



Date: 2 March 2021

Ref:

Mr. Mohammad Saud Al-Osaimi  
CEO - Boursa Kuwait  
State of Kuwait

التاريخ: 2 مارس 2021

المرجع: 428

المحترم السيد / محمد سعود العصيمي  
الرئيس التنفيذي - بورصة الكويت  
دولة الكويت

Dear Sirs,

تحية طيبة وبعد،،،

**Subject: Zain's Company Analyst / Investor  
minutes of conference – Q4 2020**

**الموضوع: محضر مؤتمر المحللين / المستثمرين لشركة الاتصالات  
المتنقلة – زين للربع الرابع لعام 2020**

As per article No. (8-4-2) "Continuing Obligations in the Premier Market" of Boursa Kuwait Rule Book issued as per decision No. (1) for year 2018, and since Zain has been classified in the "Premier Market".

عملاً بأحكام المادة رقم (8-4-2) "الإلتزامات المستمرة للسوق الأول" من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018، وحيث أن شركة زين تم تصنيفها ضمن مجموعة "السوق الأول".

We would like to advise you that quarterly Analyst / Investor Conference was placed through conference call "CISCO Webex" at 3:00 PM local time on Tuesday 2/3/2021.

يرجى الإحاطة بأن مؤتمر المحللين / المستثمرين قد إنعقد عن طريق اتصال مباشر "CISCO Webex" في تمام الساعة الثالثة بعد ظهر يوم الثلاثاء الموافق 2021/3/2 (وفق التوقيت المحلي).

Attached: the minutes of the Conference mentioned above and the Investor presentation (Q4-2020).

مرفق طيه محضر المؤتمر المذكور أعلاه وإستعراض المستثمرين عن الربع الرابع لعام 2020.

Sincerely yours,

وتفضلوا بقبول فائق الاحترام والتقدير،،،



بدر ناصر الخرافي

نائب رئيس مجلس الإدارة والرئيس التنفيذي لمجموعة زين

**Bader Nasser AlKharafi**

**Vice Chairman and Group CEO**

شركة الاتصالات المتنقلة (ش.م.ك.ع.) (K.S.C.P) Mobile Telecommunications Co.  
Airport Road, Shuwaikh, Kuwait - P.O.Box 22244 Safat 13083 Kuwait - T: +965 2464 4444 F: +965 2464 4552  
رأس المال المدفوع: 432,705,890,900 د.ك - رأس المال المصرح به: 432,705,890,900 د.ك - السجل التجاري: 36025

www.zain.com

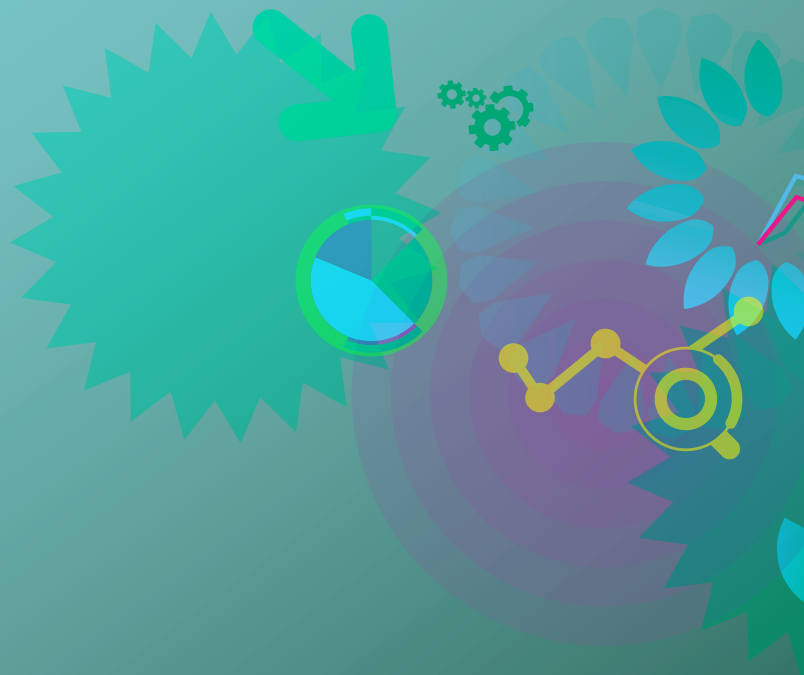


# Zain Group

FY 2020

## Earnings Conference Call

March 2, 2021



Chaired by:  
Omar Maher  
EFG Hermes



## **Zain Group Q4 2020 Earnings Call Transcript**

Tuesday 2<sup>nd</sup> March 2021

3:00 PM Kuwait Time

---

### **Zain Group Executive Management:**

**Ossama Matta** - Group Chief Financial Officer

**Mohammad Abdal** - Group Chief Communications Officer

**Iyadh Borgi** - Operation & business Performance Director

**Aram Dehyan** - Group Investor Relations Senior Manager

### **Moderator:**

Omar Maher, EFG Hermes



**Omar Maher:**

Greetings ladies and gentlemen, this is Omar from EFG Hermes and I would like to welcome you all to the Zain Group's Q4 2020 Results Conference Call. It is my pleasure to host Zain Group senior management today on the call. By now you should have received the company's presentation and earnings release for the 4<sup>th</sup> quarter and detailed financials which have all been uploaded on the Group's website.

Now without further delay, I will hand the call to Mohammad Abdal, Zain Group's Chief Communications Officer. Thank you

**Mohammad Abdal:**

Thank you, Omar. And welcome everyone to Zain's Q4 2020 earnings conference call. With me today Ossama Matta, Group CFO and Iyadh Borgi, Operation & business Performance Director. In a moment, we will take you through the IR presentation which has been posted earlier today on our corporate website, and after that we're happy to answer any question you may have.

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

Please refer to our detailed cautionary statement found in slide number 2.

With that, I will now turn the call over to Ossama.

**Ossama Matta:**

Thanks, Mohammad. Good afternoon to everyone and thank you for joining us on today's call. We hope you and your families continue to remain safe and healthy as we navigate through the pandemic.

COVID 19 hit the region hard in early March 2020, and since then, all our operations' key focus has been on providing uninterrupted connectivity ensuring that our customers remain connected to their loved ones and meeting their existing and emerging connectivity requirements. We also worked on implementing more digitalization initiatives to better serve communities, businesses and governments across our footprint. Our primary aim was to lessen the impact of the pandemic on society by granting increased digital access to essential medical, commercial, educational and financial services.

The numerous actions Zain undertook to combat the pandemic are well documented on our media channels, so I won't delve more into that.



Before going into the financial information, I would like to walk you through some recent highlights that showcase our 4Sight strategy in action:

- Since March 2020, we experienced over a 50% increase in high-speed broadband data traffic across various markets within our footprint. Our fixed and mobile broadband networks responded well to the surge in data traffic as remote learning and working from home became the norm. To meet the increase in demand for data, we were fortunate that several national regulatory authorities granted Zain temporary spectrums to use existing frequencies on a technology-neutral basis. Moreover, Zain acquired additional spectrum in several of our operations.
- To take advantage of the full potential of our infrastructure investments across our footprint, we have entered into a strategic partnership with TASC Towers Holding across several markets that is making progress.
- We soft launched Zain Data Park (ZDP) in Kuwait and Jordan, providing our government and enterprise customers with the very best IT support services focused on cloud hosting and managed services across the ICT stack, including applications, cybersecurity and networking. Moreover, Zain KSA's Cloud service offering is also gaining lots of traction.
- The Zain Group API platform has been hugely successful, enabling faster deployment of digital partnerships, and continues to grow substantially, resulting in over 5.2 million transactions per month with a total of 70 million transactions processed since launch in 2018. Zain Kuwait, Bahrain, Iraq, Jordan, KSA and Omantel all benefit from new revenue streams from this cloud service. Most recently, we also launched Sudan's largest digital entertainment platform - [www.zainsudangames.com](http://www.zainsudangames.com) - offering over 1,000 games for Zain Sudan customers, on the Group API platform.
- We launched Zain esports in November 2020 to reach out to the youth of the region and find better propositions for the broadband services being offered by Zain operations. The esports team has held several major tournaments to date, and plans to organize more throughout 2021, along with multiple engagement activities to bolster the gaming ecosystem and build an active community for gamers in the region.
- The first week of January 2021 witnessed a milestone in our regional Fintech ambitions with the Saudi Central Bank (SAMA) granting Zain fintech subsidiary, 'Tamam', the first consumer micro-financing license in the region. This Shari'a compliant mobile application offers consumer micro-finance in less than 5 minutes via a seamless digital customer experience.
- Moreover, the Zain Cash platform in Iraq and Jordan has grown exponentially in both services offered and transactions over the past 12 months.
- All our digital channels experienced a significant acceleration. Example...in some markets, over 90% of prepaid services and majority of postpaid services are now activated digitally and digital self-care reaching 95% of total customer interaction.

- Zain KSA's digital-only mobile platform Yaqoot witnessed enormous growth during 2020, counting over one million installations of the app.

**Now moving over to the financials.**

The Group's performance for 2020 reflects the reality of the pandemic's disruption on economic-social activity and the unavoidable impact it had on our financial results. Nonetheless, we believe that Zain has succeeded in containing the adverse impact to reasonable levels given the dire circumstances.

We estimate the COVID-19 pandemic disruption on economic activity due to lockdowns and travel ban across all Zain markets, to have adversely impacted revenue by USD 417 million for the full year.

The Group's decisive efficiency drive succeeded in reducing operational expenses by USD 168 million.

Despite the Covid-19 impact... For the full year 2020, Zain Group generated relatively stable revenue of USD 5.3 billion, while consolidated EBITDA for the period reached USD 2.2 billion, reflecting a healthy EBITDA margin of 41%. Consolidated net income reached USD 605 million, reflecting Earnings Per Share of 43 Fils (USD 0.14).

Moving on to CAPEX... The Group continued to invest at healthy levels in our operations. we closed the year with a total of USD 1.4 billion (represents 26% of revenues), spent on 5G rollouts, coupled with FTTH and 4G expansion, as well as spectrum license fees in key markets. Our target for 2021, is to invest in the vicinity of 15% of revenues on CAPEX.

We have focused on our digital strategy of monetizing this infrastructure and the Group API platform through compelling initiatives and packages for the B2B sector covering government, business, IoT, and smart city sectors, as well as focusing on gaming, entertainment, fintech and e-health services.

The Group continues to maintain healthy cash flows and we managed to reduce the Group's total net debt by approximately USD 1 billion, reducing the net debt / EBITDA (including Guarantees) which currently stands at 2.0x compared to 2.2x in 2019.

I will move to the Opcos and will try to keep it short to have enough room for a productive discussion in the Q&A session.

### **Let's move to slide 14 - Zain Kuwait**

As we mentioned in our earlier calls... On February 12, 2020, Zain Kuwait completed the sale and leaseback of the passive physical infrastructure of its 1,620 mobile tower portfolio for USD 130 million to IHS. The transaction is the first sale and leaseback of telecom towers in the Middle East by a mobile operator.

