



# Zain Group Financial Results

Q3 2019



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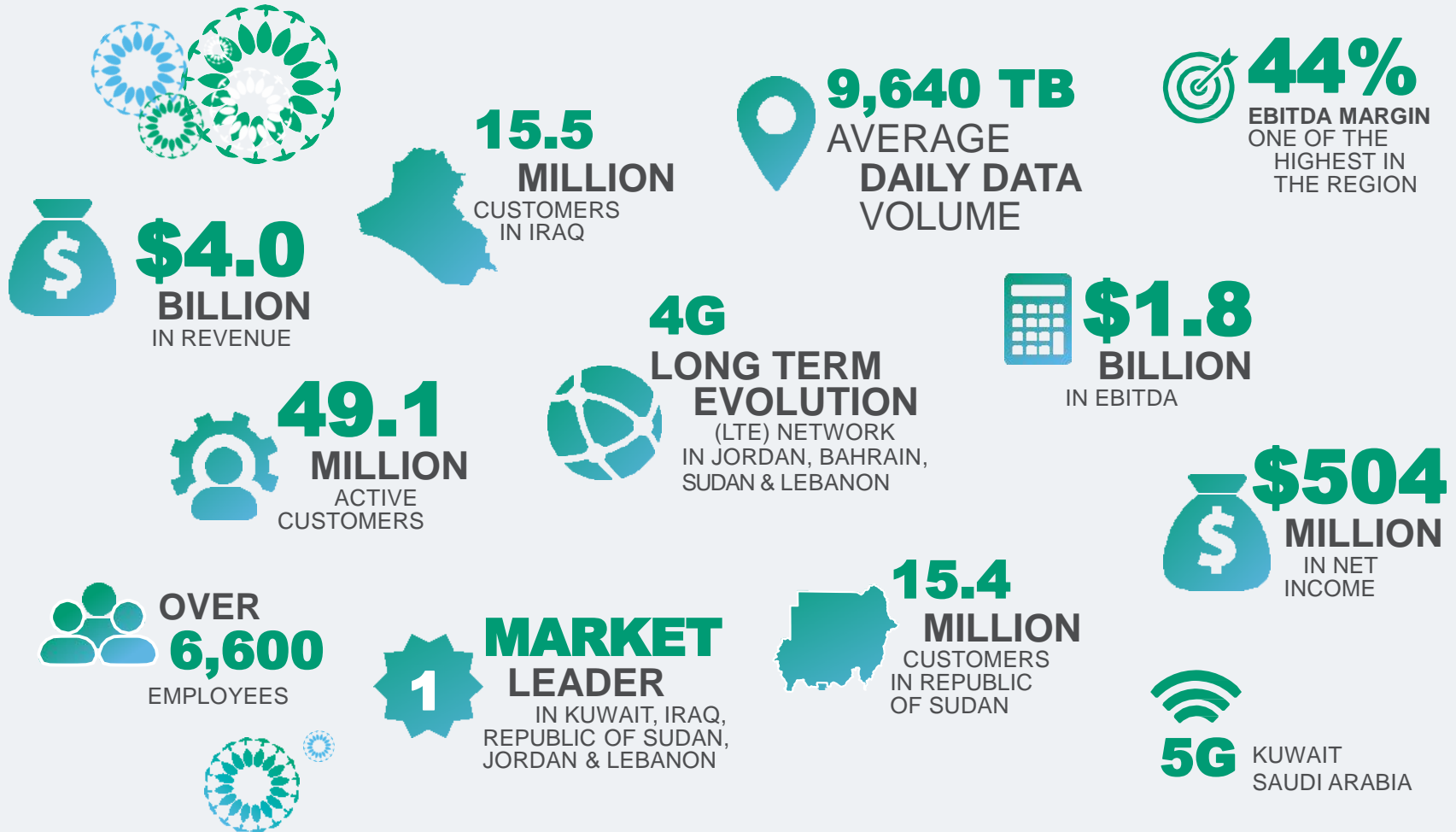
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# Content

