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Omantel MSX Investor Session YE-24 Performance Transcript

Thursday 13th of March 2025, 14:00 Oman time

Management Team

Chief Financial Officer: Ghassan Al Hashar.

General Manager Strategic Finance: Amal Al Ojaily

General Manager Financial Control: Sudhakar Ippatappu.

General Manager Treasury: Wahbi Al-Riyami.

[Investor Relations Officer: Aisha Al Balushi.](#)

Aisha Al Balushi – Omantel Investor Relations Officer.

Greetings, ladies and gentlemen. This is Aisha Al Balushi, and I welcome you to Omantel's YE 2024 MSX Session Call.

It's my pleasure to host you all on behalf of Omantel's senior finance management team today. Joining us are:

Ghassan Al Hashar, Chief Financial Officer

Amal Al Ojaily, GM Strategic Finance

Sudhakar Ippatappu, General Manager, Finance Control

Wahbi Al riyami, General Manager, Treasury

By now, you should have received the company's presentation and the YE audited Financial Statement, both of which have been uploaded to Omantel's website and MSX.

During this call, we will make forward-looking statements. These are predictions, projections, or other statements about future events, based on current expectations and assumptions, and are subject to risks and uncertainties.

For the Q&A session, you may use the raise hand feature or write your questions in the chat box. To allow as many analysts as possible to ask questions, we would appreciate it if each analyst could limit themselves to one question, keeping the time constraints of the session in mind.

Now I will hand over to Mr. Ghassan Al Hashar Chief Financial Officer to walk you through the main highlights of the quarter.

Ghassan Al Hashar – Chief Financial Officer.

Thank you, Aisha, for the introduction

Good afternoon and welcome to Omantel's YE 2024 Financial Performance call.

This is Ghassan Al Hashar Chief Financial Officer of Omantel.

We are pleased to announce our results for the year ended 31st Dec 2024. Net profit Attributable to Shareholders of the Company for the period stands at RO 78.1 Mn compared to RO 74.8 Mn in 2023, an increase of 4.4%.

In the domestic front, Net Profit for the year 2024 stands at RO 69.7 Mn compared to RO 68.3 Mn in the previous period.

The year 2024 has an impact of 13.2 Mn benefit of one-time gain representing the settlement of a financial claim related to services provided prior to 2020.

Key Highlight is that we continue Building on the foundation of our Shift Gear strategy launched in 2021, Omantel is stepping forward with its Portal to the Future vision, a strategy designed to transition the Omantel into a technology first business.

Moody's upgraded Omantel rating from Ba2 to Ba1 (Stable outlook) and Fitch rated Omantel as BB+ (Stable outlook).

We continue to focus on EBITDA enhancement and cost optimization with initiatives such as VEOS (Voluntary end of services) introduced in 2024, has ensured the controllable opex to remain within the targeted levels.

In terms of cloud & infrastructure, Omantel leads the market with its Omantel National Cloud, developed in partnership with Huawei, delivering secure, high-performance solutions. Additionally, Omantel is the only certified provider of AWS sovereign cloud services in Oman. Collaborations with Google focusing on Edge Cloud Computing is enabling to build scalable and efficient infrastructure.

Also, our alliance with Zain Group led to the formation of Zain Omantel International (ZOI), one of the largest wholesale companies in the middle east unlocking value in eight countries

We recently launched SNI, Oman's second carrier-neutral data center, in Salalah with Equinix, enhancing global connectivity.

Through OMPay, we are positioning Omantel as a leading fintech solutions provider offering Payment Service gateway and remittances.

We are also preparing to launch Marketplace, a customer-first e-commerce platform set to redefine Oman's marketplace.

It is worth highlighting that Omantel Innovation Labs evaluated over 370 startups, with 15 securing investments, fostering a dynamic startup ecosystem. Additionally, Omantel is spearheading smart city projects like Haitham City through its subsidiary Tadoom, leveraging IoT and smart technologies to drive urban transformation.

