



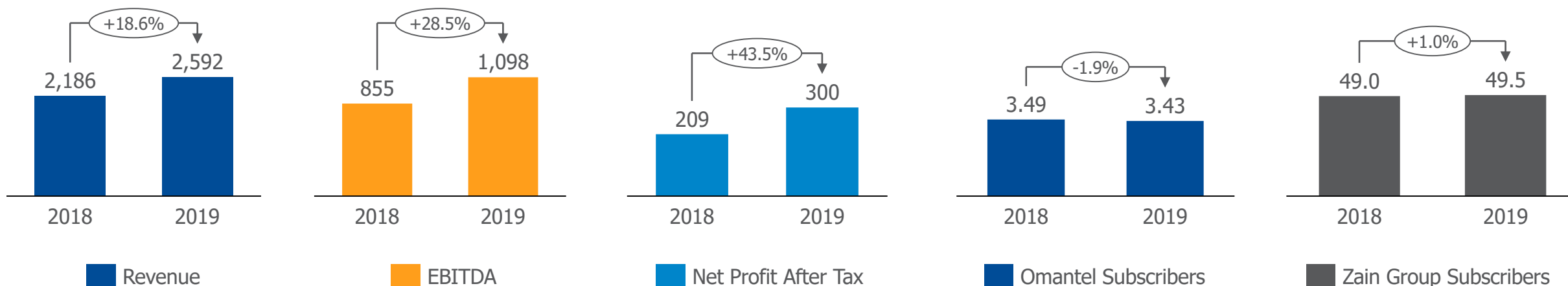
# Omantel Group Performance – Year End 2019

## Presentation to Investor Community

Conference Call

2<sup>nd</sup> March 2020 at 2 P.M. (Oman Time)

Group Revenue for the period is RO 2,592 Mn with EBITDA of RO 1,098 Mn and Net Profit of RO 299.7 Mn  
*(net off non-controlling interest is RO 77.7 Mn)*



## Key Business Updates

- Group Revenue for the 2019 has grown to RO 2,592 Mn compared to RO 2,186 million for the corresponding period 2018, a growth of 18.6%. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 2,045 Mn.
- Group Net Profit after tax is RO 300 Mn. After adjusting for the non-controlling interest, the net profit is RO 78 Mn.

- Full year ended 2019 includes the effect of consolidation of results of Zain KSA whereas in 2018 the Zain KSA was consolidated only with effect from Q3-2018.
- Interest costs incurred by Omantel Group relating to Zain acquisition is RO 45.7 Million in 2019 (2018: RO 56.4 Million) and is accounted at Omantel Group level and is not part of Domestic performance.

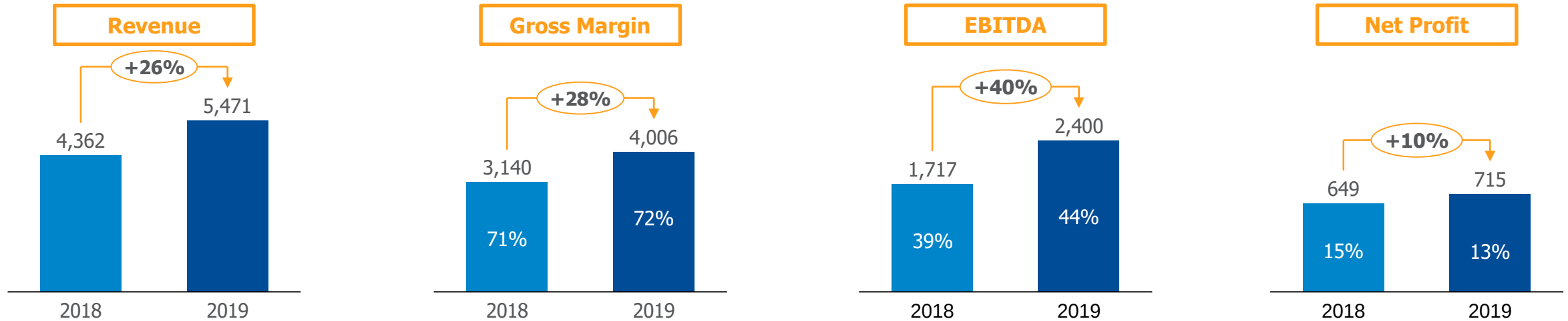
- Impact of IFRS 16:** Adoption of the new standard resulted in an increase in EBITDA by RO 101.6 Mn & and an increase in Net Profit by RO 12.1 Mn.
- Zain Group customer base recorded a growth of 1.0%, while Omantel customer base (ex Mobile Resellers) decreased by 1.9%, mainly due to decline in mobile subscriber base.
- Omantel Fixed subscribers increased by 1.4%, while Mobile subscribers declined by 2.5% *(excluding Mobile Resellers)*.