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

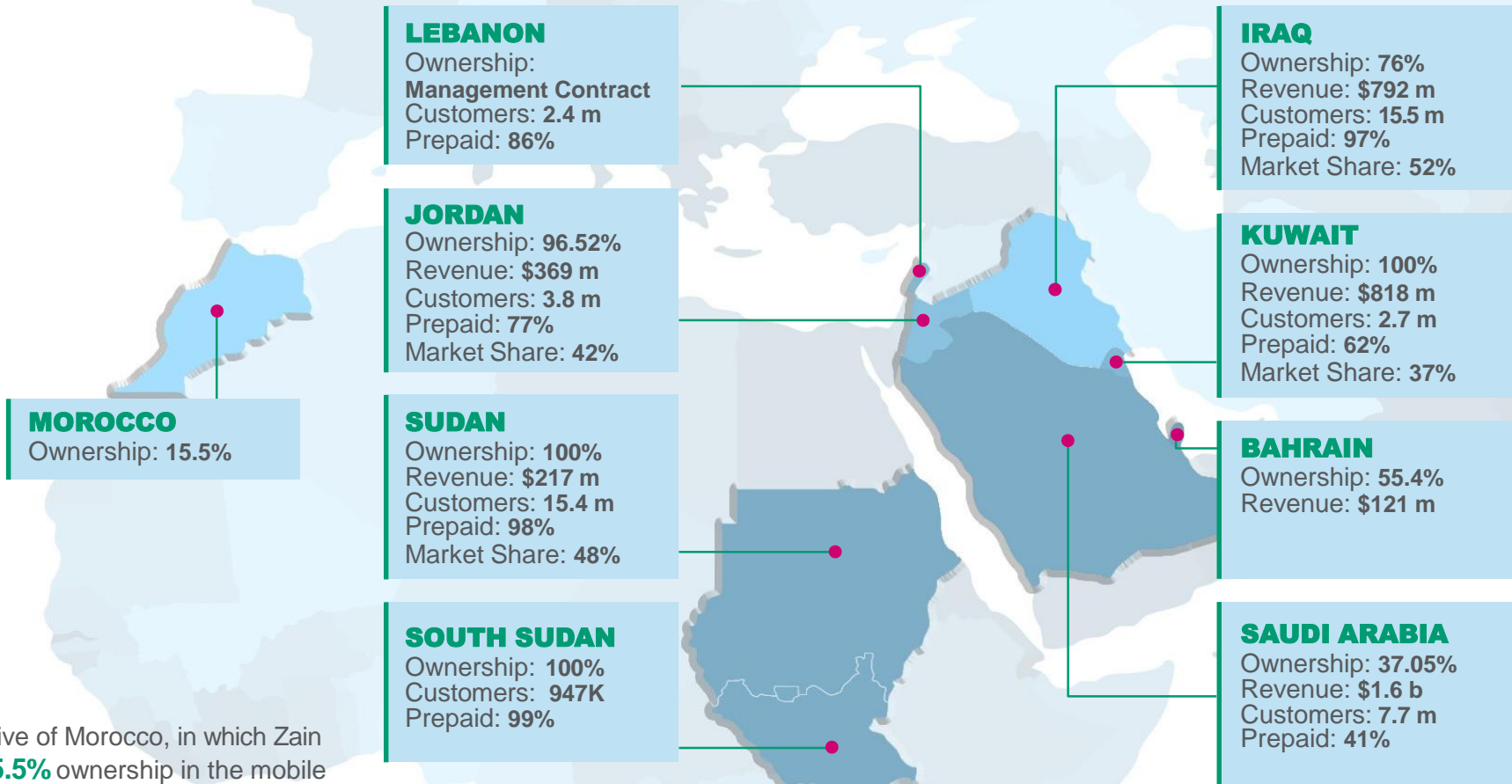


# Zain At A Glance – 9M 2019



# The World of Zain – 9M 2019

ZAIN'S WORLD CATERS TO **49.1** MILLION CUSTOMERS IN **8** COUNTRIES\*



**MOROCCO**  
Ownership: 15.5%

**LEBANON**  
Ownership: Management Contract  
Customers: 2.4 m  
Prepaid: 86%

**JORDAN**  
Ownership: 96.52%  
Revenue: \$369 m  
Customers: 3.8 m  
Prepaid: 77%  
Market Share: 42%

**SUDAN**  
Ownership: 100%  
Revenue: \$217 m  
Customers: 15.4 m  
Prepaid: 98%  
Market Share: 48%

**SOUTH SUDAN**  
Ownership: 100%  
Customers: 947K  
Prepaid: 99%

**IRAQ**  
Ownership: 76%  
Revenue: \$792 m  
Customers: 15.5 m  
Prepaid: 97%  
Market Share: 52%

**KUWAIT**  
Ownership: 100%  
Revenue: \$818 m  
Customers: 2.7 m  
Prepaid: 62%  
Market Share: 37%

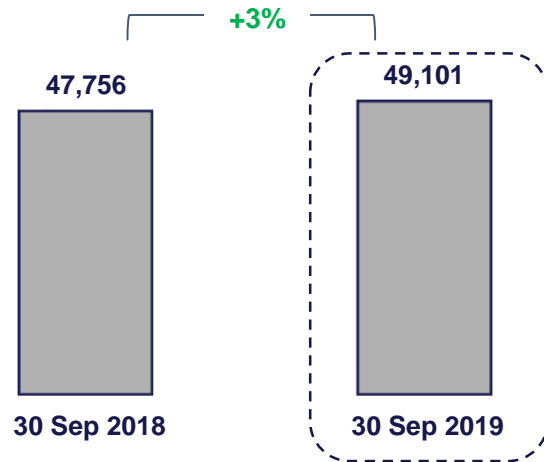
**BAHRAIN**  
Ownership: 55.4%  
Revenue: \$121 m

**SAUDI ARABIA**  
Ownership: 37.05%  
Revenue: \$1.6 b  
Customers: 7.7 m  
Prepaid: 41%

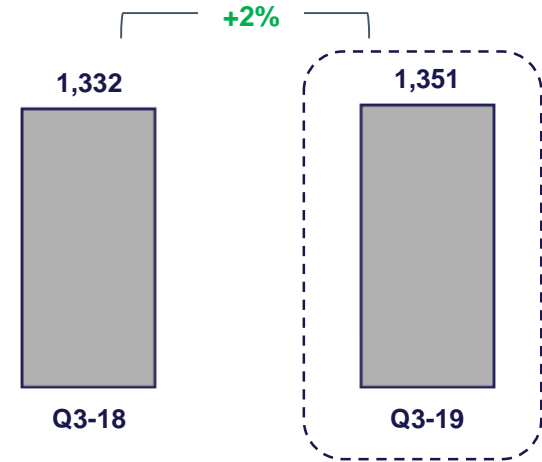
\* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "INWI"

# Group Financial Highlights – Q3 2019

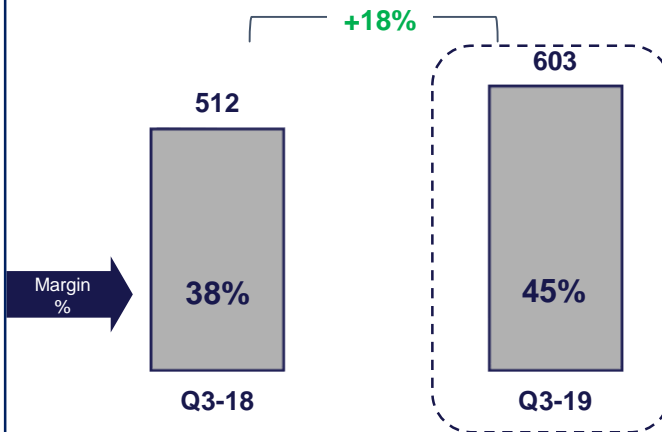
## CUSTOMERS (000)



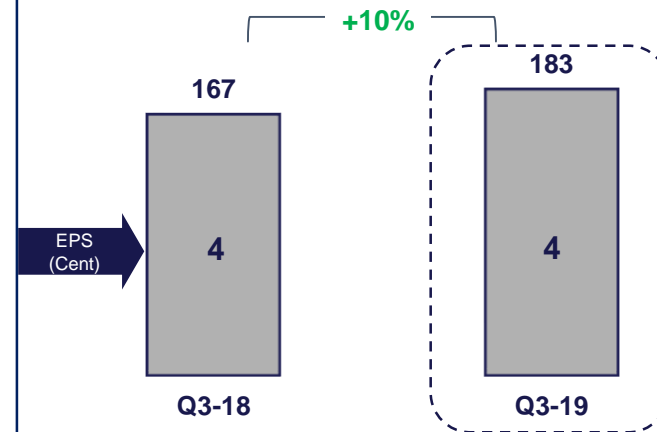
## REVENUE (USDm)



## EBITDA (USDm)

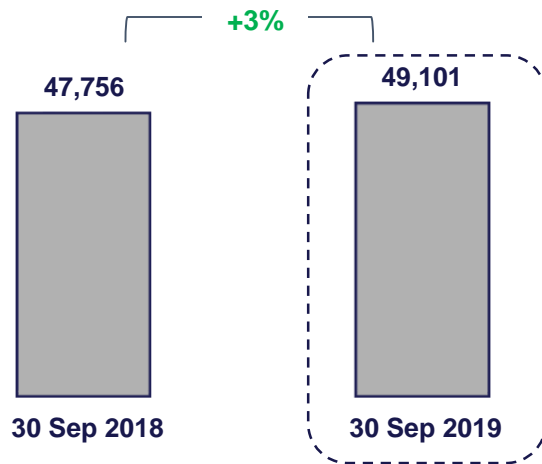


## NET INCOME (USDm)

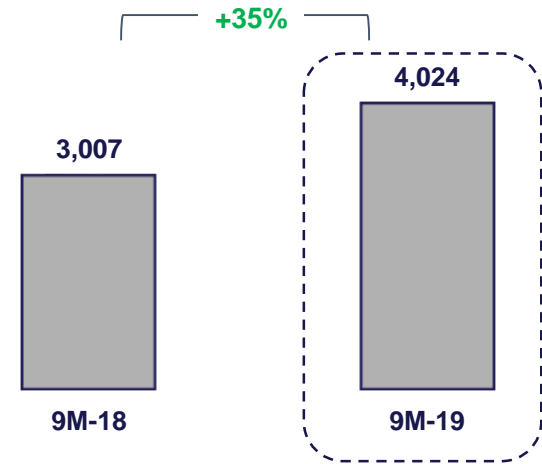


# Group Financial Highlights – 9M 2019

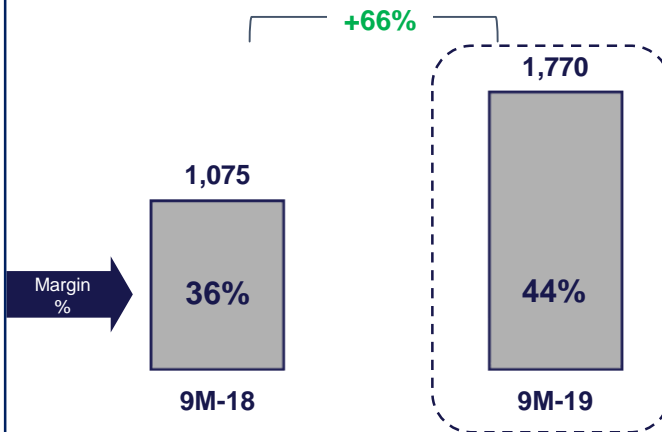
## CUSTOMERS (000)



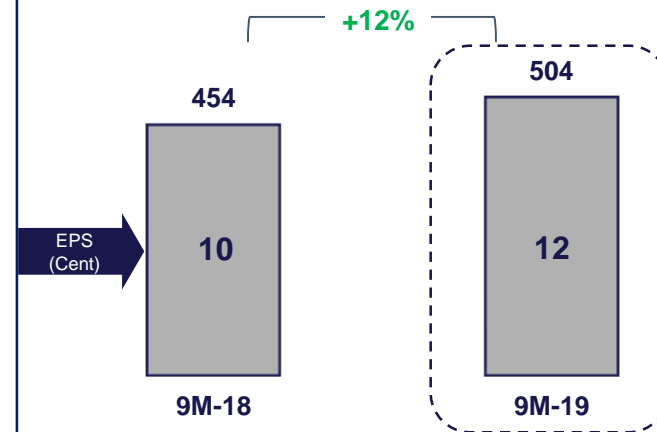
## REVENUE (USDm)



