



# Zain Group Financial Results

Q1 2018



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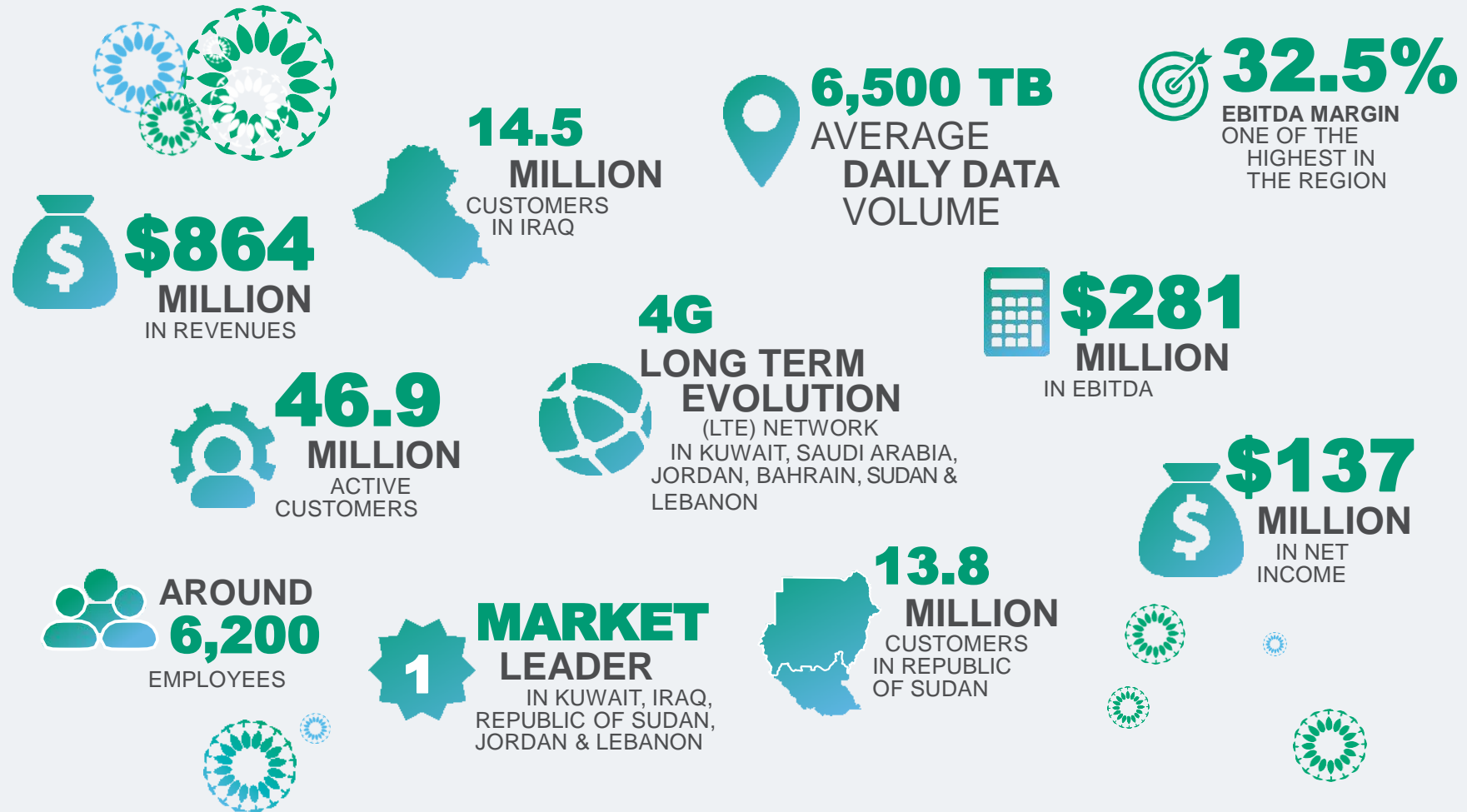
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# Content

