

# Q1 2014 Results

Emirates Integrated Telecommunications Company PJSC

May 2014



# Disclaimer

- Emirates Integrated Telecommunications Company PJSC (hereafter "du") is a telecommunication services provider in the UAE.
- du cautions investors that certain statements contained within this document state management's intentions, hopes, beliefs, expectations or predictions of the future are forward-looking statements.
- Management wishes to caution the reader that forward-looking statements are not historical facts and are only estimates or predictions. Actual results may differ materially from those projected as a result of risks and uncertainties, but are not limited to:
  - Our ability to manage domestic and international growth and maintain a high level of customer service
  - Future sales growth
  - Market acceptance of our product and service offerings
  - Our ability to secure adequate financing or equity to fund our operations
  - Network expansion
  - Performance of our network and equipment
  - Our ability to enter into strategic alliances or transactions
  - Co-operation by the incumbent in provisioning lines and enabling us to interconnect our equipment at the local exchange
  - Regulatory approval processes
  - Changes in technology
  - Price competition
  - Other market conditions and associated risks
- The company undertakes no obligation to update publicly any forward-looking statements, whether as a result of future events, new information, or otherwise.
- For further information about the company, or material contained within this forward looking statement, please direct your enquiries to our Investor Relations team by email at [investor.relations@du.ae](mailto:investor.relations@du.ae) or by telephone on +971 4 434 5101.



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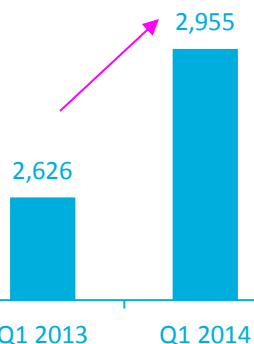


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# Q1 Financial Highlights

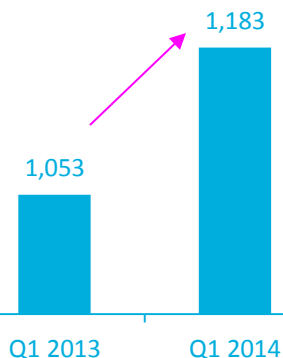
**Total Revenue**  
(AED M)

+12.5%



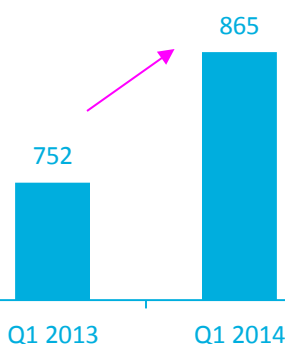
**EBITDA**  
(AED M)

+12.3%



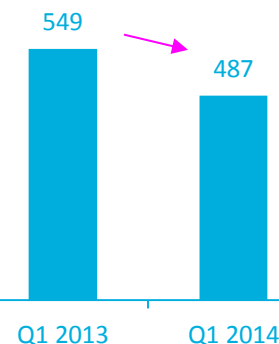
**Net Profit before Royalty**  
(AED M)

+15.1%



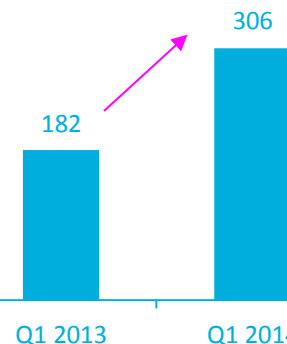
**Free Cash Flow**  
(AED M)

-11.3%



**Mobile 90 day net customer additions**  
(000s)

+68.1%



## Revenue growth

- Quarter on quarter revenue growth attributed primarily by mobile, fixed and wholesale services
- Mobile service data revenues increased 21.3% from Q1 2013 to reach AED 639m

## EBITDA up

- EBITDA quarterly increase driven by continued focus on efficiencies

## Net profit increased

- Solid start for 2014 stemming from increased performance in revenues as well as maintained focus on operating efficiencies

## Free cash flow maintained

- Q1 free cash flow decreased to AED 487m compared to Q1 2013
- Fulfilled various payments in Q1 2014

## Strong post-paid customer base

- Total mobile subscriber base grew to 7.6 million mobile customers
- Post-paid subscribers now represent 9.5% of total mobile subscribers compared to 8.3% in Q1 2013



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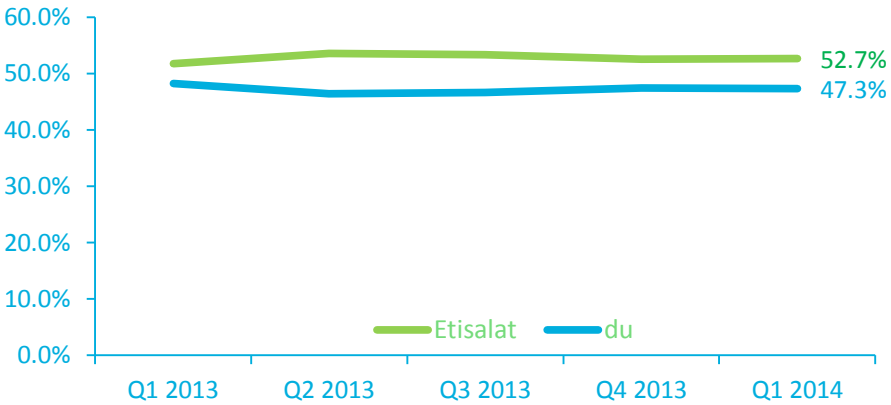


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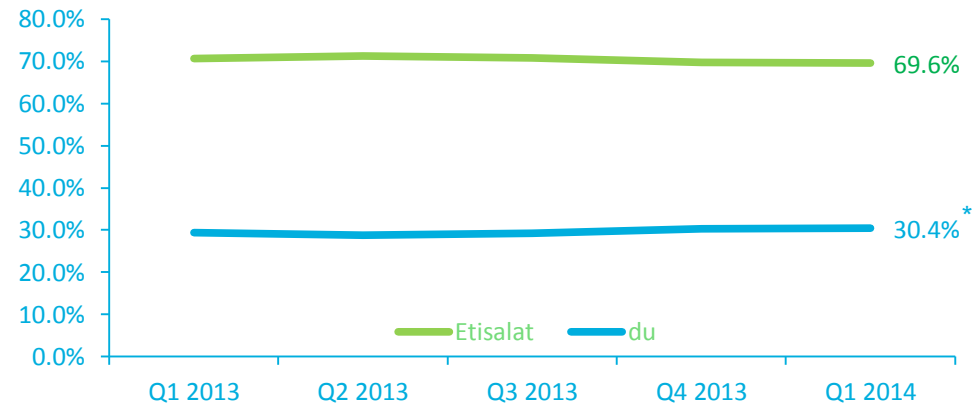
# Market Overview

Market share consolidation – increasing emphasis on growing revenue share

## UAE Mobile Subscribers - Market share quarterly evolution



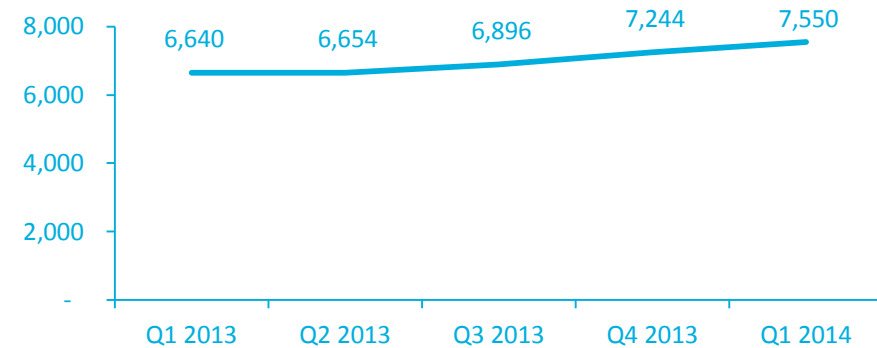
## UAE Telecom Market - Revenue share quarterly evolution



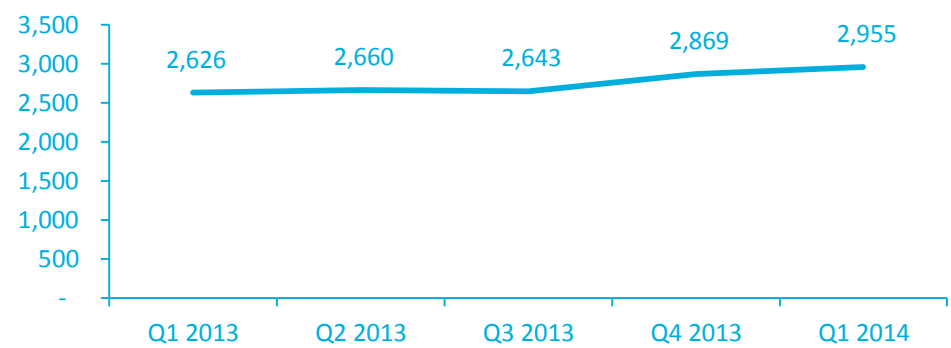
\* du revenue share for the last 12 months is 29.7%

