

Omantel Group Performance – YE 2023



MSX Session

Thursday, March 21, 2024
2:00 Pm Oman Time

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Domestic Economic Outlook – Oman's resilient economic performance, guided by Vision 2040, reflects its steady recovery from challenges and commitment to long-term growth. Omantel is positioning itself as a strategic partner with the Government to deliver its key digital targets.

Oman's Key development



Moody's upgraded Oman's credit rating from "Ba2" to "Ba1" in 2023, with a stable outlook, citing reduced debt, controlled spending, and improved revenues.



Total debt servicing repayments from 2020 to the end of 2023 amounted to RO 4.6 billion.



The Oman Future Fund was launched with a capital of RO 2 billion. Omantel Innovation labs will be a partner in the FFO, through the management of a joint fund worth 12 million OMR.

Key target sectors for the FFO Joint Fund

Artificial Intelligence	Internet of Things	Fintech
Big Data	5G	Cyber security

Key Economic Indicators

1.9%	235k 3.5%	232k 4.7%
13.6%	6.2%	5%

1 USD = 0.3851 OMR

- Oman's GDP grew by 2% to RO 26.433 billion in Q3 2023, compared to the same period in 2022, driven by a 2.7% rise in non-oil activities and stable oil prices.
- Oman is advancing reforms for sustainable, private sector-led growth by diversifying its economy, stabilizing prices, enhancing infrastructure, and refining fiscal policies under Vision 2040.
- There is a strategic focus on creating job opportunities and enhancing living standards to meet the goals of Vision 2040, despite experiencing a general GDP slowdown

SHIFT GEAR STRATEGY

We continue to pursue our strategy diligently resulting in positive results, enabling our transformation journey to a Techco.



Focusing on **differentiating** activities where we can **create value**

- 5G coverage reached 88%- Increase in 5G sites by 20%.
- 4G/LTE coverage is now 95.51%
- Fixed Broadband is accessible in over 92% of households.
- FWA speeds reaches 1 GBPS



Organizing ourselves so that we can **excel** in these activities

- Omantel App is ranked #1 in Oman's Apple store.
- 1.2 Mn Digital base. Customers using digital means to carry out end-to-end activities- a significant base to grow and monetize the App Store
- VAS+ Devices revenue increased by 38%.
- ICT Revenue grew 21.6% YOY.



Building **open collaboration eco-system** to complement core activities

- Transitioning major enterprise customers to full cloud infrastructure enabling scale and efficiency.
- Regional first: Successfully delivered e-Voting project, now advancing to phase 2 with Microsoft and AWS.
- Leading 5G monetization drive with a number of initiatives including cutting-edge surveillance solutions



Rigorously **re-assessing** all other activities to see how they can be done more efficiently

- Omantel Successful sukuk issuance. Best of market profit rate resulting in long term savings
- Successful deleveraging initiatives. Drive towards optimum capital structure
- Concerted efforts to stabilize the EBITDA-cost optimization and new revenue opportunities

Key Developments- driving the Techo narrative

Networks Modernization Achievements



- First operator in Oman to deploy cloud native 5G enterprise core and multi-access mobile edge computing for enterprise segment and Migrating all VoLTE traffic to Telco Cloud..
- Omantel transport network carries a footprint of over 10,000kms of highly meshed backbone fiber across the country;
- Adopting Network Function Virtualization (NFV) and Software Defined Networking (SDN) technologies. These technologies enable better operational efficiencies and reduce time to market for new services

Sovereign Cloud Capability & Market Place



- Collaboration with AWS to build Cloud Center of Excellence, Digital Market place and SuperApp. Positioning us well to leverage our large digital base.
- Implementation of sovereign cloud capabilities i.e. access controls, storage, guardrails and encryption; providing end to end solutions to Enterprise customers.

Cloud Edge Collaboration Artificial Intelligence & Machine Learning



Google Cloud

- API Monetization & Enhanced Services Offerings;
- Google Distributed Cloud Edge;
- Integration of advanced Artificial Intelligence and Machine Learning capabilities based on Omantel's prediction models;
- Dedicated cloud space for startups in Oman;

Sukuk Issue Jan 2024

\$500 Mn



- Coupon rate at 5.375% p.a.
- 130.8 bps over 7-year US Treasury rates
- 7 year maturity. Structure based on airtime data

Fitch: BB+
Moody's: Ba2



A Zain & Omantel Company

Omantel Zain Group & Zain KSA

24% 76%

- Largest global subsea infrastructure in the Middle East covering +200 countries.
- Preferred regional partner for global Hyperscalers
- On-net connectivity and access in 8 countries
- Scalable to reach to over a billion users in the region
- 10+ billion international voice minutes transited per annum

Sustainable Finance Framework

March 2023

Enables Omantel to fund future sustainable Capital projects with innovative financial Instruments aligned with global Sustainability standards.

Potential for interest cost Savings



Operating highlights for 2023 – stable growth in domestic revenues despite challenging market environment. Zain witnesses significant growth YOY.

Omantel Core Business Performance

Mobile Market share

36%

Fixed Broadband Market share

56%

Mobile Revenue

1% YOY

Fixed Revenue

1.2% YOY

Consistent Growth in Non-Core

ICT Revenue

21.6% YOY

Non-Core Revenue
(Devices+VAS)

38% YOY

Strategic Partnerships.



Domestic Key Financial Indicators

In Million RO

Revenue

606.8 **7% YOY**

Net Profit

63.3 **[28%] YOY**

Net profit from operations has grown by 9.4 YOY excluding the Capital gain from tower sale in Y22.

FCF

106 **[5%] YOY**

Capex

97 **9.4% YOY**

Net Debt

678 **[10%] YOY**

Net Leverage

3.23X

Dividend

55 Baisa

The Board of Directors recommends a distribution of a final dividend of 55 baiza per share (2022 - 60 baiza per share).