1. Results Review
2. Operations review
3. Financial Statements

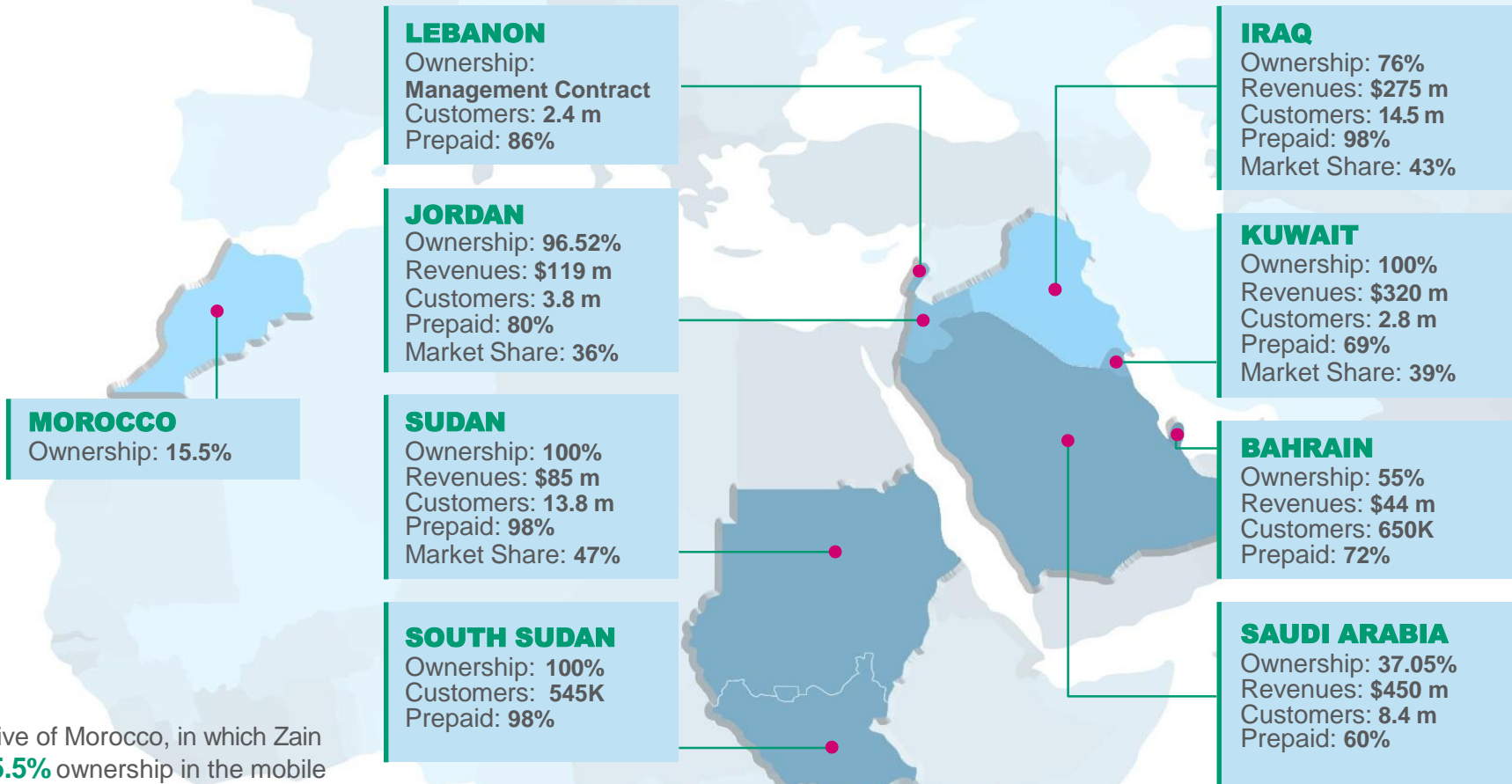


# Zain At A Glance – Q1 2018



# The World of Zain

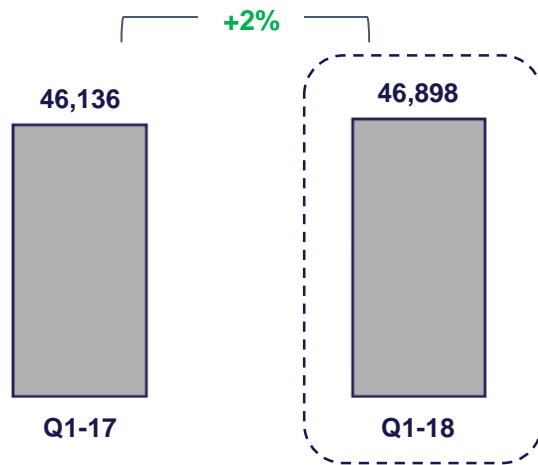
ZAIN'S WORLD CATERS TO **46.9** MILLION CUSTOMERS IN **8** COUNTRIES\*



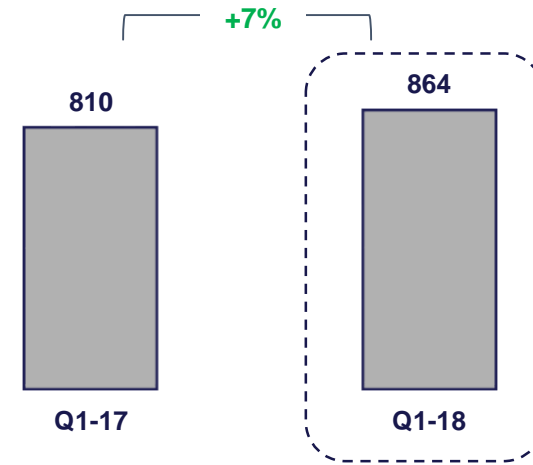
\* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "INWI"

# Group Financial Highlights – Q1 2018

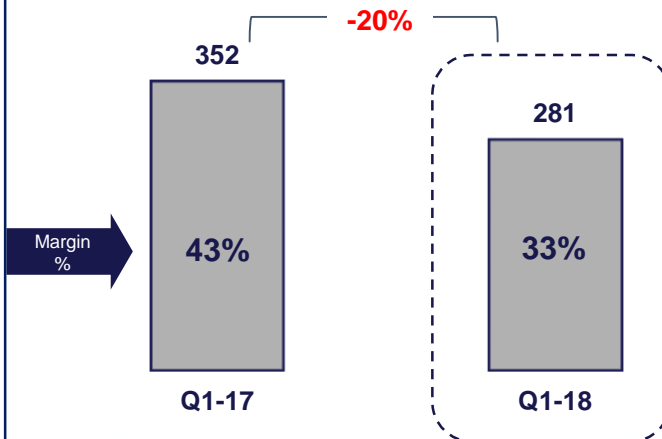
## CUSTOMERS (000)



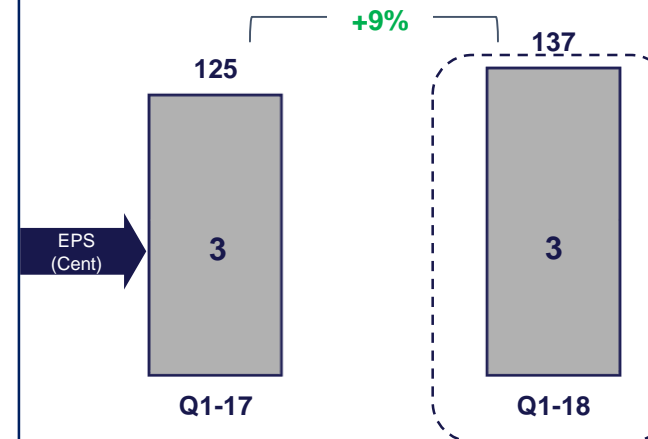
## REVENUES (USDm)