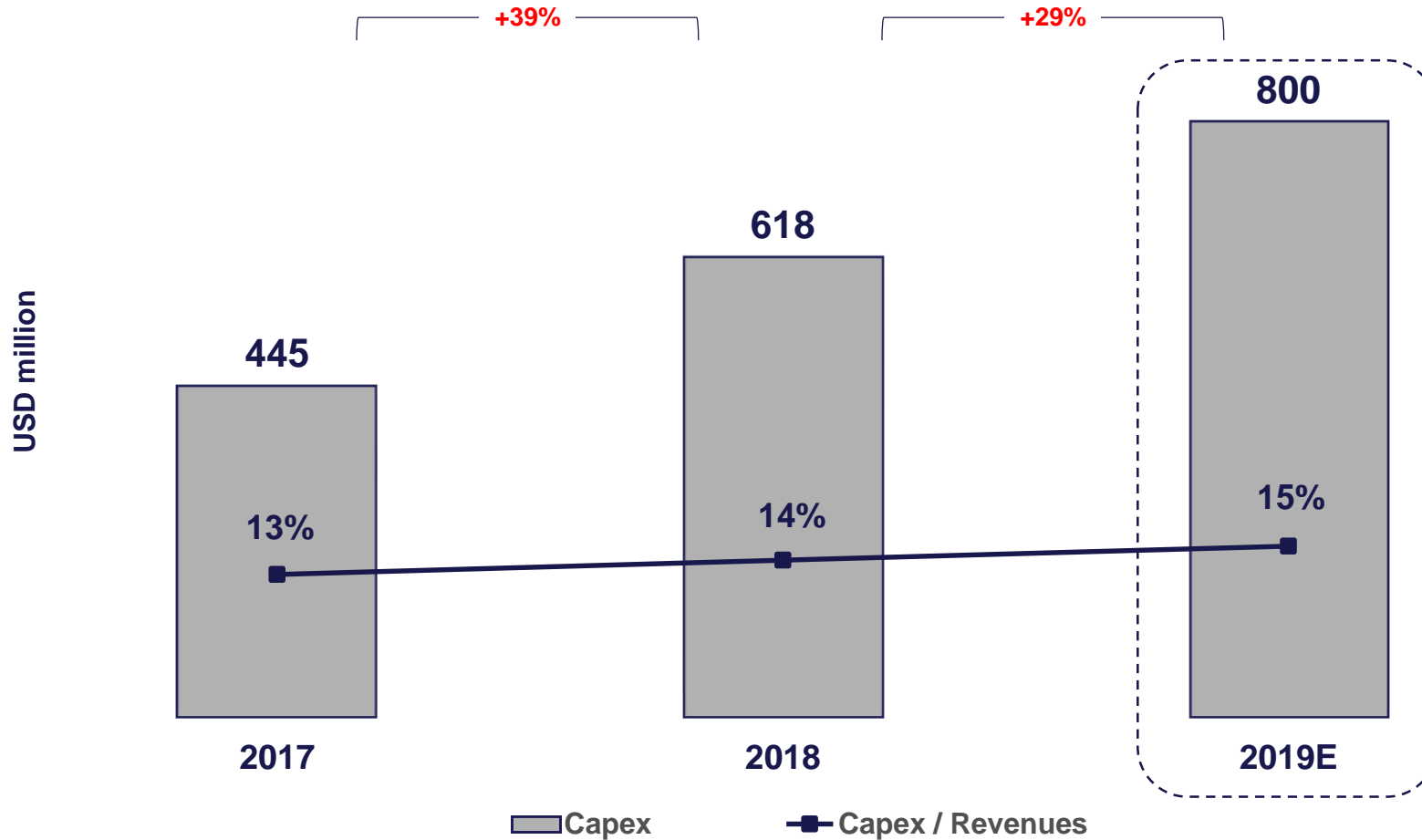
## EBITDA (USDm)



## NET INCOME (USDm)



# CAPEX & CAPEX / REVENUE



\* 2017 Capex is excluding Zain KSA

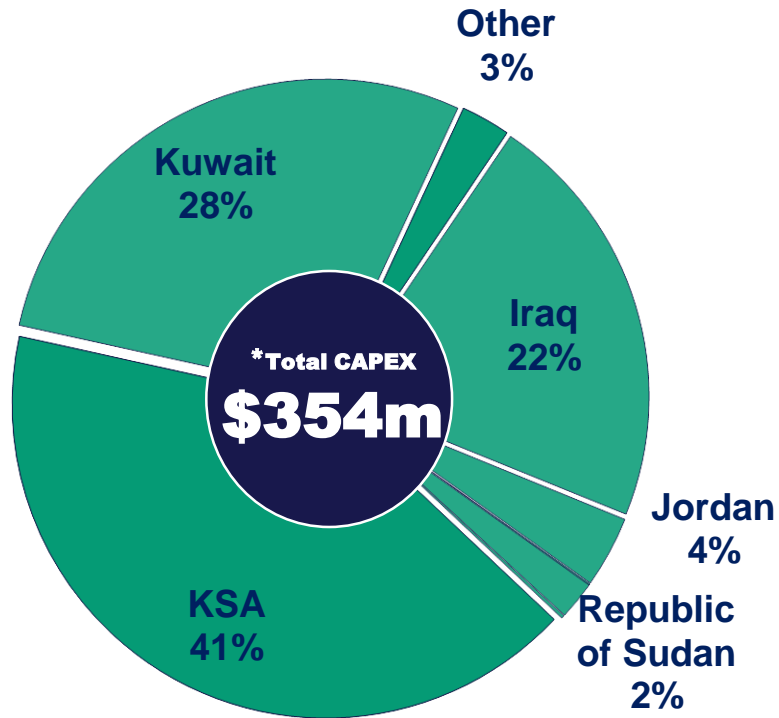
\* 2018 Capex includes Zain KSA Capex from Q3 2018 onwards

\* Capex includes only tangible assets

\* 2019 Capex estimated

# TOTAL CAPEX

## CAPEX BREAKDOWN



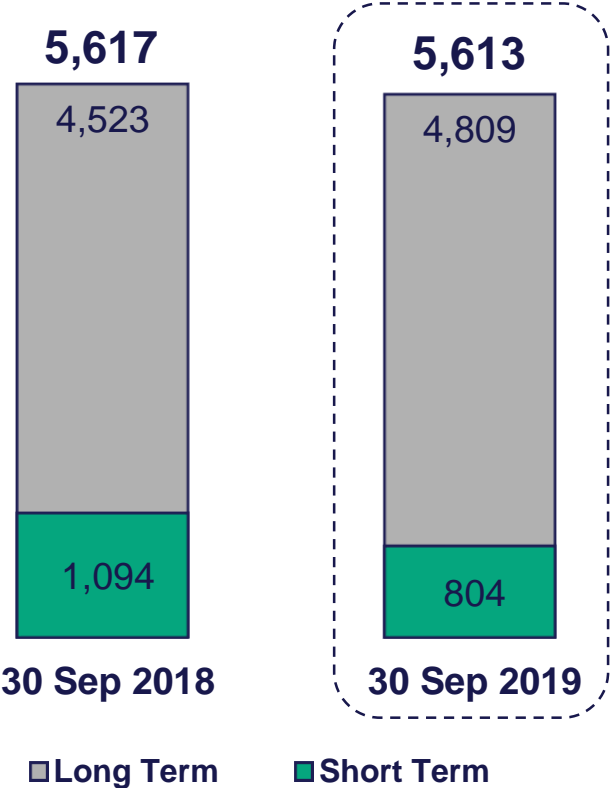
OPCO	9M 2019 (USDm)	% OF REVENUES
Kuwait	101	12%
KSA	147	9%
Iraq	77	10%
Jordan	13	4%
Sudan	7	3%
Bahrain	0.6	1%
S. Sudan	0.3	1%
Other	9	N/A