EBITDA

168 **[1%] YOY**

Performance of Zain Group

In USD



shareholding **21.9%**

Group Revenue

\$6.2 Bn **[10%] YOY**

Group EBITDA

\$2.3 Bn **[5%] YOY**

Group Net Profit

\$701 Mn **[10%] YOY**

Current Market value of Zain Shares held by Omantel

1.53bn **1.7bn in Y22**

Omantel Zain key Synergies

- Procurement Savings RO 4m.
- Zain Omantel International.

Dividend from Zain

108Mn **102Mn in Y22**

Strategic Developments at Zain Group



Revenue Growth **\$44 Mn** **[35%] YOY**



Value: \$ 2.2 Bn
Revenue: \$500 Mn
Towers: ~30,000



Omantel Group Performance (Including Zain)

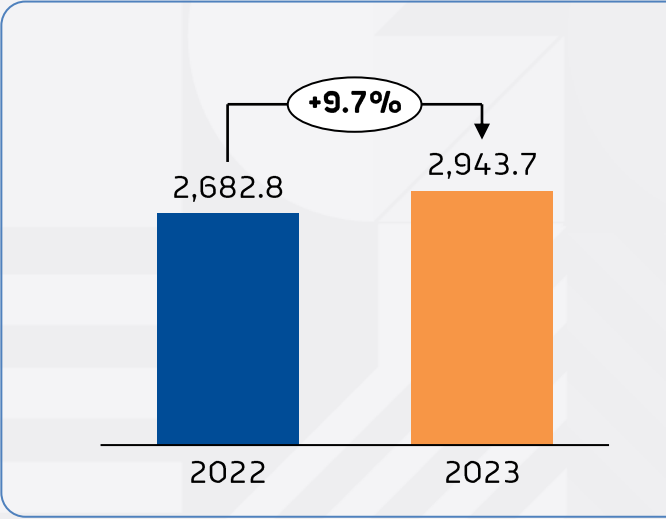
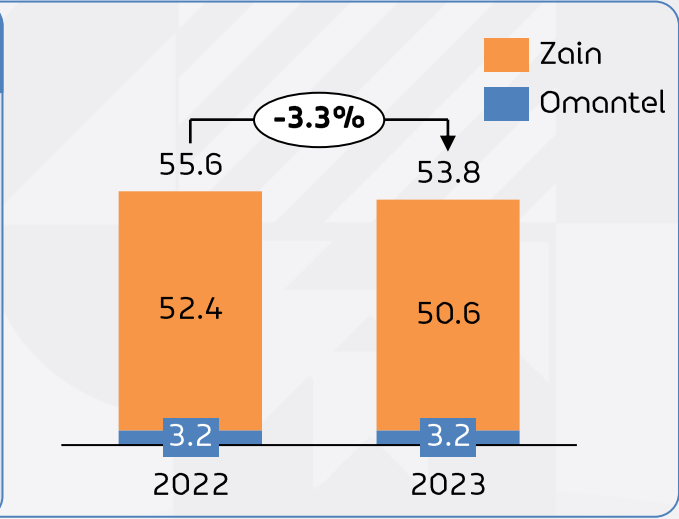
Omantel Group (Incl Zain Group) – 2023 Performance

Group Revenue stands at RO 2.94 Bn increase of 9.7%, EBITDA at 1.039 Bn increase of 4.1% and Net Profit is at RO 315.5 Mn, an increase of 13.3% YoY.

Subscribers in Mn

Zain's total subscriber base decreased by 1.85 Mn compared to year 2022 coming mainly from Sudan.

The total domestic (Oman) subscriber base as of Dec 2023 was 3.18 Mn compared to 3.22 Mn in 2022.

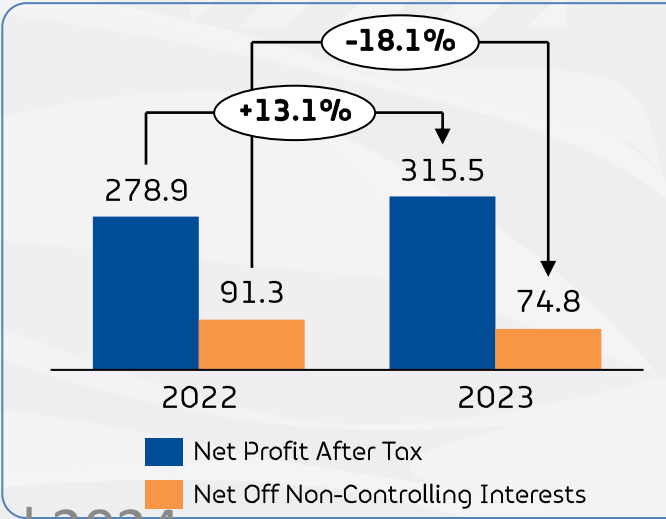
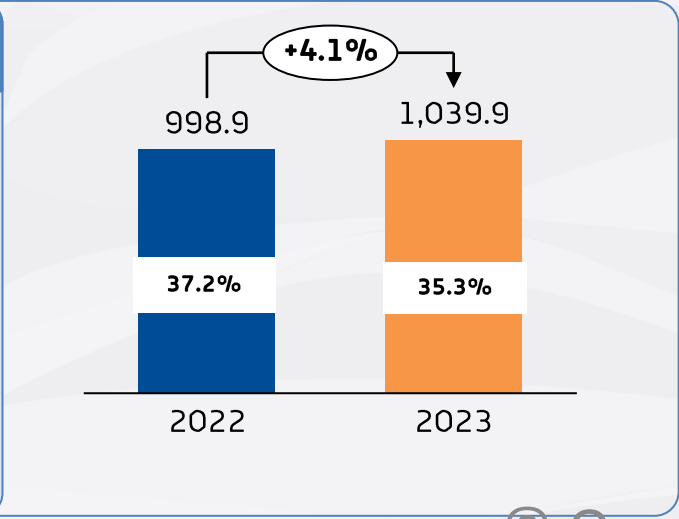


Revenue in RO Mn

Group Revenue for the period is RO 2,943.7 Mn compared to RO 2,682.8 Mn in the corresponding period; a growth of 9.7%. Zain Group contributed revenues of RO 2,361.4 Mn.