Operationally, Zain Kuwait remains the most profitable company within the Group and maintains its market lead in terms of both value share and customer base, serving 2.6 million customers. Its market leadership on all key financial indicators is highlighted by its revenue representing 39% of the total market revenue and 76% of the industry's net income.

2020 was an extremely challenging year with the pandemic impacting the operation at many different levels. For 2020, revenue dropped by only 4% YoY, due to the COVID-19 impact, which is estimated at USD 62 million, on account of the lockdown and Government directives to support the community during the crisis by providing free local calls and free 5GB data usage for one month in addition to the loss of roaming revenue with the travel limitations.

Due to several cost optimization initiatives implemented by the operation we managed to limit the EBITDA drop for the year to 11%. Accordingly, net income for the year decreased by only 8% YoY, mainly on account of the pandemic and increase in depreciation due to significant investments in the 5G network rollout.

Given Zain's commitment to enhancing customer experience, the operator accelerated 5G deployment to cater for the surge in data demand during the pandemic, while carefully balancing the network. The operation invested USD 101 million (10% of its revenue) in CAPEX during 2020, deploying more than 500 new 5G sites.

We are very optimistic on the next phase of growth for Zain Kuwait exploiting its dominant 5G network which is evident with the launch of iPhone'12 and the focus on digital services to individuals and the B2B space.

### **Saudi Arabia which is on slide 15:**

Despite the extremely challenging year for KSA, which was characterized by travel restrictions that led to a huge reduction in numbers of visitors for Hajj/Umrah and business, the operator remained profitable for the fourth consecutive year. The customer base dropped 8% YoY to 7 million, mainly due to expats leaving the Kingdom.

Revenue for the year amounted to USD 2.1 billion compared to USD 2.2 billion in 2019. The decrease in revenue is attributable to many factors impacting the top line, mainly the impact of the COVID-19 pandemic, estimated at USD 176 million, MTR reduction, and VAT increase from 5% to 15% commencing in July 2020.

EBITDA for the year decreased by only 10%, reflecting a healthy EBITDA margin of 43%. Net income fell by 46% to USD 69 million on account of the top line performance, lower CITC waiver compared to last year, and higher depreciation (5G rollout) and amortization (due to acquisition of new spectrum in 2020).

During 2020, Zain KSA invested USD 785 million (37% of revenue) on CAPEX, spectrum and license fees, providing connectivity through 9,897 network sites, including over 4,450 5G sites across 50 cities. Expected 2021 to spend between 14% to 15% of revenues.

Zain KSA successfully refinanced and extended the maturity date of its existing five-year syndicated Murabaha facility that had an outstanding amount of SAR 3.85 billion as of September 30, 2020, until 2025 at better commercial terms, including working capital facilities. This refinancing reduces the cost of the debt and improves the company's financial performance and profitability.

Also, the successful completion of Zain KSA's capital restructuring during Q4 2020, reflected the confidence of shareholders in the operator's operational strategy and future growth plans. The proceeds from the rights issue were used to deleverage the debt of the company.

#### **Moving to slide 16, which is Zain Iraq**

Zain Iraq was granted a 4G license with the 2G and 3G mobile licenses extended to 2030. This license extension has a favorable impact on the company's financials. Also, healthy growth in revenue is expected with the rollout of 4G commercially in early 2021.

Given the competitive and challenging environment in Iraq, combined with the COVID-19 outbreak and fall in oil prices globally, Iraq's economy shrank by approximately 12% in 2020.

Unlike most other countries with partial lockdowns, the authorities in Iraq imposed a full curfew from mid-March to August. Accordingly, the subsequent reduction in economic activity affected Zain's top line performance for the year as revenue was down by 12% to reach USD 943 million. The impact of COVID-19 on revenue is estimated at USD 131 million.

EBITDA decreased by 19%, mainly due to the revenue drop. However, net income jumped by an impressive 27% to USD 80 million, due to lower amortization following the license extension and lower cost of financing. Customers grew by 3% to 16.2 million during 2020.

The operator invested USD 257 million (27% of revenue) in Capex (Tangible + intangible), expanding and upgrading its network to support the increase in data demand.



Zain Iraq is focusing heavily on the enterprise (B2B) segment and this is proving to be an extremely profitable growth area in both service and data revenue. The operator launched new voice and data bundles for the B2B segment, as well as new business solutions such as VPN, DIA and ISP services, and customized existing bundles.

The operator's fintech arm, Zain Cash, saw exponential growth, doubling the number of transactions during the year, which is expected to continue growing in the years to come.

In late December '20 the Iraqi government decided to devalue the Iraqi Dinar, given the contraction of the Iraqi economy due to COVID and local macroeconomic issues. In response, Zain Iraq has implemented actionable measures to mitigate the devaluation impact on the operation as well as the Group, however, we will be better positioned to discuss this matter and the progress of the 4G rollout in the next call we have for Q1, 2021.

**Going to slide 17 which is Zain Jordan:**

Zain Jordan remains the market leader, serving 3.6 million customers. Despite an estimated USD 22 million impact on revenue due to COVID-19, and the drop in interconnect revenue due to lower MTR, revenue for the year decreased by only 2% YoY. Consequently, EBITDA was down 2%, maintaining a healthy margin of 44%. Notably, net income for the year increased by 3%, despite the increase in depreciation and amortization on account of investments in 4G and FTTH.

CAPEX in Jordan amounted to USD 68 million in 2020, reflecting 14% of the company's revenue. CAPEX was mainly spent on FTTH expansion and 4G network sites.

There is a major focus on expanding Zain Data Park's offering of cybersecurity, cloud hosting and managed services that are hosted in Zain Jordan a Tier III Data Center and disaster recovery facility.

Zain Jordan's focus on fintech saw Zain Cash, the country's most prominent e-wallet, increase its customer base by over 200% and witness a doubling of card payment transactions during the year.

**Sudan which is on slide 18:**

With a leading customer market share of 49%, Zain Sudan was able to further improve its market position by reporting customer growth of 4.4% YoY to 16.6 million, representing 35% and also the largest contributor of Zain Group's total customer base.

Despite the pandemic impact on revenue, estimated at approximately USD 11 million, Zain Sudan reported its best performance ever since 2016. The operator witnessed the highest increase in its financial performance in both SDG and USD terms YoY.



For the FY 2020, revenue grew by 62% YoY to SDG 22.5 billion (USD 416 million, up 37% in USD terms) due to a number of price revamps in 2020. EBITDA increased by 67% to SDG 9.3 billion (USD 171 million, up 41% in USD terms), and net income increased by 47% to reach SDG 3.3 billion (USD 61 million, up 23% in USD terms).

The expansion of 4G combined with data marketing initiatives saw data revenue grow by an impressive 142%, representing 26% of total revenue in SDG terms (104% growth in USD terms).

Zain Sudan invested USD 110 million in CAPEX or 26% of its revenue, expanding and acquiring multiple spectrum bands to enhance its 4G LTE network across the country. By the end of 2020, the operator's mobile network covered 90% of the population via 2,814 network sites.

On February 21<sup>st</sup> of 2021, Sudan's central bank sharply devalued the currency, announcing a new regime to "unify" official and black-market exchange rates in an effort to overcome a crippling economic crisis and access debt relief. We read that the bank set the indicative rate at 375 pounds to the dollar according to commercial banking sources, from a previous official rate of 55 pounds.

This is definitely not good news for Zain, however we will have to adapt our prices and future strategy, but generally, currency aside, the Sudan telecom market is very promising. Like Iraq, in the next call for Q1, 2021, I'll be able to elaborate further on the impact this will have on the Group.

### **Back to the Group...**

Finally, the Board of Directors agreed that despite the COVID 19 impact on revenue and the FX impact on the Group's results, it would adhere to its three-year minimum cash dividend policy commitment of 33 fils per share that was approved at the AGM last year. This 33 fils per share reflects a 77% payout ratio, one of the highest in the region.

I would like to conclude by assuring all in this call that the Board and executive management are working closely together in minimizing the pandemic's impact across our footprint with particular focus on increasing digital services, driving efficiencies and cost optimization and monetizing our 4G and 5G networks.

On a final note, on behalf of the Board I want to thank all our employees for their dedication, flexibility and execution in this very challenging environment.



I would also like to thank all the government ministries and regulatory authorities across our markets for their wisdom and understanding of the emerging industry dynamics, supporting us in overcoming challenges faced by the telecom sector during these unique times.

With that, I'll hand over to Mohammad Abdal for Q&A.

**Mohammad Abdal:**

Thanks, Ossama. With that, we will now move to the Q&A session. And we ask that you limit yourself to one question and one follow-up.

**Omar Maher:**

Your first question comes from the line of Mark Lawrence.

**Mark Lawrence:**

Hi, How much dollar cash and dollar debt you have in Sudan?

**Ossama Matta:**

In Sudan we don't have any debt there is no debt on the company, and regarding the cash in Sudan its approximately USD 70 million.

The reason for this question is probably related to the devaluation in the currency. The way we plan in Sudan is as it was before, where we always looked at the black-market rate in 2020 and before, and not on the official rate when it comes to our prices when it comes to our investment, so what we did on a quarterly basis was to increase prices by 25% and that's why you've seen the impressive performance in 2020. What we're going to do also in 2021 is to tackle this sharp devaluation by increasing our prices gradually in Sudan and also minimizing the cost as much as we can on the dollar side.

**Mark Lawrence:**

Are there any capital controls in Sudan?

**Ossama Matta:**

Yes of course but now we still don't know what happens after the sanctions have been lifted. There are capital controls you cannot repatriate cash outside Sudan, it is not easy as it's controlled by Central Bank.

**Mark Lawrence:**

What plans do you have for Scott's replacement?

**Ossama Matta:**

The management here at Zain is led by Bader Al Kharafi, he's the Group CEO and he's very much on top of matters. In fact, he's excelling in and cherishing the more work required to fill in for the work that Scott was overseeing. Moreover, he's supported by the rest of the Group management here who are a very diversified and experienced team, we also rely on our CEOs at the operations that have been handpicked and are very astute in managing their markets. Given the current COVID-19 circumstances and many people working remotely, we are managing well and currently there is no immediate need for a replacement.

**Nishit:**

I have a couple questions. The rights issue in Saudi. I was wondering why Zain Group converted a shareholder loan and not the approved management fee part? Because you were getting interest on the shareholder loan. So, was it mandatory, you didn't have a choice to convert your shareholder loan and not your management fee, where it was an interest-free liability? And also, I see that Zain Saudi is now keeping this as a current liability. Does this now mean that they will be paying off more than SAR 3 billion upstream to Zain Group? Why has this classification changed from non-current to current for Zain Saudi?