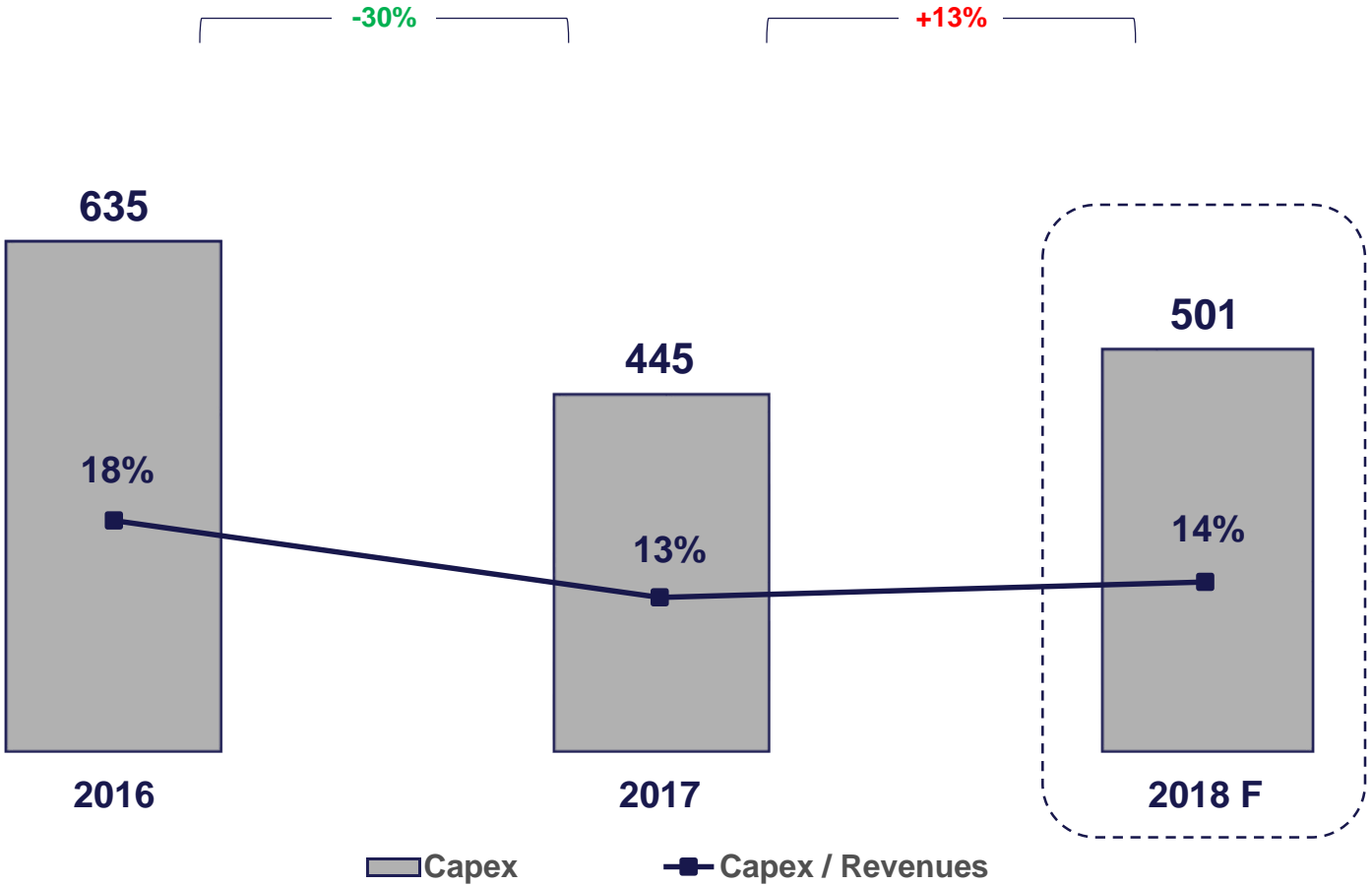
## EBITDA (USDm)



## NET INCOME (USDm)



# CAPEX & CAPEX / REVENUES

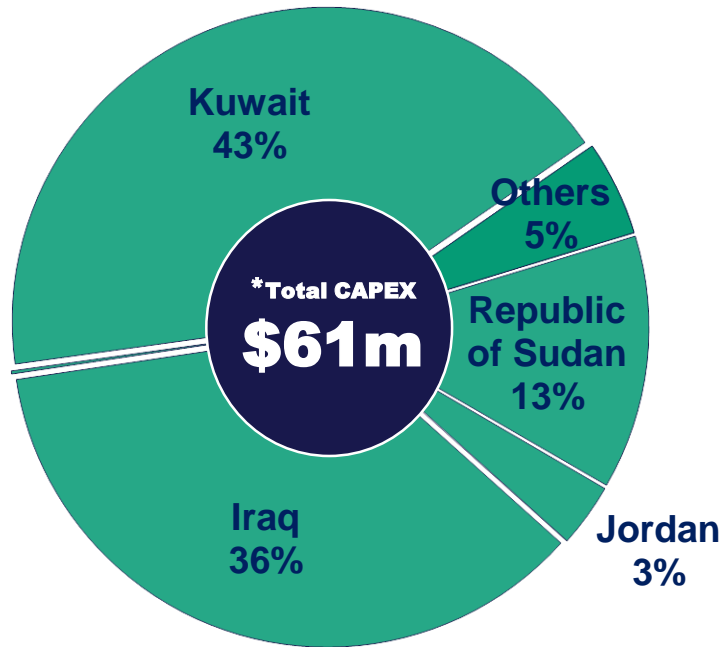


\* Capex excluding Zain KSA

\* Capex includes only tangible assets

# TOTAL CAPEX

## CAPEX BREAKDOWN



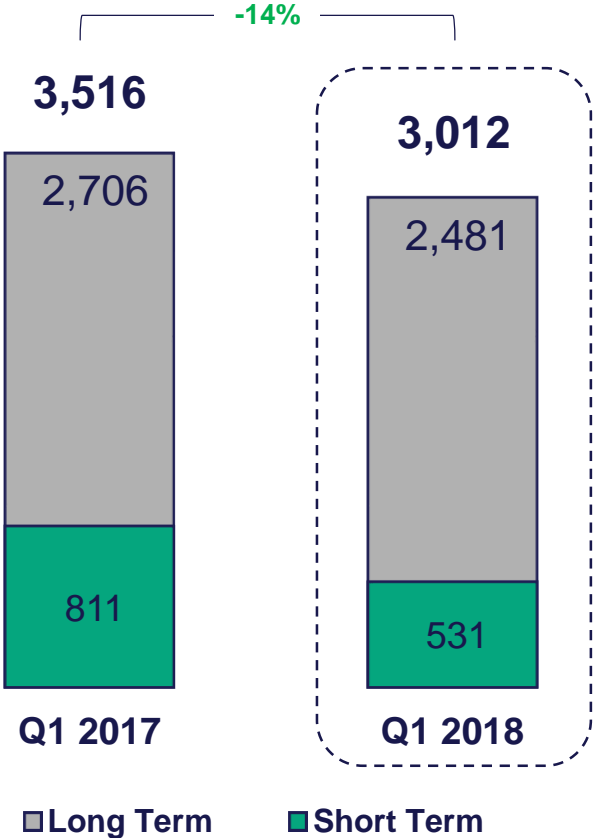
\* Group Total Capex (excluding KSA) = **USD 61 million**