# Group Consolidated Income Statement – For the Year 2019 (Summary)

| Group Consolidated Performance                                  |                     |                     |               |                |
|-----------------------------------------------------------------|---------------------|---------------------|---------------|----------------|
| In RO Mn                                                        | Year to Date (2019) | Year to Date (2018) |               |                |
|                                                                 | Actual'19           | Actual'18           | Variance      | % of Chg       |
| <b>Revenue</b>                                                  | 1,893.4             | 2,186.0             | 406.2         | 18.6%          |
| Cost of Sales (CoS)                                             | (519.7)             | (637.4)             | (106.9)       | (16.8%)        |
| <b>Gross Margin</b>                                             | <b>1,373.6</b>      | <b>1,548.6</b>      | <b>299.3</b>  | <b>19.3%</b>   |
| <b>Gross Margin %</b>                                           | <b>72.6%</b>        | <b>70.8%</b>        |               |                |
| <b>Operating Expenses</b>                                       |                     |                     |               |                |
| Operating and administrative expense                            | (687.2)             | (665.0)             | (22.2)        | (3.3%)         |
| Provision for impairment of receivables                         | (62.9)              | (29.0)              | (33.8)        | (116.5%)       |
| <b>Sub Total</b>                                                | <b>(750.1)</b>      | <b>(694.0)</b>      | <b>(56.1)</b> | <b>(8.1%)</b>  |
| <b>EBITDA</b>                                                   | <b>1,097.8</b>      | <b>854.6</b>        | <b>243.2</b>  | <b>28.5%</b>   |
| <b>EBITDA %</b>                                                 | <b>42.4%</b>        | <b>39.1%</b>        |               | -              |
| Depreciation & Amortisation                                     | (578.0)             | (393.4)             | (184.6)       | (46.9%)        |
| Amortization (Purchase Price Allocation)                        | (39.0)              | (49.3)              | 10.3          | 20.9%          |
| <b>Operating Profit</b>                                         | <b>480.8</b>        | <b>411.9</b>        | <b>68.9</b>   | <b>16.7%</b>   |
| <b>Interest Income/Exps &amp; Others</b>                        | <b>(144.0)</b>      | <b>(162.7)</b>      | <b>18.7</b>   | <b>11.5%</b>   |
| <b>Taxation</b>                                                 | <b>(37.1)</b>       | <b>(40.3)</b>       | <b>3.2</b>    | <b>8.0%</b>    |
| <b>Profit After Taxation</b>                                    | <b>299.7</b>        | <b>208.8</b>        | <b>90.8</b>   | <b>43.5%</b>   |
| <b>Non-controlling interests</b>                                | <b>(222.0)</b>      | <b>(144.0)</b>      | <b>(77.9)</b> | <b>(54.1%)</b> |
| <b>Net Profit (attributable to shareholders of the company)</b> | <b>77.7</b>         | <b>64.8</b>         | <b>12.91</b>  | <b>19.9%</b>   |
| <b>Net Profit %</b>                                             | <b>11.6%</b>        | <b>9.6%</b>         |               |                |

Note: Interest costs incurred by Omantel Group relating to Zain acquisition is RO 45.7 Million in 2019 (2018: RO 56.4 Million) and is accounted at Omantel Group level and is not part of Domestic performance.

## Zain Group Performance – Year End 2019 (In US Dollars)



### Key Business Updates

- **Revenue:** 26% increase over l/year.
- Growth of USD 1.1 Bn in comparison to l/year is mainly contributed from KSA consolidation (starting from Q3-2018) and Kuwait.
- **Excluding** forex translation impact of USD 140 Mn, revenue growth would have been 29% Vs. l/year

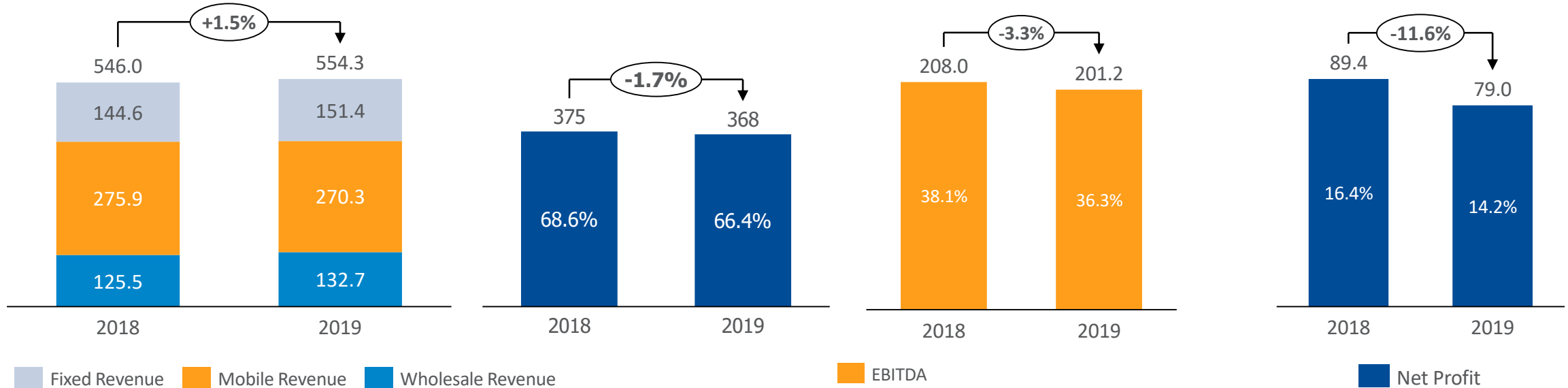
- **Gross Margin:** higher by 5.9% compared to budget and up 28% YoY. Margin were 72.4% Vs. budget of 68.6% and 71.5% of l/year.
- **General Exp.:** 12% increase compared to l/year (on KSA consolidation).
- **EBITDA:** stands at USD 2.4 Bn (44%) for 2019 Vs. USD 1.7 Bn (39%) last year, up 40% YoY & higher than budget by 21%.

- **Impact of IFRS 16:** Adoption of the new standard resulted in an increase in EBITDA by USD 241 Mn. This, along with full year consolidation of KSA led material growth in EBITDA compared to l/year.
- **Net Profit:** 10% increase over l/year. Margin is 13% (2019) Vs 15% (2018).