Source: TRA Market Statistics January 2014, Internal estimates, Etisalat Quarterly/ annual financial reports

## du Mobile Subscribers – Active 90 Days (000s)



## du Total Revenues (AED M)



(2013<sup>e</sup>)

UAE	
• Population:	8.3 million
• Population growth:	3%
• GDP:	US\$ 396 bn
• GDP per capita:	US\$ 43,876



(Source: TRA – January 2014, UAE's National Bureau of Statistics (NBS), IMF: World Economic Outlook April 2014, Internal estimates)



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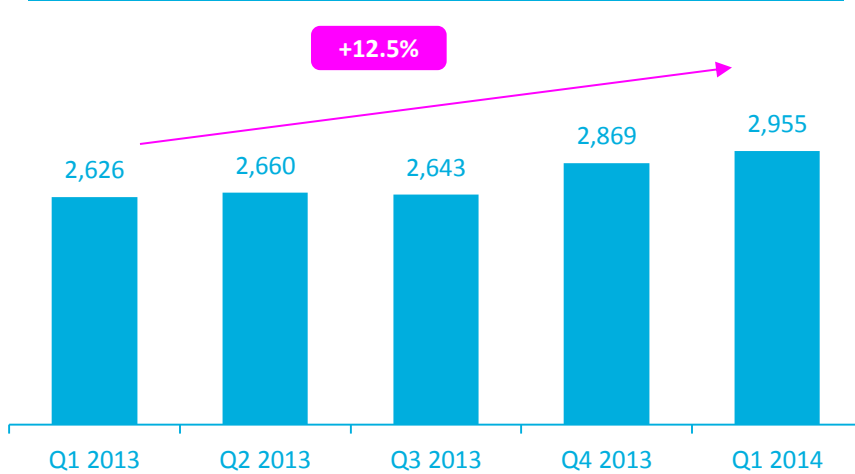


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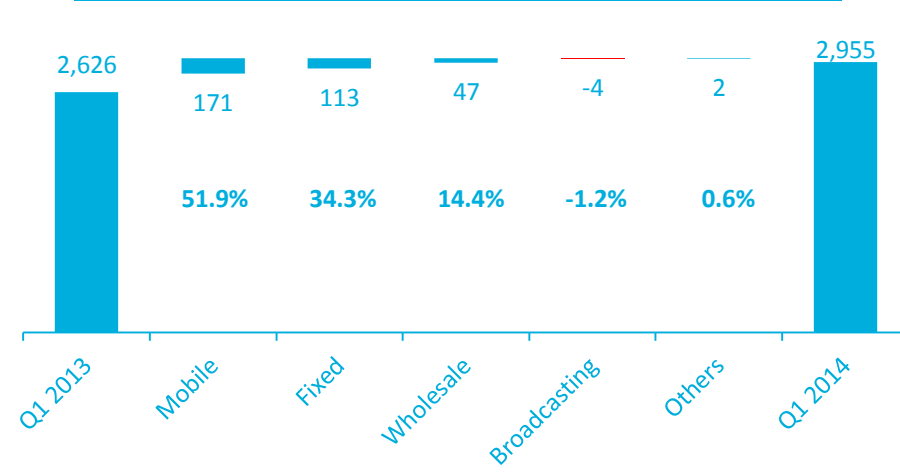
# Total Revenues

Mobile and fixed business main drivers of revenue growth

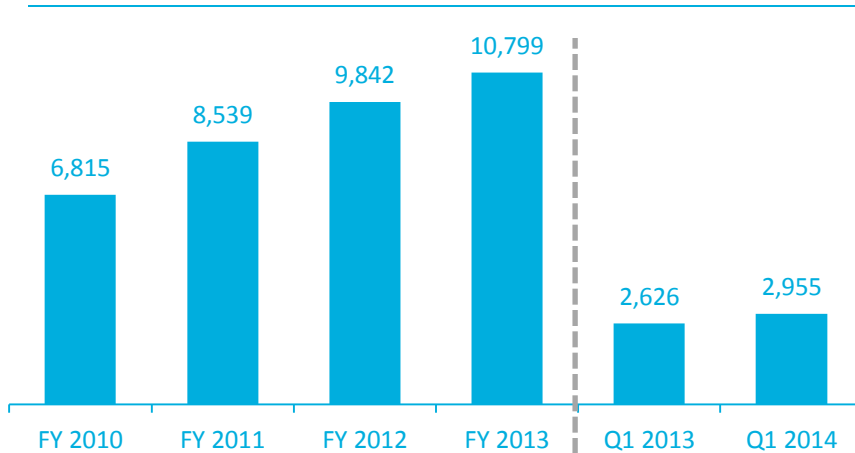
Quarterly Revenue (AED M)



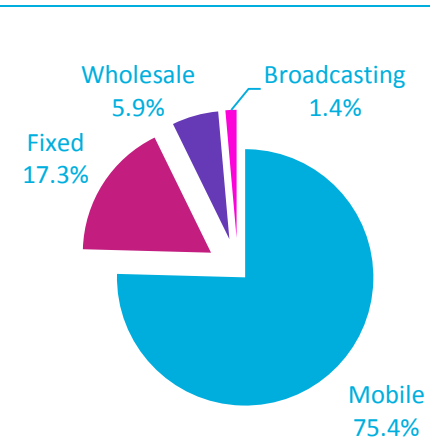
Like for Like Revenue Breakdown Quarter Change (AED M)



Year to Date Revenue (AED M)



Revenue Split Q1 2014

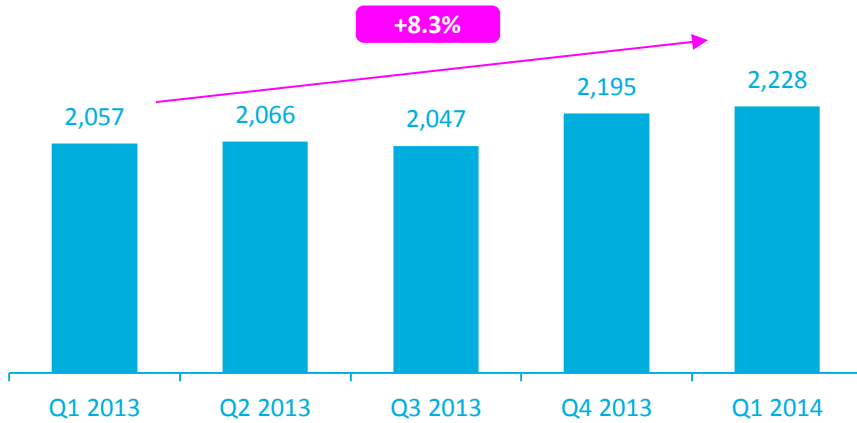




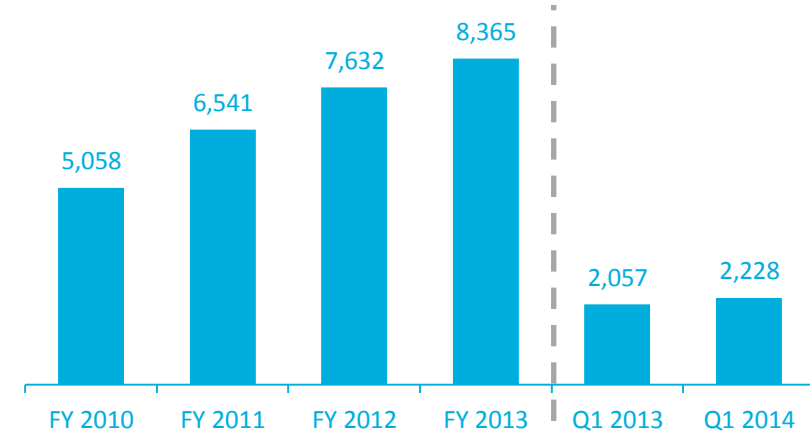
# Revenue Drivers - Mobile

Mobile revenue continues to grow, increasing competition driving ARPU trend

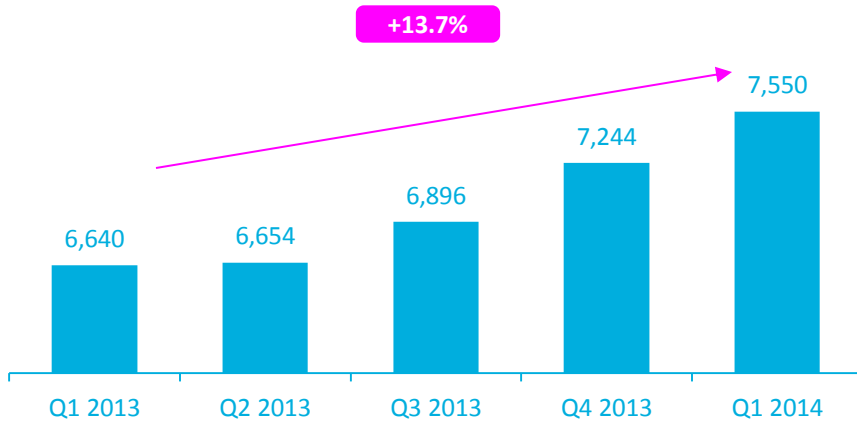
### Quarterly Mobile Revenues (AED M)