EBITDA in RO Mn

EBITDA for the period is RO 1,039.9 Mn compared to RO 998.9 Mn in the corresponding period a growth of 4.1%. EBITDA of the Group includes RO 780.2 Mn pertaining to Zain group.



Net Profit in RO Mn

Net profit increase YOY is contributed by Tower sale gain in KSA of RO 68.8 Mn [Omantel share is RO 9.8 Mn]. Net profit after adjusting for minority interest reduced by 18.1% since profits of year 2022 include the Capital gain from Oman Tower sale of RO 28 Mn].

Omantel Domestic Performance (Excluding Zain)

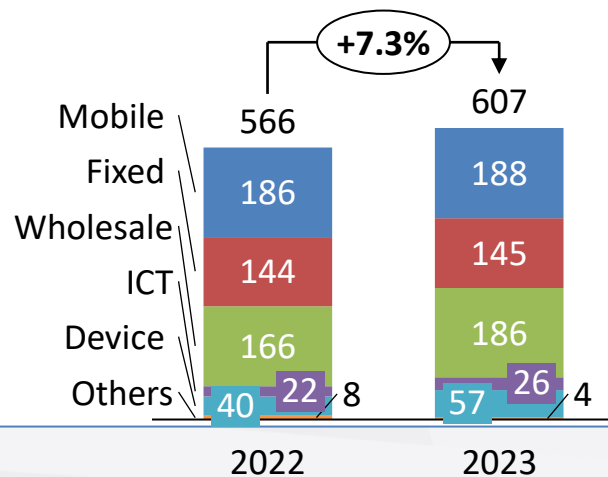
Domestic Performance – YE 2023 Omantel Including OT SPVs and Domestic subsidiaries, associates.

Omantel maintained a revenue growth of 7.3% during 2023. Overall EBITDA declined by 1% YoY, however, Omantel's core EBITDA based on conventional business segments has been maintained. Normalized Net profit has increased 9.7% YOY.

Revenue in RO Mn

Revenue increase YoY is mainly contributed by growth in low margin transit voice revenue (RO 17.2 Mn) and device revenue (RO 19.3 Mn)

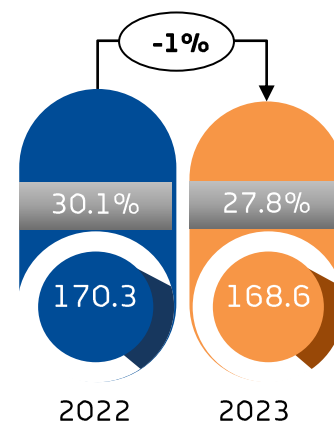
Retail revenue [excluding device revenue] increased YOY by RO 4.4 Mn contributed mainly by growth in Postpaid Mobile revenue-RO 13.9 Mn [10.2%], Fixed Broad band-RO 3.9 Mn [4.2%] while Prepaid revenue decreased by RO 11.2Mn [15.5%].



EBITDA in RO Mn

Positive growth in Mobile, FBB revenue and Wholesale revenue helped in ensuring that the absolute gross margin increased by 2.8% inspite of the aggressive competition.

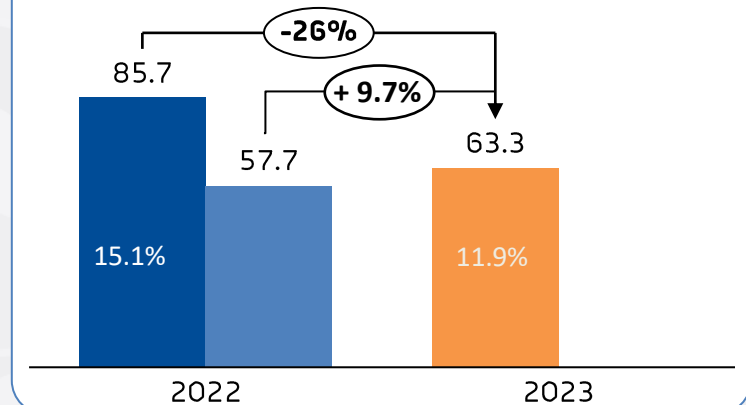
Overall EBITDA posts a decline by RO 1.7 Mn on account of reduction in EBITDA coming from domestic subsidiaries.