\* Capex includes only tangible assets

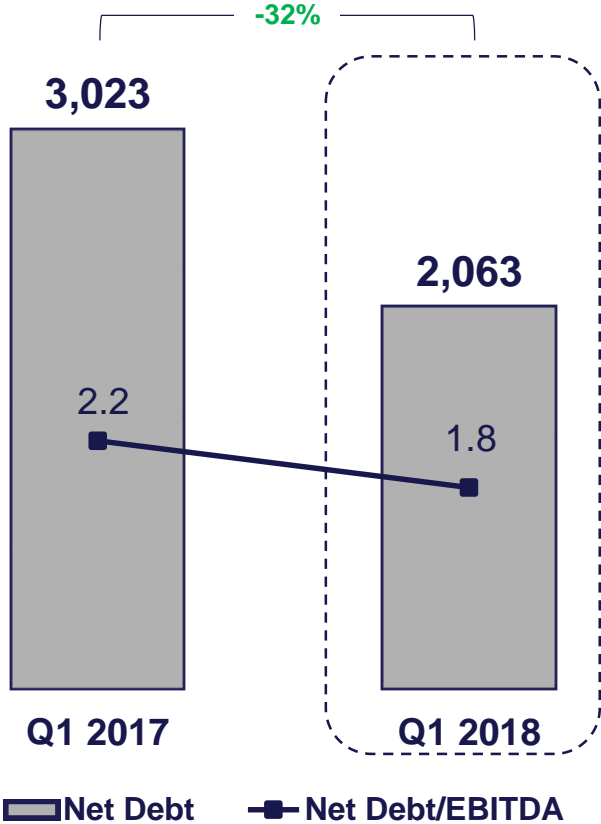
OPCO	Q1 2018 (USDm)	% OF REVENUES
Kuwait	26	8%
Iraq	22	8%
Sudan	8	9%
KSA	36	8%
Jordan	2	2%
Bahrain	0.1	0.1%
Others	3	N/A

# Group Financial Highlights

## TOTAL DEBT (USDm)



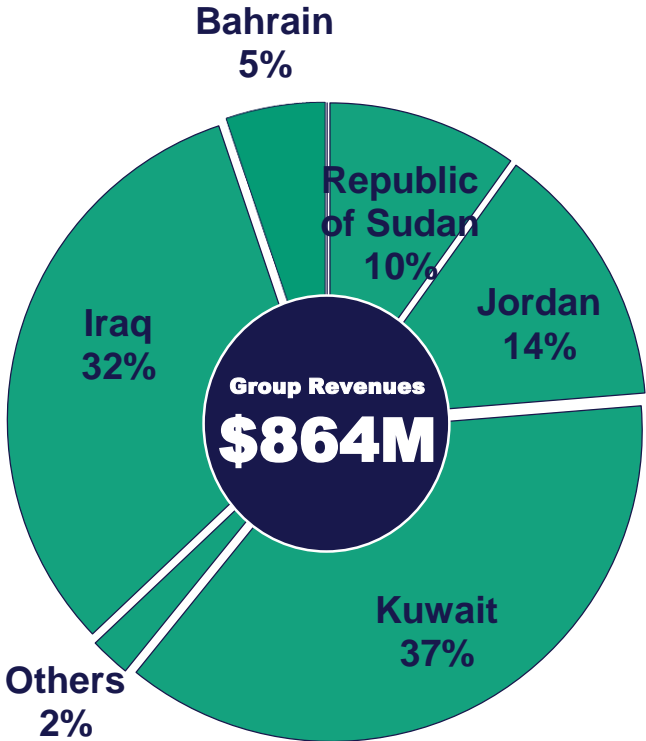
## NET DEBT (USDm) & NET DEBT/EBITDA



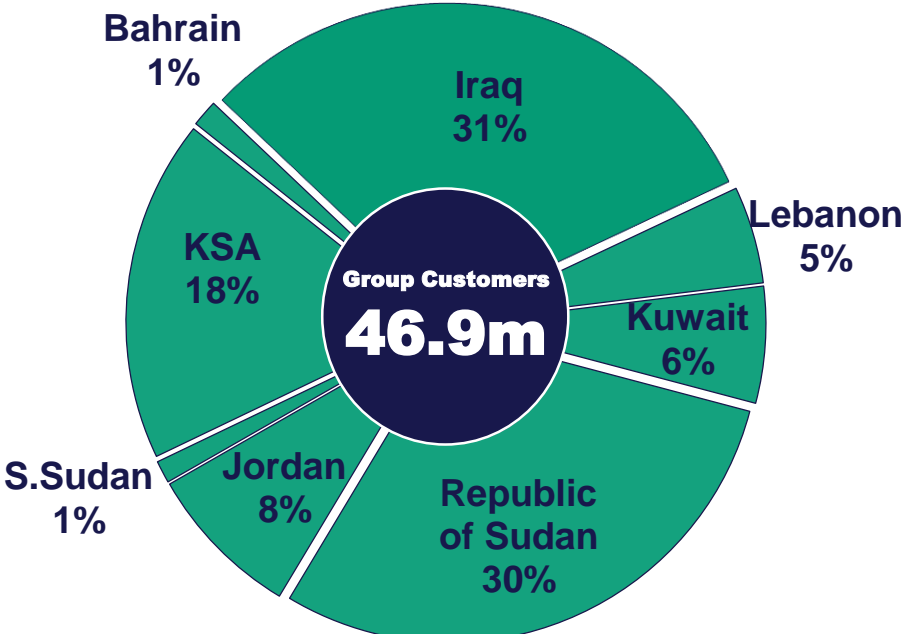
Net Debt = Total interest bearing debt (excluding letters of guarantee) after deducting cash and cash equivalents