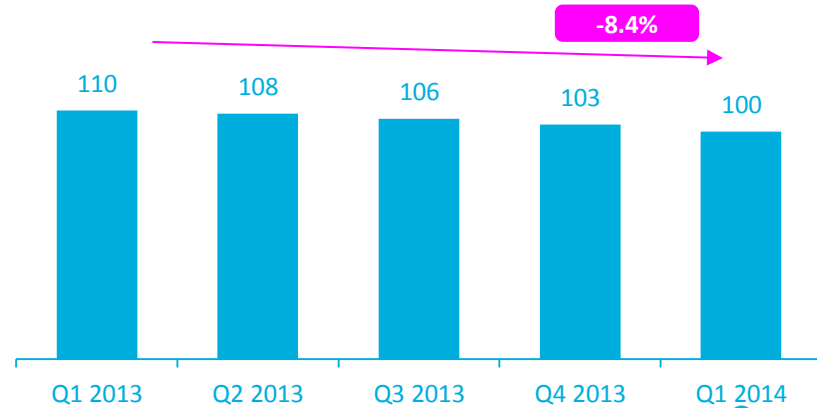
### Year to Date Mobile Revenues (AED M)



### Mobile Subscribers Active 90 Days ('000)



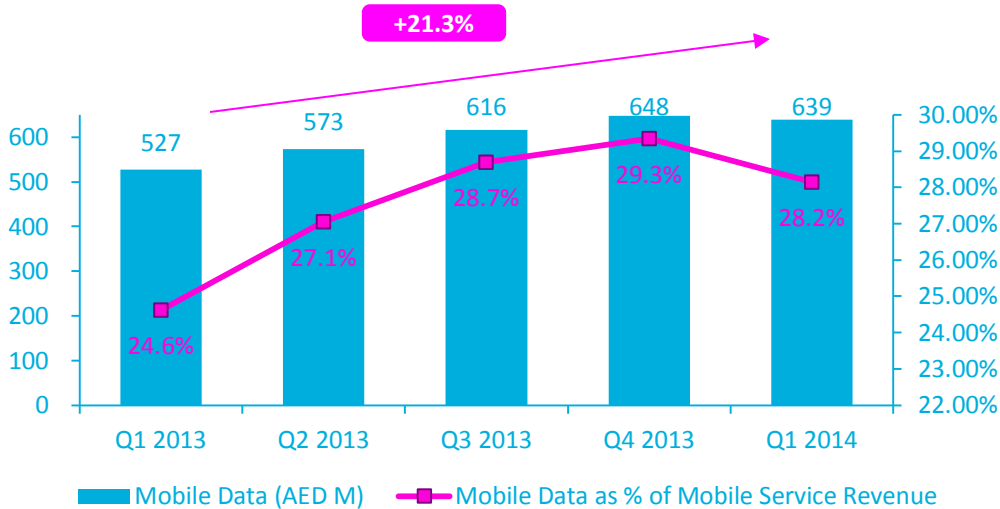
### Quarterly Mobile ARPU (AED)



# Revenue Drivers - Mobile

In line with global trend of rising demand for data

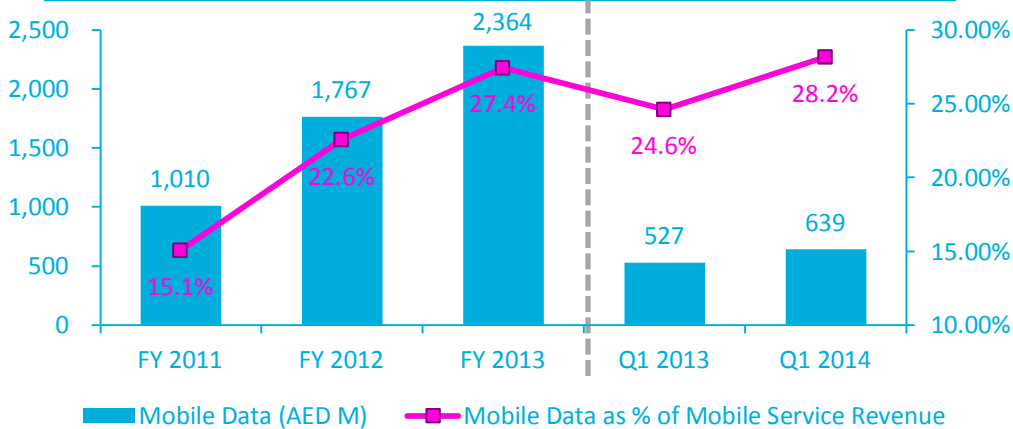
## Quarterly Mobile Service Data Revenues (AED M)



## Mobile data continues to be a key market driver

- Mobile service data revenues achieved double digit growth from 527m in Q1 2013 to AED 639m in Q1 2014
- Strong value propositions pushed to the market:
  - Smartphone Festival includes 10GB monthly free data for 12 months
  - Daily Saver Bundle provides customers access to all social media applications
  - Call for Data offers free data for calls made on prepaid lines
  - Convenient facilities such as the Data Manager Application allows customers to effectively monitor their data usage

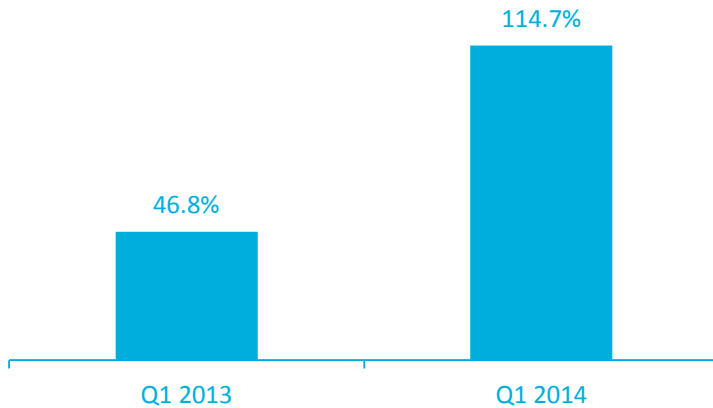
## Year to Date Mobile Service Data Revenues (AED M)



# Revenue Drivers – Mobile

Post-paid continues to be a focus for growth

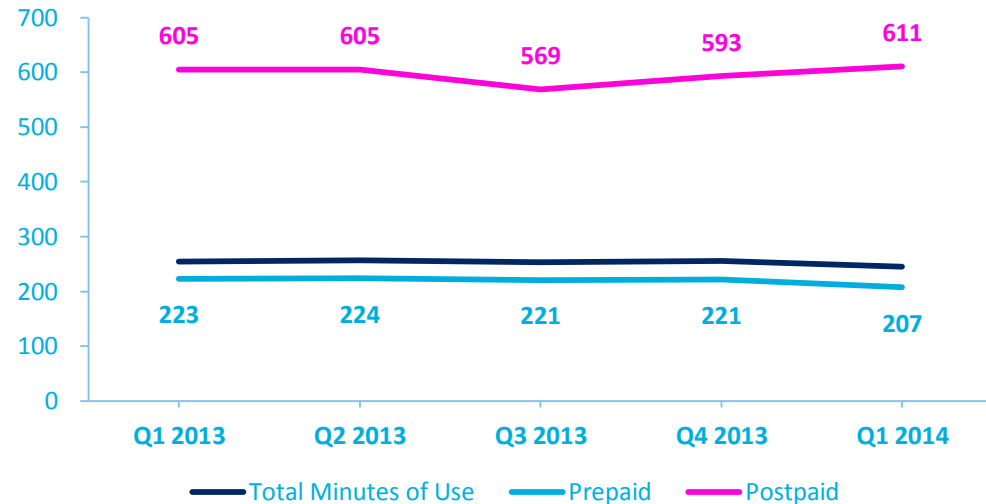
## Postpaid contribution to growth Y on Y to mobile revenues (excluding inbound roaming and handset revenue)