# Omantel (Domestic performance)

Omantel + International SPVs + Domestic subsidiaries & associates

Omantel (Domestic performance) revenue compared to last year is higher by 1.5% mainly due to growth in mobile device & External Admin revenues. Gross Margin, EBITDA and Net Profit are impacted adversely due to change in revenue mix



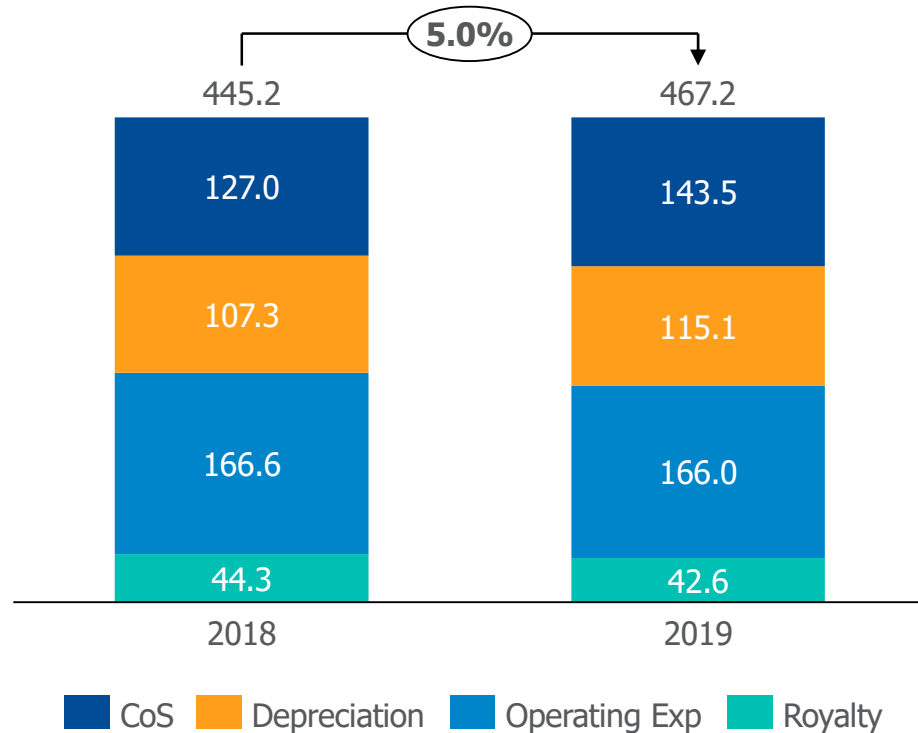
- Revenue recorded a growth of 1.5% compared to last year mainly due to increase in External Admin and Device sale.
- EBITDA & Net Profit is 36.3% and 14.25% respectively.
- **Impact of IFRS 16:** Adoption of the new standard resulted in an increase in EBITDA by RO 9.7 million respectively. Excluding IFRS impact, the EBITDA is RO 191.2 Mn
- 4.9% growth from Fixed Line Retail revenues compared to last year. This is mainly contributed by Fixed Broadband Segment, where the revenues and subscribers recorded a growth of 8.5% and 3.8% respectively.
- Mobile Retail revenues decreased by 1.7% compared to last year mainly due to decline in prepaid revenues.
- Voice revenues (both national and international calls) continues its declining trend mainly due to increase in OTT services
- Wholesale revenue increased by 5.7% mainly due to higher External Admin (voice Hubbing) compared to 2018.
- Smartphone penetration reached 82% in Omantel Mobile Network