# Group Financial Highlights

## REVENUE CONTRIBUTION

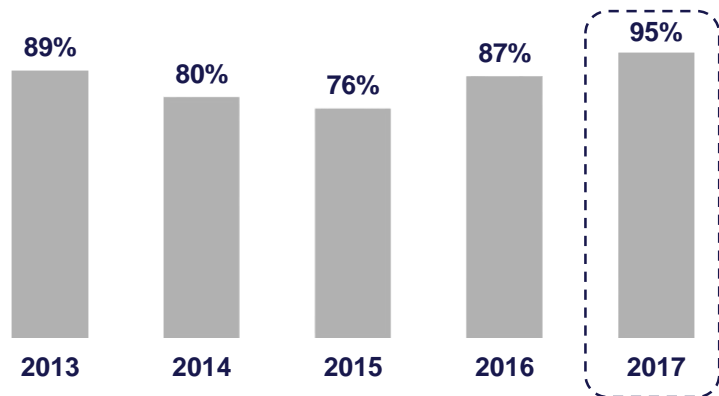


## CUSTOMER CONTRIBUTION

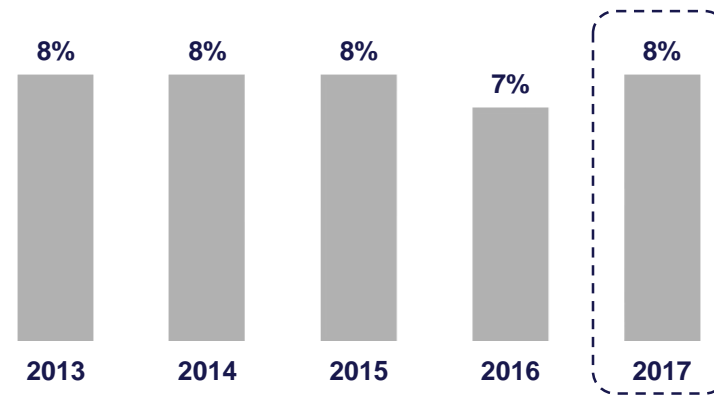


# ZAIN DIVIDENDS

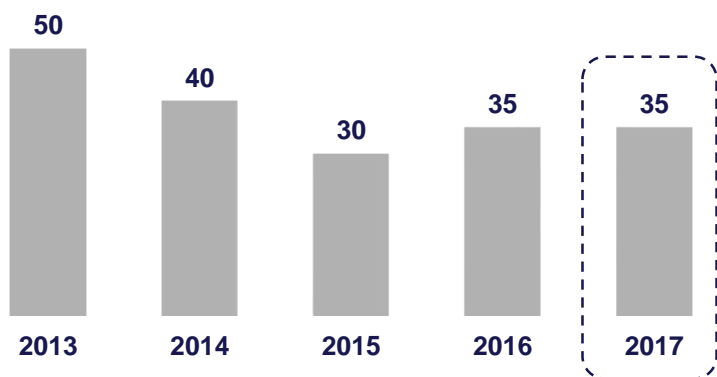
## DIVIDEND PAYOUT RATIO



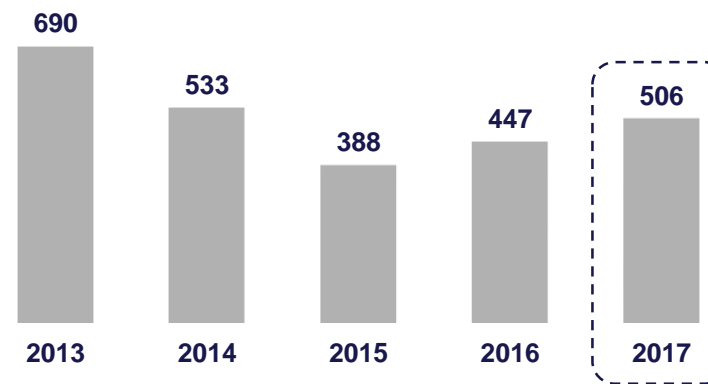
## DIVIDEND YIELD (%)



## DIVIDEND PER SHARE (Fils)



## CASH DIVIDEND (USDm)

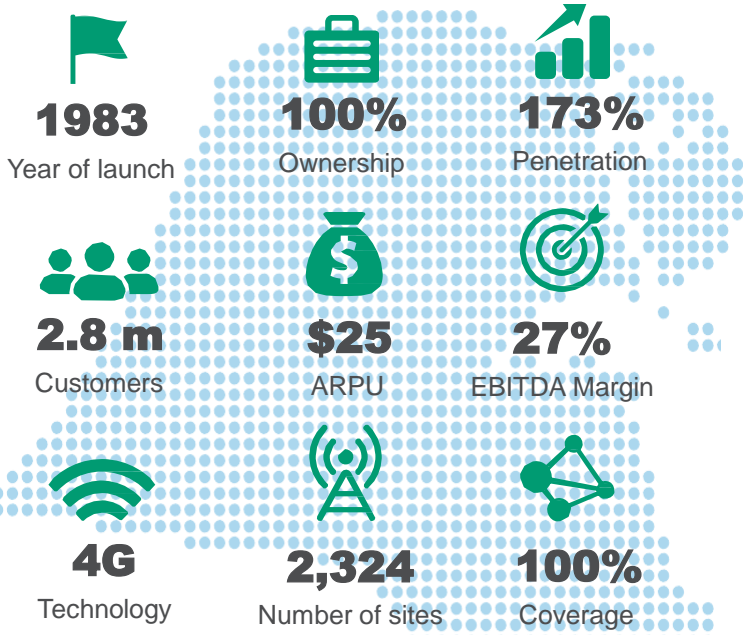


# Content

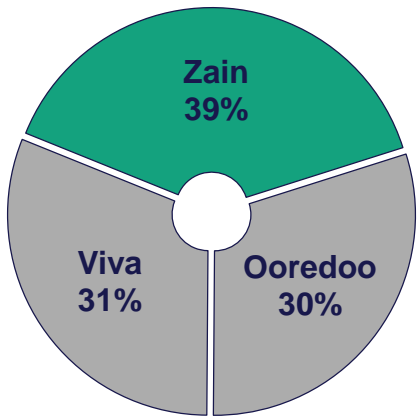
1. Results Review
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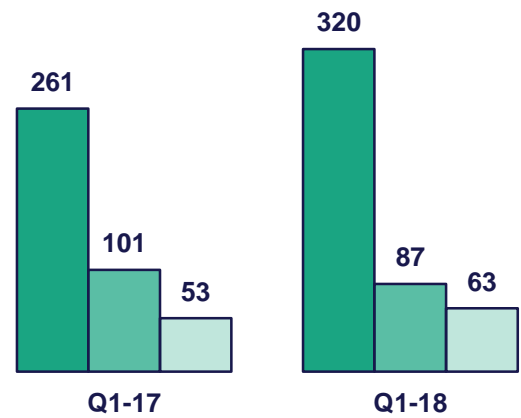
# ZAIN KUWAIT



## MARKET SHARE



## FINANCIALS (USDm)

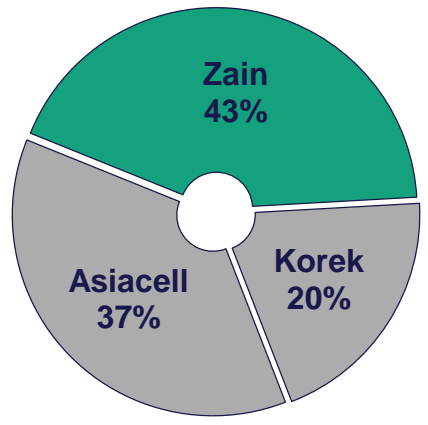
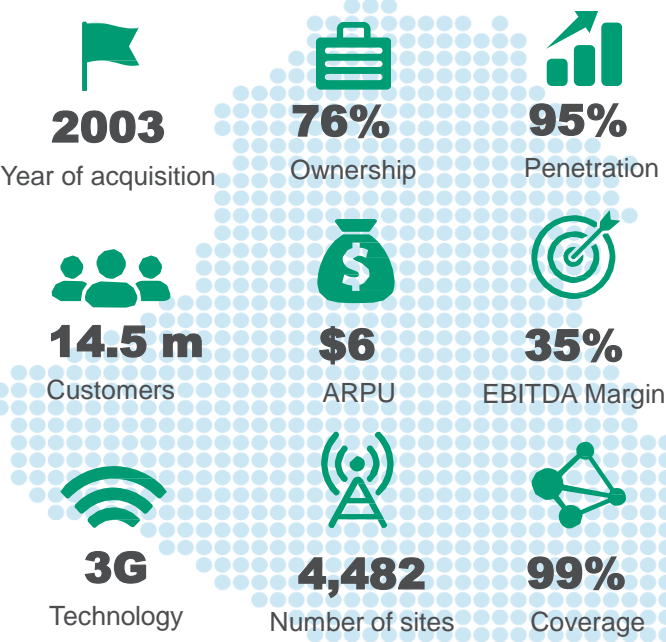