We continue to invest in what sets us apart as the leader in a highly competitive market. Omantel has taken decisive steps to strengthen its core network capabilities, enhancing connectivity and performance.

I want to add that the Board of Directors is recommending to the AGM to distribute cash dividends of 55 Baiza per share for the period ended 2024.

In addition to this Aisha Al Balushi IR Officer will walk us through the presentation and will cover the updates in more details.

Aisha Al Balushi – Omantel Investor Relations Officer.

Domestic Economic Outlook

We will begin with an overview of economic development and key indicators, followed by an in-depth review of Omantel's financial and operational performance over the past year.

Economic Development & Key Indicators

Oman has made significant progress in economic development through strategic reforms, diversification, and improved fiscal management and government policies. These efforts have strengthened economic resilience, expanded non-oil sectors, and attracted foreign investments. Notably, the GDP-to-debt ratio has shown positive trends, decreasing from 68% to a projected 33% in 2025.

Among sovereign credit ratings:

- S&P Global upgraded Oman to investment grade due to fiscal consolidation and diversification advancements.
- Moody's affirmed a B1 rating and improved the outlook from stable to positive.
- Fitch affirmed a BB+ rating with a stable outlook.

These ratings reflect the effectiveness of fiscal management and economic reforms, fostering long-term growth. Oman's economic outlook remains optimistic, underpinned by strategic reforms and investments in key sectors. At Omantel, we continue to align with the national agenda, recognizing significant opportunities for growth and value creation in the coming years.

Omantel's Contribution to Digital Transformation

Omantel is advancing Oman's digital goals in alignment with Vision 2040 through the Oman Future Fund, valued at \$2 billion. Within this, the Omantel Innovation Lab will manage a \$12 million joint fund dedicated to startups. The fund will focus on key sectors such as:

- Artificial Intelligence (AI) & Big Data
- 5G & Internet of Things (IoT)
- Fintech & Cybersecurity

Omantel's Growth & Innovation Journey

Omantel Group is evolving beyond traditional telecommunications, striving to become a leading technology powerhouse in the region. Our investments in infrastructure, including cloud services and space technology, and our regional expansion reinforce our commitment to high-growth areas. Additionally, we are developing emerging technologies such as:

- Customer Experience Platforms
- Marketplaces
- Fintech Solutions

These efforts strengthen our role in driving digital innovation while maintaining market leadership in Oman's core telecom industry.

The Shift Towards a Technology Powerhouse

The year 2024 was a defining period for Omantel Group, marking substantial progress in evolving from a telecom company to a technology group. Building on the foundation of our Shift Gear Strategy launched in 2021, we are now

stepping forward with the Portal to the Future Strategy, designed to transition Omantel into a technology powerhouse.

Our new strategic pillars focus on:

- Enabling a sustainable Oman.
- Building Ecosystem of the future
- And leader in AI
- and Innovation Orchestrator.

Our brand will be centered around the principles of delivering a high-quality customer experience for digital surfaces, with a strong focus on explicit trust and safety.

and dedicated to bringing the future of technology to an end and empowering Omanis to turn their ambitions into reality.

Now, let's explore our expanded geographical presence across eight markets, where we proudly serve over 50 million customers.

Our operations continue to demonstrate strong performance, with each upcoming development making a vital contribution to our overall success.

Looking at Kuwait, Zain Kuwait maintained its market leadership position in 2024, achieving strong financial and operational growth despite intense market dynamics, with a revenue growth of 4% year on year.

Meanwhile, in Zain KSA, the company experienced solid growth, with a 5% surge in revenue year on year, benefiting from its expanded 5G network and growth in enterprise B2B, digital services, and fintech sectors.

Additionally, in Zain Iraq the company recorded growth across all major financial metrics, with revenue growing by 11%, EBITDA surging by 18%, and

In Jordan, Zain delivered a solid performance in 2024, maintaining its leadership while achieving steady financial and operational growth. Revenue increased by 6% year on year.

