.76	13.14	5.5
PB	2.77	2.42	2.32	2.11	2.34	1.7
EV/EBITDA	11.29	8.43	7.68	6.43	5.46	4.1
EPS	2.313	4.343	4.614	5.847	4.786	11.528
BVPS	22.697	25.960	27.168	29.798	26.897	36.927
DPS (EGP)	0.750	1.000	1.250	1.497	1.497	1.500
Dividend yield	1.1%	1.5%	1.9%	2.3%	2.3%	2.3%

FABS Estimates & Co Data

Telecom Egypt - P&L

EGP mm	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Operating Revenue	20,406	25,799	27,634	25,374	8.9%	35.4%	7.1%	82,037	105,220	28.3%
Operating costs	-12,873	-15,201	-15,691	-15,883	-1.2%	21.9%	3.2%	-51,242	-61,554	20.1%
Gross profit	7,533	10,598	11,944	9,491	25.8%	58.6%	12.7%	30,795	43,666	41.8%
Selling & overhead exp	-3,294	-3,509	-3,664	-3,933	-6.8%	11.2%	4.4%	-12,836	-14,520	13.1%
Net operating revenue	120	-211	-1,306	-186	NA	NM	NA	-301	-1,789	NA
Operating profit	4,358	6,878	6,974	5,372	29.8%	60.0%	1.4%	17,658	27,357	54.9%
EBITDA	7,967	11,165	12,499	9,329	34.0%	56.9%	11.9%	32,953	43,234	31.2%
Income from Associates	2,354	3,544	4,157	3,580	16.1%	76.6%	17.3%	8,663	15,159	75.0%
Net Finance inc/(cost)	-4,150	-2,650	-2,431	-2,863	-15.1%	-41.4%	-8.3%	-15,758	-12,223	-22.4%
Profit before zakat	2,562	7,773	8,700	6,088	42.9%	239.5%	11.9%	10,562	30,294	186.8%
Income tax	-476	-1,906	-2,303	-1,461	57.6%	NA	20.8%	-451	-7,271	NA
Profit before NCI	2,086	5,867	6,397	4,627	38.2%	206.6%	9.0%	10,111	23,023	127.7%
Non-controlling interest	-6	-5	-6	-7	-23.6%	-1.0%	7.3%	-13	-35	NA
Net Profit	2,126	5,862	6,461	4,620	39.9%	204.0%	10.2%	10,098	22,989	127.7%

FABS estimate & Co Data

Telecom Egypt - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	36.9%	41.1%	43.2%	631	214	37.5%	41.5%	396
EBITDA	39.0%	43.3%	45.2%	619	195	40.2%	41.1%	92
Operating Profit	21.4%	26.7%	25.2%	388	-142	21.5%	26.0%	448
Net Profit	10.4%	22.7%	23.4%	1296	66	12.3%	21.8%	954

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and the Relative Valuation (RV) method to value Telecom Egypt. We have assigned 80% weight to DCF and 20% to the RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	70.85	80.0%	56.68
Relative Valuation (RV)	92.84	20.0%	18.57
Weighted Average Valuation (EGP)			75.25
Current market price (EGP)			65.27
Upside/Downside (%)			+15.29%

1) DCF Method:

Telecom Egypt is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 14.1%. It is arrived at after using the cost of equity of 15.2% and an after-tax cost of debt of 12.6%. Cost of equity is calculated by using a 10-year government bond yield of 9.8%, beta of 0.70 and an equity risk premium of 7.8%. Government bond yield is calculated after adding Egypt's 10-year spread over the 10-year US risk-free rate. Cost of debt is calculated using a cost of 16.8% after adjusting for a tax rate of 25.4%. Also, assumed a terminal growth rate of 2.5%. We also added the book value of Vodafone Egypt to arrive at the valuation of Telecom Egypt.

Sum of PV (EGP, Mn)	62,724
Terminal value (EGP, Mn)	100,567
FV to Common shareholders (EGP, Mn)	120,954
No. of share (Mn)	1,707
Current Market Price (EGP)	65.27
Fair Value per share (EGP)	70.85

DCF Method

(All Figures in EGP Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	20,422	21,815	25,023	28,464	32,269	36,585
D&A	15,876	17,354	18,911	20,496	22,104	23,803
Changes in Working Capital	-4,438	6,536	4,050	4,841	5,604	6,407
(-) Capex	-26,305	-29,401	-32,892	-35,159	-39,221	-44,379
Free Cash Flow to Firm (FCFF)	5,555	16,304	15,092	18,643	20,756	22,416
Discounting Factor	0.99	0.86	0.76	0.66	0.58	0.51
Discounted FCFF	1,369¹	14,087	11,425	12,365	12,063	11,414

Source: FAB Securities, ¹Adjusted for Partial Year

2) Relative Valuation:

We have used local as well as international peers to value Telecom Egypt, and it is valued using the EV/EBITDA multiple. We applied a discount to peer valuation since it operates in a region which faced considerable currency risk and expect this discount to be maintained as the risk will not fade out any time soon. It is valued at 2026 EV/EBITDA of multiple of 4.3x compared to a peer multiple of 5.7x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
OOREDOO	12,257	4.9	4.7	10.8	10.5
Maroc Telecom	10,736	6.4	6.4	17.0	17.8
Emirates Integrated Telecommunication Company	11,945	6.1	5.8	15.3	14.4
Mobile telecommunication company	7,437	6.1	5.7	10.1	9.3
Deutsche Telekom AG	150,798	6.4	6.2	13.4	12.2
Oman Telecommunications Co	2,041	5.5	5.5	10.9	9.6
Mobily	13,049	7.4	7.0	14.4	13.0
MTN Group LTD	17,376	4.6	3.9	12.6	10.0
Telkom SA	1,418	3.1	2.9	11.0	8.7
Average		5.6x	5.3x	12.8x	11.7x
Median		6.1x	5.7x	12.6x	10.5x
Max		6.4x	6.2x	14.4x	13.0x
Min		4.9x	4.7x	10.9x	9.6x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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