- Customer base increase supported by new prepaid voice promotions
- Top line jumped by 23% mainly due to enterprise revenues in Q1 2018
- Net income up by 18% supported by lower D&A due to the IFRS 15 impact
- Strong concentration on cost optimization initiatives
- Data revenues (excluding SMS & VAS) grew 4% YoY, and formed 29% of total revenues

# ZAIN IRAQ

## MARKET SHARE

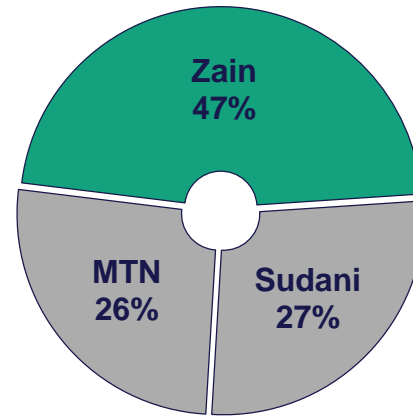
## FINANCIALS (USDm)



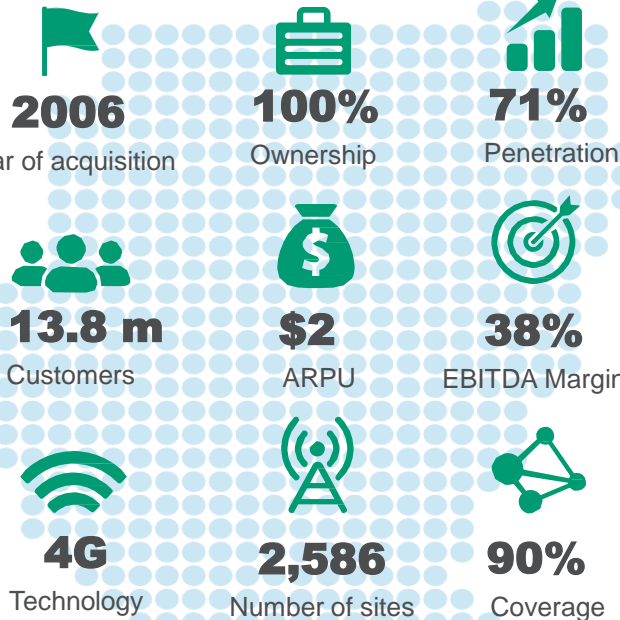
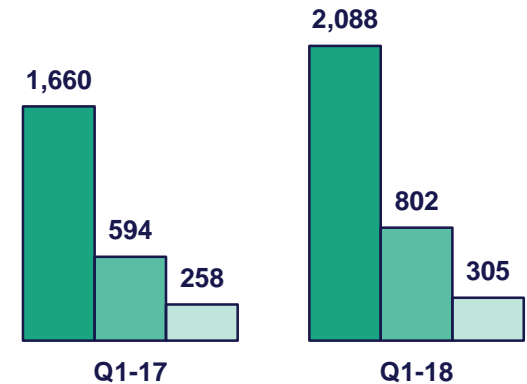
- Solid Q1 performance, supported by strong acquisition initiatives in the region; customer base jumped by 18%
- Introduction of new BTL offers on Know Your Offer (KYO) platform, improving customer experience by successful communication plans
- CVM activities boosted Voice and Data revenues
- Restore service in liberated areas
- Strong focus on cost optimization
- Robust growth in enterprise (B2B) segment

# ZAIN SUDAN

## MARKET SHARE



## FINANCIALS (SDGm)



- Maintained market leadership, quality of service and remained operator of choice.
- Impressive YoY growth in local currency SDG terms
- Customers grew by 7%, to reach 13.8 million
- 38% currency devaluation affected the financial results in USD terms (from an average of 15.5 in Q1-17 to 24.9 SDG/USD in Q1-18)
- Significant cost optimization savings
- Data revenues (excluding SMS & VAS) grew 41% YoY, and formed 16% of total revenues

# ZAIN KSA



**2008**

Year of acquisition



**37%**

Ownership



**168%**

Penetration



**8.4 m**

Customers



**\$18**

ARPU



**34%**

EBITDA Margin



**4G**

Technology



**8,717**

Number of sites



**97%**

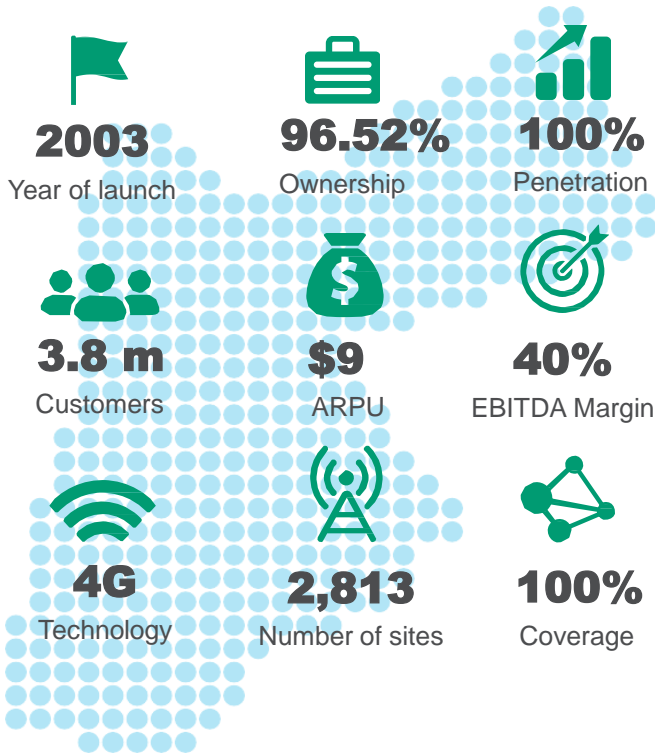
Coverage

## FINANCIALS (USDm)

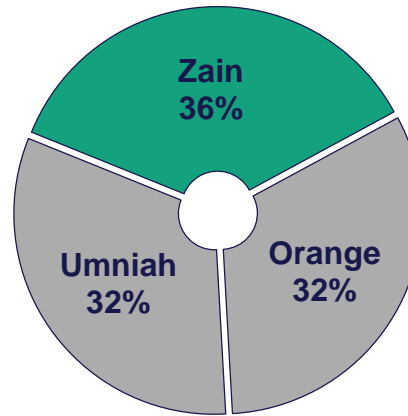


- Q1 performance was affected by the 17% customer drop due to:
  - Exodus of expat community
  - Bio-metric verifications and a two-sim policy for expats
- Higher D&A due to acquiring spectrum and additional equipment
- Removal of VOIP restrictions impacted the international revenues
- Data revenues (excluding SMS & VAS) formed 55% of total revenues