### Significant contribution from post-paid

- Post-paid customers added significantly to mobile revenues, increasing to 114.7%, up from Q1 2013 contribution of 46.8% in accordance with our ongoing strategy

## Quarterly Minutes of Use by Customer Segment



### Overall minutes of use stable

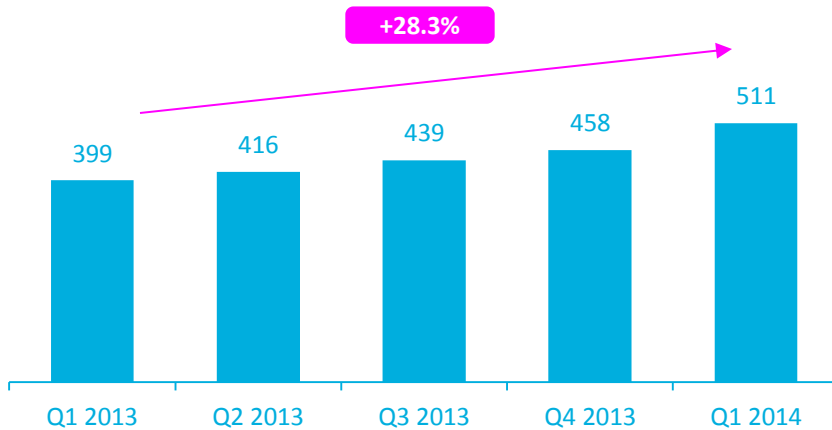
- Increased emphasis on high value customers, usage among postpaid users increased to 611 minutes per subscriber
- Prepaid minutes of use per subscriber down to 207 a continuing trend



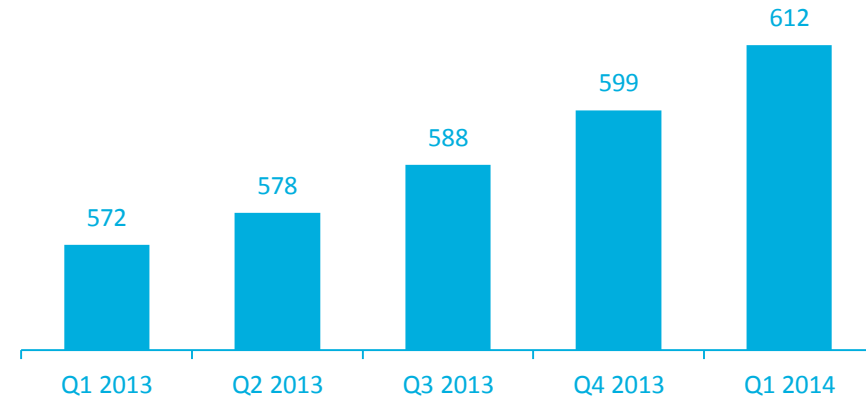
# Revenue Drivers – Fixed

Strong growth in overall fixed business

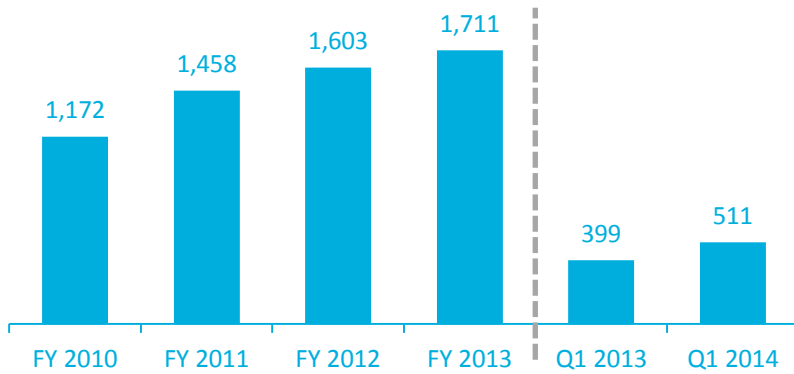
### Quarterly Fixed Revenue (AED M)



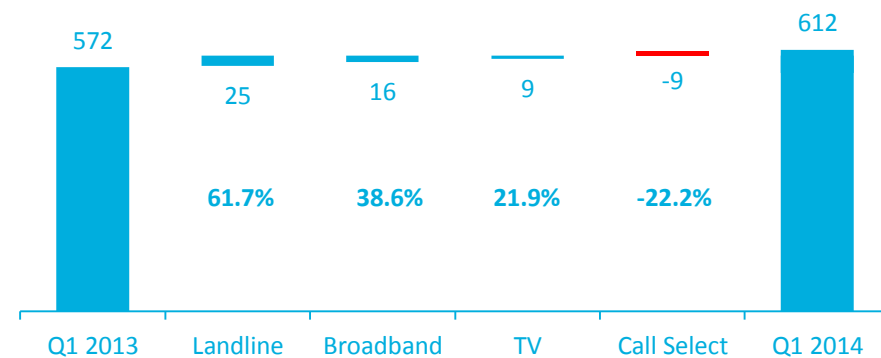
### Quarterly Fixed Line Subscribers ('000)



### Year to Date Fixed Revenue (AED M)



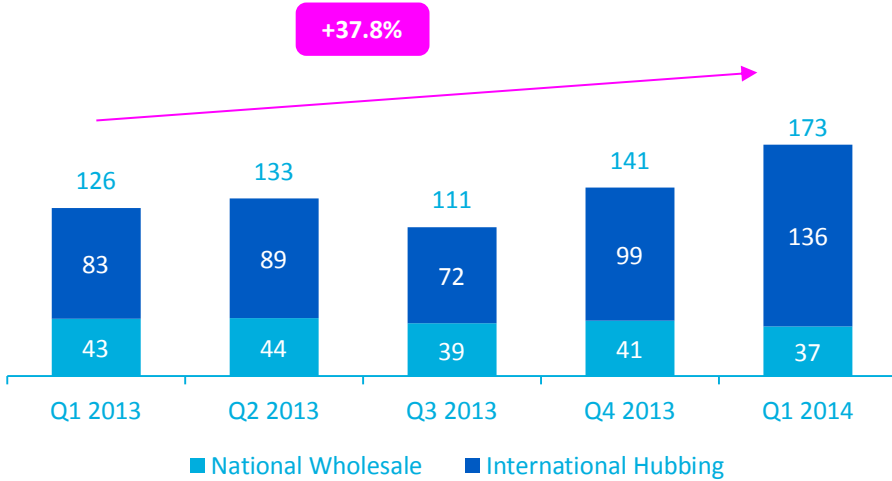
### Fixed Line Subscriber Breakdown Quarter Change ('000)



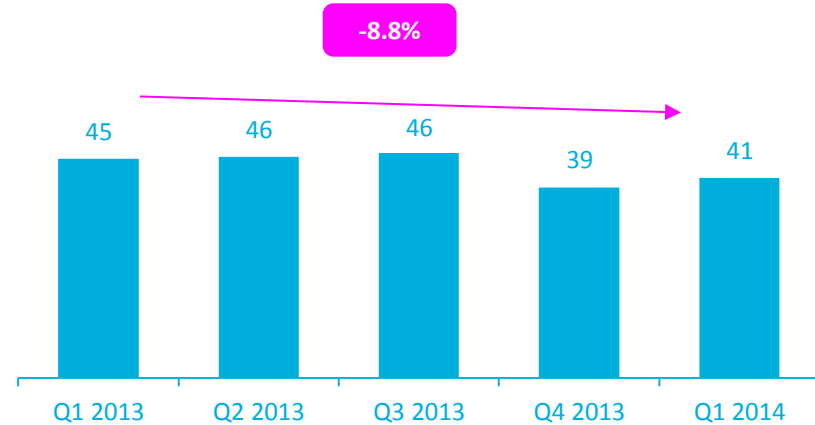
# Revenue Drivers – Broadcast & Wholesale

Strong growth in wholesale driven by international hubbing

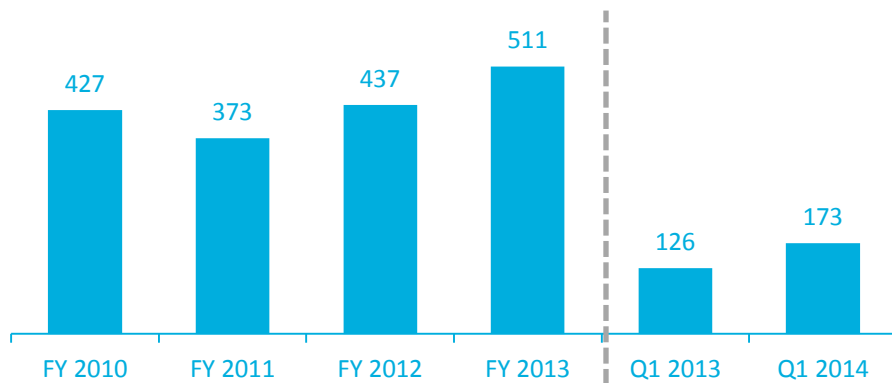
### Quarterly Wholesale Revenues (AED M)



