# Q3 2017 results and business update

Amsterdam – 9 November 2017

**Vincenzo Nesci**
Chief Executive Officer

**Gerbrand Nijman**
Chief Financial Officer

Global Telecom Holding

# Disclaimer

This presentation is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy shares in Global Telecom Holding S.A.E. (the "Company"). Further, it does not constitute a recommendation by the Company or any other party to sell or buy shares in the Company or any other securities.

This presentation includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "continue", "believes", "estimates", "anticipates", "expects", "intends", "plans", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's prospects, the turnaround of Algeria, including the ongoing structural measures aimed at improving performance, realization of the synergies of the Warid transaction, operational and network development and network investment, including expectations regarding the roll-out and benefits of 3G/4G/LTE networks, as applicable, timing for the expected completion of the sale of Jazz' tower business in Pakistan, capital expenditure, the effect of the acquisition of additional spectrum on customer experience and the Company's ability to realize its targets and strategic initiatives in its various countries of operation, capital expenditure, and growth strategies and expectations regarding growth (including in relation to voice and data usage and customer bases) are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which, may cause the actual results, financial condition, performance, liquidity, dividend policy or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause the Company's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the prices of, and demand for, the Company's products and services, the actions of competitors, the availability of credit, governmental regulation of the telecommunications industry in countries in which the Company operates, the effects of political uncertainty and economic conditions in the relevant areas in the world, the impact of foreign currency rates, taxation, and/or unforeseen litigation, investigations or other regulatory actions. Forward-looking statements should, therefore, be construed in light of such factors and undue reliance should not be placed on forward-looking statements.

These forward-looking statements speak only as to circumstances existing as of the date of this presentation. The Company expressly disclaims any obligation or undertaking (except as required by applicable law or regulatory obligation including under the rules of the Egyptian Exchange), to release publicly any updates or revisions to any forward-looking statement, whether as a result of new information, future events or otherwise.





Global Telecom Holding

# Q3 2017 financial highlights

# Q3 2017 financial highlights

**Service revenue**
(USD MILLION)

735

- 2.3% organic[1] YoY
- 3.3% reported YoY

**Mobile customers**
(MILLION)

99.7

+ 3.8 million YoY

**Underlying[2] EBITDA**
(USD MILLION)

382

+ 6.6% organic[1] YoY
+ 5.6% reported YoY

**Underlying[2] EBITDA margin**
(%)

49.4%

+ 3.5 p.p. YoY

- Service revenue declined organically 2.3% YoY:
  - Performance in Algeria and Bangladesh
  - Partially offset by growth in Pakistan
- Mobile data revenue organic growth of 39.7% YoY
- Underlying EBITDA increased organically by 6.6% YoY:
  - Pakistan achieving strong underlying EBITDA, 40% YoY organic growth mainly due to the release of historic SIM tax accruals
  - Lower underlying EBITDA in Algeria and Bangladesh
- Strong underlying EBITDA margin of 49.4% and EBITDA margin of 48.7%
- Continued customer growth of 4% YoY, fueled by customer additions in Pakistan and Bangladesh

*[1] Revenue and EBITDA organic figures are non-IFRS financial measures that exclude the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions*
*[2] Underlying EBITDA excludes transformation costs and material exceptional items*



Global Telecom Holding

# Q3 2017 income statement

| USD millions | 3Q17 | 3Q16 | Reported YoY |
|---|---|---|---|
| Service revenue | 735.3 | 760.2 | -3.3% |
| -Of which mobile data revenue | 112.0 | 81.0 | 38.3% |
| Other revenue | 37.8 | 27.6 | 36.7% |
| **Total operating Revenue** | **773.1** | **787.8** | **-1.9%** |
| Total expenses | (396.4) | (446.9) | -11.3% |
| **EBITDA** | **376.7** | **340.9** | **10.5%** |
| Depreciation and amortization | (133.7) | (146.8) | -8.9% |
| (Loss) / Gain on sold property, equipment, intangibles, goodwill and scrapping | (2.6) | 1.0 | n.m. |
| Impairment loss from assets | (0.5) | (0.6) | -22.0% |
| Technical services expense | (10.0) | (25.4) | -60.4% |
| Other operating (loss) / gain | 9.2 | 7.8 | 15.7% |
| **Operating profit** | **239.1** | **176.9** | **35.1%** |
| Finance costs | (79.0) | (83.6) | -5.5% |
| Finance income | 2.9 | 2.3 | 27.4% |
| Net foreign exchange (loss) / gain | (20.3) | 3.9 | n.m. |
| | | | |
| **Profit before income tax** | **142.7** | **99.5** | **43.3%** |
| Income tax expense | (105.7) | (54.9) | 92.6% |
| **Profit for the period** | **37.0** | **44.6** | **-17.3%** |
| | | | |
| **Attributable to:** | | | |
| The owners of the parent | 7.4 | 8.6 | -14.7% |
| Non-controlling interests | 29.6 | 36.0 | -17.9% |
| **Profit for the period** | **37.0** | **44.6** | **-17.3%** |
| EPS (USD) | 0.002 | 0.002 | - |