\* Group Total Capex = **USD 354 million**

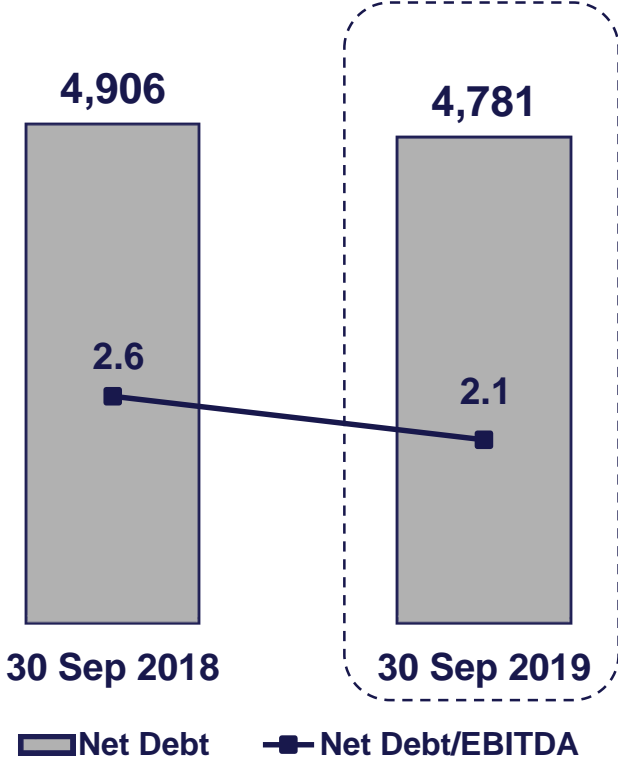
\* Capex includes only tangible assets

# Group Financial Highlights

## TOTAL DEBT (USDm)



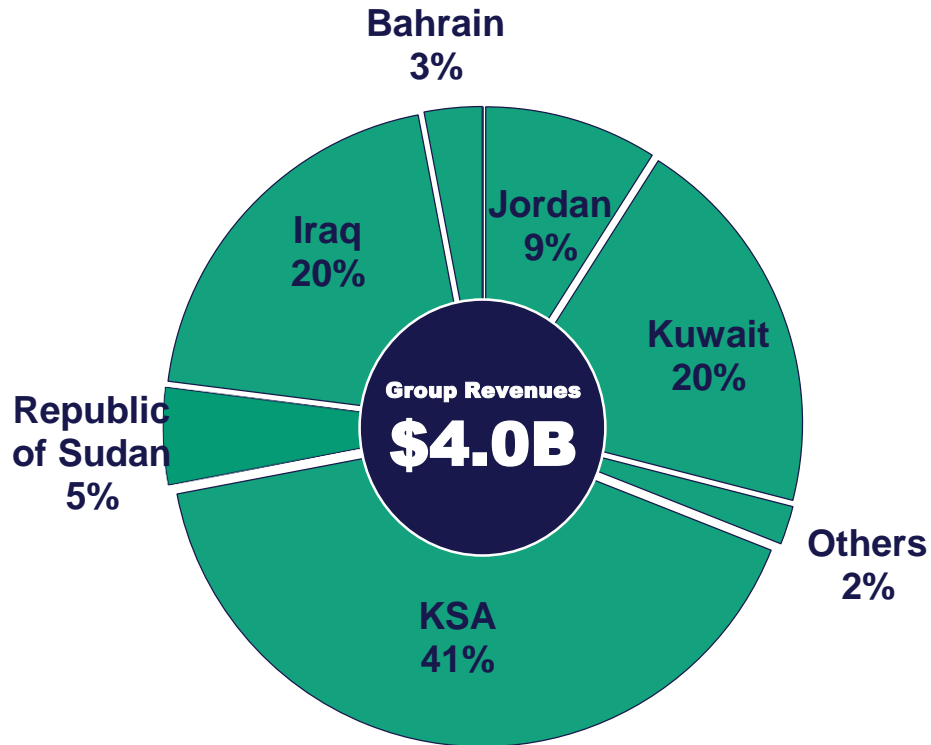
## NET DEBT (USDm) & NET DEBT/EBITDA



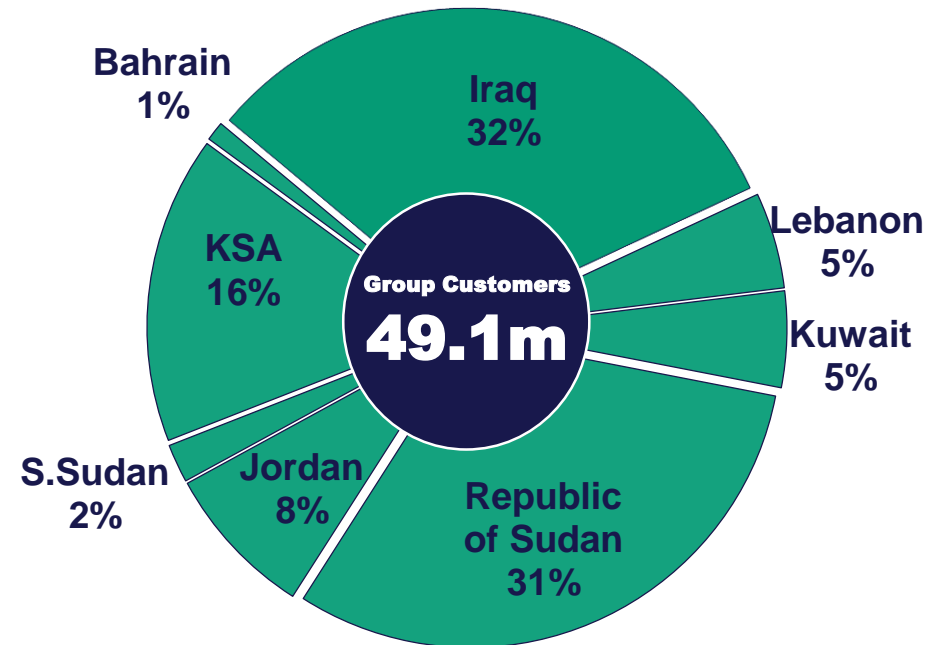
Net Debt = Total interest bearing debt (including letters of guarantee) after deducting cash and cash equivalents