# Segmental information for year end 2019

| Omantel Group - Segment Report                               |                |                |              |              |                |              |                |             |                |
|--------------------------------------------------------------|----------------|----------------|--------------|--------------|----------------|--------------|----------------|-------------|----------------|
| In RO Mn                                                     | Year to Date   |                |              |              |                |              |                |             |                |
|                                                              | Oman           | Kuwait         | Jordan       | Sudan        | Iraq           | Bahrain      | KSA            | Others      | Total          |
| Revenue                                                      | 554.3          | 410.6          | 185.5        | 113.7        | 402.8          | 62.4         | 837.1          | 25.8        | 2,592.2        |
| Net Profit Before Interest & Tax                             | 94.1           | 71.7           | 38.4         | 24.1         | 56.0           | 3.0          | 147.7          | 18.6        | 453.7          |
| - Interest Income                                            | 1.9            | 0.3            | 0.4          | 1.3          | 1.6            | 0.3          | 2.6            | 0.5         | 9.0            |
| - Finance Costs                                              | (3.0)          | (0.5)          | (8.9)        | (0.3)        | (22.6)         | (1.2)        | (104.3)        | (0.1)       | (140.9)        |
| - Income Tax Expenses                                        | (13.9)         | 0.0            | (9.2)        | (7.1)        | (12.7)         | 0.0          | 0.0            | (2.4)       | (45.3)         |
| <b>Sub Total</b>                                             | <b>79.1</b>    | <b>71.6</b>    | <b>20.8</b>  | <b>18.0</b>  | <b>22.3</b>    | <b>2.1</b>   | <b>46.1</b>    | <b>16.6</b> | <b>276.5</b>   |
| <i>Unallocated Items</i>                                     |                |                |              |              |                |              |                |             |                |
| - Investment Income                                          |                |                |              |              |                |              |                |             | 0.6            |
| - Share of Results of Associates & JVs                       |                |                |              |              |                |              |                |             | 2.7            |
| - Others                                                     |                |                |              |              |                |              |                |             | 21.3           |
| <b>Profit for the Period</b>                                 |                |                |              |              |                |              |                |             | <b>301.1</b>   |
| <b>Segment assets including goodwill</b>                     | 1,015.4        | 1,009.3        | 551.4        | 148.2        | 976.3          | 130.7        | 3,122.9        | 75.5        | 7,029.8        |
| ROU Assets                                                   | 21.2           | 8.0            | 20.6         | 2.0          | 38.0           | 10.1         | 145.0          | 0.2         | 245.2          |
| <b>Sub Total</b>                                             | <b>1,036.6</b> | <b>1,017.4</b> | <b>572.0</b> | <b>150.2</b> | <b>1,014.4</b> | <b>140.8</b> | <b>3,267.9</b> | <b>75.6</b> | <b>7,274.9</b> |
| - Unallocated items:                                         |                |                |              |              |                |              |                |             |                |
| - Investment securities at fair value through profit or loss |                |                |              |              |                |              |                |             | 45.4           |
| - Investment securities at amortised cost                    |                |                |              |              |                |              |                |             | 2.0            |
| - Investment securities at FVOCI                             |                |                |              |              |                |              |                |             | 7.9            |
| - Investment in associates and joint ventures                |                |                |              |              |                |              |                |             | 106.9          |
| - Others (Refer note in Financials )                         |                |                |              |              |                |              |                |             | 197.0          |
| <b>Consolidated Assets</b>                                   |                |                |              |              |                |              |                |             | <b>7,634.1</b> |
| <b>Segment liabilities</b>                                   | 335.0          | 180.9          | 164.9        | 59.3         | 271.0          | 33.1         | 1,546.8        | 81.8        | 2,672.8        |
| - Lease liabilities (Current and non-current)                | 21.2           | 7.3            | 20.8         | 2.0          | 42.9           | 10.5         | 147.8          | 0.2         | 252.6          |
| - Accrued interest                                           | (1.8)          |                |              |              |                |              |                |             | (1.8)          |
| - Due to banks                                               | 25.6           | 0.0            | 8.2          | 2.2          | 208.3          | 0.0          | 671.5          | 0.0         | 915.8          |
| <b>Sub Total</b>                                             | <b>380.0</b>   | <b>188.2</b>   | <b>193.9</b> | <b>63.5</b>  | <b>522.2</b>   | <b>43.6</b>  | <b>2,366.0</b> | <b>82.0</b> | <b>3,839.4</b> |
| <i>Unallocated items:</i>                                    |                |                |              |              |                |              |                |             |                |
| - Due to banks                                               |                |                |              |              |                |              |                |             | 1,665.6        |
| - Others                                                     |                |                |              |              |                |              |                |             | (492.6)        |
| <b>Consolidated liabilities</b>                              |                |                |              |              |                |              |                |             | <b>5,012.4</b> |
| <b>Net Consolidated assets</b>                               |                |                |              |              |                |              |                |             | <b>2,575.7</b> |
| Capital expenditure incurred during the period               | 100.8          | 81.3           | 18.1         | 22.5         | 49.7           | 20.0         | 183.1          | 7.4         | 482.8          |
| Unallocated                                                  |                |                |              |              |                |              |                |             | 6.4            |
| <b>Total Capital expenditure</b>                             |                |                |              |              |                |              |                |             | <b>489.3</b>   |
| Depreciation and amortization                                | 105.1          | 74.4           | 38.4         | 10.4         | 98.2           | 13.8         | 192.5          | 4.6         | 537.5          |
| Amortisation of ROU assets                                   | 9.9            | 4.3            | 4.0          | 0.2          | 8.6            | 3.9          | 40.6           | 1.1         | 72.5           |
| Unallocated                                                  |                |                |              |              |                |              |                |             | 7.0            |
| <b>Total depreciation and amortization</b>                   |                |                |              |              |                |              |                |             | <b>617.0</b>   |

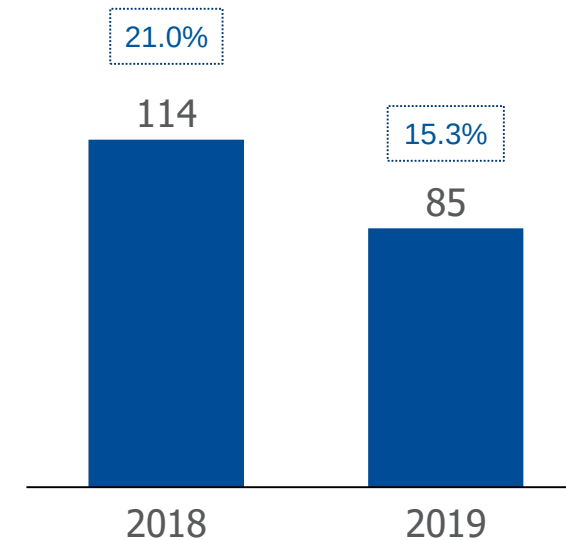
# Opex to revenue ratios are higher than last year mainly due to increase in CoS. Network Capex to Revenue ratio declined from 21% to 15% in Yr 2019

## Total OPEX RO Mn (incl Depreciation)



- Opex to Revenue ratio for 2019 is 84.3% and for Yr 2018 is 81.5%.
- Royalty for Fixed Business is 7% and for Mobile is 12%.
- The increase is mainly due to increase in Depreciation and CoS (increase in hubbing and mobile device costs).