Other revenue increased 36.7% mainly due to release of historic SIM tax accruals

Total expenses decreased by 11% YoY due to decreased SG&A as a result of the performance transformation program that successfully decreased expenses mainly in Pakistan and Algeria in addition to release of historic SIM tax accruals

Technical services expenses decreased by 60% due to decrease of provided technical services

Finance cost decreased due to partial repayment of borrowings in Algeria

Foreign Exchange loss mainly due to BDT depreciating against USD by 3.6% YoY

Income tax expense increased 92.6% YoY due to applying a different minimum tax methodology in Pakistan in addition to the increase in profit before tax



Global Telecom Holding

# Debt by entity

**As at 30 September 2017**

| Net debt / underlying[1] LTM EBITDA | Gross debt / underlying[1] LTM EBITDA | Weighted average cost of debt |
|---|---|---|
| 1.7x | 2.2x | 7.9% |

| Total Gross Debt (USD million) | Type of debt | | |
|---|---|---|---|
| **Entity** | **Loans** | **Bonds** | **Total** |
| GTH Holding | 325 | - | 325 |
| GTH Finance BV | - | 1,200 | 1,200 |
| Pakistan | 767 | 49 | 816 |
| Algeria | 311 | - | 311 |
| Banglalink | - | 300 | 300 |
| **Total Gross Debt** | **1,403** | **1,549** | **2,952** |

*[1] Underlying EBITDA excludes transformation costs and material exceptional items*



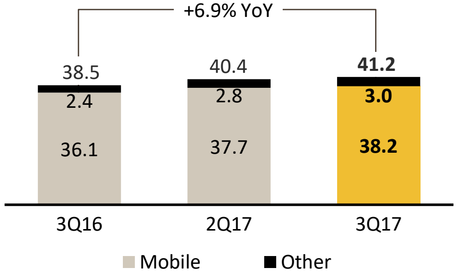
Global Telecom Holding

# Q3 2017 OpCo performance

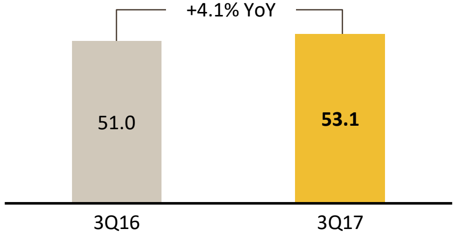
Global Telecom Holding

# Pakistan: strong growth and margin expansion

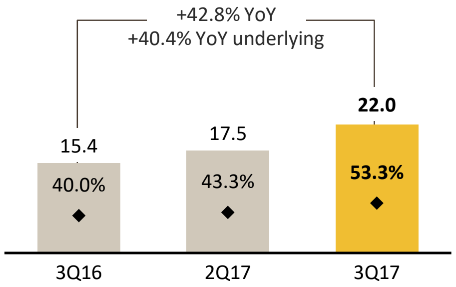
**Total Revenue**
(PKR BILLION)



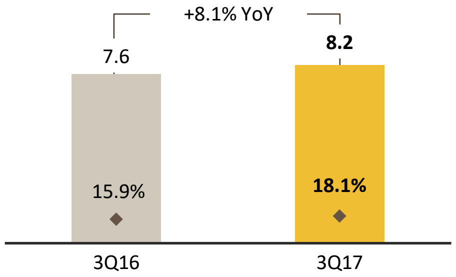

**Mobile Customers**
(MILLION)




**EBITDA and EBITDA Margin**
(PKR BILLION AND %)




**CAPEX excl. Licenses and LTM CAPEX/revenue**
(PKR BILLION AND %))




- Continued revenue growth, fueled by strong data revenue growth (+39% YoY)
- Network integration activities in progress and on track to be completed by year end 2017
- Underlying EBITDA increase due to revenue growth and synergies
- Underlying EBITDA margin expansion to 55.1%, +13.1 p.p. YoY and +10.4 p.p. QoQ
  - +7.8 p.p. of Q3 margin impact due to release of historic SIM tax accruals
  - Underlying margin excluding release of SIM tax accruals still at robust 47.3%