Another thing on Zain Saudi, the reversable provision, was it completed in 2020? Do we expect any more reversals happening in 2021 given there was a shortage in terms of the target from SAR 1.7 billion, you only reversed SAR 1.3 billion in Zain Saudi? So, will there be more reversals happening in 2021 or is this done and dusted?

On Iraq, I saw that you changed the functional currency to avoid the transaction impact from the dollar loans in your entity. What exactly has happened there, and you have mentioned that you are centering on the dollar margin. So, this functional currency change would be helpful.

**Ossama Matta:**

Ok, on Saudi, with respect to the rights issue, it was a technical requirement that we convert the debt and not the management fees. So, we could not convert the management fees due and it was also sensible from our side to convert the debt and not the management fee because it would have had an unpleasant impact on the rest of the shareholders in Saudi.

Now, the good thing is Zain Saudi was able to upstream to the Group a substantial amount of money in 2020 and the plan is to do the same in 2021. This is what I have mentioned, the cashflow at the Group management has increased considerably. This would basically be used to pay dividends, and the debt has dropped. So, from a financial position, the company is in a better position now.

On the reversal of provisions, we have reversed almost completely the provisions related to CITC. The only ones left is approximately SAR 40 million that we have kept, and this is mainly once we receive the clearance from the regulator, we will reverse it. The good thing that happened in 2020 is two things. One is our Murabaha financing, which reduced the cost of debt. The other thing is the rights issue that we undertook, which also deleveraged the company, whether it is on the external debt or debt to Zain, which is fine. From a Zain Saudi point of view, there is a deleveraging on the entity, which will lead to better savings.

The other thing is the heavy investment that we have made in 2020, which we started benefiting from in 2020 and more benefits will come in 2021. So, wherever we have benefited from the waivers from CITC, and we have replenished it or used it all, it will be compensated by the benefits coming from the rights issue and the refinancing by reducing the debt. So, the focus will be on the services and 5G services.

In Iraq, yes in December 2019 the Central Bank devalued the currency by 20%. To change to a functional currency, you have to prove that your revenues are linked to USD, that your expenses are in USD, predominantly, and that your balance sheet is mainly in USD, which we basically proved to the auditors. In previous years, the functional currency in Iraq was in dollars. Everything actually is dollarized in Iraq.

So, you can see immediately in Iraq that prices have increased as a result of the devaluation in the currency. What we will do to lessen the impact of the devaluation, is basically increase the prices, but we cannot do it suddenly because this will have a major impact on the market and competition. We will do it over a period of between one and two quarters, maximum, and by making the change in the functional currency, we avoided an accounting hit of USD 160 million on the debt of USD 600 million on the balance sheet. I think I answered all your questions unless I missed something.

**Nishit:**

Some of that was very clear, but just a follow up on Zain Saudi. Regarding the reversal you mentioned that most of it has already been done. What am I missing here because I remember SAR 1.7 billion that was supposed to be reversed over three years? I calculated the reversal that Zain had done SAR 1.29 billion if I take all the quarterly announcements. So, have you reversed more than SAR 1.3 billion?

**Ossama Matta:**

What we have reversed is approximately SAR 600 – 650 million every year. It is over three years. I don't know whether you are counting the first year? It was 2018, 2019, and 2020. We have announced on all of this. The remaining is only SAR 40 million to be reversed in 2021 or 2022, it depends on when we are going to receive clearance from CITC.

**Samir Murad:**

You paid for license in Iraq in USD or local currency? and do you expect the data usage to pick up in Iraq with the 4G rollout?

**Ossama Matta:**

Yes, in Iraq it is also one of the arguments that we used to prove our case that the license spectrum fee that we get from the government, we pay it in USD. We also plan to increase prices, not in one go but over a short period of time, to match the devaluation of the currency. We have many ways to do it, one of them is getting out completely from the unlimited packages that we have in the market and thus with the launch of 4G services, customers will start paying more on a 'pay as you go model'. The other thing is some of the packages will automatically have a sharp increase in the price's, others will have reduction in the value to the customers, so all of this will come to reducing the impact significantly from the devaluation. When you consider that this strategy will be coupled with cost optimization initiatives, that we are also planning to do, I believe 2021 will be tough, but nevertheless achievable in terms of the target that we put.

**Samir Murad:**

When should we expect Zain KSA to show growth in revenue and subscribers having the best 5G network and should we see this in 2021?

**Ossama Matta:**

If you look at Q4 of Saudi compare with Q3, you will see a good growth in terms of revenues. I would say you need to base 2021 based on Q4 of 2020 for Saudi as I mentioned before the successful implementation of 5G across 50 cities. If one looks at third-party reports in the market - CITC's quarterly 'Meqyas', Ookla's Speedtest and Signal - they actually refer to Zain KSA has the best 5G network in Saudi covering 50 cities with the best and fastest network. The good thing is our prices are approximately less by 15% and we are going to push for this.

We also got a survey from the ministry, there are like 8 million houses in Saudi only 3 million of them are connected to fiber, 5 million are in the market that we will target to grab on Zain's 5G. We've also seen a lot of reports and from customers saying that 5G experience is much better in FTTH because of the investment we made in the backbone, thus Zain standing out in FTTH from the from the competition. All of this I would say definitely helped us to push on the 5G and we have started seeing great results from our 5G in January and February 2021.

**Nishit:**

I didn't want to take more time, I have a question on the Sudanese pound devaluation I know you said you'd give more details later in the next quarter just wanted to understand the rationale why Zain has not classified Sudan under hyperinflation given that the inflation there

is already at 300% so in case it does will we see a huge impact like what we saw in South Sudan and what is your current situation there in terms of liability or asset—thank you

**Ossama Matta:**

Thank you. The reason behind this if you look at Sudan with the inflation story I think 3 or 4 years back we had the same discussion on the hyperinflation there and the inflation was more than 100% over 3 consecutive years and there was a big argument that we have to go into hyperinflation accounting because the economy is in hyperinflation the data at that time was questionable and the reason we said no it doesn't make any sense because the country is moving now with the peace treaty with the South Sudan and things are moving in the right direction, and actually it proved that we were correct that's it went into hyperinflation and went out of hyperinflation. The big 4 created a task force for Sudan they basically confirmed that Sudan is out form the hyperinflation. So, for us to go in hyperinflation and out of hyperinflation this will basically cause a lot of confusion to the reader and the shareholders of Zain.

If you look at the data that we have this year there are different data, one of them peaked at 600% and then there was another correction stating that it's 300%. Now what we see here with the sharp devaluation that happened it's basically a tactic by the Central Bank to eliminate the parallel market or the black-market rate at 400 when the official rate was 55. Now the official rate is 375 and the black market is approximately 380 if I'm not mistaken. So the reason they are doing this is to eliminate the black market try to get a release form the IMF and this will definitely help in reducing the impact on inflation, this is basically our hope. Had we used the hyperinflation it would be the opposite for South. Sudan, we have benefited from hyperinflation in South. Sudan. I hope I answered your question.

**Omar Maher:**

No more questions so I will hand it back to Mohammad Abdal for any closing remarks.

**Mohammad Abdal**

Thanks Omar, please refer to the Investor Relations website for additional updates and feel free to contact the IR team at [IR@zain.com](mailto:IR@zain.com) for further information. We look forward to your future participation in our Q1 2021 update, the date for which we will announce in the forthcoming months.

Thank you all for joining the call. Have a nice day.

- END -



# Zain Group Financial Results

Q4 2020



# Disclaimer

- ❖ Mobile Telecommunications Company K.S.C.P. “Zain Group” has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation.
- ❖ Certain portions of this document contain “forward-looking statements”, which are based on current expectations and reasonable assumptions, we can however give no assurance they will be achieved.
- ❖ The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.
- ❖ Furthermore, it should be noted that there are a myriad potential risks, uncertainties and unforeseen factors that could cause the actual results to differ materially from the forward-looking statements made herein.
- ❖ Accordingly, this presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for, or otherwise acquire or dispose of, securities in any company within Zain Group.

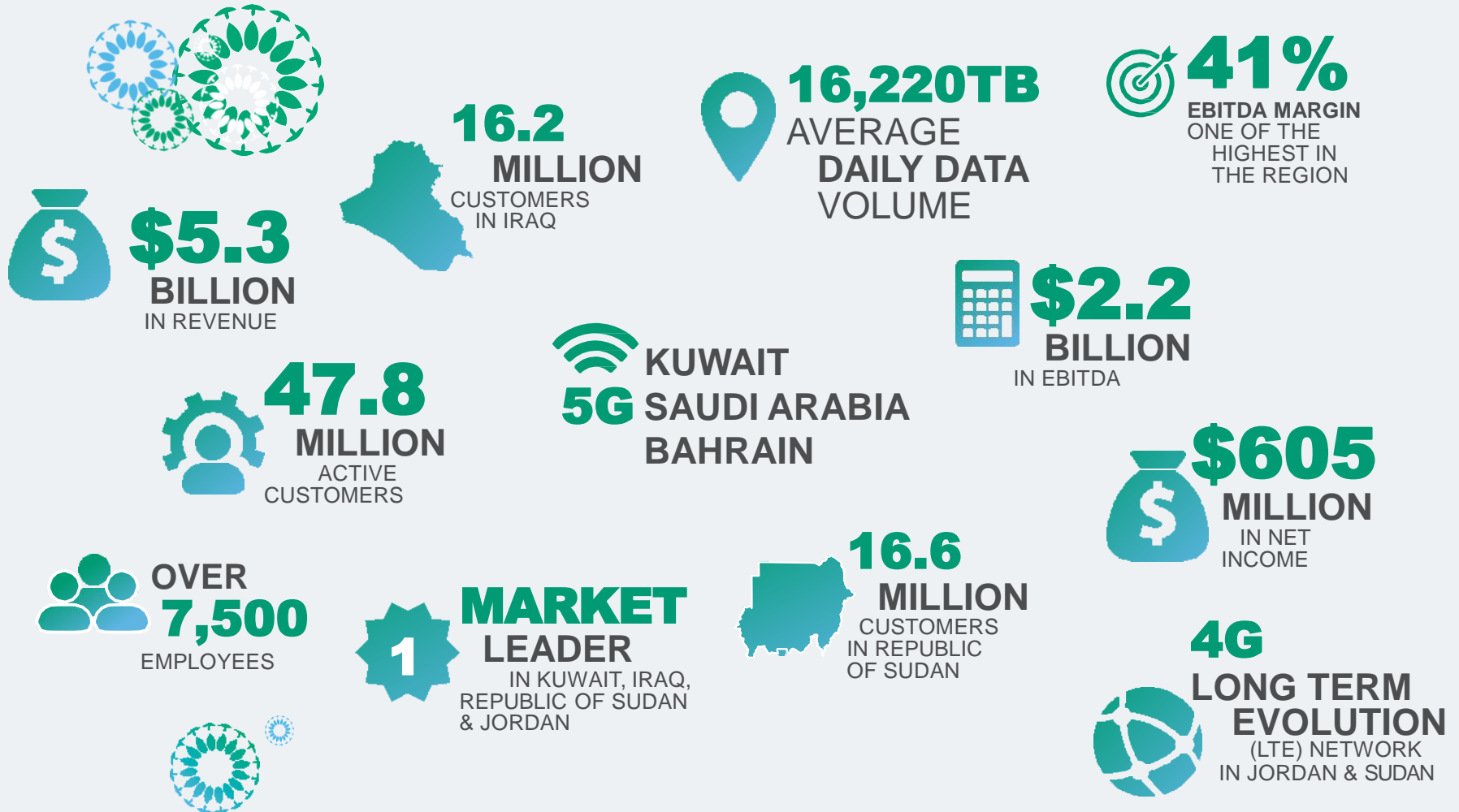
For further information about Zain Group, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at [IR@zain.com](mailto:IR@zain.com) or visit [www.zain.com/en/investor-relations/](http://www.zain.com/en/investor-relations/)