Net profit* in RO Mn

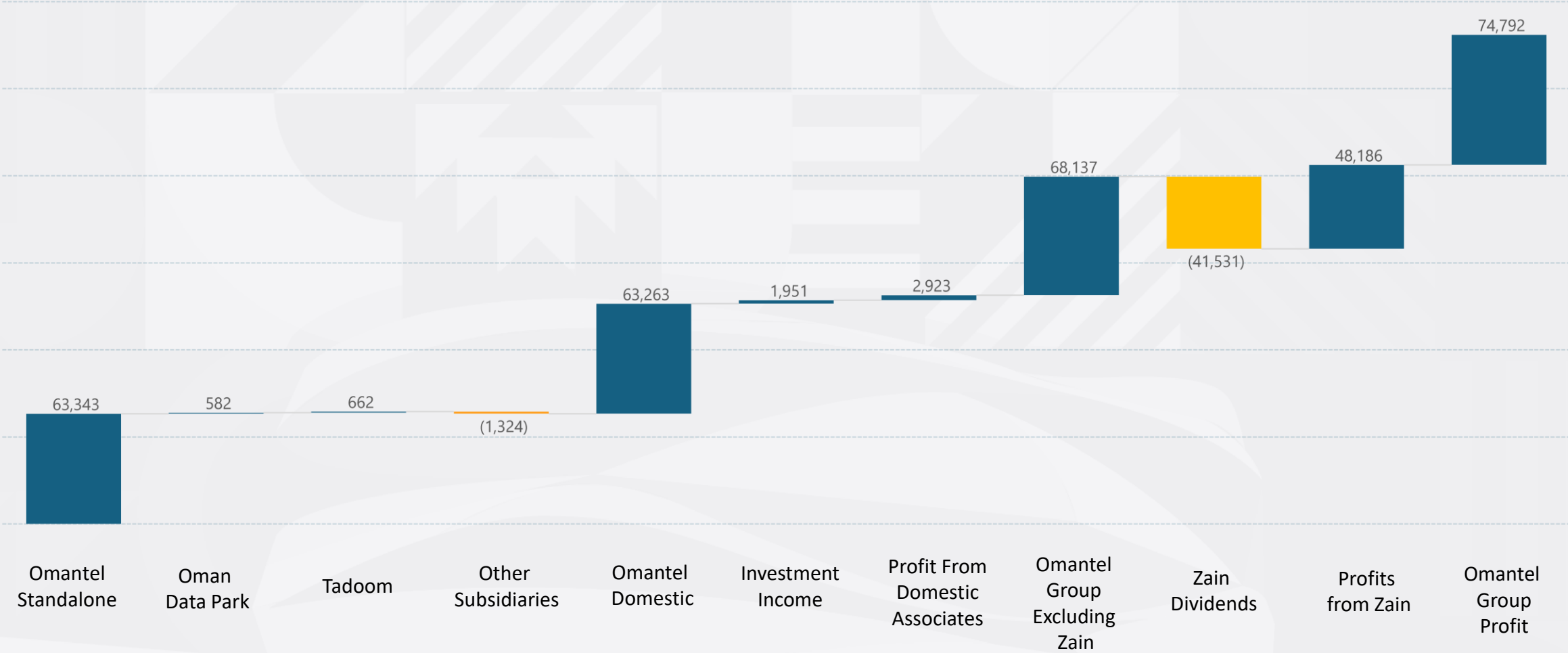
Net profit for year 2022 includes RO 28 Mn of Capital gain on Tower sales. Excluding the one off Capital gain net profit for year 2023 increased by RO 5.6 Mn [9.7%].

Despite decrease in EBITDA, net profit increase is on account of decrease in finance costs (RO 5.6 Mn), increase in dividend income from Zain group (RO 2.1 Mn) and reduction in tax expense by RO 2 Mn.



Omantel Group Profitability – Contributing Elements

Key Contributions to Omantel Group Profitability come from Omantel Standalone domestic operations & Zain Group’s Profit Allocation. Most of Omantel’s domestic subsidiaries except ODP are at their nascent development stages and carry a promising potential for growth in coming years



Value generation: Effective subscriber retention strategy translating to growth despite challenging market conditions.

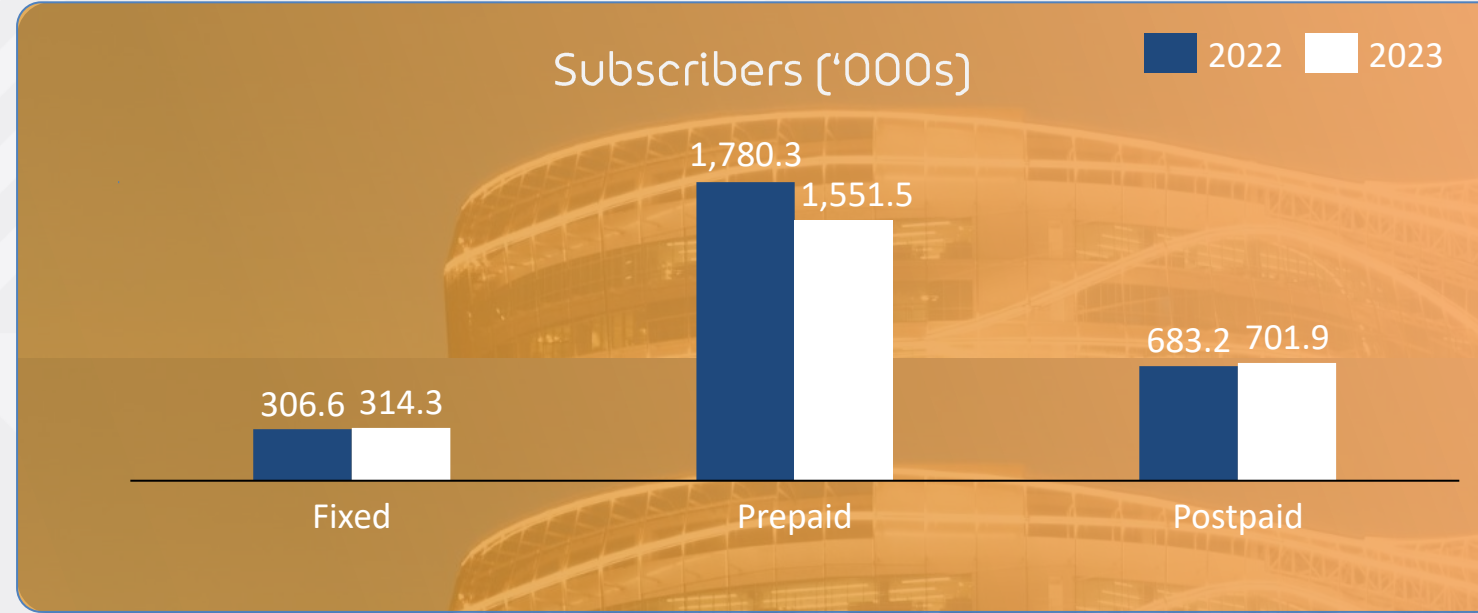
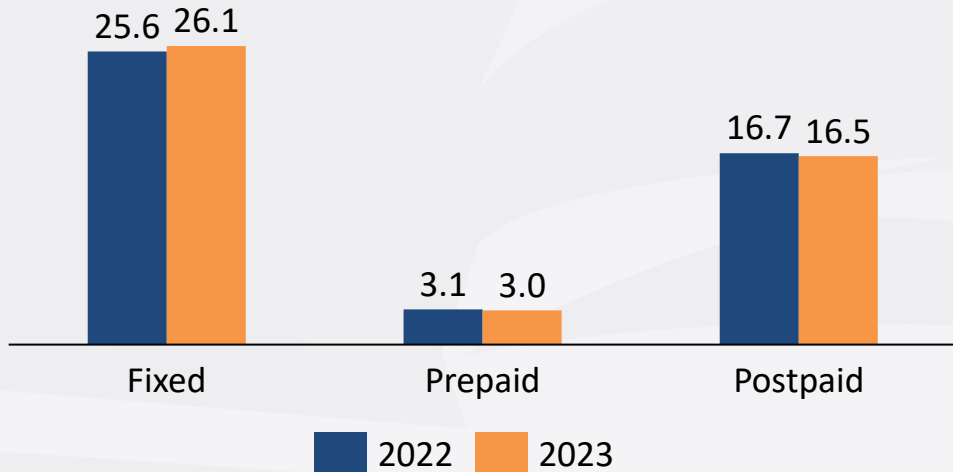
- Mobile Value generation: **continuous focus on customer retention through strategic retention management**,
 - Transitioning users from pre-paid to post-paid plans, revitalizing its service portfolio, and implementing superior churn management practices.
- Fixed Value generation continues to be driven by migration of customers from legacy copper technology to 4G/5G (wireless Fixed Broadband) and Fibre, Capturing competition base.