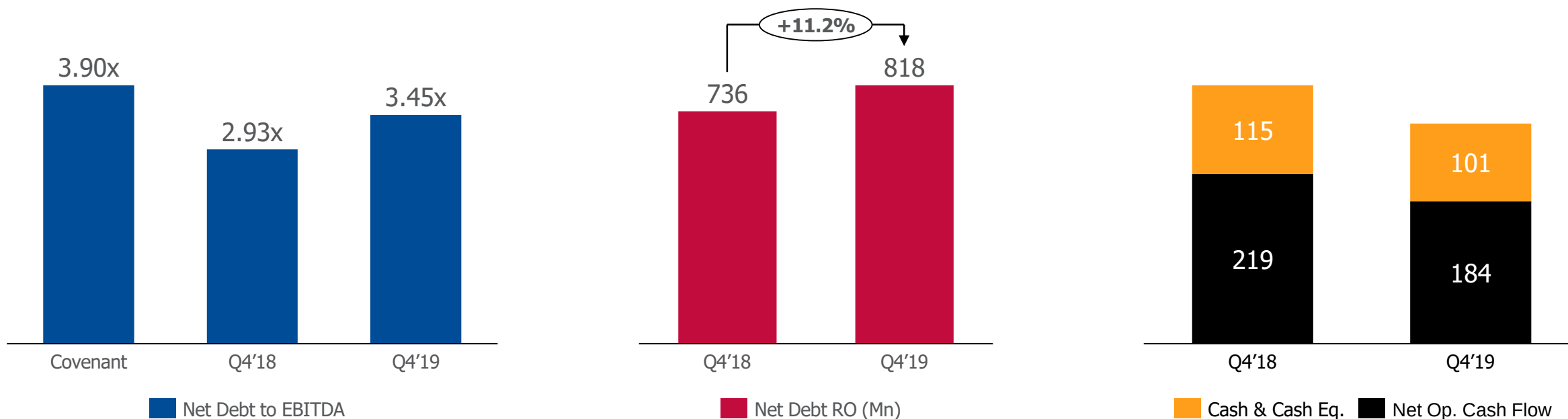
## CAPEX additions RO Mn



- Capex to Revenue ratio is at 15.3% (cumulative). Excludes Mobile License Renewal cost, 5G license & Omantel HQ.
- With Mobile/ 5G License and Omantel HQ, total Capex is RO 214.4 Mn which reflects 39% Capex to Revenue Ratio



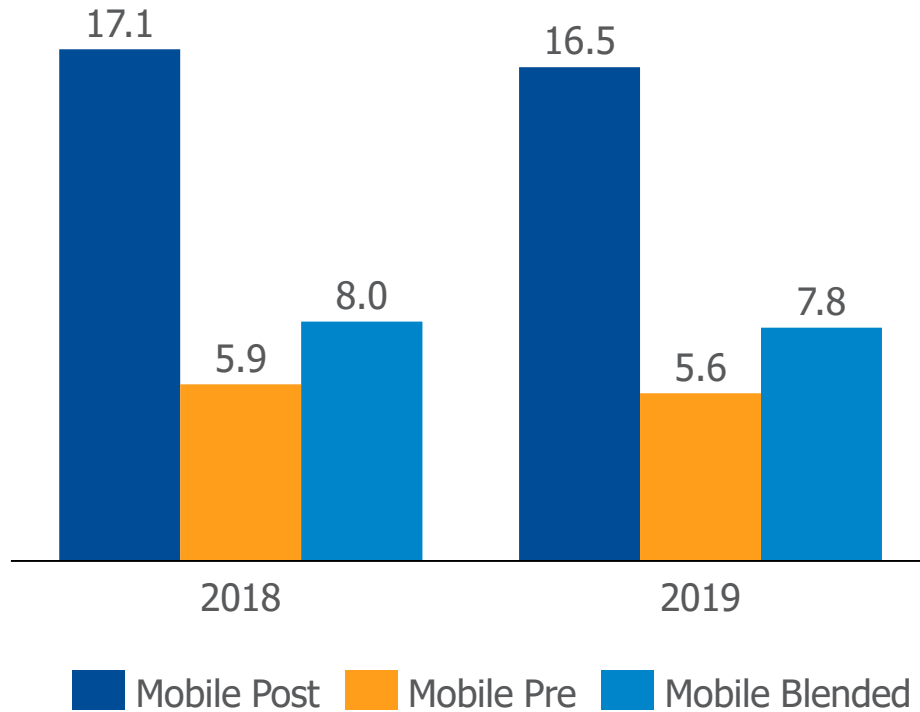
# Leverage and Cash Flow position



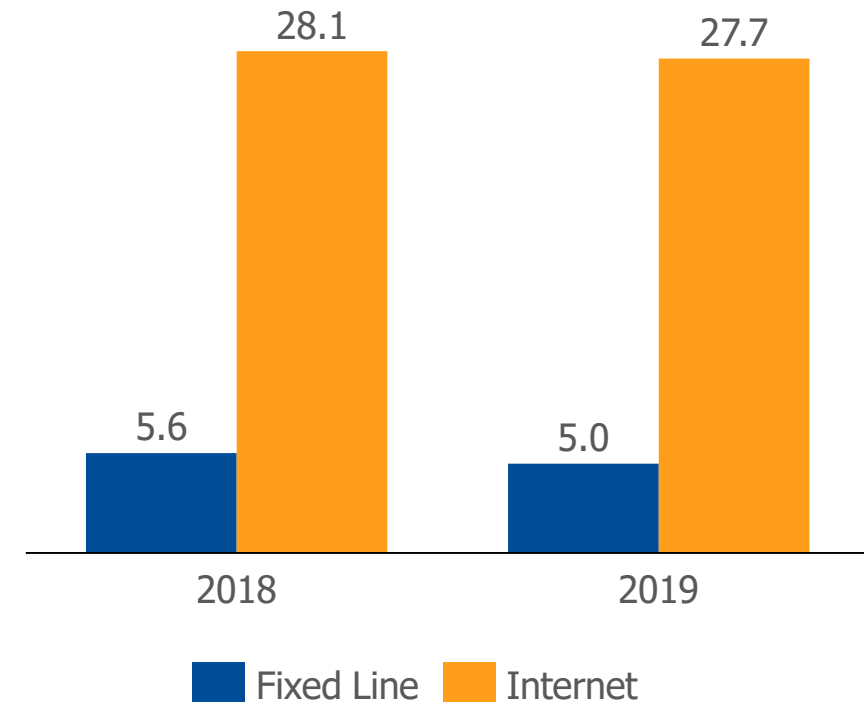
- The Net Debt to EBITDA is measured at the end of every half and full year. Net Debt to EBITDA (Leverage ratio) required as per the Covenant is 3.9. Based on adj EBITDA (EBITDA plus Dividend from Zain), the leverage as of Q4'2019 is 3.45x and Interest cover is 4.87 against the target of 4.
- The Net Debt as of Q4'2019 is higher is mainly due to lower cash balance compared to Q4'18, impact as a result of large payments made during the period (mobile license fee, royalty, tax and dividend) and on account of higher debts arising from implementation of IFRS 16 (Additional debt of RO 20.8 Mn on account of IFRS 16 and RO 44.7 Mn for mobile plus 5G license fee)
- Omantel carries a Corporate Family Rating (CFR) assigned by Moodys and a rating of '**BB+**' assigned by Fitch