# Group Financial Highlights – 9M 2019

## REVENUE CONTRIBUTION

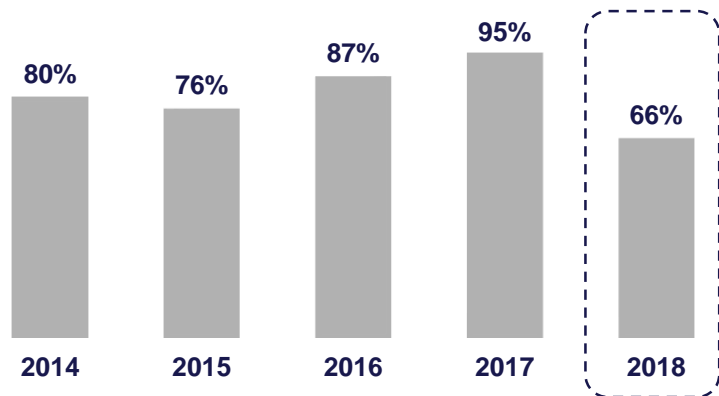


## CUSTOMER CONTRIBUTION

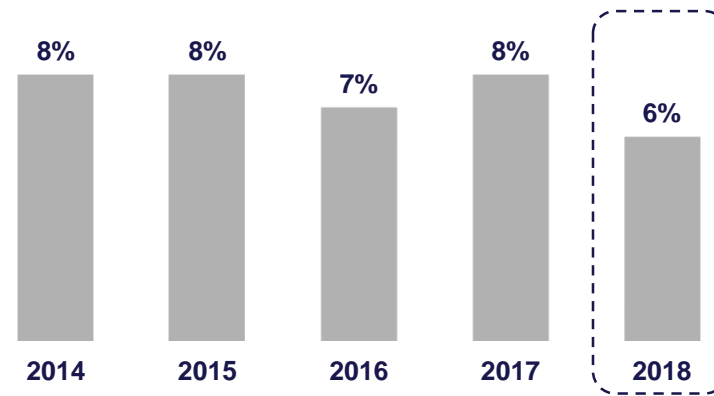


# ZAIN DIVIDENDS

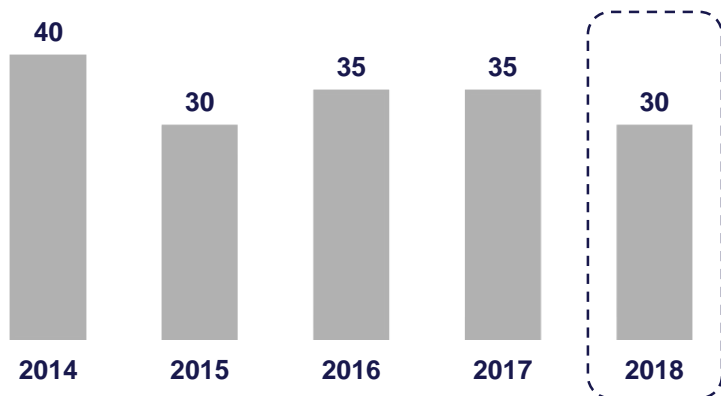
## DIVIDEND PAYOUT RATIO



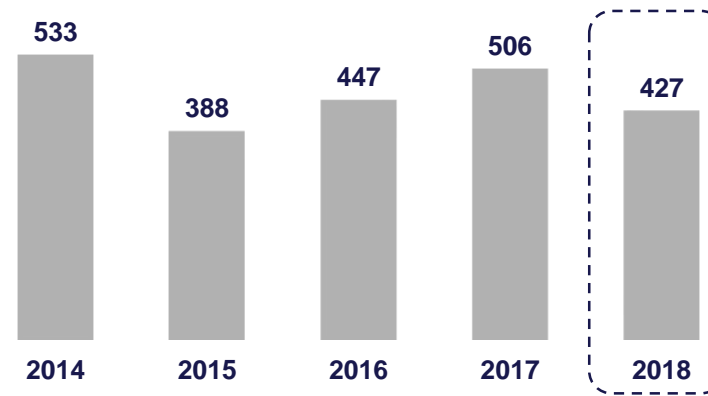
## DIVIDEND YIELD (%)



## DIVIDEND PER SHARE (Fils)



## CASH DIVIDEND (USDm)

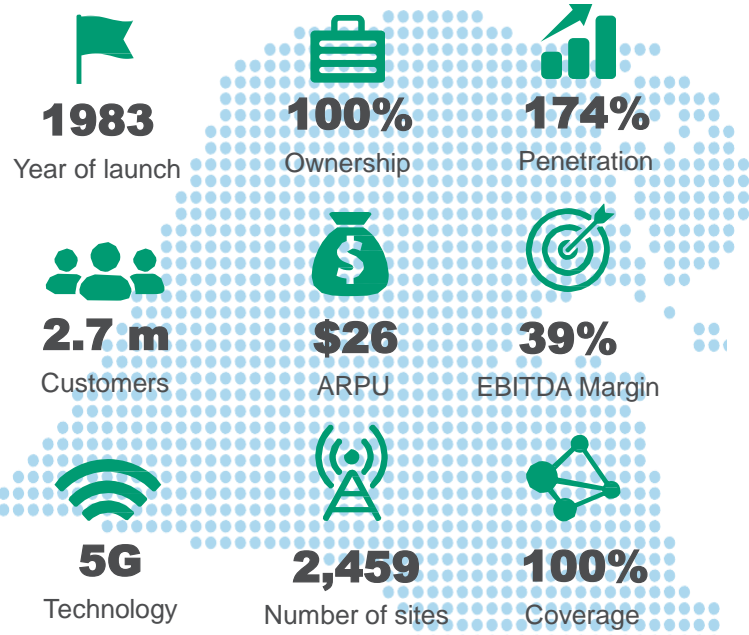


# Content

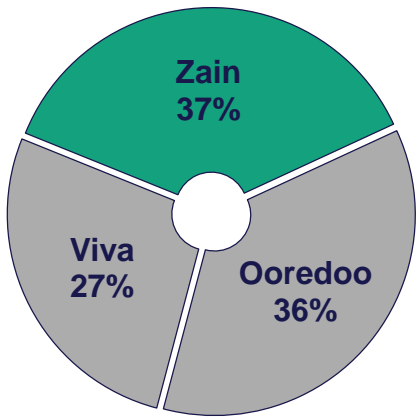
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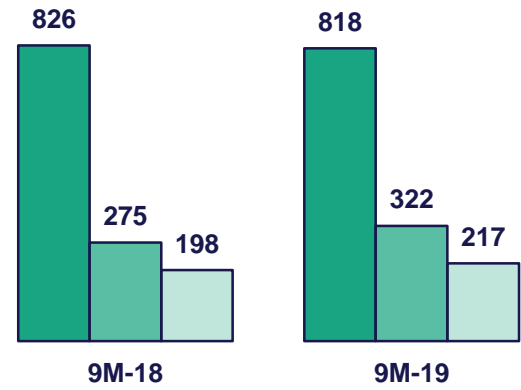
# ZAIN KUWAIT



## MARKET SHARE



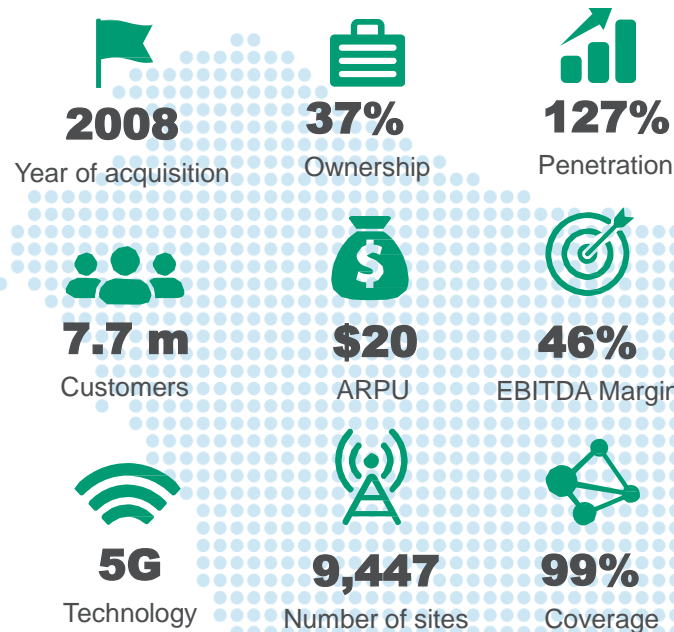
## FINANCIALS (USDm)



■ Revenue ■ EBITDA ■ Net Income

- Excluding the MEW and bulk sale in 2018, revenue would have grown by 8%
- Increase in EBITDA is due to improved gross margins and IFRS-16 benefits
- Strong concentration on cost optimization initiatives
- Data revenue grew 8% YoY, and formed 37% of total revenue
- 5G network expansion continues, with total planned sites to reach 1,700 by Q4 2019