103k

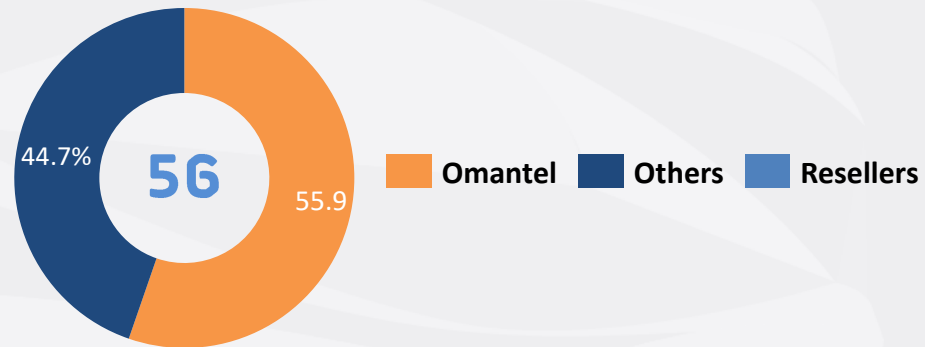
Prepaid to Postpaid Gross Migration in 2023

- **62K** Postpaid Subs retained.
- **30K** HBB subs retained.
- **60%+** retention.

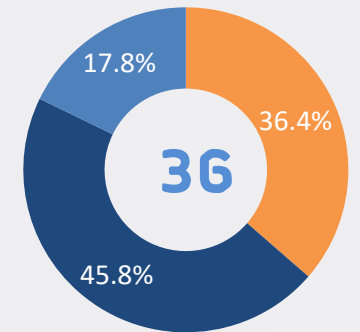
ARPU | RO / Month



Fixed Broadband Market Share



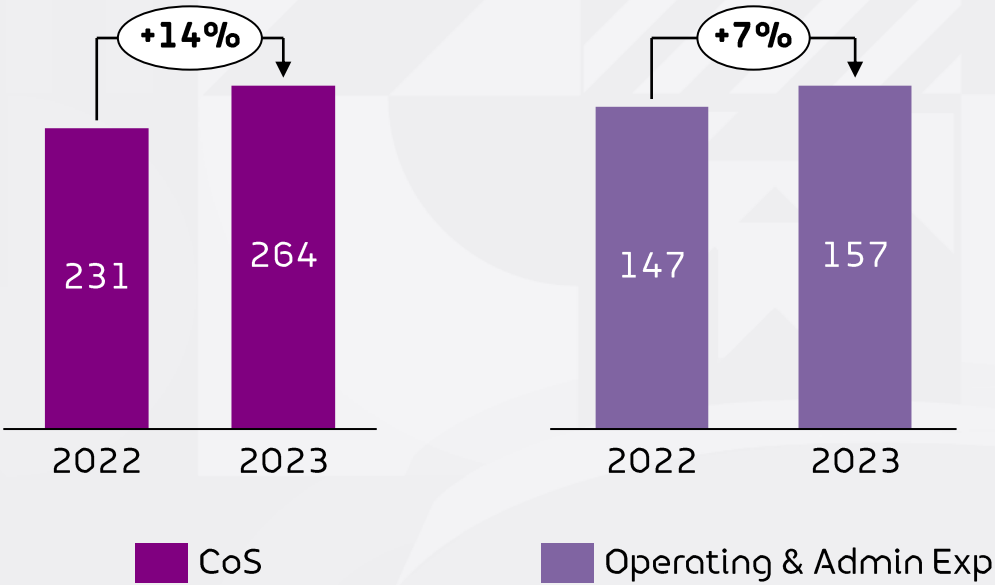
Mobile Market Share



Operating & Admin costs have increased by 6.6% YoY. Capex to revenue ratio is at 16.2%