[1] Q3 2016 EBITDA negatively impacted by performance transformation costs of PKR 0.7 billion. Q3 2017 EBITDA negatively impacted by performance transformation costs of PKR 0.7 billion

# Sale of Pakistan tower business

- On 30 August 2017 Jazz (Pakistan) announced the sale of Deodar, its wholly-owned tower company with a portfolio of ~13,000 towers, for a total consideration of PKR 98,700 million (~USD 940 million equivalent[1])

### EV = USD 940 MILLION[1]

- Deodar to be transferred on a debt-and-cash free basis
- Cash proceeds at/after closing: ~USD 760 million[2]
- Deferred component (vendor loan note): ~USD 180 million[3]

### VALUATION

- High-single digit EV/EBITDA multiple
- Significant premium vs current VEON/GTH trading multiples

### KEY FINANCIAL IMPACTS

- ~USD 420m book gain for GTH at closing
- ~3.8 p.p. annualized dilution impact on GTH's underlying EBITDA margin[4]
- GTH's leverage ratio to decrease by ~0.4x

### USE OF PROCEEDS

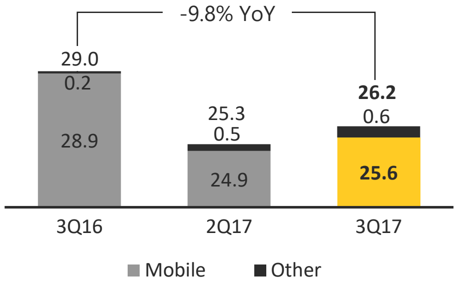
- Funding of recently awarded spectrum in Pakistan
- Repayment of a proportion of Jazz's debt
- Remaining amount will be distributed to GTH and Dhabi Group by year end 2018
- GTH will use these funds to repay outstanding debt

**Delivering on asset light strategy, on track to complete the transaction by year end 2017**

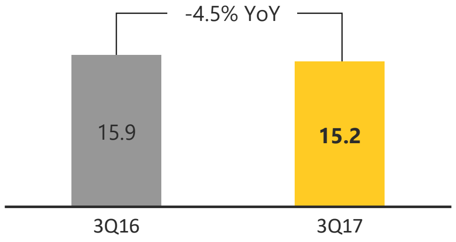
[1] Exchange rate of USD/PKR: 105
[2] PKR 69,930m (~USD 666 million) at 1st closing (expected by year end 2017), while the remainder will be paid within 12 months thereafter
[3] Unconditional vendor loan note payable to Jazz at or before three years from closing
[4] Based on Q3 2017 LTM figures for GTH

# Algeria: regulatory environment improved, aggressive competition

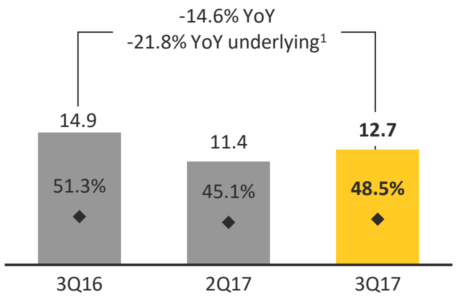
**Total Revenue**
(DZD BILLION)