# ZAIN KSA



## FINANCIALS (USDm)

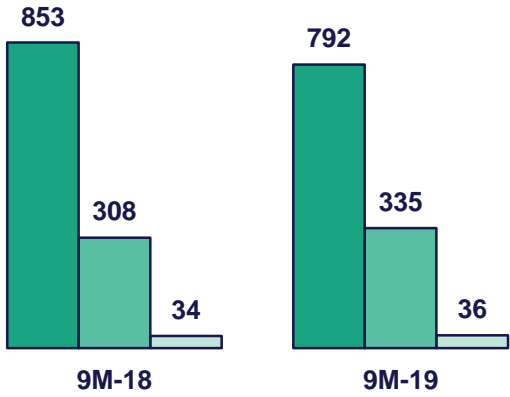
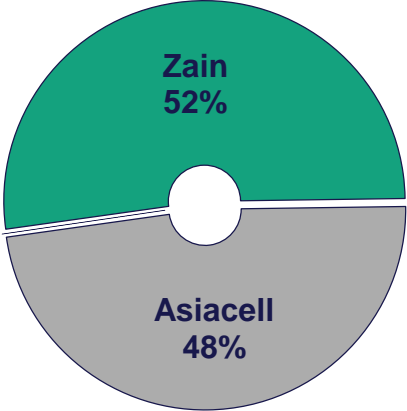
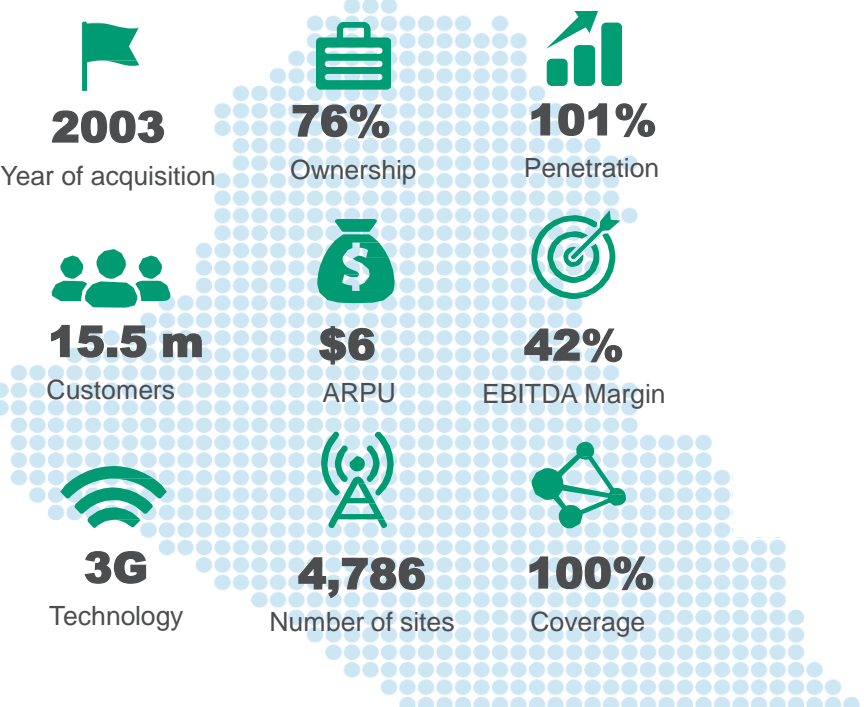


- Revenue increased 12% YoY, driven by the revamped postpaid consumer products and major focus remains on the enterprise B2B segment
- New revenue streams (FTTH) and DIA
- Regulatory changes to reduce annual royalty fee for commercial service from 15% to 10%, improved Zain KSA's financial position
- Data revenues formed 44% of total revenue
- Total early voluntary repayment towards the senior Murabaha amounted SAR 1.425 billion in the past 12 months
- Paid off the ICBC facility in full from the proceeds of the SAR 2.25 billion Murabaha Junior Credit facility

# ZAIN IRAQ

## MARKET SHARE

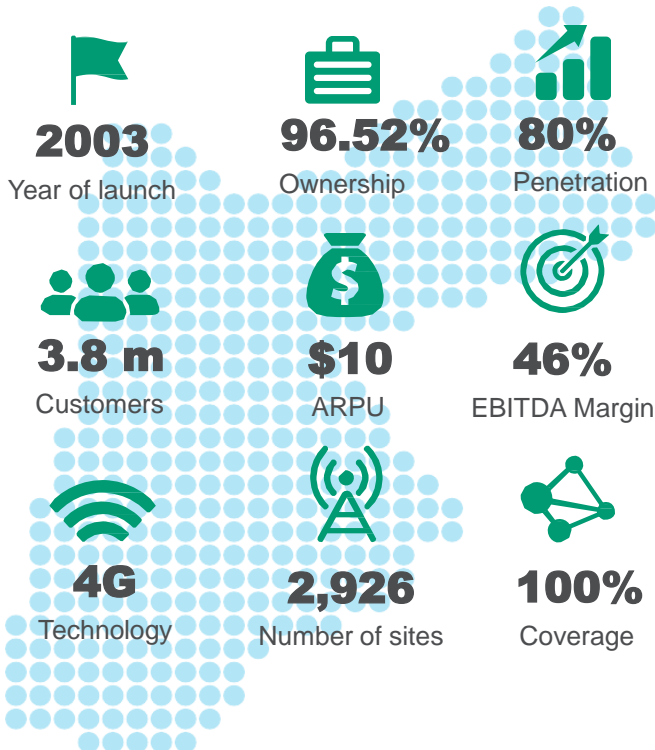
## FINANCIALS (USDm)



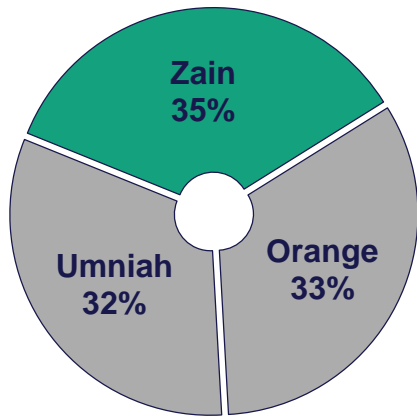
■ Revenue ■ EBITDA □ Net Income

- The period saw intense competition which impacted the top line
- IFRS 16 adoption and strong focus on cost optimization benefited EBITDA
- Robust growth in enterprise (B2B) segment
- Customer base grew by 3%, to reach 15.5 million
- Ongoing lobbying for the 4G license and the extension of 2G/3G license

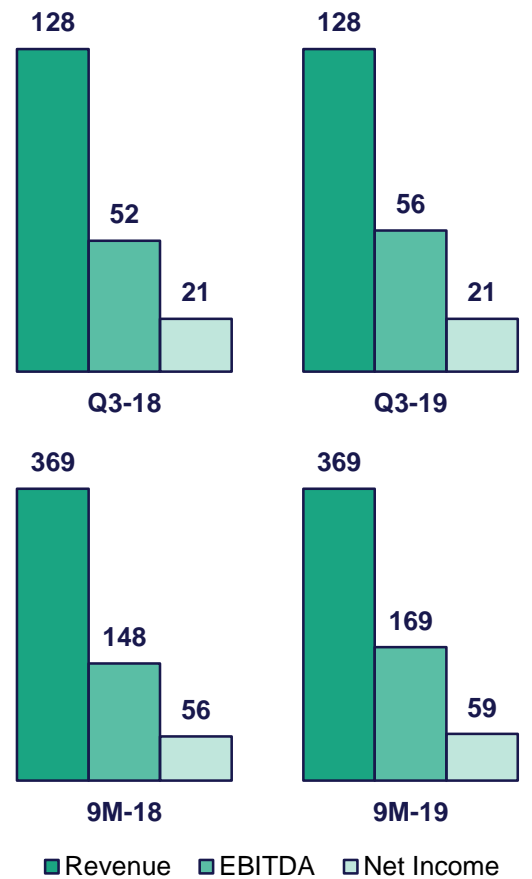
# ZAIN JORDAN



## MARKET SHARE



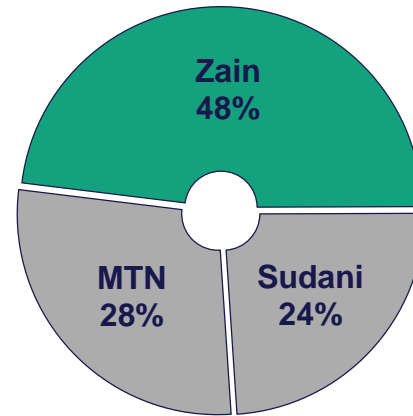
## FINANCIALS (USDm)