## ARPU / month for major products shows marginal variation compared to previous year

Mobile Services RO / Month

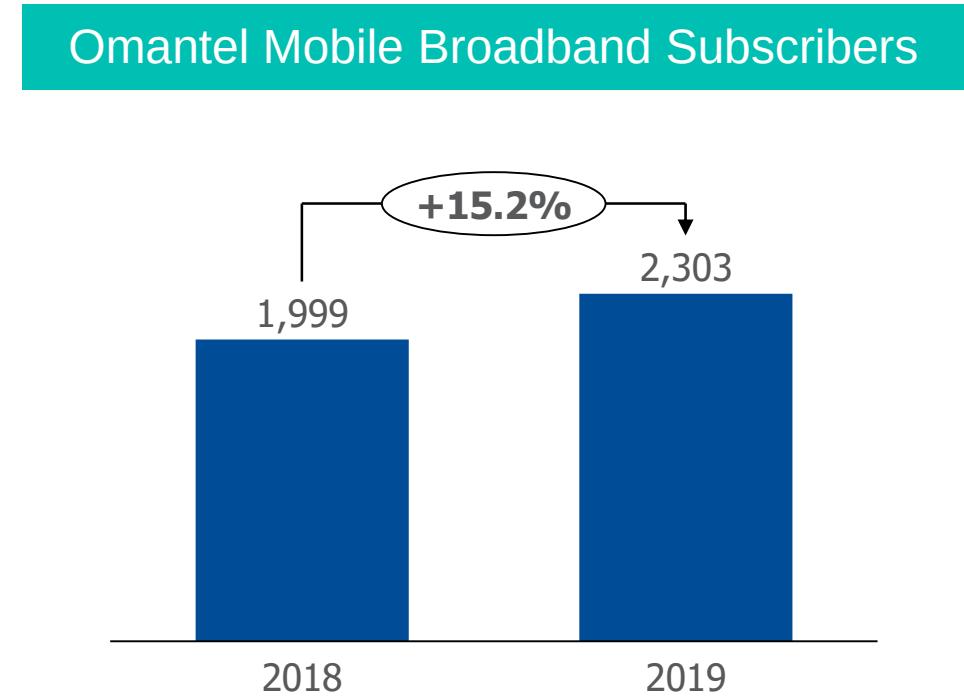
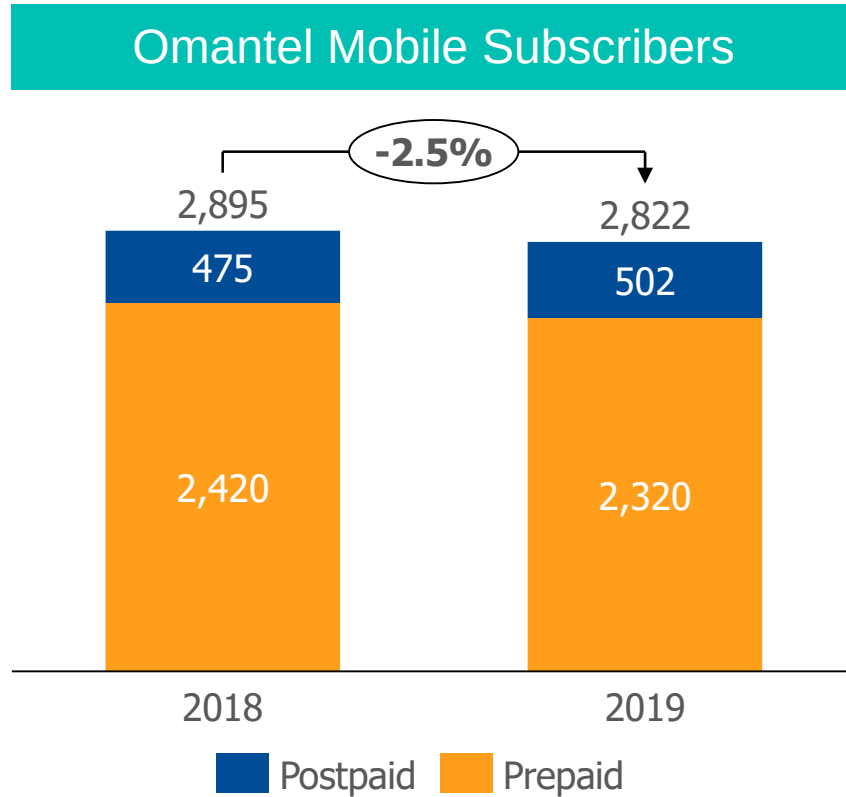