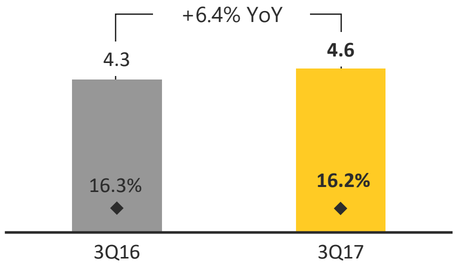

**Mobile Customers**
(MILLION)




**EBITDA and EBITDA Margin**
(DZD BILLION AND %)




**CAPEX excl. Licenses and LTM CAPEX/revenue**
(DZD BILLION AND %))

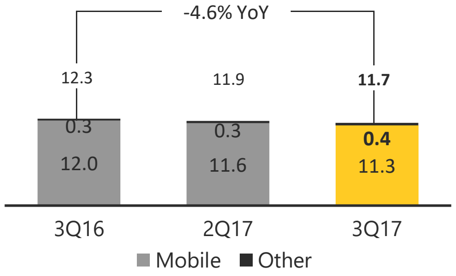



- Mobile termination rate symmetry introduced from 31 October 2017
- Top line remains under pressure due to acceleration of data pricing competition
  - Data revenue +55% YoY, fueled by 4G/LTE network population coverage leadership
- Challenging macro environment
  - Economic slowdown coupled with continued high inflation
  - Telecom share of wallet under pressure from new taxes and food basket inflation
- Underlying EBITDA margin of 48.7%
  - Excluding finance law impact, underlying EBITDA margin would have been 50.9%

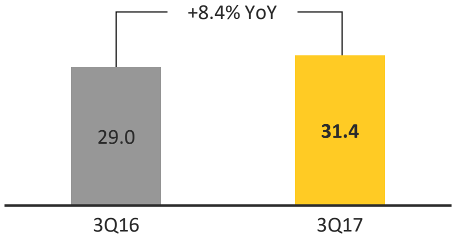
[1] Q3 2016 EBITDA negatively impacted performance transformation costs of DZD 1.4 billion. Q3 2017 EBITDA negatively impacted performance transformation costs of DZD 47 million
[2] Company estimate on current promotions

# Bangladesh: market pressure impacting revenue and EBITDA

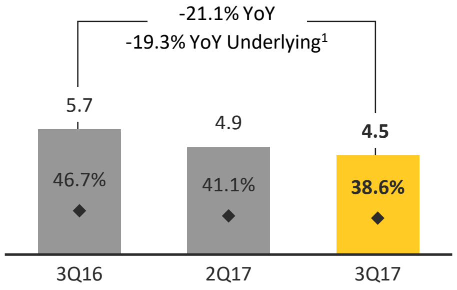
**Total Revenue**
(BDT BILLION)



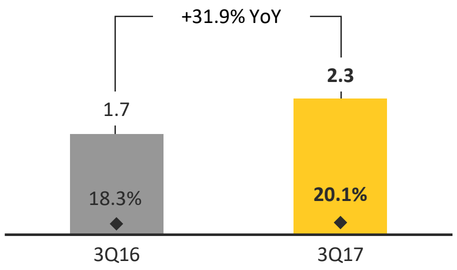

**Mobile Customers**
(MILLION)




**EBITDA and EBITDA Margin**
(BDT BILLION AND %)




**CAPEX excl. Licenses and LTM CAPEX/revenue**
(BDT BILLION AND %))




- Revenue YoY trend deteriorated vs Q2 2017
  - Continued competition on customer acquisition driving multi-SIM and diluted share of wallet
  - Data revenue +28% YoY, with acceleration of data customer growth at 17.1% YoY
- Underlying EBITDA decline due to revenue pressure, customer acquisition costs and technology expenses to improve network availability, following the extreme weather conditions
  - Underlying EBITDA margin at 39.5%
- 3G population coverage ~70%
- The Government approved the Regulatory and Licensing Guidelines for 4G/LTE Cellular Mobile Services and Spectrum Auction Guidelines
  - Auction likely to occur in 2018

[1] Q3 2016 EBITDA negatively impacted by performance transformation and SIM re-verification costs of BDT 0.1 billion. Q3 2017 negatively impacted by performance transformation costs of BDT 0.1 billion