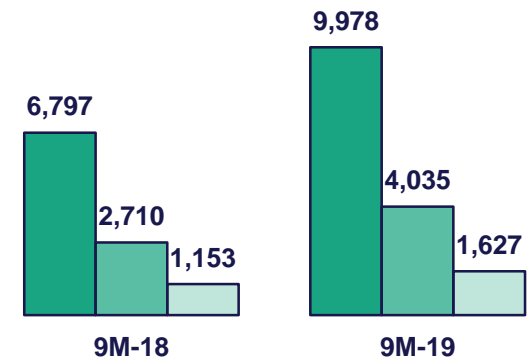
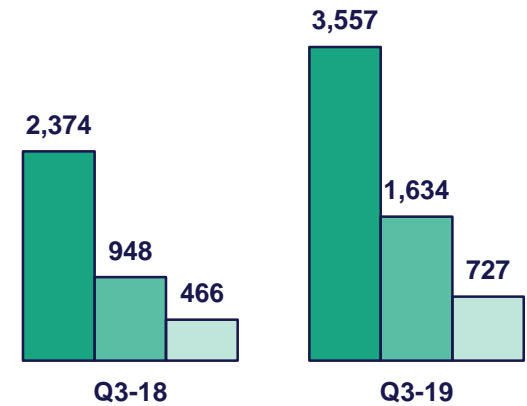
- Stable revenue compared to the prior year even after reduction in interconnection rates (from 11.6 fils to 8.4 fils)
- EBITDA increased by 14%, due to lower Opex (lower utilities cost) and new IFRS 16 benefits.
- Data revenues grew by 6% YoY, and formed 40% of total revenue.

# ZAIN SUDAN

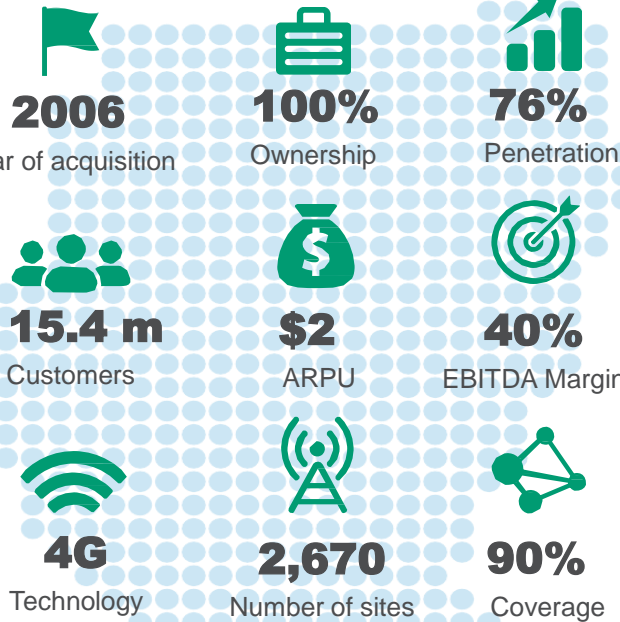
## MARKET SHARE



## FINANCIALS (SDGm)

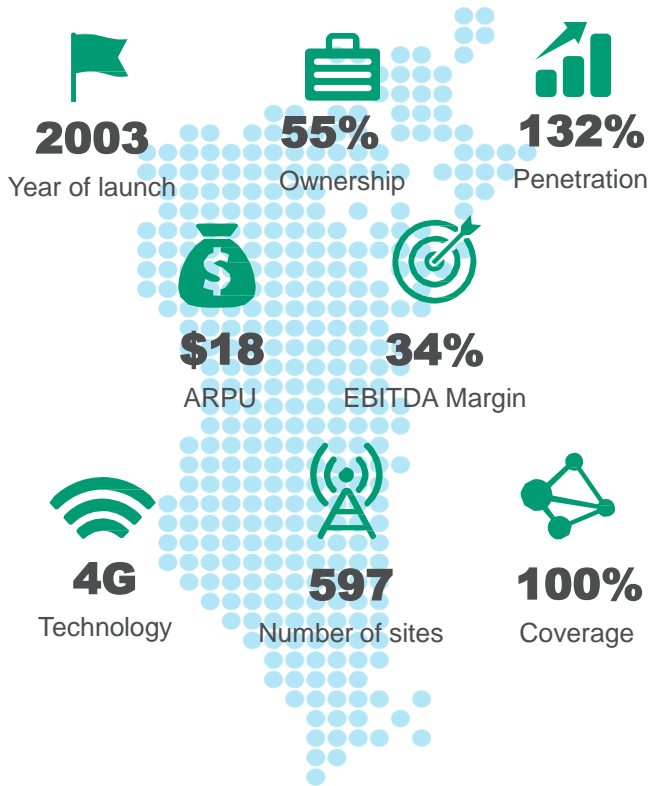


■ Revenue ■ EBITDA □ Net Income



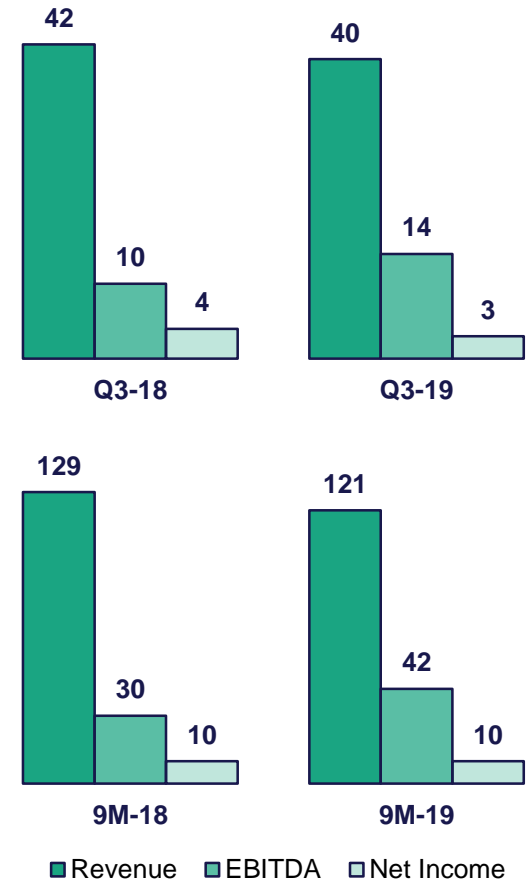
- Impressive YoY growth in local currency SDG terms
- Customer base grew by 8%, to reach 15.4 million
- ~41% currency devaluation affected the financial results in USD terms (from an average of 27.1 in 9M 2018 to 46 SDG/USD in 9M 2019)
- Significant cost optimization savings
- Data revenues grew 34% YoY, and formed 16% of total revenues

# ZAIN BAHRAIN



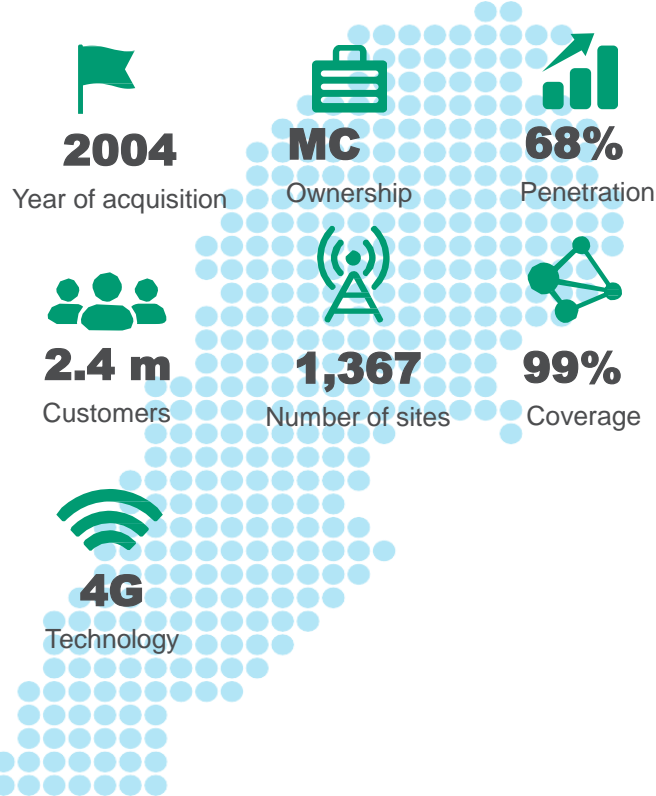
- EBITDA jumped by 37% mainly due to the IFRS 16 benefits
- Net Income increased by 4% YoY, supported by the decrease in regulatory charges
- Data revenues formed 48% of total revenues