# Content

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

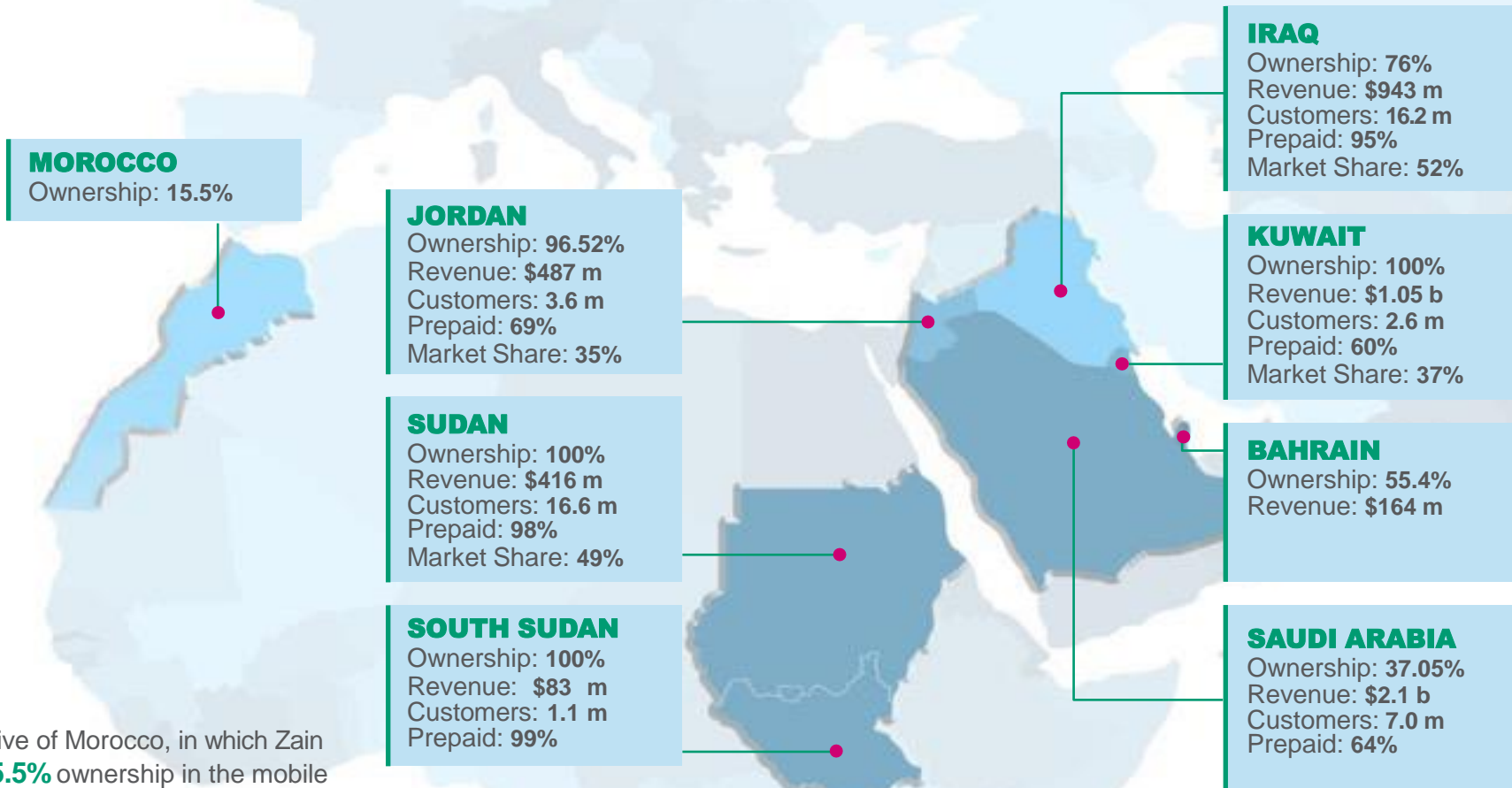


# Zain At A Glance – 2020



# The World of Zain – 2020

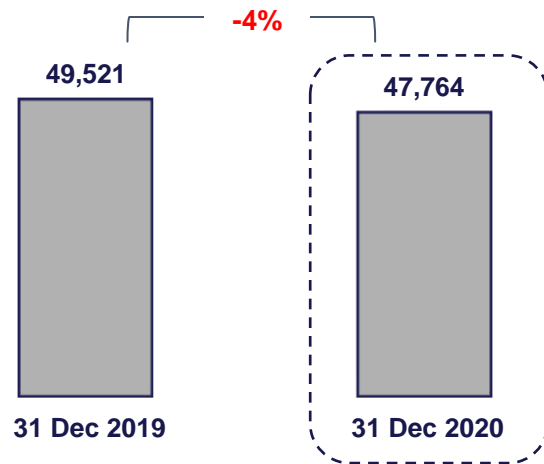
ZAIN'S WORLD CATERS TO **47.8** MILLION CUSTOMERS IN **7** COUNTRIES\*



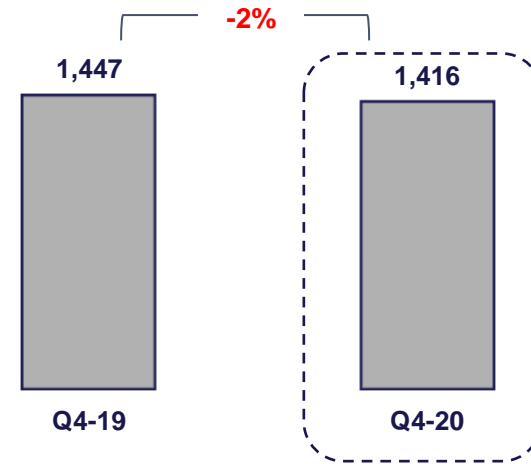
\* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "INWI"

# Group Financial Highlights – Q4 2020

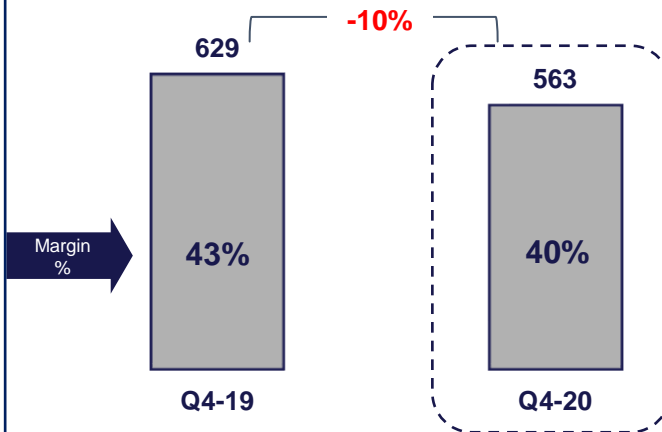
## CUSTOMERS (000)



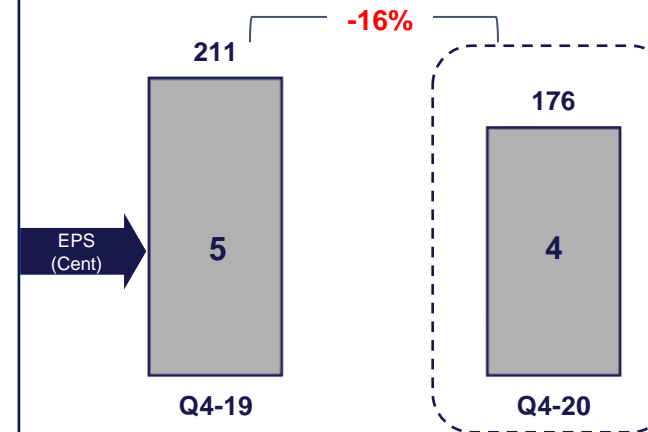
## REVENUE (USDm)



## EBITDA (USDm)

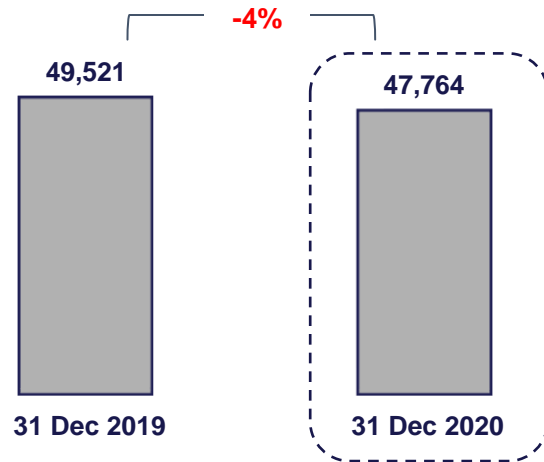


## NET INCOME (USDm)

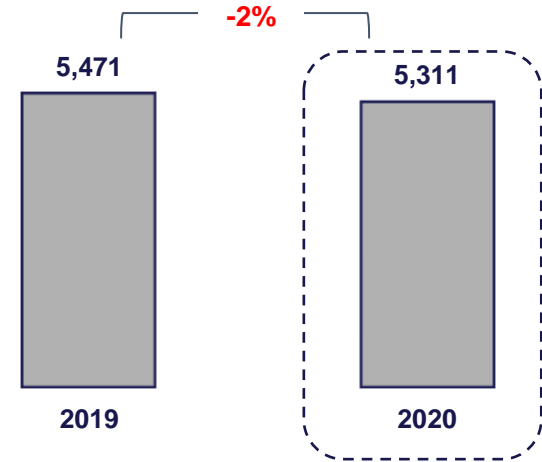


# Group Financial Highlights – 2020

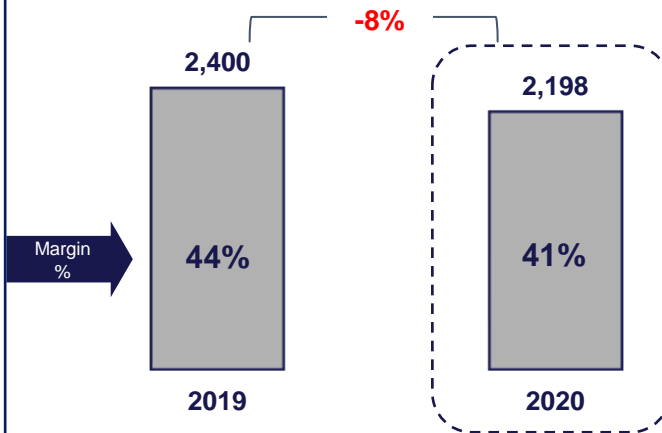
## CUSTOMERS (000)