Fixed Line Services RO / Month



- Fixed line include post & pre-paid voice services.
- Internet include Fixed Broadband and all internet services (dialup post & prepaid, enterprise data services)

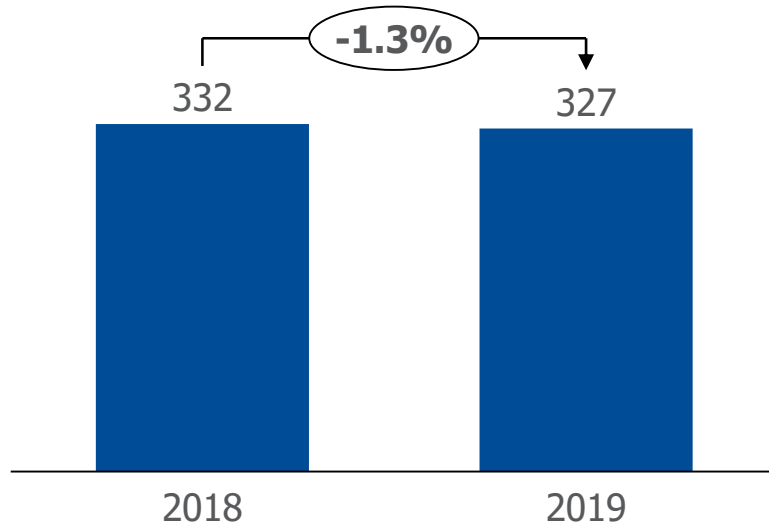
## Omantel Mobile Subscribers Declined by 2.5% mainly due to decline in Prepaid Subscribers



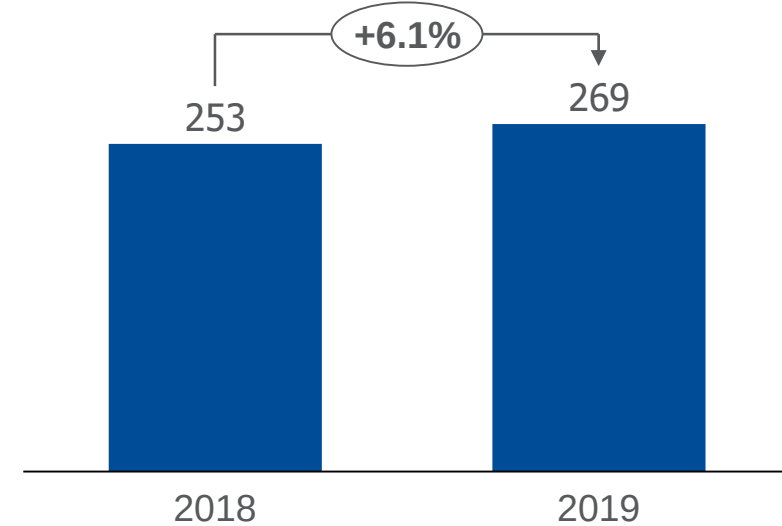
- Mobile subscriber base (excluding mobile resellers) – Post paid continue to grow and achieved 5.7% growth YoY, while prepaid decline by 4.1% due to B2B2C offers and macro economic situation.
- Mobile Broadband subscribers increased by 15.2% compared to 2018, which includes Pay As You Go (PAYG) subscribers.
- With Mobile Resellers, the total subscriber base is 3,434 K compared to last year base of 3,652 K, a decline of 6.0%

## Omantel Fixed Broad Band Subscribers continued the growth trend and achieved a growth of 6.1% YoY

### Fixed Line Subscribers



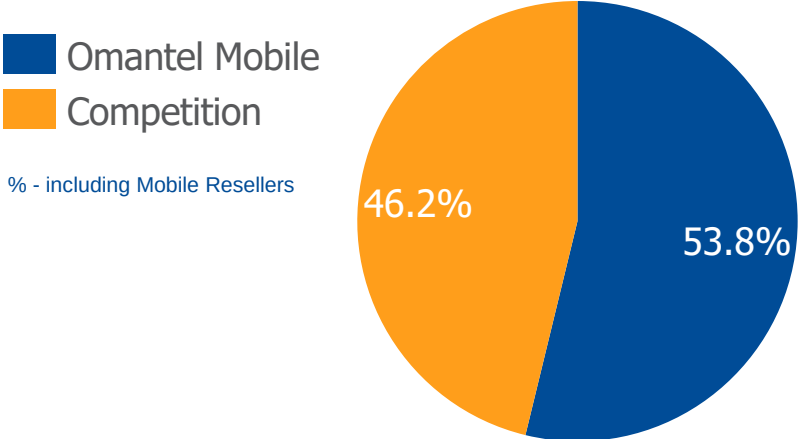
### Fixed Broadband Subscribers



- Fixed line subscribers include postpaid, pre-paid and payphone Including ISDN primary, the total fixed line reported is 416,868.