In Sudan, despite the challenges faced in the country, Zain Sudan made a strategic price adjustment and implemented a network recovery initiative, leading to a revenue rebound of almost 38% quarter on quarter compared to the previous, contributing to an overall revenue of 260 million USD.

Finally, in Bahrain, Zain recorded strong growth with a 7% year-on-year increase, fueled by data revenue.

Now, moving to the Omantel Group, which continues to drive growth through strategic diversification and resilience, maintaining its 21.9% stake in Zain Group while reinforcing its strong market position with consistent dividends.

Zain board recommends the renewal of the dividend distribution policy of a minimum 35 fils per share for a period of three-years commencing in 2026 , reflecting confidence in sustained profitability and long-term growth.

Omantel's strategy and investments in Zain Group remain key drivers for value creation and diversified growth in digital innovation ventures, such as TASC Tower Company, valued at 2.2 billion, with expected revenue of 500 million. Additionally, Zain Omantel International is enhancing regional connectivity, while Zain Fintech and Zain Tech continue to fuel digital expansion beyond wholesale synergies.

We are accelerating our technology development collaborations and strategic partnerships across both consumer and enterprise technology sectors. These initiatives will enable us to create value for over 50 million customers across eight markets, aligning with Omantel's vision to transition from a national

telecommunications leader to a regional technology powerhouse, driving digital innovation across the region.

Moving to ZOI's slide, it highlights our strategic role in unlocking value across eight countries through its 26% stake in Zain Omantel International.

It emphasizes ZOI's strong market position as one of the top-ranked carrier networks globally, along with its remarkable 455% year-on-year revenue growth in 2024, reaching almost 200 million USD.

Key drivers of this growth include major infrastructure expansions and strategic partnerships with industry leaders such as Meta, Google, and AWS. Additionally, collaboration with Equinix led to the launch of Oman's second carrier-neutral data center in Salalah, further strengthening the country's digital infrastructure.

This slide also highlights Omantel's dominance in the local market, with over 90% of Oman's internet data being accessed and processed within the country rather than relying on international servers. This achievement is made possible by the presence of major hyperscalers' points of presence in Oman.

Furthermore, the easing of content regulations in nearby markets has triggered explosive growth in digital engagement, particularly across Meta and Google platforms such as YouTube, Instagram, and WhatsApp. As the primary hub for their principal points of presence in the GCC, Omantel has experienced a substantial increase in traffic across its network.

This development has further solidified Omantel's position as the leading traffic hub in the Middle East.

In 2024, as mentioned by Ghassan Al Hashar, Omantel has accelerated its evolution into a technology-driven powerhouse

achieved through key partnerships with leading hyperscalers such as AWS. As the sole AWS-certified service provider, we are expanding cloud services and edge computing in collaboration with Google, as well as developing a digital marketplace in partnership with AWS.

Additionally, the launch of the National Cloud in collaboration with Huawei marks a significant milestone in our commitment to advancing digital infrastructure. Furthermore, the introduction of our AI-enabled customer experience app, which now supports over 1.1 million registered customers, represents a key step toward delivering personalized next-generation services. This app will drive a new value proposition, enhance customer engagement, and elevate the overall user experience.

As mentioned earlier, the launch of our SNI data center will position Salalah as the second major connected hub in the region. Meanwhile, the Omantel Innovation Lab continues to act as a catalyst for the next wave of startups, fostering innovation and creating more than 200 jobs for Omanis.

Additionally, our R&D initiatives are at the forefront of advancing next-generation connectivity, artificial intelligence, and space technology, ensuring that we remain ahead of the curve in a rapidly evolving digital landscape.

Finally, the successful issuance of 500 million Sukuk in 2024 underscores Omantel's strong financial health and its ongoing ability to secure capital for business expansion and strategic investments.

We continue to advance our sustainability initiatives and will provide further updates in Q1, following the launch of our year-end Sustainability Report. I encourage everyone here to review the 2023 Sustainability Report, while we await the release of the 2024 report once it is ready.