# ZAIN JORDAN



## MARKET SHARE

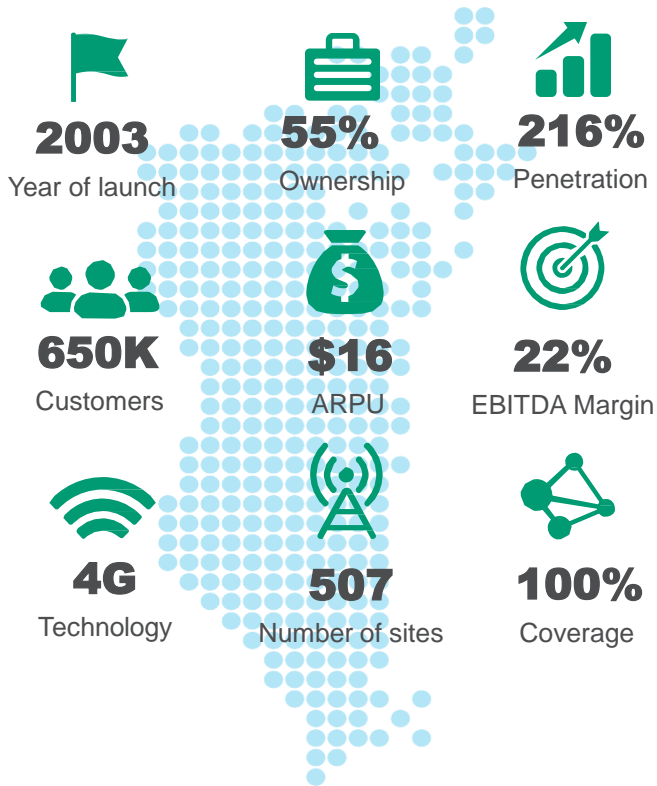


## FINANCIALS (USDm)

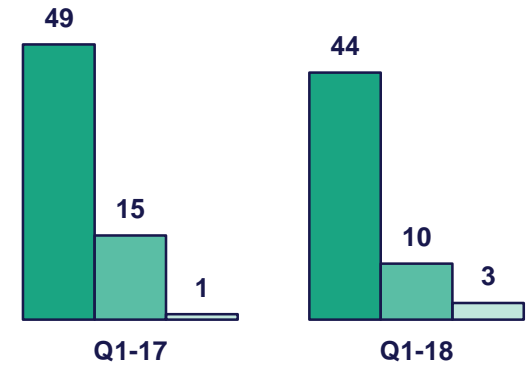


- Aggressive price competition on the postpaid and MBB segments
- Revenues improved despite the tough competition mainly due to higher interconnect revenues
- EBITDA impacted due to lower gross margin and higher Opex
- Data revenues (excluding SMS & VAS) grew by 5% YoY, and formed 39% of total revenues

# ZAIN BAHRAIN



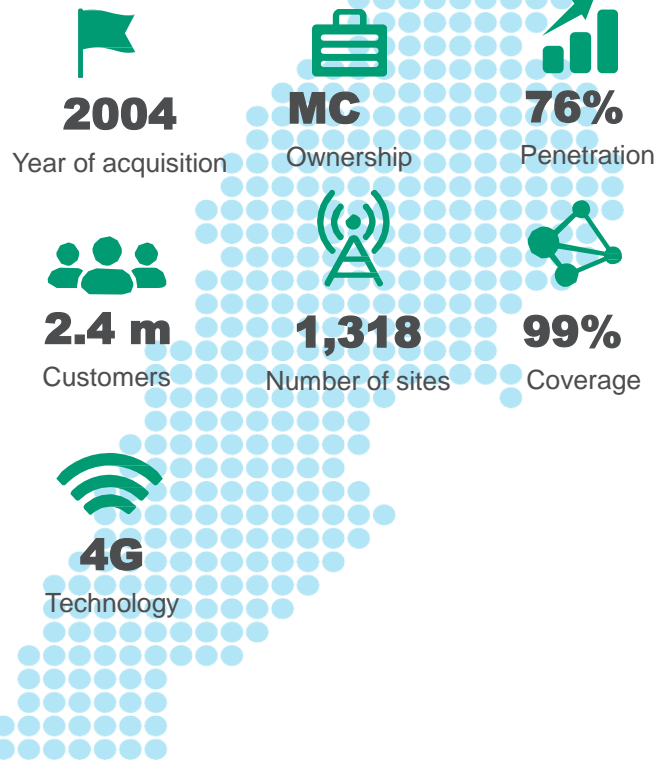
## FINANCIALS (USDm)



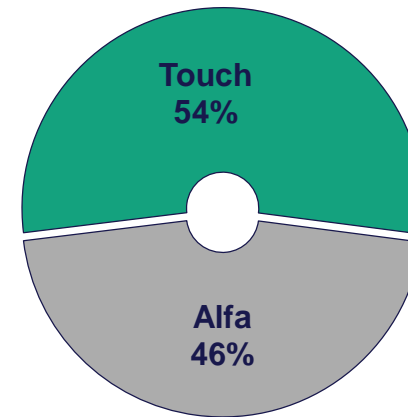
- Revenues down mainly due to lower international voice revenues as a result of OTT cannibalization
- Data revenues (excluding SMS & VAS) formed 45% of total revenues

# TOUCH - LEBANON

## Management Contract



## MARKET SHARE



- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”