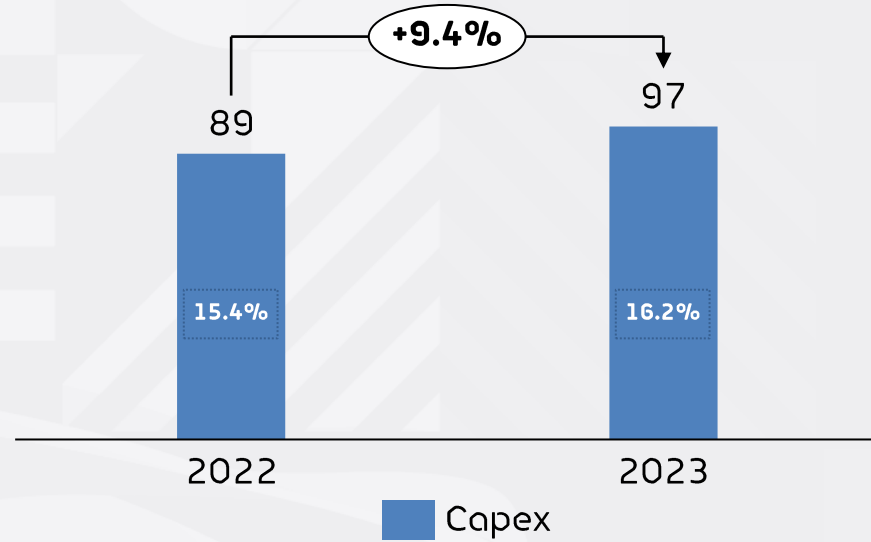
CoS & Operating /Admin Expenses RO Mn



- The increase in CoS is mainly driven by higher External Admin (Hubbing), Device costs which are in line with increase in revenues. Further charges payable to OBC increased by RO 2.9 Mn on account of increase in fibre base and migrations from WFBB



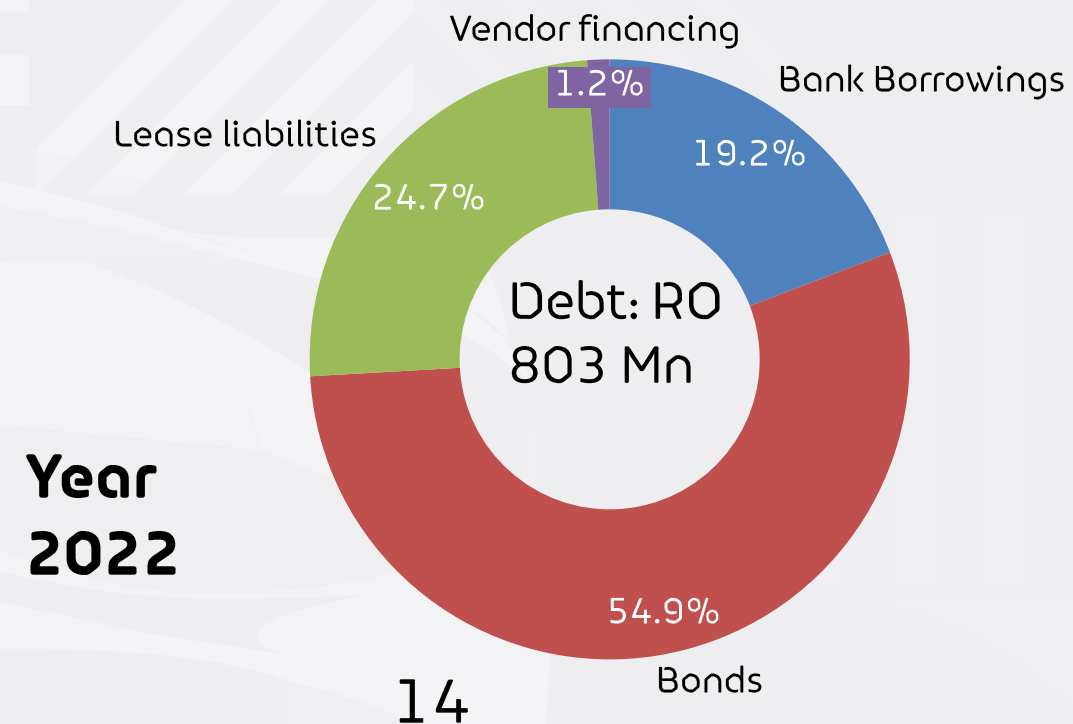
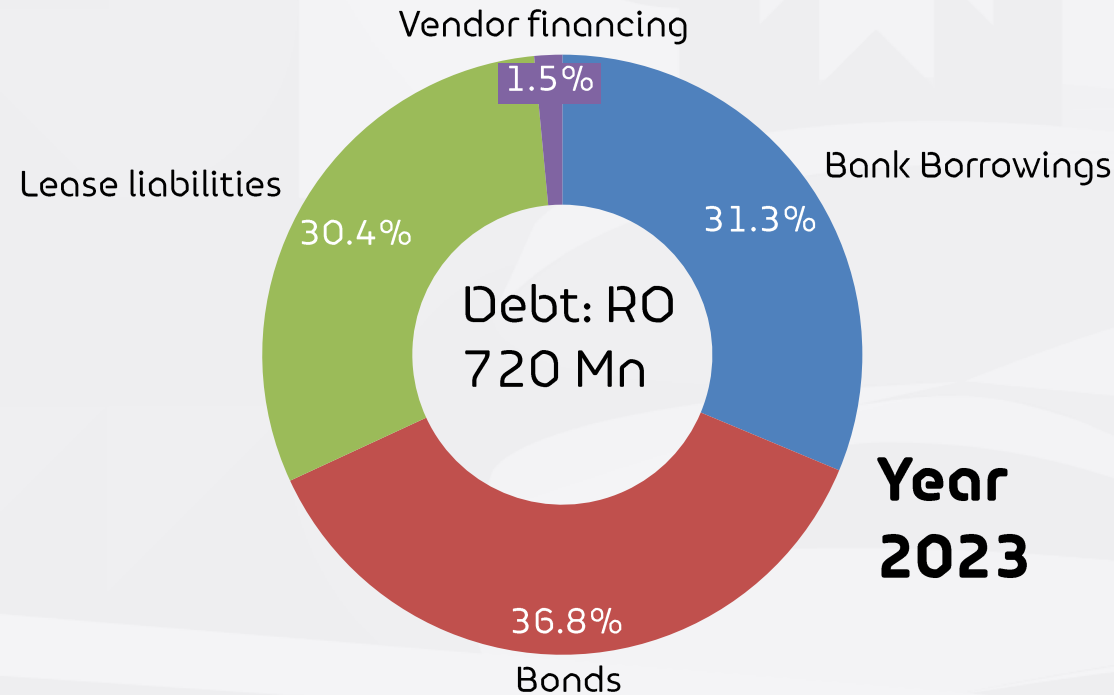
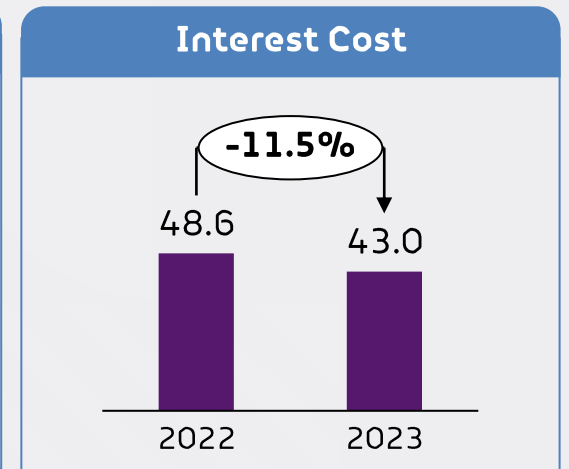
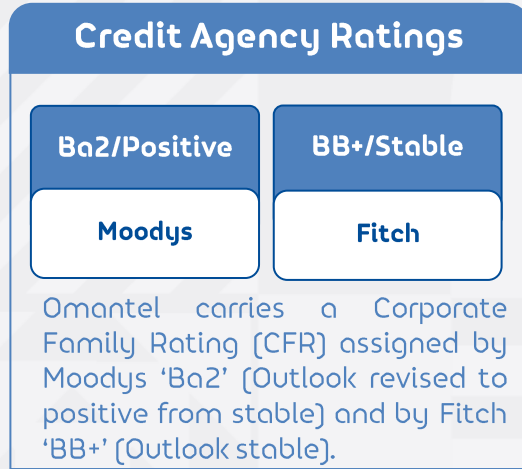
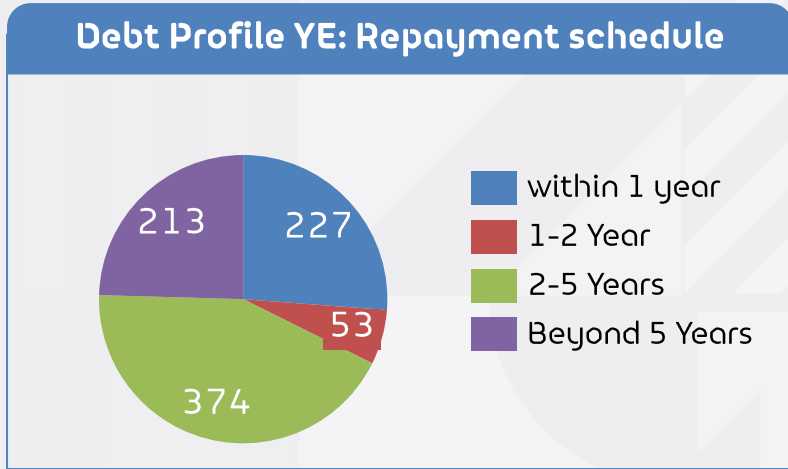
CAPEX additions RO Mn