As we evaluate Omantel's financial performance for year-end 2024

It is evident that our continued investments in strengthening our core—along with our focus on emerging technologies—have set us apart as a leader in both the mobile market and fixed-line services.

In a highly competitive market, this strategic focus and investment represent a crucial step forward in our transition to a technology-driven company. By laying the foundation for future growth, these efforts have directly influenced the increase in our CapEx and the corresponding reduction in free cash flow. However, we remain confident that these investments are critical to our long-

term strategy, positioning Omantel for sustained growth and continued leadership in the digital space.

Starting with our core business performance in the mobile segment, despite challenging market conditions, we have successfully protected and even slightly increased our market position, as reflected by the growth in mobile subscriber share from 39% in Q3-24 to 40.2% by the end of Q4 2024. This resilience has positively influenced ARPU in both the postpaid and prepaid segments.

Meanwhile, in the fixed-line business, our market leadership remains strong, evidenced by a 5% revenue growth, driven by the robust performance of our fixed broadband services and the migration from copper to HBB and 5G Fixed wireless access.

While the ICT business posted a 55% growth during the year—aligning with Omantel’s strategy of evolving from a pure telecom provider to a tech-driven company—this growth is also reflected in the increased revenue from our domestic subsidiaries, which primarily focus on ICT, Fintech Solutions, and IoT. Additionally, our domestic subsidiaries have registered further revenue growth, driven by Oman Data Park (ODP) and Tadoom.

Now, moving to our domestic financial indicators, revenue for the year-end reached OMR 622.7 million, reflecting a 2.7% year-on-year increase, driven by growth in postpaid services, fixed broadband (FBB), and contributions from subsidiaries such as Tadoom and ODP.

EBITDA has also increased, mainly due to the financial claims settlement related to a service provided by Omantel prior to 2020, resulting in a 6.4% year-on-year growth. Meanwhile, net profit Attributable to Shareholders of the Company increased by 2.9%, reaching OMR 69.7 million, primarily due to EBITDA growth.

A detailed explanation of these financials will be covered under Company Financials and Domestic Operations.

Omantel Group Performance

Moving to the Omantel Group, including Zain, the Group delivered solid and

resilient results for year-end 2024, with a 3% increase in Group revenue, reaching OMR 3 billion. However, EBITDA declined primarily due to the ongoing crisis and currency devaluation in Sudan, although this was partially offset by stronger performance in other regions.

It is important to note that EBITDA for 2023 included a one-time positive impact from a settlement and impairment provisions for Sudan. Meanwhile, net profit before minority interest decreased by OMR 9.6 million, the main reason of the reduction as 2023 financial result included one of transactions a capital gain from the KSA Tower sale of OMR 70.1 million, whereas in 2024, the gain came from the acquisition of a stake in IHS Kuwait, amounting to OMR 29.3 million.

Moving to Zain Group, the total subscriber base declined by 1.3 million compared to 2023, mainly due to network shutdowns and the migration crisis in Sudan. However, the domestic subscriber base increased by 400K, driven by growth in mobile subscriptions and fixed broadband, although this was slightly offset by a reduction in the prepaid mobile base.

Omantel Group Performance: Domestic to Consolidated Profit 2024 vs. 2023

Showcasing Omantel Group's financial performance, domestic profit Attributable to Shareholders of the Company stood at OMR 69.7 million, while Group profit after minority interest was OMR 78.1 million.

Domestic Performance for Year-End 2024

As previously mentioned in the highlights, domestic revenue growth was driven by a 6% increase in mobile postpaid revenue and a 7% increase in fixed broadband revenue. Additionally, subsidiary contributions from Oman Data Park and Future Cities Tadoom played a key role in revenue expansion.

EBITDA for the year includes a one-off transaction of OMR 13.2 million, representing the settlement of a financial claim related to services provided by Omantel before 2020. Excluding this, EBITDA decreased by OMR 2 million, mainly due to setup costs for the marketplace entity and a loss from of OMR 400K.