# Content

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# BALANCE SHEET

	Unaudited	Audited	Unaudited		Unaudited	Audited	Unaudited
	31-Mar-18	31-Dec-17	31-Mar-17		31-Mar-18	31-Dec-17	31-Mar-17
	KD '000				KD '000		
<b>ASSETS</b>				<b>Liabilities and Equity</b>			
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and bank balances	284,010	244,398	150,371	Trade and other payables	625,571	467,616	518,257
Trade and other receivables	404,937	455,801	452,063	Deferred revenue	47,121	47,768	64,947
Contract assets	42,785	-	-	Due to banks	158,809	199,564	247,086
Inventories	19,921	34,402	24,716	<b>831,501</b>	<b>714,948</b>	<b>830,290</b>	
Investment securities at FVTPL	11,685	778	1,041	<b>Non-current liabilities</b>			
Non-current assets held for sale	7,656	7,656	-	Due to banks	742,547	670,637	824,378
<b>770,994</b>	<b>743,035</b>	<b>628,191</b>		Other non-current liabilities	38,668	38,482	38,541
				<b>781,215</b>	<b>709,119</b>	<b>862,919</b>	
<b>Non-current assets</b>				<b>Equity</b>			
Contract assets	12,995	-	-	<b>Attributable to the Company's shareholders</b>			
Investment securities at FVOCI	6,333	-	-	Share capital	432,706	432,706	432,706
Investment securities available for sale	-	16,118	18,569	Share premium	1,707,164	1,707,164	1,707,164
Investments in associates and joint ventures	189,054	188,412	190,883	Legal reserve	216,353	216,353	216,353
Due from associates	421,939	415,759	391,916	Foreign currency translation reserve	(1,286,552)	(1,189,469)	(1,096,577)
Other assets	15,038	15,131	15,076	Treasury shares	-	-	(567,834)
Property and equipment	688,321	743,586	788,160	Treasury shares reserve	-	-	1,967
Intangible assets and goodwill	864,938	911,630	986,815	Investment fair valuation reserve	987	3,251	4,096
<b>2,198,618</b>	<b>2,290,636</b>	<b>2,391,419</b>		Share of reserves of associates	(240)	(326)	(279)
<b>2,969,612</b>	<b>3,033,671</b>	<b>3,019,610</b>		Retained earnings	132,228	281,919	473,185
				<b>1,202,646</b>	<b>1,451,598</b>	<b>1,170,781</b>	
<b>Total Assets</b>				Non-controlling interests	154,250	158,006	155,620
				<b>Total equity</b>	<b>1,356,896</b>	<b>1,609,604</b>	<b>1,326,401</b>
				<b>Total Liabilities and Equity</b>	<b>2,969,612</b>	<b>3,033,671</b>	<b>3,019,610</b>

# INCOME STATEMENT

	Three months ended	
	31-Mar	
	2018	2017
	<b>KD'000</b>	
Revenue	258,903	246,941
Cost of sales	(91,195)	(67,508)
<b>Gross profit</b>	<b>167,708</b>	<b>179,433</b>
Operating and administrative expenses	(79,757)	(68,766)
Depreciation and amortization	(38,539)	(49,917)
Provision for impairment – trade and other receivables	-	(3,410)
Expected credit loss on financial assets	(3,697)	-
<b>Operating profit</b>	<b>45,715</b>	<b>57,340</b>
Interest income	7,224	2,375
Investment income	217	253
Share of results of associates and joint ventures	(2,364)	888
Other (expense)/income	(16,516)	(1,152)
Finance costs	(9,260)	(9,464)
Provision for impairment loss on property and equipment	(9,648)	-
Loss from currency revaluation	(2,624)	(5,841)
Net monetary gain	34,206	-
<b>Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration</b>	<b>46,950</b>	<b>44,399</b>
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	(174)	(280)
National Labour Support Tax (NLST) and Zakat	(747)	(1,583)
Income tax expenses	(3,992)	(3,849)
Board of Directors' remuneration	(69)	(69)
<b>Profit for the period</b>	<b>41,968</b>	<b>38,618</b>
<b>Attributable to:</b>		
Shareholders of the Company	40,897	38,229
Non-controlling interests	1,071	389
	<b>41,968</b>	<b>38,618</b>

Earnings per share	Three months ended	
	31-Mar	
	2018	2017
Basic – Fils	9	10

# CASH FLOW STATEMENT

Three months ended  
31-Mar

	2018	2017
	KD'000	

## Cash flows from operating activities

Profit for the period before income tax	45,960	42,467
Adjustments for:		
Depreciation and amortization	38,539	49,917
Interest income	(7,224)	(2,375)
Investment income	(217)	(253)
Share of results of associates and joint ventures	2,364	(888)
Provision for impairment loss on property and equipment	9,648	-
Finance costs	9,260	9,464
Loss on currency revaluation	2,624	5,841
Net monetary gain	(34,206)	-
Gain on sale of property and equipment	(24)	-
Operating profit before working capital changes	<b>66,724</b>	<b>104,173</b>
Increase in trade and other receivables	(60,987)	(5,205)
Decrease/(increase) in inventories	14,133	(8,220)
Increase/(decrease) in trade and other payables	30,382	(2,191)
Cash generated from operations	<b>50,252</b>	<b>88,557</b>
Paid to KFAS	(319)	(250)
NLST and Zakat paid	-	(3,341)
Income tax paid	(2,066)	(2,302)
<i>Net cash from operating activities</i>	<b>47,867</b>	<b>82,664</b>

Three months ended  
31-Mar

	2018	2017
	KD'000	

## Cash flows from investing activities

Deposits maturing after three months and bank balances blocked	384	(8,221)
Investments in securities	(1,260)	(3,301)
Proceeds from sale of investments	173	7,527
Increase in due from associates	(5,348)	(4,373)
Acquisition of property and equipment (net)	(19,172)	(21,864)
Acquisition of intangible assets (net)	(275)	(4,365)
Interest received	1,666	3,010
Dividend received	-	81
<i>Net cash used in investing activities</i>	<b>(23,832)</b>	<b>(31,506)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	110,316	156,588
Repayment of bank borrowings	(72,122)	(132,309)
Dividends paid to Company's shareholders	(318)	(128,117)
Dividends paid to minority shareholders of subsidiaries	-	(1,117)
Finance costs paid	(8,846)	(12,910)
<i>Net cash from/(used in) financing activities</i>	<b>29,030</b>	<b>(117,865)</b>
Net increase/(decrease) in cash and cash equivalents	53,065	(66,707)
Effect of foreign currency translation	(6,572)	105
Transition adjustment on adoption of IFRS 9	(6,497)	-
Cash and cash equivalents at beginning of period	206,432	177,150
<b>Cash and cash equivalents at end of period</b>	<b>246,428</b>	<b>110,548</b>



# THANK YOU

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**Note:** Mobile Penetration rates are sourced from *GSMA Intelligence*