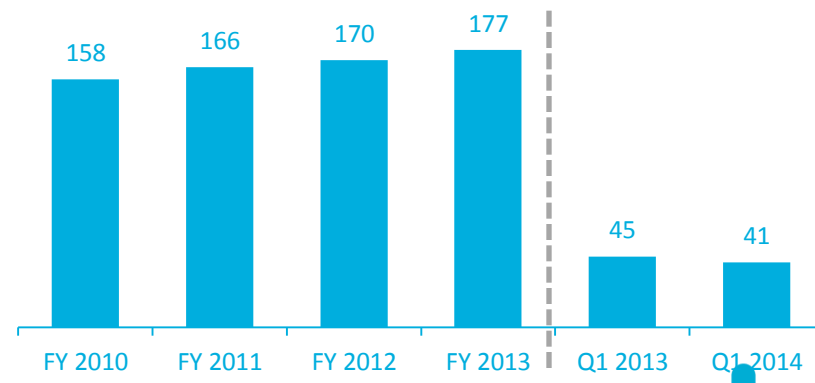
### Quarterly Broadcast Revenues (AED M)



### Year to Date Wholesale Revenues (AED M)



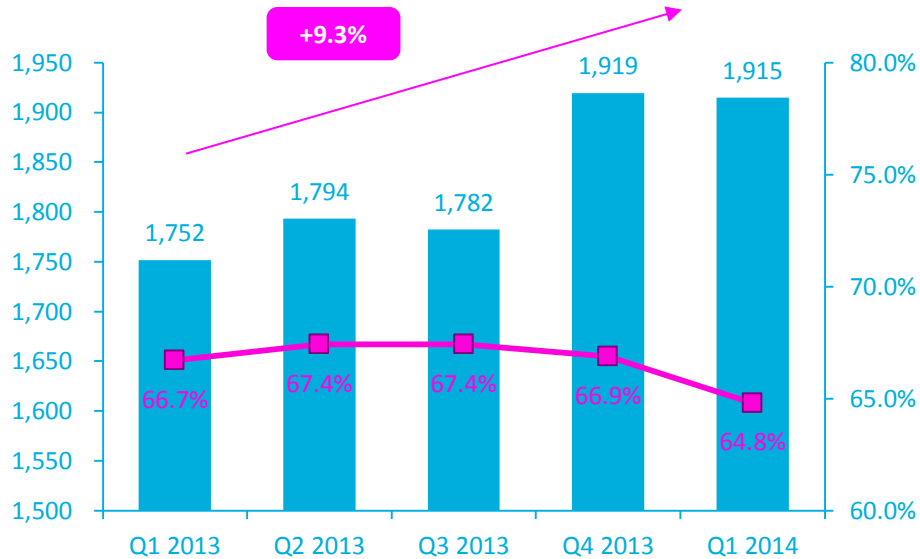
### Year to Date Broadcast Revenues (AED M)



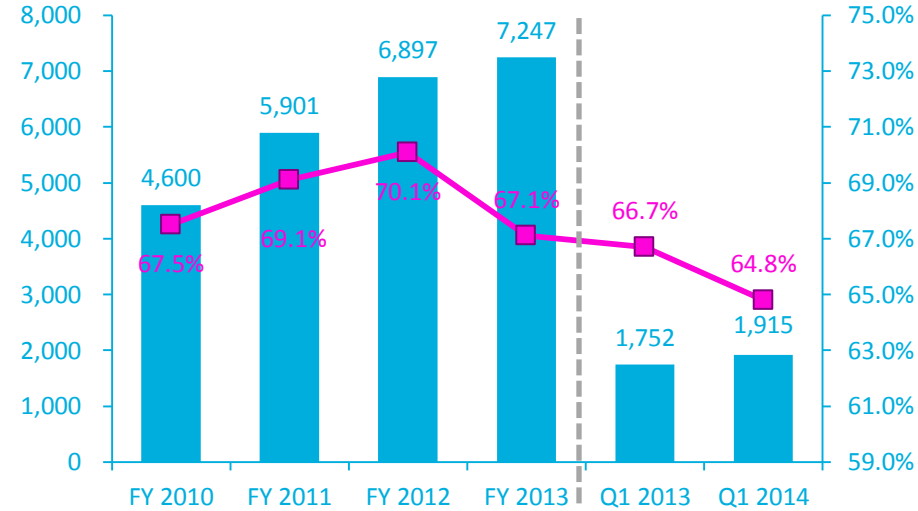
# Gross Margin

Steady gross margin performance

Quarterly Gross Margin (AED M) and Gross Margin %



Year to Date Gross Margin (AED M) and Gross Margin %



## Steady increase in gross margin

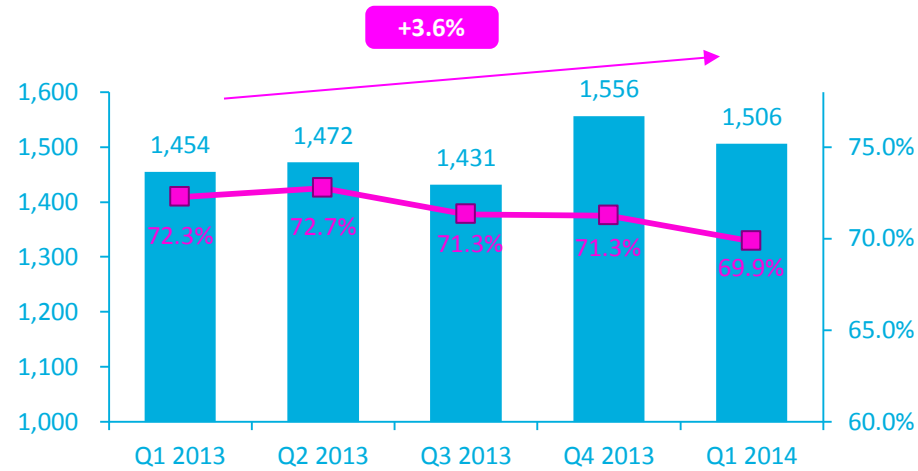
- Q1 2013 to Q1 2014 increased by 163m
- Gross margin up from Q1 2013 mainly due to the contribution from mobile data and fixed gross margin
- Lowered gross margin % from Q1 2013 to Q1 2014 due to reduced IDD rates as a result of price competition and VoIP



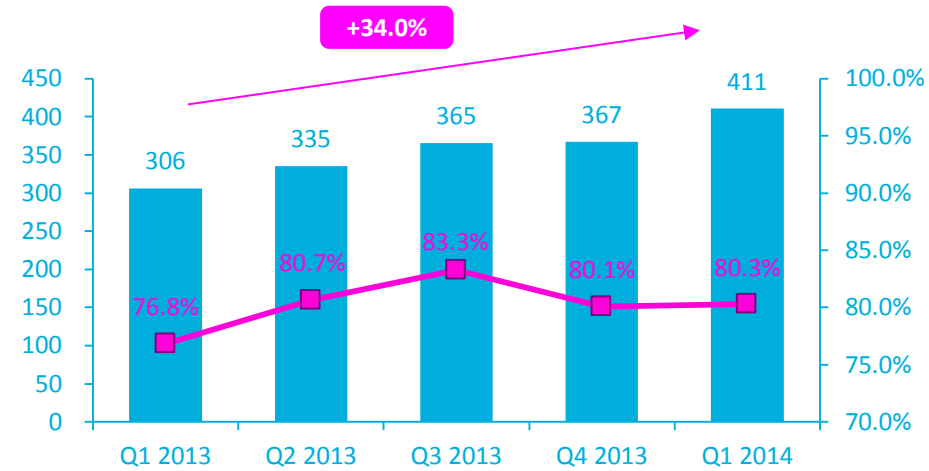
# Gross Margin – Breakdown by Segment

Strong growth in overall fixed business

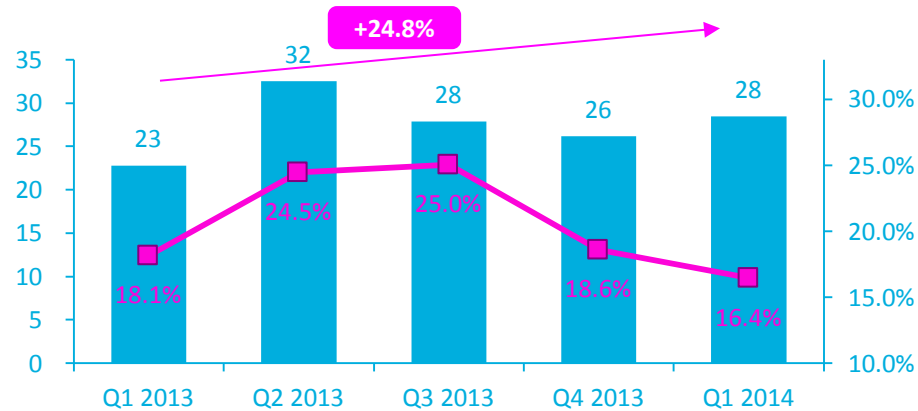
### Quarterly Mobile Gross Margin (AED M)