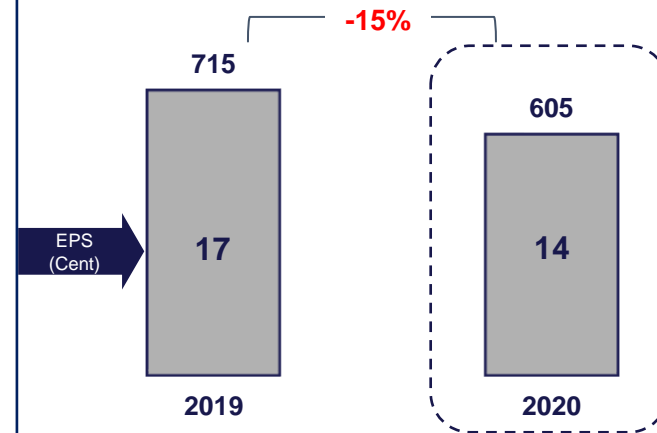
## REVENUE (USDm)



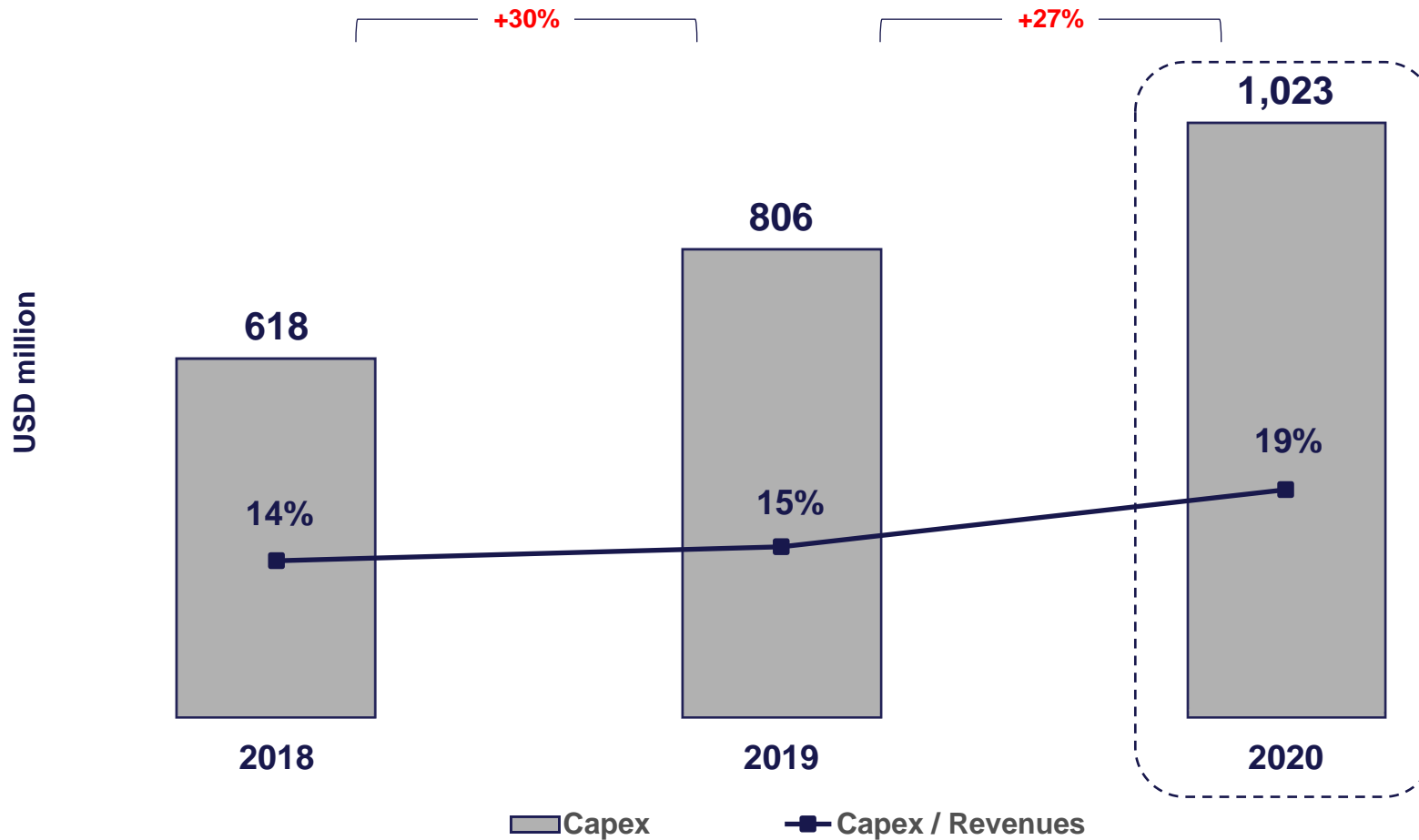
## EBITDA (USDm)



## NET INCOME (USDm)



# CAPEX & CAPEX / REVENUE

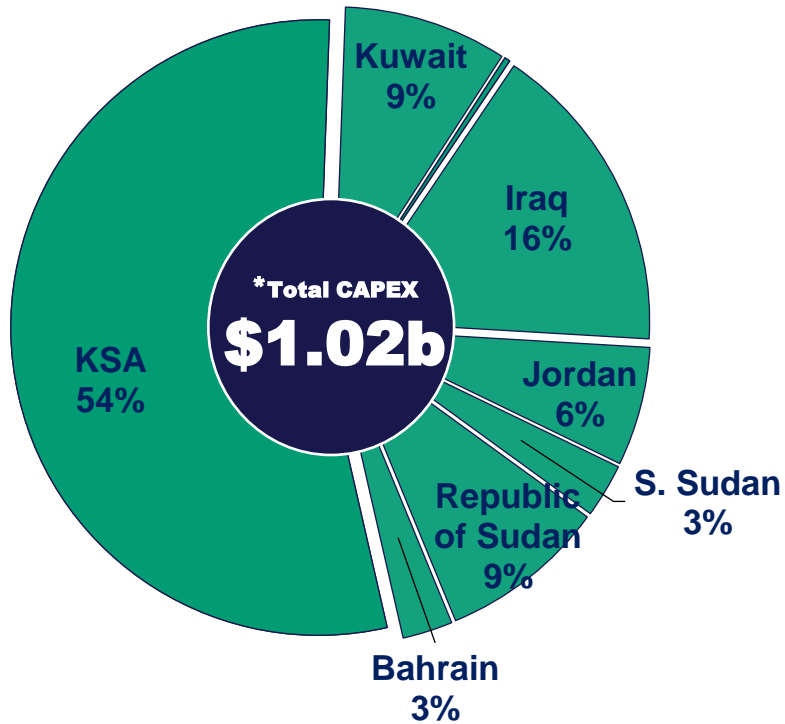


\* 2018 Capex includes Zain KSA Capex from Q3 2018 onwards

\* Capex includes only tangible assets

# TOTAL CAPEX

## CAPEX BREAKDOWN

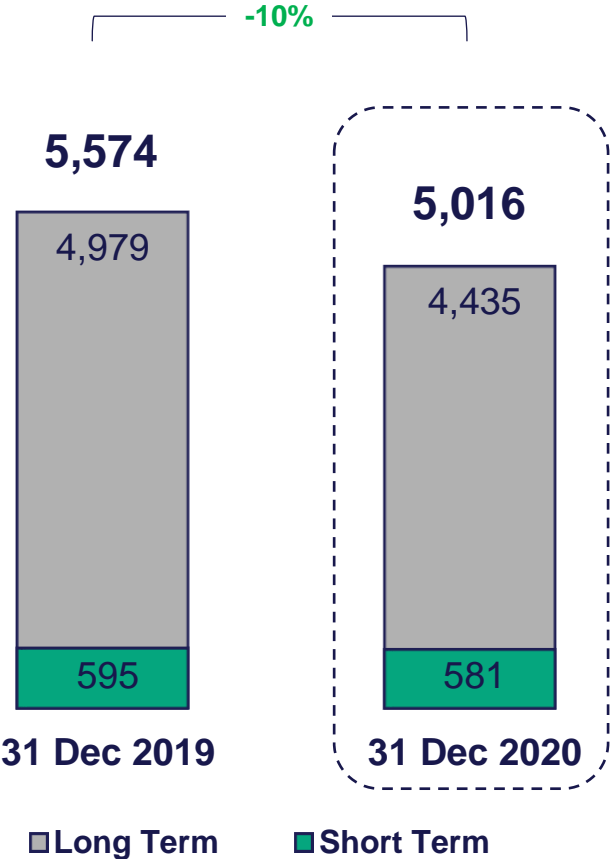


OPCO	2020 (USDm)	% OF REVENUES
Kuwait	88	8%
Iraq	169	18%
Sudan	90	22%
KSA	555	26%
Jordan	64	13%
Bahrain	62	38%
S. Sudan	29	35%
Other	3	N/A