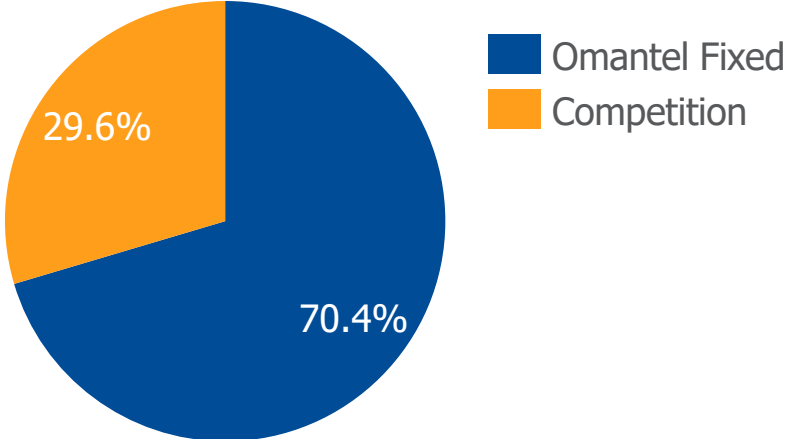
# Mobile & Fixed Line Business Market share (Subscriber & Revenue share)

Mobile Subscriber Market share

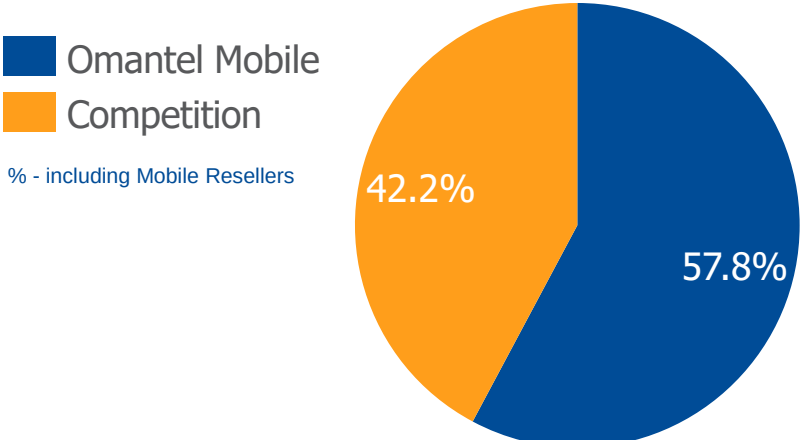


Note: Omantel Mobile (incl Mobile Resellers) subscribers declined by 6.0%, net drop is around 219 K mainly due to exit of one of the Mobile Resellers

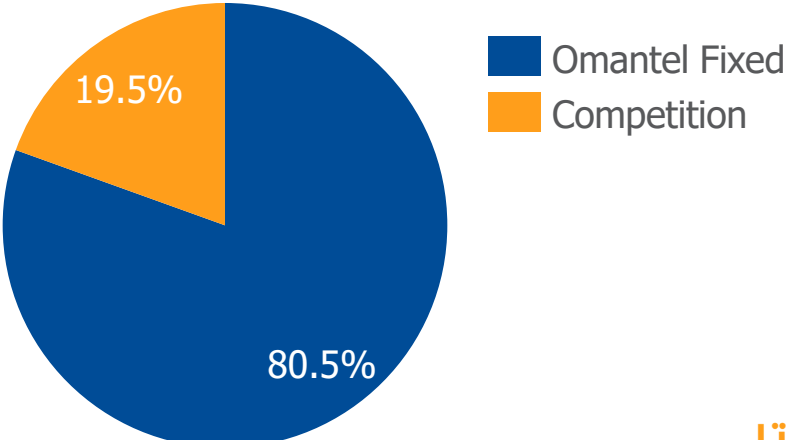
Fixed Subscriber Market share



Mobile Revenue Market share



Fixed Revenue Market share



## Summary & Other Important developments for Investor attention

- **Omantel Dividend:** Board has recommended a dividend of 55 bz per share which will be subject to the approval of AGM. Dividend Yield is 9.2% *(based on the Dec'19 closing price)* and payout ratio will be 53% of Group Net Profit.
- **Zain Dividend:** Omantel stands to receive RO 39 million dividend for FY2019. Based on minimum dividend policy of 33 fils recommended by Zain board (subject to Annual General Assembly and statutory approvals) compared 30 fils in FY 2018. This dividend is expected to be minimum RO 39 million for the next two years.
- **Mobile License:** Omantel Mobile license was renewed for a period of 15 years with the total cost of RO 75 Mn. 1<sup>st</sup> Installment of Ro 37.5 Mn paid in Yr 2019. Remaining amount will be paid in 3 equal annual installments of RO 12.5 Mn starting from Year 2020. Also, 5G License was awarded at 3.5Ghz frequency with 100 Mhz spectrum amounting to RO 7.2 Mn, which is due for payment in Yr 2020.
- **Extension of Tenure of Syndicated Loan:** In October 2019, Omantel concluded an agreement with its syndicated loan lenders to extend the loan facility tenure to 2024. Omantel was successful in extending the tenure of its \$680m loan term by 2 years and were able to negotiate lower interest cost by 0.35%, besides providing additional liquidity at better terms and conditions going forward.

# Major Awards and Recognitions 2019

|                                                                                     |                                                                                                               |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
|     | <b>Omantel in Oman's top-25 most successful companies</b>                                                     |
|    | <b>Best Middle Eastern Project</b><br>"Global Wholesale Transformation Project"                               |
|   | <b>IoT Security Champions Award</b>                                                                           |
|  | CEO, Omantel named amongst <b>100 TOP CEO</b><br>Awards organized by TRENDS magazine & INSEAD business School |

|                                                                                     |                                                                                                                    |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
|  | <b>Leading Corporate for Investor Relations in Oman Award</b><br><b>Best Investor Relations Professional Award</b> |
|  | <b>Best Data Centre in the Middle East Award</b>                                                                   |
| <b>14<sup>th</sup> International HR Awards Summit</b>                               | <b>Best Employer Brand Award</b><br>Best HR Strategy in line with Strategy category & Best Employer Category       |

## Presented by

- Mr. Martial Caratti, CFO
- Mr. P.G. Menon, GM Strategic Finance
- Ms. Bushra Al Balushi, IR Officer/ Sr. Manager Planning & Economics

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Q&A