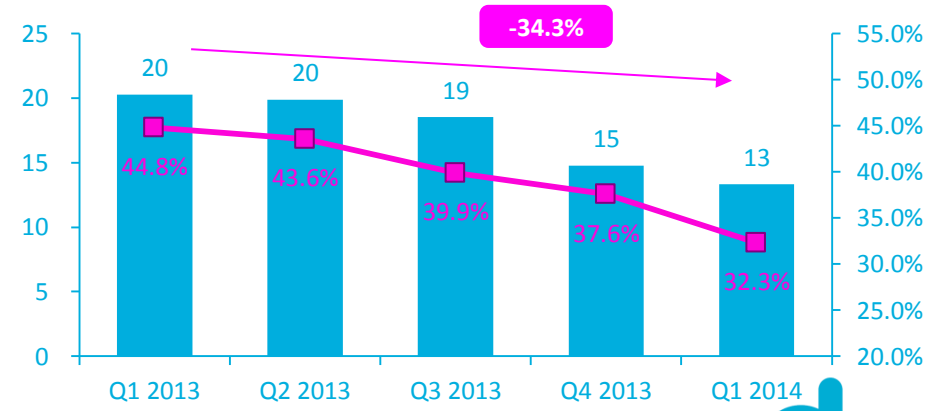
### Quarterly Fixed Gross Margin (AED M)



### Quarterly Wholesale Gross Margin (AED M)



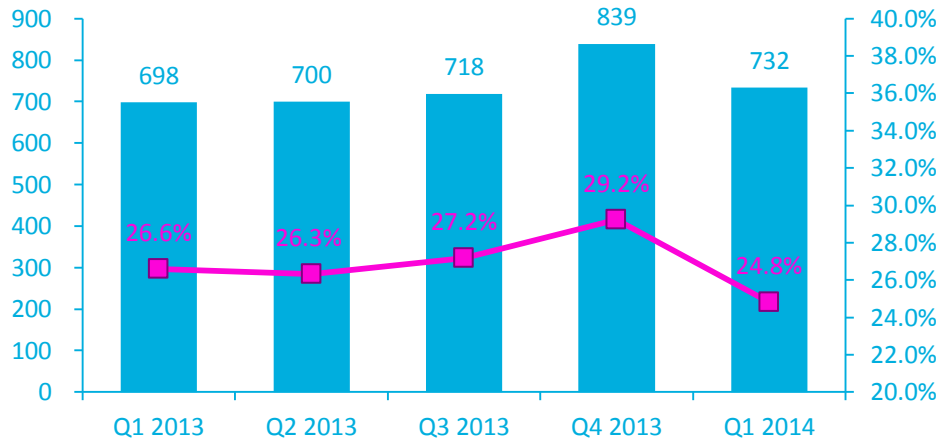
### Quarterly Broadcasting Gross Margin (AED M)



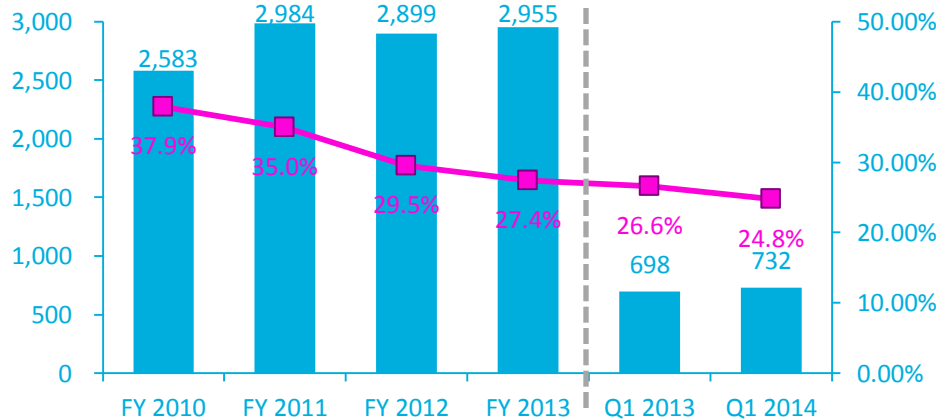
# Overheads

Continuing improvement in operational efficiencies

## Quarterly Overheads (AED M)



## Year to Date Overheads (AED M)



Overheads as a % of Revenue	Q1 2013	Q4 2013	Q1 2014
Manpower	12.1%	14.2%	12.0%
Teleco license & related fees	2.7%	2.4%	2.4%
Sales & marketing	2.4%	2.4%	1.9%
Bad debts	0.6%	1.2%	0.2%
Network operations & maintenance	6.9%	7.2%	6.7%
Rent & utilities	1.0%	1.0%	0.7%
Miscellaneous	0.8%	0.8%	0.7%
<b>Total Overheads as % of Revenue</b>	<b>26.6%</b>	<b>29.2%</b>	<b>24.8%</b>

## Strategy focus on improving operational efficiencies

- Overheads as a percentage of revenue was reduced by 1.8% from Q1 2013 and 4.5% compared to Q4 2013
- Bad debt reduced due to improved collection from key accounts
- Improved operating efficiencies in manpower, rent and utilities

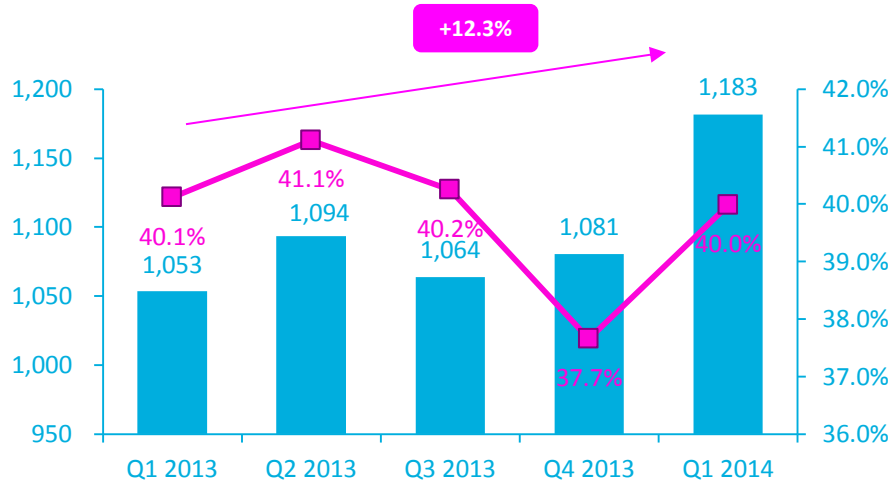




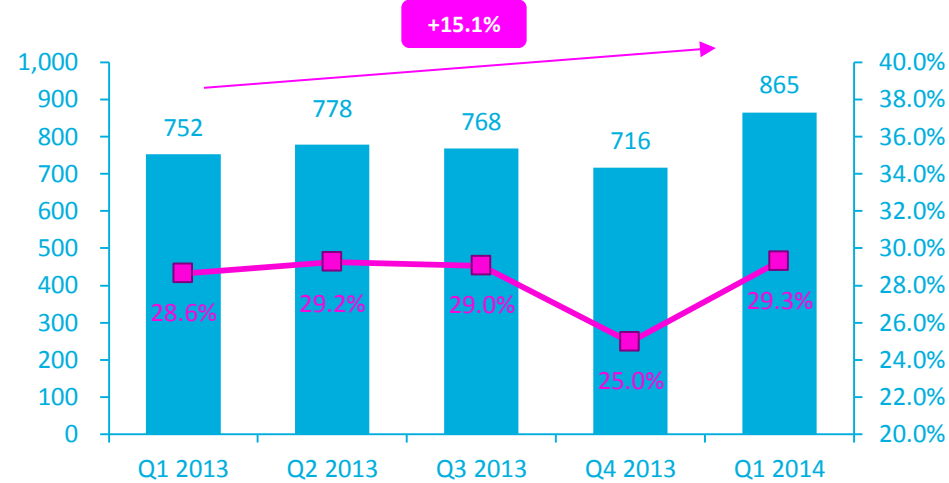
# Profitability

Solid performance with increased EBITDA and profitability

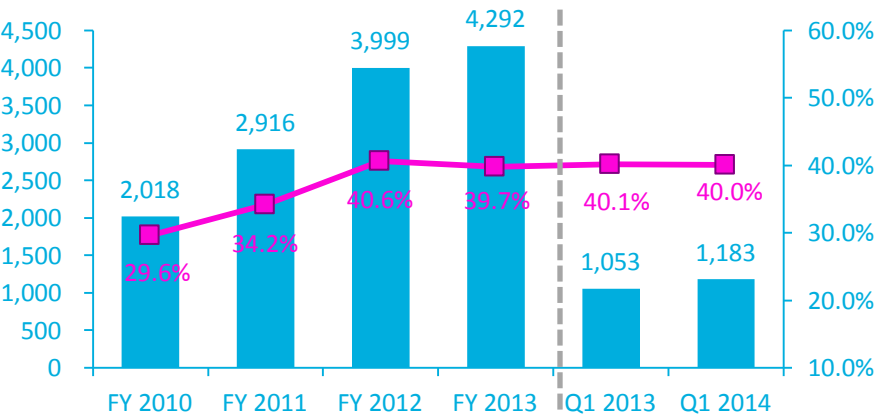
### Quarterly EBITDA (AED M)