## FINANCIALS (USDm)

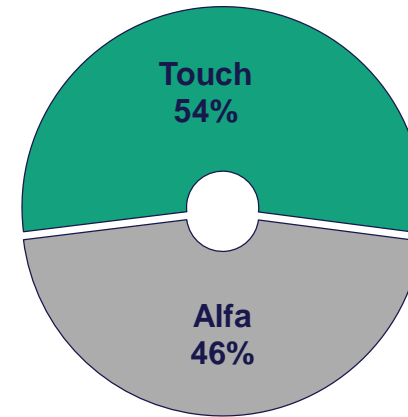


# TOUCH - LEBANON

## 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

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



# Statement of Financial Position

	Unaudited	Audited	Unaudited
	30-Sep-19	31-Dec-18	30-Sep-18
	KD '000		
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	329,379	311,916	282,185
Trade and other receivables	564,189	537,999	575,989
Contract assets	70,382	66,062	55,866
Inventories	42,371	45,957	26,984
Investment securities at FVTPL	8,622	15,519	13,181
Assets of disposal group classified as held for sale	16,357	7,656	7,656
	<b>1,031,300</b>	<b>985,109</b>	<b>961,861</b>
<b>Non-current assets</b>			
Contract assets	20,627	16,940	12,804
Investment securities at FVOCI	5,148	7,040	7,030
Investments in associates and joint venture	72,219	69,851	68,672
Other assets	10,766	11,953	15,285
Property and equipment	1,223,339	1,233,559	1,199,296
Right of use of assets	174,991	-	-
Intangible assets and goodwill	2,151,897	2,163,267	2,185,399
	<b>3,658,987</b>	<b>3,502,610</b>	<b>3,488,486</b>
<b>Total assets</b>	<b>4,690,287</b>	<b>4,487,719</b>	<b>4,450,347</b>

	Unaudited	Audited	Unaudited
	30-Sep-19	31-Dec-18	30-Sep-18
	KD '000		
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	902,956	956,272	904,672
Deferred revenue	85,536	105,308	107,518
Due to banks	244,469	412,971	331,317
Lease liabilities	40,221	-	-
Liabilities of disposal group classified as held for sale	5,035	-	-
	<b>1,278,217</b>	<b>1,474,551</b>	<b>1,343,507</b>
<b>Non-current liabilities</b>			
Due to banks	1,189,135	1,033,565	1,160,848
Lease liabilities	148,131	-	-
Other non-current liabilities	436,446	336,325	323,283
	<b>1,773,712</b>	<b>1,369,890</b>	<b>1,484,131</b>
<b>Equity</b>			
<b>Attributable to the Company's shareholders</b>			
Share capital	432,706	432,706	432,706
Share premium	1,707,164	1,707,164	1,707,164
Legal reserve	216,353	216,353	216,353
Foreign currency translation reserve	-1,364,682	-1,367,018	-1,305,915
Investment fair valuation reserve	-1,119	864	894
Other reserves	-3,929	-4	398
Retained earnings	289,018	287,143	227,733
	1,275,511	1,277,208	1,279,333
Non-controlling interests	362,847	366,070	343,376
	<b>1,638,358</b>	<b>1,643,278</b>	<b>1,622,709</b>
<b>Total equity</b>	<b>1,638,358</b>	<b>1,643,278</b>	<b>1,622,709</b>
<b>Total liabilities and equity</b>	<b>4,690,287</b>	<b>4,487,719</b>	<b>4,450,347</b>

# Statement of Profit or Loss

	Nine months ended		Nine months ended	
	30-Sep		30-Sep	
	2019	2018	2019	2018
	<b>KD'000</b>			
Revenue	1,221,761	906,260		
Cost of sales	-329,352	-283,354		
Operating and administrative expenses	-333,806	-289,129		
Depreciation and amortization	-272,754	-152,456		
Expected credit loss on financial assets (ECL)	-21,084	-9,649		
Interest income	7,475	15,641		
Investment income	919	1,686		
Share of results of associates and joint venture	2,367	-3,627		
Other income/(expenses)	10,759	-34,034		
Fair value gain on the previously held equity interest	-	30,931		
Finance costs	-84,476	-44,555		
Provision for impairment loss on property and equipment	-	-9,648		
Loss from currency revaluation	-7,874	-9,496		
Net monetary gain/(loss)	5,461	45,714		
<b>Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration</b>	<b>199,396</b>	<b>164,284</b>		
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	-1,552	-1,074		
National Labour Support Tax (NLST) and Zakat	-5,460	-4,065		
Income tax expenses	-14,145	-15,226		
Board of Directors' remuneration	-315	-206		
<b>Profit for the period</b>	<b>177,924</b>	<b>143,713</b>		
<b>Attributable to:</b>				
Shareholders of the Company	152,969	137,075		
Non-controlling interests	24,955	6,638		
	<b>177,924</b>	<b>143,713</b>		

	Nine months ended	
	30-Sep	
	2019	2018
<b>Earnings per share</b>		
Basic and diluted – Fils	35	32

# Statement of Cash Flows

	Nine months ended		Nine months ended	
	30-Sep		30-Sep	
	2019	2018	2019	2018
	KD'000		KD'000	
<b>Cash flows from operating activities</b>				
Profit for the period before income tax	192,069	158,939		
Adjustments for:				
Depreciation and amortization	272,754	152,456		
ECL on financial assets	21,084	9,649		
Interest income	-7,475	-15,641		
Investment income	-919	-1,686		
Share of results of associates and joint venture	-2,367	3,627		
Provision for impairment loss on property and equipment	-	9,648		
Finance costs	84,476	44,555		
Loss from currency revaluation	7,874	9,496		
Net monetary gain	-5,461	-45,714		
Fair value gain on the previously held equity interest	-	-30,931		
Loss on sale of property and equipment	1,482	147		
Operating profit before working capital changes	<b>563,517</b>	<b>294,545</b>		
Increase in trade and other receivables	-75,538	-53,091		
Decrease in inventories	3,673	13,941		
(Decrease)/increase in trade and other payables	-10,796	52,351		
Cash generated from operations	<b>480,856</b>	<b>307,746</b>		
Paid to KFAS	-771	-319		
NLST and Zakat paid	-2,068	-5,492		
Income tax paid	-11,054	-10,165		
<i>Net cash from operating activities</i>	<b>466,963</b>	<b>291,770</b>		
<b>Cash flows from investing activities</b>				
Deposits maturing after three months and cash at bank under lien			-28	-69
Investments in securities			-290	-3,989
Investment in subsidiaries			-	103,276
Proceeds from sale of investments			7,589	1,919
Increase in due from associates			-	-7,039
Acquisition of property and equipment (net)			-165,701	-102,700
Acquisition of intangible assets (net)			-24,925	-18,286
Interest received			6,422	3,632
Dividend received			383	253
<i>Net cash used in investing activities</i>			<b>-176,550</b>	<b>-23,003</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings			425,978	194,235
Repayment of bank borrowings			-441,649	-233,467
Repayment of lease liabilities			-41,069	-
Dividends paid to Company's shareholders			-129,179	-150,573
Dividends paid to minority shareholders of subsidiaries			-5,020	-611
Finance costs paid – due to banks			-83,358	-30,240
<i>Net cash used in financing activities</i>			<b>-274,297</b>	<b>-220,656</b>
Net increase in cash and cash equivalents			16,116	48,111
Effect of foreign currency translation			1,319	-3,896
Transition adjustment on adoption of IFRS 9			-	-6,497
Cash and cash equivalents at beginning of period			304,236	206,432
<b>Cash and cash equivalents at end of period</b>			<b>321,671</b>	<b>244,150</b>



THANK YOU

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Email : [IR@zain.com](mailto:IR@zain.com)



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