# Q&A

**Vincenzo Nesci**
Chief Executive Officer

**Gerbrand Nijman**
Chief Financial Officer





Global Telecom Holding

# Further information

**Investor Relations**

**Noha Agaiby**


## Cairo Registered Office

2005C Nile City Towers - North Tower

Cornish El Nile Ramlet Beaulac

Cairo 11221, Egypt

Tel: +202 2461 5120

## Amsterdam Head Office

Gustav Mahlerlaan 314

1082 ME Amsterdam

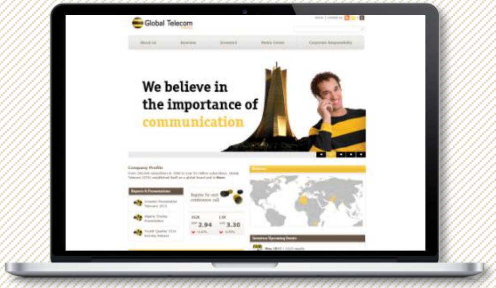
The Netherlands

Tel: +31202351900

E: ir@gtelecom.com


Visit our website

**www.gtelecom.com**






Global Telecom Holding

# Appendix

# FX

## FOREIGN EXCHANGE RATES TO USD AS APPLIED TO THE FINANCIAL STATEMENTS

| | Average rates | | | Closing rates | | |
|---|---|---|---|---|---|---|
| | 3Q17 | 3Q16 | YoY | 3Q17 | 3Q16 | YoY |
| Egyptian pound | 17,78 | 8,87 | 100,3% | 17,64 | 8,88 | 98,6% |
| Pakistan Rupee | 109,90 | 109,77 | 0,1% | 113,04 | 109,62 | 3,1% |
| Algerian Dinar | 105,37 | 104,67 | 0,7% | 105,39 | 104,46 | 0,9% |
| Bangladeshi Taka | 81,11 | 78,32 | 3,6% | 82,31 | 78,38 | 5,0% |





Global Telecom Holding

# Pakistan towers sale - structure and key terms

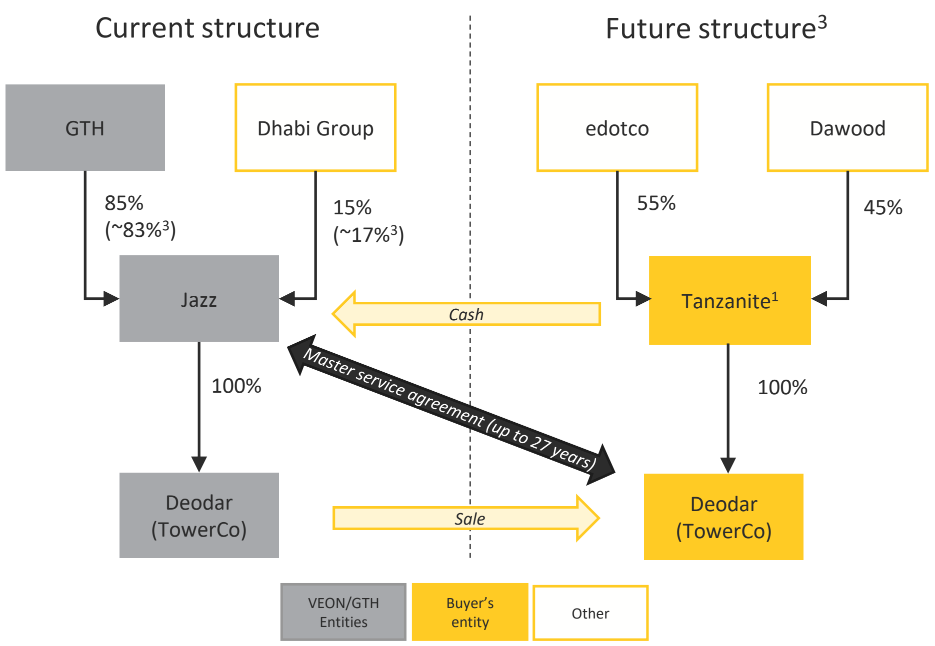
## Transaction details:

- Agreement signed on 30 August 2017 with Tanzanite[1] for the disposal of substantially all of the tower business of Jazz (through the sale of Deodar, the tower company 100% owned by Jazz)
- Total consideration of USD 940 million[2]
- ~13,000 sites[3] will be transferred with the sale of Deodar

## Key master service agreement[5] terms:

- 27 years (12 years, renewable at Jazz's discretion for 3 consecutive periods of 5 years each)
- KPIs structured in order to guarantee site availability, quality of service and incentivize energy efficiency
- Potential decommissioning capex (~ 3,000 sites) to be borne by the buyer

SIMPLIFIED TRANSACTION STRUCTURE




**Start of a long-term partnership with a highly experienced counterparty**

1 Tower operating company owned by edotco Group Sdn. bhd. (edotco) and Dawood Hercules Corporation (Dawood)
2 Exchange rate of USD/PKR: 105
3 Structure after completion of the transaction. Change in GTH and Dhabi Group stakes in Jazz triggered by the earn-out agreement of Jazz/Warid transaction
4 All telecom tower assets and related passive infrastructure currently held by Deodar, the tower company presently wholly owned by Jazz
5 Master Service Agreement between Jazz and Tanzanite for the management of former Jazz's towers



Global Telecom Holding