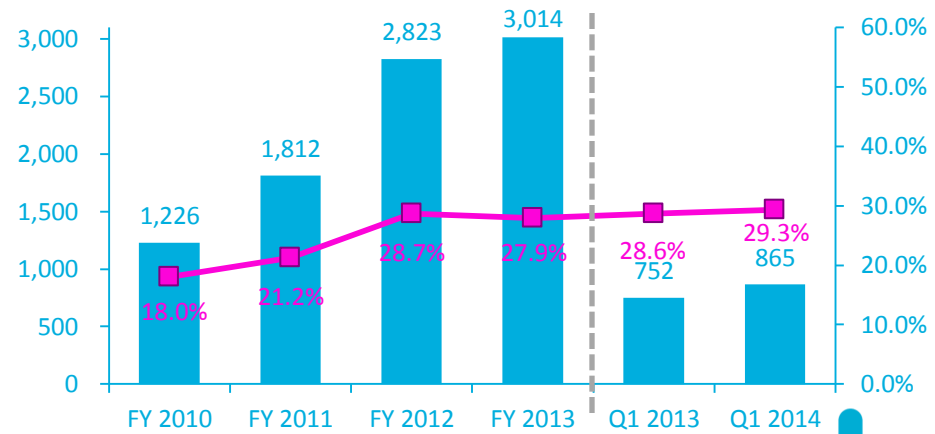
### Quarterly Net Profit before Royalty (AED M)



### Year to Date EBITDA (AED M)



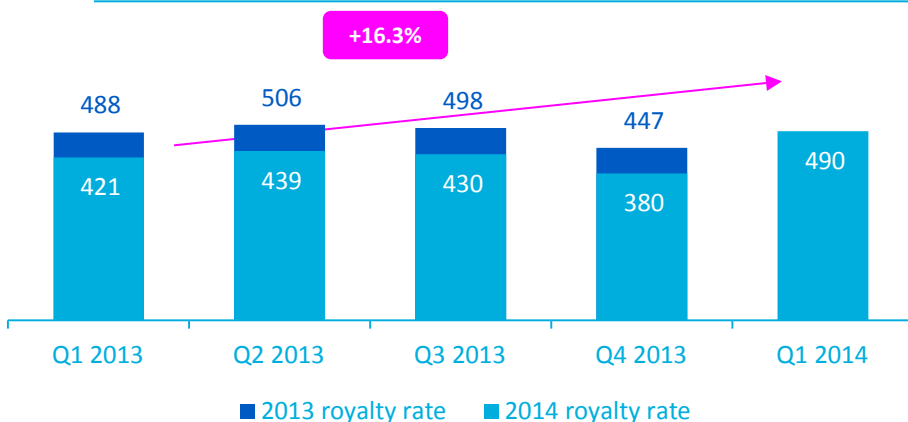
### Year to Date Net Profit before Royalty (AED M)



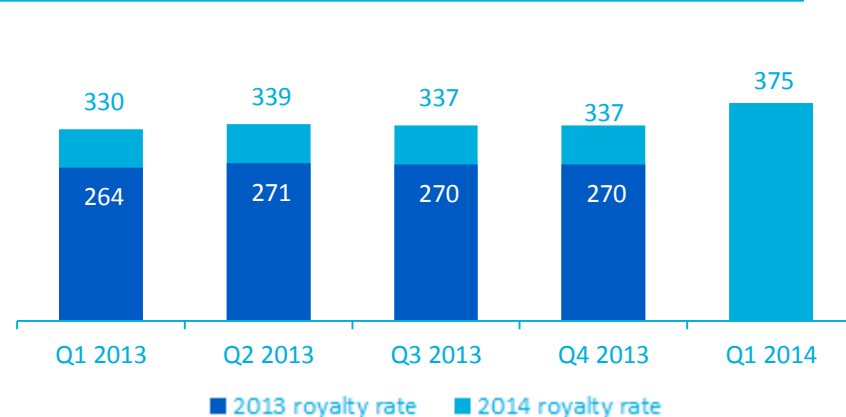
# 2014 Royalty Regime

Impact of royalty regime between 2013 and 2014 normalised for comparison purposes

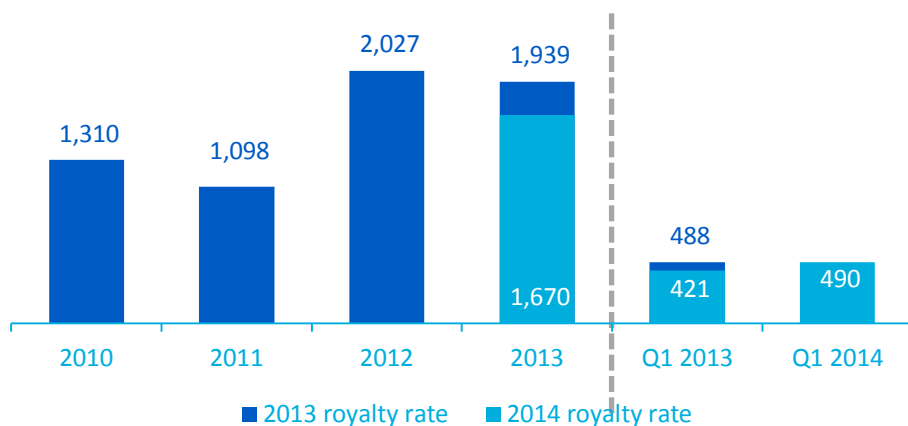
Quarterly Net Profit after Royalty (AED M)\*



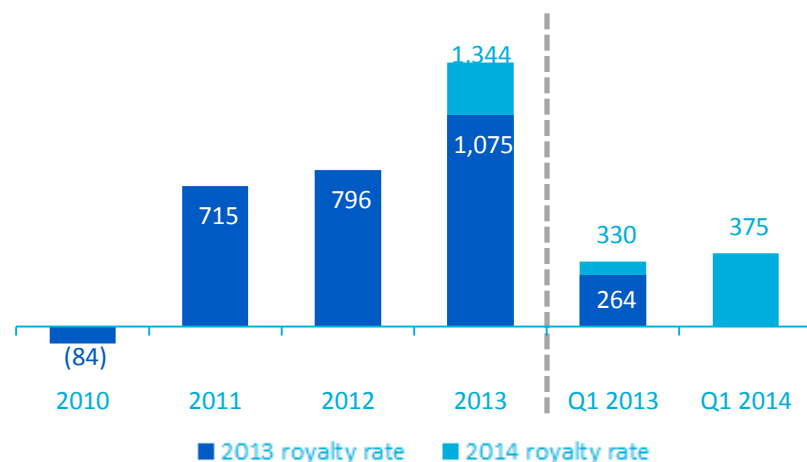
Quarterly Royalty Compared (AED M)\*



Year to Date Net Profit after Royalty (AED M)\*



Year to Date Royalty Compared (AED M)\*



\*Net profit normalised for royalty adjustments made in Q4 2013

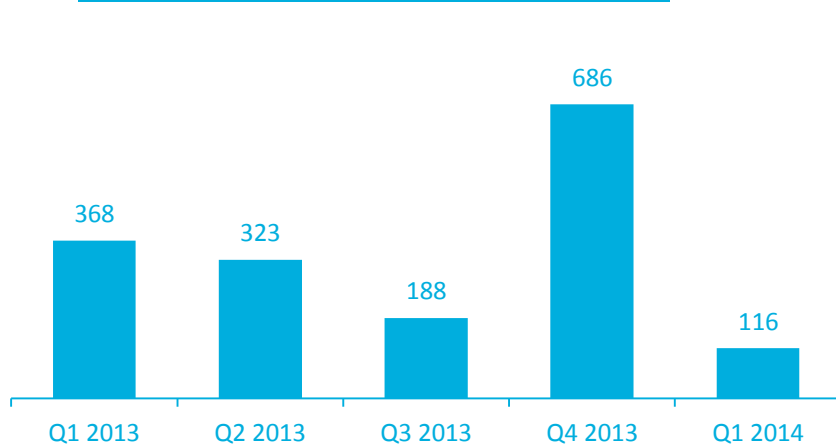
\*Agreed 2014 royalty rate includes 10% on regulated revenues plus 25% of net profit