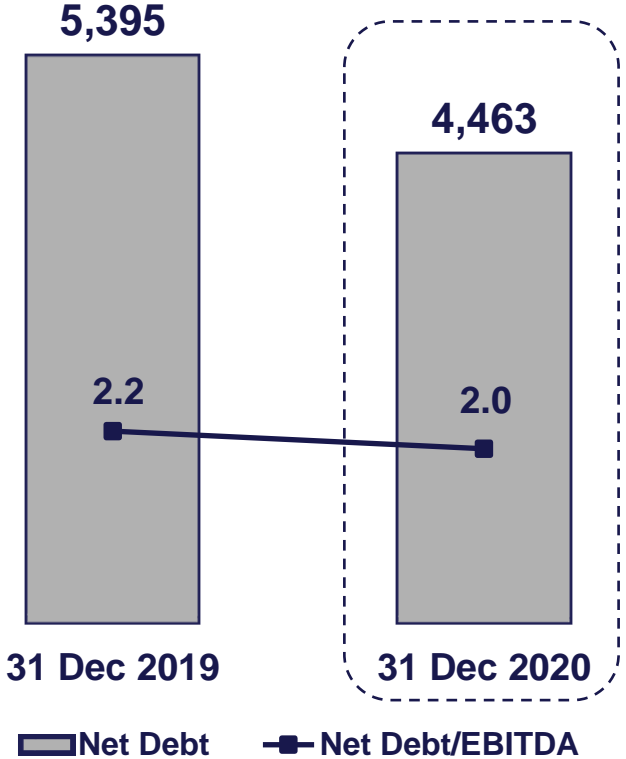
\* Capex includes only tangible assets

# Group Financial Highlights

## TOTAL DEBT (USDm)



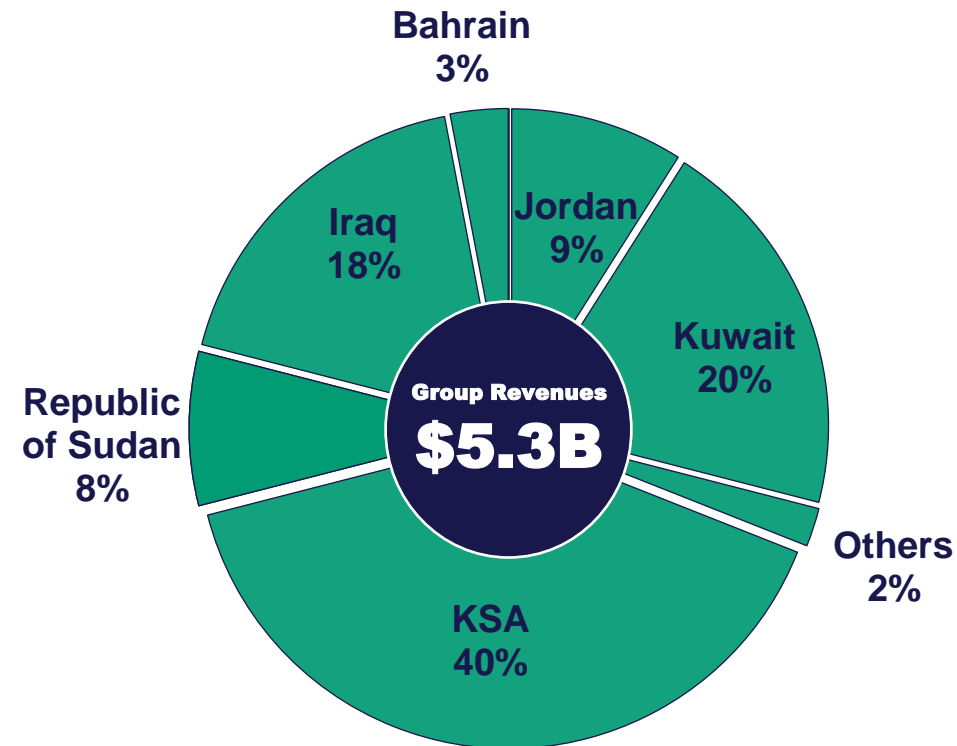
## NET DEBT (USDm) & NET DEBT/EBITDA



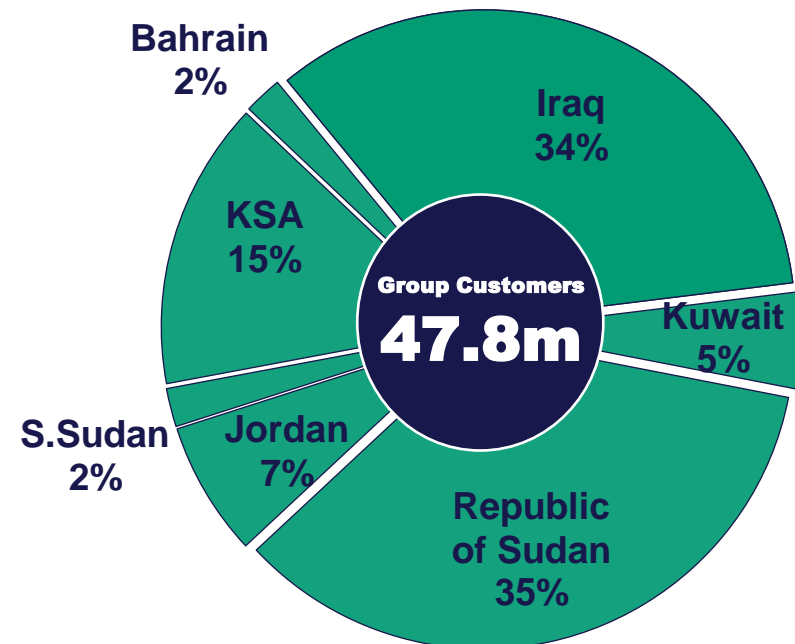
Net Debt = Total interest bearing debt (including letters of guarantee) after deducting cash and cash equivalents

# Group Financial Highlights – 2020

## REVENUE CONTRIBUTION

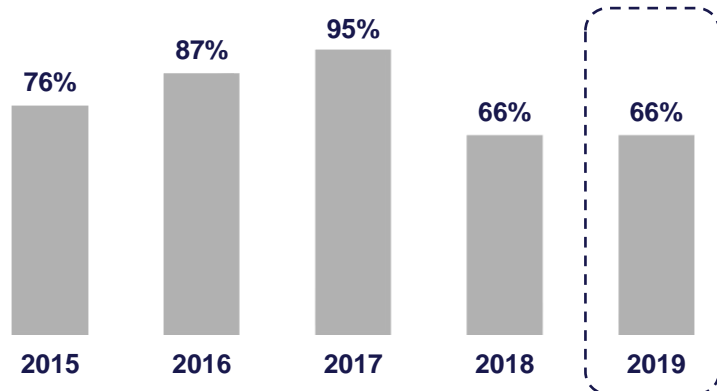


## CUSTOMER CONTRIBUTION

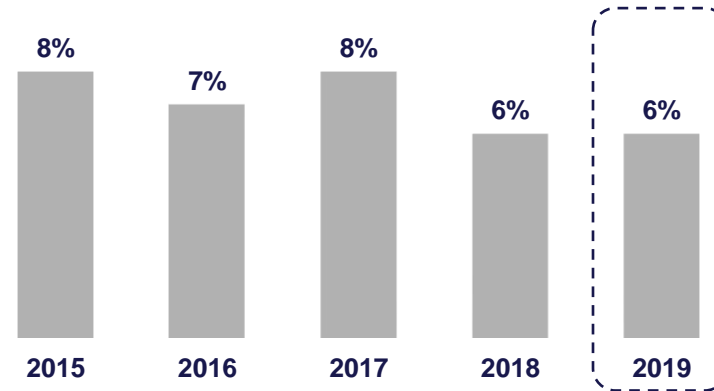


# ZAIN DIVIDENDS

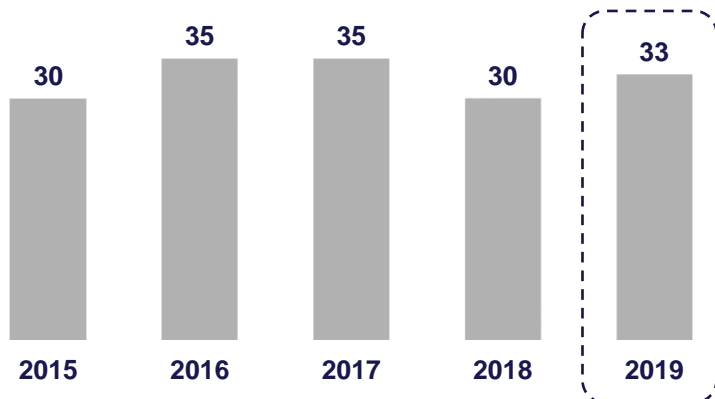
## DIVIDEND PAYOUT RATIO



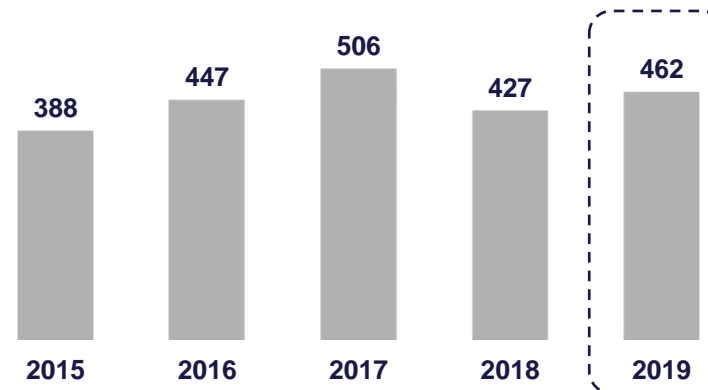
## DIVIDEND YIELD (%)



## DIVIDEND PER SHARE (Fils)



## CASH DIVIDEND (USDm)

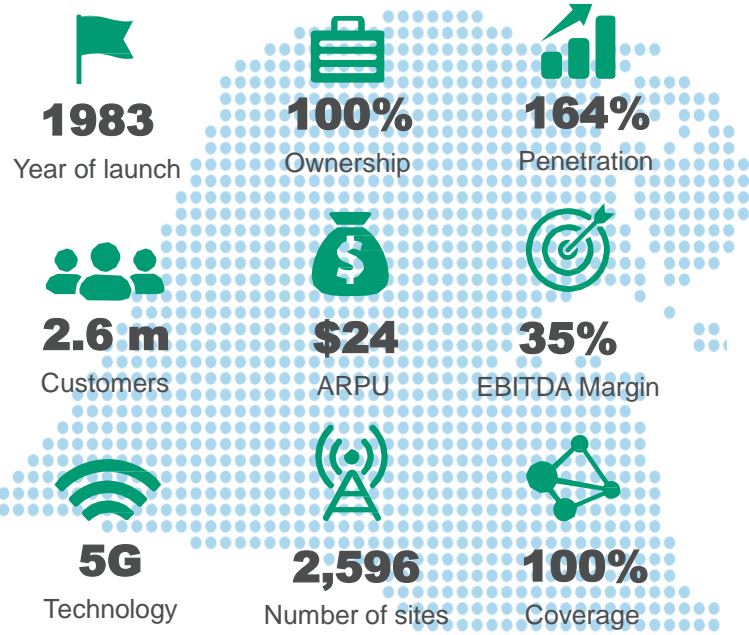


# Content

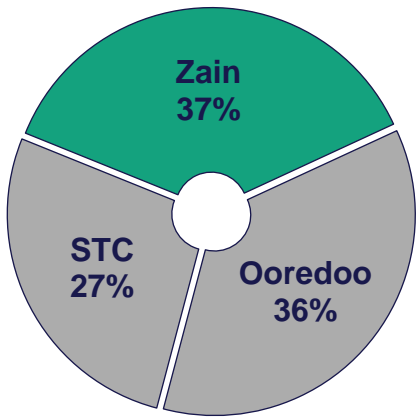
1. Results Review
2. Operations review
3. Financial Statements



# ZAIN KUWAIT



## MARKET SHARE



## FINANCIALS (USDm)



- Revenue drop is mainly due to decrease in airtime and roaming revenue air travel restrictions and the 1-month free airtime & 5GB free data usage
- The impact of COVID-19 on revenue is ~USD 62 million
- Strong concentration on cost optimization to reduce the overall pandemic impact to the bottom line
- Commission savings due to significant acceleration to digital channels
- Data revenue formed 38% of total revenue
- ~USD 20 million gain on sale and leaseback Towers
- Received USD 8 million support by the Government to support local employees