- Significant part of Capex was spent on the roll out of 5G and upgrade of 4G network.

Debt Profile:

Leverage and Cash Flow position - Interest cost savings of 11.5% YOY on account of completion of deleveraging initiatives in 2022.



Contact US



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Appendix

Omantel Group (Excluding Zain) Balance Sheet

BALANCE SHEET	2023 (RO'000)	2022 (RO'000)
ASSETS		
Current assets		
Cash and bank balances	42,345	153,625
Trade and other receivables	179,729	150,984
Inventories	13,314	9,956
Investment securities at FVTPL	5,760	8,445
Investment securities at amortised cost	-	1,000
Receivable from subsidiaries	-	2,957
Contract asset	32,006	21,693
Non current assets held for sale	1,296	1,296
	-	-
	274,450	349,955
	-	-
Non-current assets	-	-
Contract assets	3,488	5,115
Investment securities at FVTPL	25,357	24,528
Investment securities at FVOCI	-	-
Investment securities at amortised cost	1,000	-
Other assets	3,500	8,703
Deferred Tax	26,850	27,902
Investments in associates and joint ventures	32,335	30,491
Investments in subsidiaries	850,336	850,336
Dues from associates	-	-
Loan to subsidiary	-	-
Investment property	-	-
Property and equipment	462,023	439,379
Right of use assets	99,856	74,708
Intangible assets and goodwill	71,907	75,358
	-	-
	Total	1,536,520
	-	-
	-	-
Total assets	1,851,102	1,886,475

EQUITY AND LIABILITIES		
Current liabilities	-	-
Trade and other payable	299,654	257,789
Contract liability	42,147	43,187
Income tax payable	8,628	15,615
Borrowings	211,564	283,134
Lease liability	10,095	9,025
Liabilities of disposal group held for sale	-	-
	572,089	608,749
Non-current liabilities	-	-
Borrowings	278,611	312,305
Lease liability	128,422	105,194
Provisions	-	-
Other liability	108,952	117,071
	515,985	534,570
Total liabilities	1,088,074	1,143,319
Capital and reserves		
Share capital	75,000	75,000
Legal reserve	25,000	25,000
Voluntary reserve	49,875	49,875
Capital contribution	7,288	7,288
Capital reserve	36,893	36,893
Foreign currency translation-Omantel	(30)	-
Retained earnings	567,338	544,001
Hedge reserve	-	4,150
Equity attributable to equity holders of parent	761,364	742,207
Non-controlling interest (Ex Omantel)	1,664	943
	-	-
Total equity	763,028	743,151
Total equity and liabilities	1,851,102	1,886,470