Net profit for 2024 stands at OMR 69.7 million, compared to OMR 68.3 million in 2023. The increase in net profit is mainly attributable to higher EBITDA, although

it was partially offset by an increase in depreciation and amortization of OMR 6.3 million and voluntary end-of-service costs of OMR 3 million. The higher depreciation and amortization is due to ongoing network investments aimed at revenue growth and enhancing customer experience.

Omantel Domestic Performance: 2024 vs. 2023 (Normalized Net Income)

In 2023, reported net profit was OMR 63.3 million. After accounting for investment income and share of profit from associates, the restated profit stands at OMR 68.3 million. Adjusting for the insurance claim from Cyclone Shaheen, the normalized profit would be OMR 64.9 million.

For 2024, after normalizing net income to account for royalty reversals, voluntary end-of-service costs, marketplace losses, and OMPay fintech losses, the year-on-year decrease in normalized net profit is 1.4%.

Despite significant competition in the mobile sector and high depreciation expenses due to Capex investments, net profit declined only marginally by 1.4%, supported by growth in core revenue and cost optimization initiatives.

Moving to the Business Performance

Despite challenging market conditions, effective base management through retention and upselling strategies has allowed us not only to maintain our market share in both fixed-line and mobile services but also to slightly increase our mobile market share quarter on quarter.

This success is driven by the strategic migration of prepaid customers to postpaid plans, with 94K customers transitioning in 2024. Additionally, upselling customers from lower to higher-tier packages and strengthening value propositions through value-added services have further contributed to this growth.

Moving to the Cost Analysis Summary

The increase in the cost of sales is line with the increase in the Revenue driven by a rise within costs from Tadoom by OMR 11.2 million, mainly due to the cost

of meters, as previously mentioned. Standalone costs of sales also increased by OMR 2.1 million, driven by:

- Higher hubbing costs (OMR 2.6 million)
- Increased charges payable to OBC (OMR 2.5 million), in line with revenue growth in hubbing and fixed broadband services

Meanwhile, OpEx increased, mainly due to higher IT costs, frequency fees, and management fees payable to ZOI.

CapEx Investments

Capital expenditure was primarily allocated to 5G expansion and 4G site upgrades, reinforcing our commitment to enhancing network infrastructure and service quality.

On the Domestic Debt Profile

- Free cash flow decreased by OMR 19.5 million, mainly due to CapEx investments
- CapEx cash flows increased by OMR 37.1 million year on year, partially offset by a OMR 23.3 million increase in cash flows from operations, reflecting better working capital management

As mentioned earlier by Ghassan Al Hashar, Omantel has received a credit rating upgrade, with Moody's raising the rating to B1 and Fitch upgrading it to BB+.

Our net debt to EBITDA ratio stands at 3.2, and excluding lease liabilities, it is at 2.2.

This concludes our presentation. I will now hand over to Mr. Ghassan Al Hashar to lead the Q&A session. Investor Q&A Session – Omantel Group Earnings Call

Ghassan Al Hashar – Chief Financial Officer.

Thank you, Aisha.

We will now open the session for questions. You have two options: either raise your hand or use the chat facility. We welcome any questions at this time.

we have our first question. Joice, please go ahead.

Joice Mathew – United Securities

Ghassan, Aisha, and the team, Thank you for the detailed presentation. I have a few questions.

Firstly, regarding the voluntary end-of-service scheme, you mentioned that OMR 3 million has already been spent in 2024.

Can you provide more insight into the expected expenses for 2025?

Also, what cost savings are anticipated from running this scheme?

Answer:

Ghassan Al Hashar – Chief Financial Officer.

Thank you, Joice, for the question.

The voluntary end-of-service scheme is not new for Omantel; we have implemented it in the past. However, we have relaunched it as part of our broader cost optimization initiatives across the organization.

This initiative emerged towards the end of 2024, and the number of employees who opted for the scheme resulted in an additional OMR 3 million charge, which was recognized in this year's financials.