# ZAIN KSA



**2008**

Year of acquisition



**37%**

Ownership



**113%**

Penetration



**7.0 m**

Customers



**\$20**

ARPU



**43%**

EBITDA Margin



**5G**

Technology



**9,897**

Number of sites

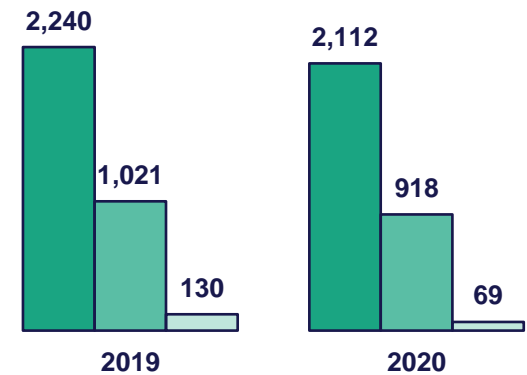


**99%**

Coverage

- YoY revenue impacted by 6% mainly due to decrease in airtime revenue, handset sales and reduction in MTR (SAR0.055 to SAR0.022) starting 10<sup>th</sup> June 2020
- The impact from COVID-19 on revenue ~USD 176 million
- Major focus on cost optimization initiatives to minimize the COVID-19 impact
- Higher D&A due to 5G rollout and two new licenses
- Lower benefits from regulatory agreements (CITC waiver)
- Data revenue formed 50% of total revenue, 8% YoY growth
- Healthy growth in the FTTH revenue and customer base
- Successfully raised at preferential terms a Murabaha facility of SAR6b (\$1.6b) loan to refinance existing debt of SAR3.85b (\$1.03b) with access to additional liquidity of SAR1b (\$267m) with a consortium of eight banks

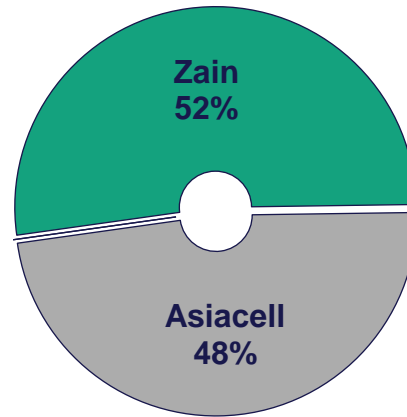
## FINANCIALS (USDm)



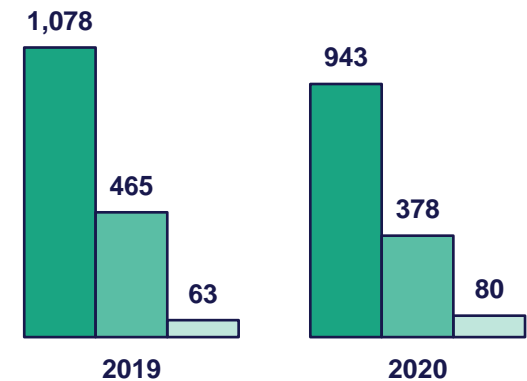
■ Revenue ■ EBITDA ■ Net Income

# ZAIN IRAQ

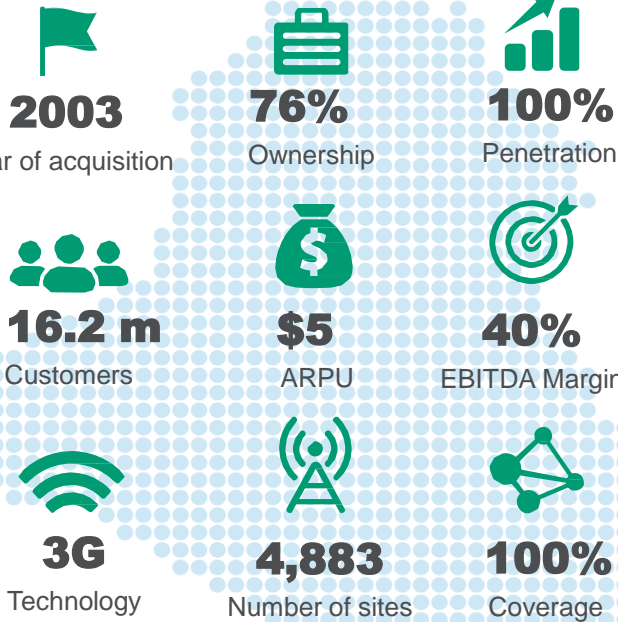
## MARKET SHARE



## FINANCIALS (USDm)

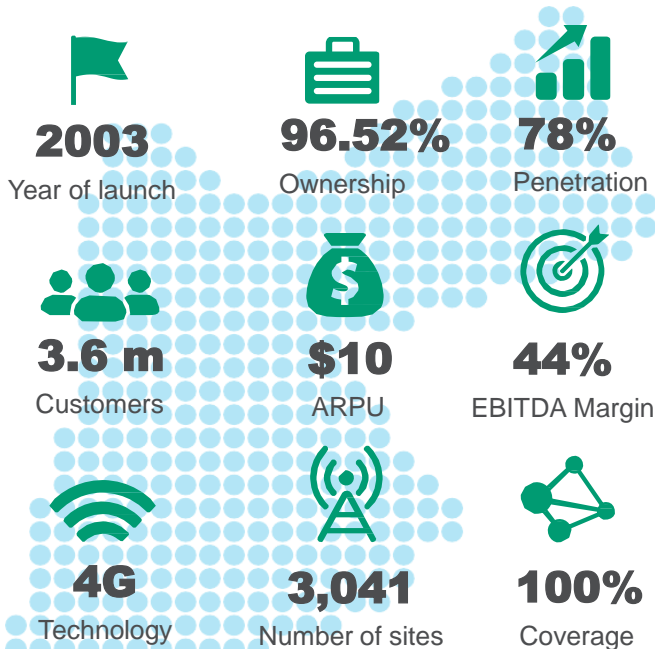


■ Revenue ■ EBITDA ■ Net Income

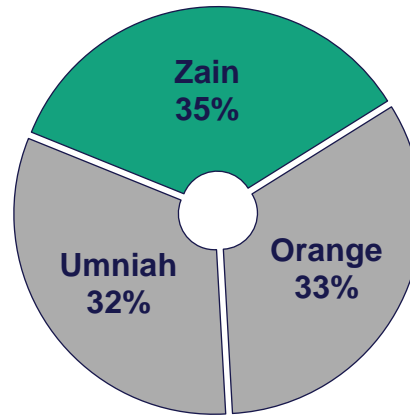


- Top line impacted due to the intense competition and extended nationwide lockdown due to the pandemic
- The impact of COVID-19 on revenue is ~USD 131 million
- Robust growth in enterprise (B2B) segment
- Net income increased by 27% due to lower amortization following the license extension 2G + 3G for an additional 8 years to expire in August 2030
- The first to launch 4G-LTE services in Iraq after fulfilling all licensing requirements
- Currency devaluation of 19% from IQD/USD 1,190 to 1,470

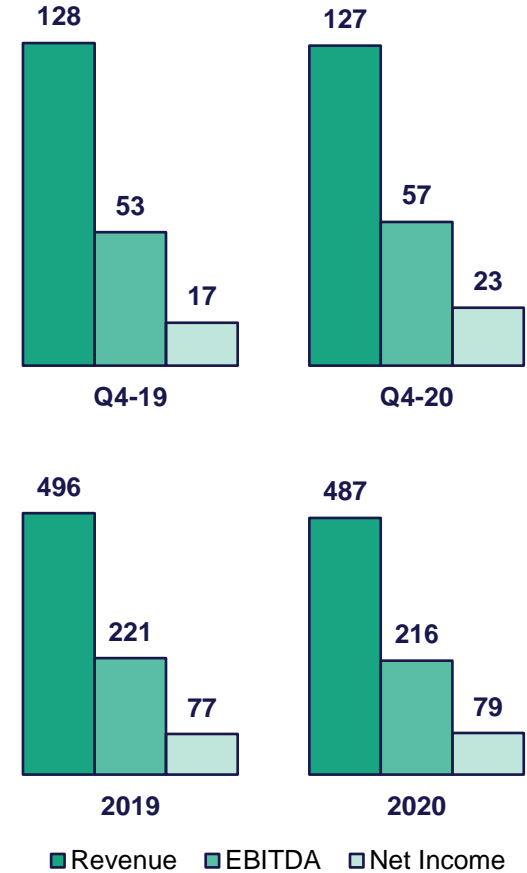
# ZAIN JORDAN



## MARKET SHARE



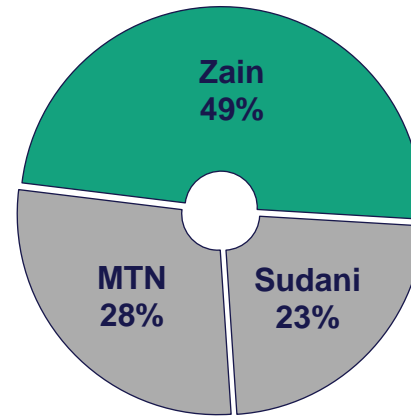
## FINANCIALS (USDm)



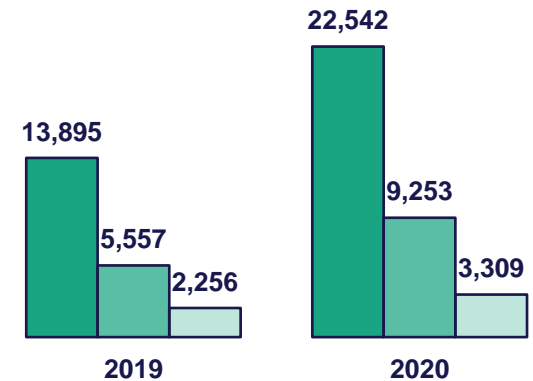
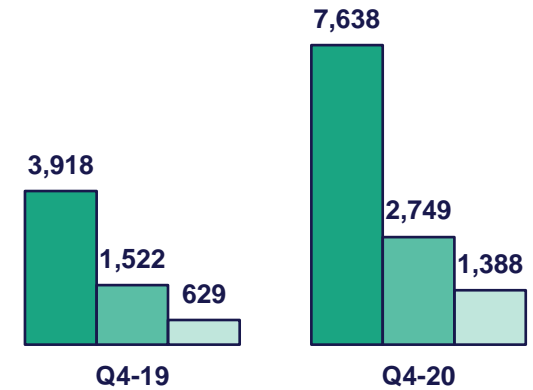
- Top line impacted by 2% YoY, mainly due to decrease in airtime, roaming revenue
- The impact of COVID-19 on revenue is ~USD 22 million
- Further reduction in local interconnection rates (from 8.4 fils to 5.2 fils)
- Healthy growth in the FTTH revenue and customer base
- Strong Zain Cash performance, which helped the government to distribute salaries and other aid funds through the e-wallet
- Data revenue grew by 12% YoY, and formed 46% of total revenue