Omantel Group (Excluding Zain) Income statement

	RO'000	
Statement of Income	2023	2022
Revenue	606,463	565,505
Cost of Sales	(277,663)	(245,101)
Gross margin	328,800	320,404
Expenses		
Operating and administrative expense	(154,341)	(143,485)
Depreciation & Amortisation	(102,597)	(98,560)
Provision for impairment of receivables	(5,893)	(6,654)
Operating profit	65,969	71,705
Gain on modification of liabilities	-	-
Voluntary end of service	-	(360)
Net monetary gain/loss	-	-
Corporate shared service charge	-	-
Interest income	2,492	2,628
Investment income/(loss)	43,482	39,304
Impairment of investment in subsidiary	-	-
Impairment loss on PPE	-	-
Other income -net	4,114	2,763
Gain on disposal of units in associate	-	755
Gain on disposal of a subsidiary		
Gain on sale and leaseback transaction	0	33,094
Loss from currency revaluation	162	128
Finance cost	(42,968)	(48,559)
Share of results of associated companies	2,923	1,025
Profit before taxation	76,173	102,483
Taxation	(8,036)	(15,142)
Profit for the year from continued operations	68,137	87,340
Loss from discontinued operations	(0)	-
Gain on deconsolidation of WTL	-	
Profit for the year	68,137	87,340
Attributable to:		
Equity holders of the parent	68,306	87,447
Non-controlling interests	(169)	(106)
Net profit for the period	68,137	87,340

Omantel Group (Excluding Zain) Cashflow Statement

	2023	2022
Profit before taxation	76,281	102,483
Adjustments for:		
Depreciation and amortisation	102,597	98,560
Impairment of receivables	5,893	6,654
Currency loss	(162)	(128)
Interest expense	42,968	48,559
Net monetary gain	-	-
Gain on sale and leaseback	-	(33,094)
Gain on modification of liabilities	-	-
Gain on disposal of discontinued operations	-	-
Gain on disposal of units in associate	-	-
Fair value gains on investments - Unrealized	(1,333)	72
Realised gain on investments	-	(296)
Interest Income	(2,492)	(2,628)
Dividend income	(42,148)	(39,080)
Share of Profit from associated companies - net	(2,923)	(1,025)
(Profit) / loss on sale of property, plant and equipment	(190)	(648)
Impairment of goodwill	-	-
Impairment of property plant and equipment	-	-
Operating profit before payment of end of service benefits	-	-
and changes in working capital	178,491	179,429
Payment of end of service benefits		
Voluntary end of service payments	-	-
Working capital changes:	-	-
Inventories	(3,199)	(3,244)
Trade and other receivables	(42,633)	(40,353)
Prepayments	-	-
Royalty Payable	-	-
Trade and other payables	20,704	14,403
Amounts receivable from subsidiary (to be verified)	2,426	10,826
	-	-
Cash generated from operations	155,789	161,061

Interest received	-	-
Tax refund	-	-
Tax paid	(13,401)	(14,333)
	-	-
Net Cash generated from operating activities	142,388	146,728
	-	-
Investing activities		
Fixed deposit	11,553	(11,555)
Purchase of intangibles	(322)	(4,538)
Purchase of property plant and equipment	(97,651)	(63,343)
Proceeds from sale of fixed assets	902	3,407
Interest received	2,492	2,628
Proceeds from Towersale	-	99,816
Proceeds from Sale of telecom assets	-	-
Acquisition of investment	-	-
Proceeds from investments	3,189	(8)
Proceeds from liquidation of subsidiary	-	-
Investment in subsidiaries-Oztel	-	-
Investment in subsidiary	-	(3,144)
Proceeds from REIT Transfer	-	41,771
Investment in associate	(1,290)	-
Dividend received	44,517	41,237
Net cash used in investing activities	(36,610)	106,271
Financing Activities		
Proceeds from borrowings	260,226	1,271
Sale and lease back-Impact at above market terms	(8,690)	87,851
Repayment of borrowings	(367,638)	(204,332)
Repayment of lease liabilities	(16,800)	(10,829)
Interest paid	(28,083)	(47,822)
Dividend paid to Company's shareholders	(45,000)	(41,250)
Finance lease liabilities paid	-	-
Sharecapital from minority shareholder	480	191
Cash used in financing activities	(205,505)	(214,920)
Net change in cash and cash equivalents	(99,727)	38,079
Cash and cash equivalents at the beginning of the Period	142,072	103,396
Cash and cash equivalent acquired on acquisition of subsidiary		596
Cash and cash equivalents at the end of the Period	42,345	142,071

Omantel's New sustainability Strategy

Omantel is committed to conduct business and execute its strategy in a **responsible and sustainable** manner in order to:

- Network and Energy Efficiency
- Transition to Net-zero
- E-waste Management
- Climate Change and Biodiversity Awareness

- Digital Inclusion
- Education
- Entrepreneurship
- Community Well-being
- Creating Meaningful Employment
- Child Online Safety



- Access to Connectivity
- Transparency and Data handling
- Data Privacy and Cyber Security
- Ethics and Compliance
- Regulatory Compliance
- Management/Responsible Sourcing

- Diversity, Equity and Inclusion
- Gender Equality/Women
- Empowerment
- Omanization
- Training and Development - Skills of the Future
- Health & Safety

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The first Telco to Publish Sustainable Finance Framework in the region



Omantel has established a Sustainability Committee to oversee the Sustainability Strategy.

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Omantel is preparing its 2022-2023 Sustainability Report on the 30 ESG disclosures voluntarily for Y24.

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