\*2013 royalty rate includes 7.5% on regulated revenues plus 20% of net profit

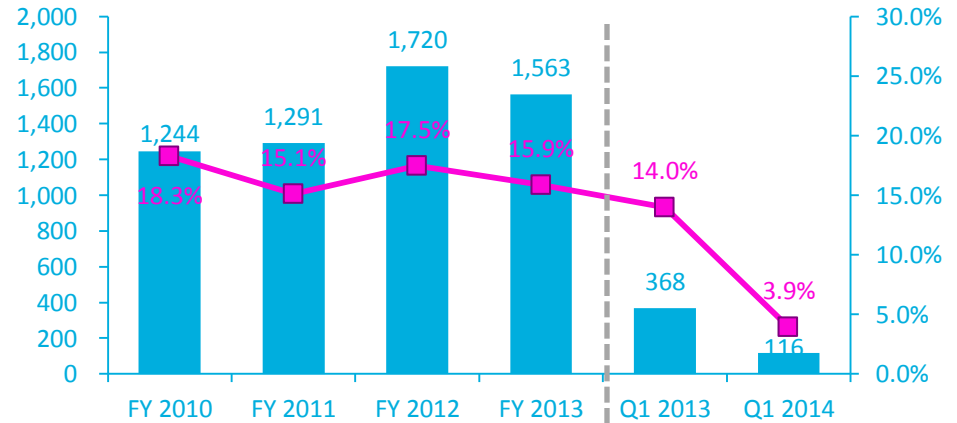


# Capital Investments

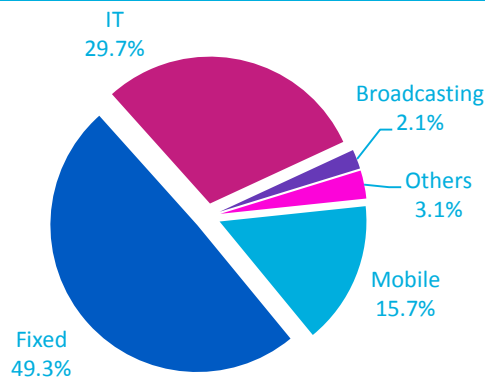
## Quarterly CapEx Additions (AED M)



## Year to Date CapEx Additions (AED M)



## Q1 2014 CapEx Spend by Segment



## CapEx

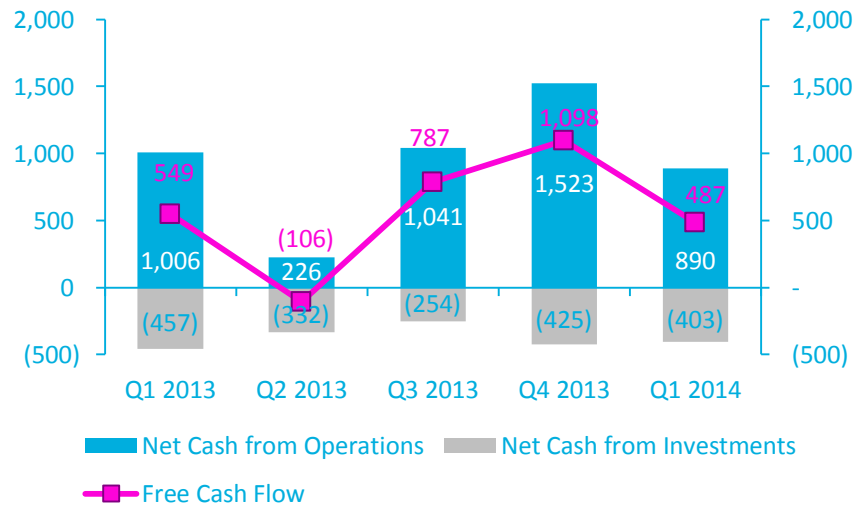
- CapEx spend for Q1 2014 at AED 116m following a spike in Q4 2013 due to ongoing infrastructure investments
- For the remainder of 2014, CapEx will further focus on the mobile rollout including improvements to the products and services to enhance customer experience
- Investment in new innovative services for our consumer and enterprise customers key priority going forward



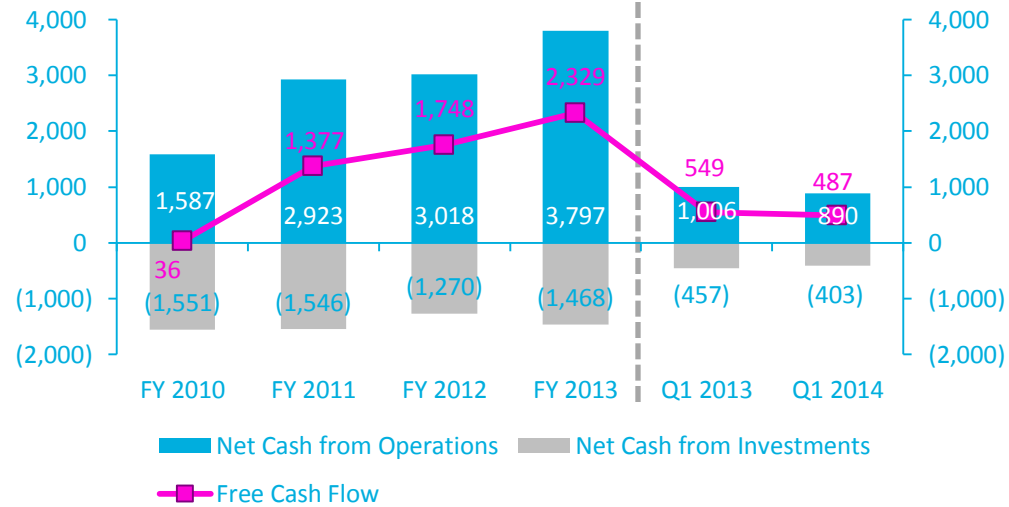
# Cash & Debt Overview

Q2 2014 is scheduled royalty and TRA payments

## Quarterly Free Cash Flow (AED M)



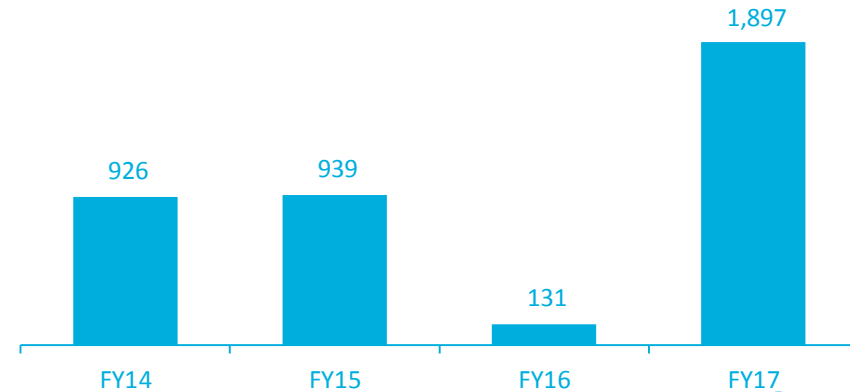
## Year to Date Free Cash Flow (AED M)



## Bank Facilities

Loan Sources (AED Millions)	Available	Drawn
ECA - NSN Nordea	110	110
ECA - NSN KFW	359	359
Vendor - CISCO Capital	43	43
Club Facility - Long Term Loan	808	808
DBS - Bilateral Loan	367	367
SCB-Bilateral Loan	1,102	367
Club Facility - Long Term Loan	1,839	1,839
<b>TOTAL DEBT FACILITIES</b>	<b>4,628</b>	<b>3,893</b>
<b>TOTAL CASH IN HAND</b>		<b>5,264</b>

## Debt Maturity Profile (AED M)



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# Strategy and Outlook

## Efficiency and value creation: Positioning the company for success in a continually evolving telecommunications market

- Focus on profitable growth and increased value share
- Increase focus on mobile data and bundled offerings supported by continued emphasis on data network investments
- Provide seamless, superior and segmented customer experience
- Sustained investment in our capabilities to maintain a strong performance and position the company for future growth
- Maximise return on investments and cash flow generation for our shareholders



# Q&A



وتحيا بها الحياة  
add life to life