# ZAIN SUDAN

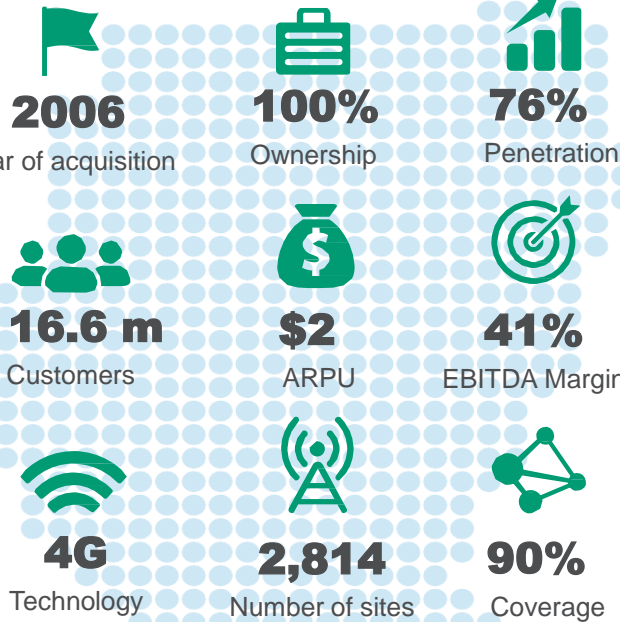
## MARKET SHARE



## FINANCIALS (SDGm)

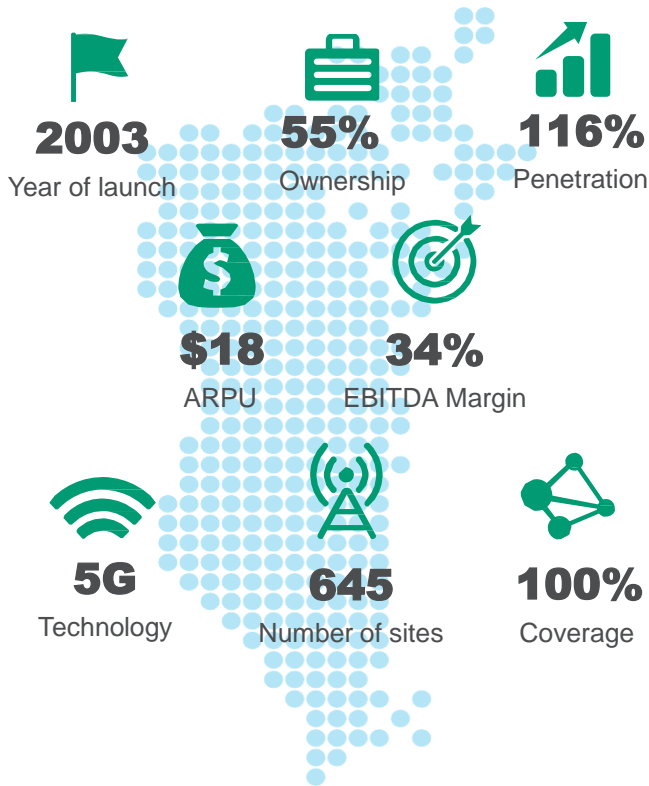


■ Revenue ■ EBITDA □ Net Income



- Impressive YoY growth both in USD & SDG terms on account of price revamp
- COVID-19 impact on revenue ~\$11m
- Customer base grew by 4%, to reach 16.6 million
- ~16% currency devaluation affected the financial results in USD terms (from 45.6 in FY 2019 to 54.4 SDG/USD in FY 2020)
- Significant cost optimization savings
- Data revenue grew 142% YoY, and formed 26% of total revenues

# ZAIN BAHRAIN



## FINANCIALS (USDm)



- Revenue decreased by 1% YoY, mainly due to lower airtime & roaming revenue
- The impact from COVID-19 on revenue ~USD 15 million
- Data revenue formed 51% of total revenue, up 7% YoY
- In late June, Zain Bahrain Launched 5G commercial services, becoming the 3<sup>rd</sup> 5G network in the Group following Zain Kuwait and Zain KSA
- Received USD 2 million support by the Government to support local employees

# Content

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



# Statement of Financial Position

	2020	2019		2020	2019
	KD '000			KD '000	
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and bank balances	393,060	296,985	Trade and other payables	990,763	857,512
Trade and other receivables	579,286	555,398	Deferred revenue	95,828	98,495
Contract assets	55,805	66,889	Liabilities of disposal group classified as held for sale	1,316	5,397
Inventories	51,102	48,513	Income tax payables	20,530	61,775
Investment securities at fair value through profit or loss	9,785	8,540	Due to banks	176,546	180,274
Assets of disposal group classified as held for sale	6,917	17,611	Lease liabilities	38,410	42,795
	<b>1,095,955</b>	<b>993,936</b>		<b>1,323,393</b>	<b>1,246,248</b>
<b>Non-current assets</b>			<b>Non-current liabilities</b>		
Contract assets	36,624	28,134	Due to banks	1,019,830	1,218,450
Investment securities at FVOCI	5,325	6,360	Lease liabilities	143,718	144,278
Investments in associates and joint venture	76,137	72,612	Other non-current liabilities	490,079	448,518
Other non-current assets	47,113	64,669		<b>1,653,627</b>	<b>1,811,246</b>
Right of use of assets	169,292	181,052	<b>Equity</b>		
Property and equipment	1,313,582	1,229,291	<b>Attributable to the Company's shareholders</b>		
Intangible assets and goodwill	2,167,536	2,160,039	Share capital	432,706	432,706
	<b>3,815,609</b>	<b>3,742,157</b>	Share premium	1,707,164	1,707,164
<b>Assets</b>	<b>4,911,564</b>	<b>4,736,093</b>	Legal reserve	216,354	216,354
			Foreign currency translation reserve	-1,390,619	-1,371,841
			Investment fair valuation reserve	-3,966	-1,088
			Other reserves	-5,383	-3,044
			Retained earnings	359,180	318,509
				<b>1,315,436</b>	<b>1,298,760</b>
			Non-controlling interests	619,108	379,839
			<b>Total equity</b>	<b>1,934,544</b>	<b>1,678,599</b>
			<b>Total Liabilities and Equity</b>	<b>4,911,564</b>	<b>4,736,093</b>

# Statement of Profit or Loss

	2020	2019		2020	2019
	KD '000				
Revenue	1,626,885	1,660,890			
Cost of sales	-447,765	-459,135			
Operating and administrative expenses	-467,056	-434,436			
Depreciation and amortization	-360,723	-375,954			
Expected credit loss on financial assets (ECL)	-38,696	-38,886			
Interest income	4,102	7,098			
Investment income	2,021	1,007			
Share of results of associates and joint venture	766	2,762			
Other income	3,056	38,955			
Gain on sale and lease back transactions	6,205	-			
Gain on modification of financial liabilities	11,128	-			
Finance costs	-88,361	-110,723			
Loss from currency revaluation	-14,443	-13,058			
Net monetary gain	5,163	5,074			
<b>Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration</b>	<b>242,282</b>	<b>283,594</b>			
Contribution to Kuwait Foundation for Advancement of Sciences	-1,862	-2,200			
National Labour Support Tax and Zakat	-8,672	-7,082			
Income tax expenses and other levies	-23,106	-25,253			
Board of Directors' remuneration	-435	-510			
<b>Profit for the year</b>	<b>208,207</b>	<b>248,549</b>			
<b>Attributable to:</b>					
Shareholders of the Company	185,150	216,928	<b>Earnings per share (EPS)</b>		
Non-controlling interests	23,057	31,621	Basic and diluted – Fils	43	50
	<b>208,207</b>	<b>248,549</b>			

# Statement of Cash Flows

	2020	2019		2020	2019
	KD '000			KD '000	
<b>Cash flows from operating activities</b>			<b>Cash flows from investing activities</b>		
Profit for the year before income tax, KFAS, NLST, and Zakat	241,847	283,084	Deposits maturing after three months and cash at banks under lien	6,754	-28,568
Adjustments for:			Proceeds from sale of investment securities	1,772	7,916
Depreciation and amortization	360,723	375,954	Investments in securities	-2,813	-325
ECL on financial assets	38,696	38,886	Investment in associate	-823	-
Interest income	-4,102	-7,098	Acquisition of property and equipment (net)	-273,470	-282,799
Investment income	-2,021	-1,007	Acquisition of intangible assets (net)	-33,066	-33,417
Share of results of associates and joint venture	-766	-2,762	Proceeds from sale of telecom assets (sale and lease back)	21,797	-
Other income	-	-38,955	Net cash on acquisition of subsidiaries	-	-11,703
Gain on sale and lease back transactions	-6,205	-	Interest received	3,484	5,749
Gain on modification of financial liabilities	-11,128	-	Dividends received	123	383
Finance costs	88,361	110,723	<i>Net cash used in investing activities</i>	<b>-276,242</b>	<b>-342,764</b>
Loss from currency revaluation	14,443	13,058	<b>Cash flows from financing activities</b>		
Net monetary gain	-5,163	-5,074	Proceeds from bank borrowings	261,335	540,727
Loss on sale of property and equipment	296	1,400	Repayment of bank borrowings	-454,500	-587,387
<b>Cash flows from operating activities before working capital changes</b>	<b>714,981</b>	<b>768,209</b>	Repayment of lease liabilities	-53,347	-59,114
Increase in trade and other receivables	-79,568	-99,916	Dividends paid to Company's shareholders	-132,799	-129,705
Increase in inventories	-2,610	-243	Dividends paid to minority shareholders of subsidiaries	-6,011	-5,047
Increase in trade and other payables and deferred revenue	45,743	4,495	Non- controlling interest - rights issue by a subsidiary	226,185	-
<b>Cash generated from operations</b>	<b>678,546</b>	<b>672,545</b>	Finance costs paid	-77,268	-112,438
<i>Payments:</i>			<i>Net cash used in financing activities</i>	<b>-236,405</b>	<b>-352,964</b>
Income tax	-42,214	-16,614	<b>Net increase/ (decrease) in cash and cash equivalents</b>		
Kuwait Foundation for Advancement of Sciences (KFAS)	-674	-771		106,241	-43,917
National Labour Support Tax and Zakat	-16,770	-3,349	Effects of exchange rate changes on cash and cash equivalents	-3,412	418
<b>Net cash from operating activities</b>	<b>618,888</b>	<b>651,811</b>	Cash and cash equivalents at beginning of year	260,737	304,236
			Cash and cash equivalents at end of year	<b>363,566</b>	<b>260,737</b>



# THANK YOU

Website : [zain.com](http://zain.com)

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



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