In 2025, this cost will no longer be part of employee expenses, leading to cost savings. However, it is important to note that these savings should not be directly netted off against next year's cost base, as there are other incremental expenses—such as annual salary increments and new hires—will naturally occur.

Beyond the voluntary end-of-service , Omantel is implementing additional cost optimization strategies, including:

1. AI-driven network efficiency projects, currently underway with the operations team

2. Optimizing costs related to strategic sourcing and vendor management, in synergy with Zain Group
3. Revenue enhancement strategies, such as expanding our digital ecosystem and diversifying revenue streams through subsidiaries like Oman Data Park (ODP) and Future Cities Tadom

We will continue to assess and refine these strategies and will keep you updated in our quarterly reports.

I hope this clarifies your query regarding the voluntary end-of-service and our cost management initiatives.

Joice Mathew – United Securities

Thank you, Ghassan. Will you continue running the voluntary end-of-service scheme in 2025, or is it a one-time initiative?

Ghassan Al Hashar – Chief Financial Officer.

At this stage, management is still evaluating the feasibility of continuing the voluntary end-of-service scheme.

The 2024 implementation was successful, but whether it will be repeated in 2025 has not yet been decided. We will assess the situation and update you as decisions are made.

Joice Mathew – United Securities

Could you provide more details on the royalty reversal in this year's financials? Was it related to mobile or fixed-line operations?

Sudhakar Ippatappu – General Manager Financial Control

Joice, this royalty reversal does not relate to mobile or fixed-line operations.

It pertains to the period 2013 to 2019 and involves certain elements of wholesale revenue. During that time, there was uncertainty about whether these revenue elements should be subject to royalty fees.

After discussions with the regulator, new guidelines were issued in 2020, clarifying that these revenues should not attract royalty charges. The issue concerning the 2013–2019 period was resolved in 2024, leading to a OMR 13 million royalty reversal in our profit and loss statement. And from 2020 onwards, these revenues will no longer be subject to royalty fees.

Ghassan Al Hashar – Chief Financial Officer.

This resolution highlights the prudence of our financial reporting in previous years. We took a conservative approach due to regulatory uncertainties, and now we see it reflected appropriately in our financials. Are there any further questions? You can either raise your hand or post your question in the chat facility.

Kawther Al Lawati

Hello, I have a question. Thank you for the presentation. Can you provide insights on dividend expectations going forward? Is there a possibility of an increase?

Ghassan Al Hashar – Chief Financial Officer.

Thank you, Kawther. As Omantel expands into new business verticals, it is essential to take a holistic view of our financial strategy. Our subsidiaries—including ODP, Tadoom, and other technology ventures—are expected to contribute positively to the long run.

However, some of these investments are still in their early stages and require substantial investment at this phase.

We aim to strike the right balance between:

1. Providing sustainable dividends to shareholders
2. Funding strategic investments for future growth

While an increase in dividends could be considered in the future, at this stage, I cannot confirm any changes. Our priority remains strengthening Omantel's financial position and expanding our digital ecosystem.

Joice Mathew – United Securities

A quick follow-up—when you mentioned increased investments, does that imply a change in the Capex to revenue ratio?

Ghassan Al Hashar – Chief Financial Officer.

When looking at Capex, we need to separate Omantel's standalone CapEx from subsidiary investments. For Omantel as a standalone entity, we expect to maintain our Capex-to-revenue ratio at around 15%. However, when factoring in subsidiary growth, we anticipate both CapEx and OpEx increases in certain areas. Importantly, funding strategies will vary—investments could be financed through partnerships, borrowing, or commercial arrangements such as revenue-sharing models. This flexibility is a key advantage of structuring our ecosystem with separate business units, allowing us to scale efficiently. I hope that clarifies your question.

Aisha Al Balushi – Omantel Investor Relations Officer.

Thank you, everyone, for attending the investor call today.

For any further inquiries, please contact us via:

- Investor Relations email at Omantel
- Our mobile app, which is regularly updated with financial reports and presentations