

Omantel Group Performance – Q3 2023



27th Of November 2023

**MSX Discussion
Session**

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SHIFT GEAR

to achieve sustainable profitability growth

Disrupt the conventional
incumbent telco logic

Build towards 60% value share
in Consumer Mobile & HBB

Verticalized Telco & ICT
solutions for Enterprise

Differentiated Ultra Regional
Hub

through innovation & diversification



Contextual marketing &
CVM



Digital experience
everywhere



Re-inventing channels &
GTM



ICT and Fintech

Sustainability is deeply embedded in our corporate philosophy

1

The first Telco to Publish Sustainable Finance Framework in the region



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



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

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



Create value for all our customers in a transparent and inclusive manner



Become Oman's employer of choice



Engage in active environmental stewardship



Enable the **Omani society** by building a digital competent and connected community



Have the highest level of **governance and ethics**

Omantel Key Highlights for Q3



Brand Finance Value

Omantel Group, first and leading integrated telecommunications services provider operating in Oman, continues to be the strongest brand in the Sultanate with a Brand Strength rating of AA+.



Emerging Technologies

We have shaped the Emerging Tech business strategy to validate and detail our offerings and roadmap created.



- **497** Additional 5G for 2023 (30% increase in 5G sites), Making more than +2000 Site on Air.
- **88%** Population Coverage.



- Discussions are currently ongoing to finalize the business plan and the funding for the entity. Expected to be closed by end of the year .

Cash Dividend

- Additional Interim Dividend of 5 Baiza was paid in August.



Debt Restructuring and refinancing

- In Jan 2023, Omantel fully prepaid the term loan of \$ 341Mn secured by a pledge on the acquired Zain shares. This was financed partly from internal cash and available RCF facility
- With the repayment of this facility, security was released under the bond.
- Refinanced the 2023 bonds of \$ 460 Mn due in October 2023 through obtaining Bridge loan.
- Planned Sukuk Issuance in October 2023 is now deferred to early 2024 on account of volatility in treasury interest rates and spreads

Omantel Group Performance (Including Zain)

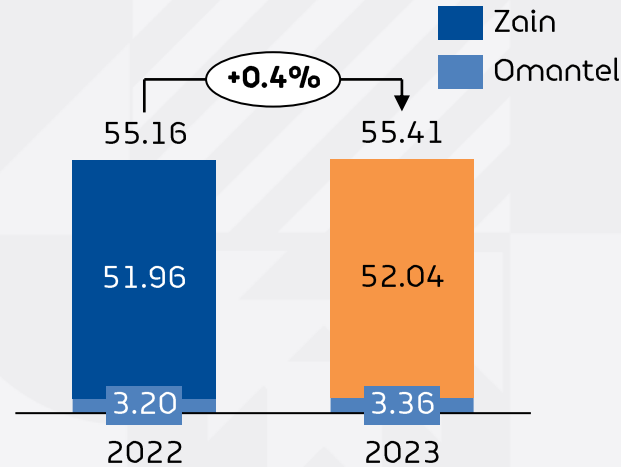
Omantel Group (Incl Zain Group) – YTD 2023 Performance

Group Revenue stands at RO 2.19 Bn increase of 10.6%, EBITDA at 780.3 Mn increase of 5.7% and Net Profit is at RO 250.9 Mn, an increase of 28.6% YoY.

Subscribers in Mn

Zain's total subscriber base as of September 2023 was 52 Mn customer base grew by 0.2 Mn.

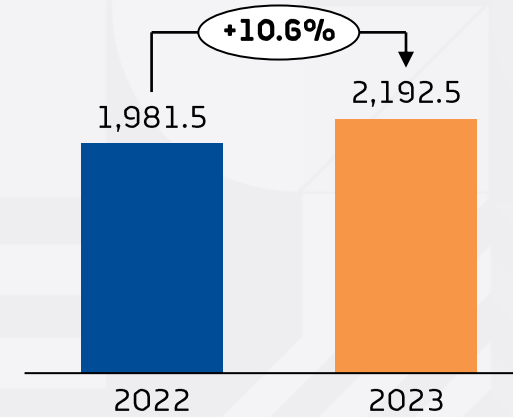
The total domestic subscriber base as of September 2023 was 3.363 Mn compared to 3.207 Mn of the corresponding period of the previous year.



Revenue in RO Mn

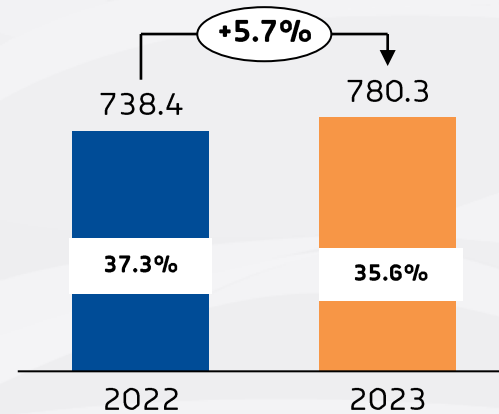
Group Revenue for the period is RO 2,192.5 Mn compared to RO 1,981.5 Mn in the corresponding period a growth of 10.6%.

Revenue include acquired business of Zain Group, which contributed revenues of RO 1,750.1 Mn



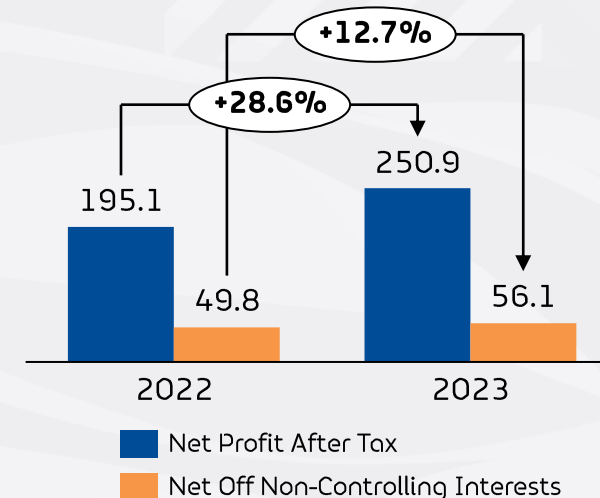
EBITDA in RO Mn

EBITDA for the period is RO 780.3 Mn compared to RO 738.4 Mn in the corresponding period a growth of 5.7%. EBITDA of the Group includes RO 655.8 Mn pertaining to Zain group.



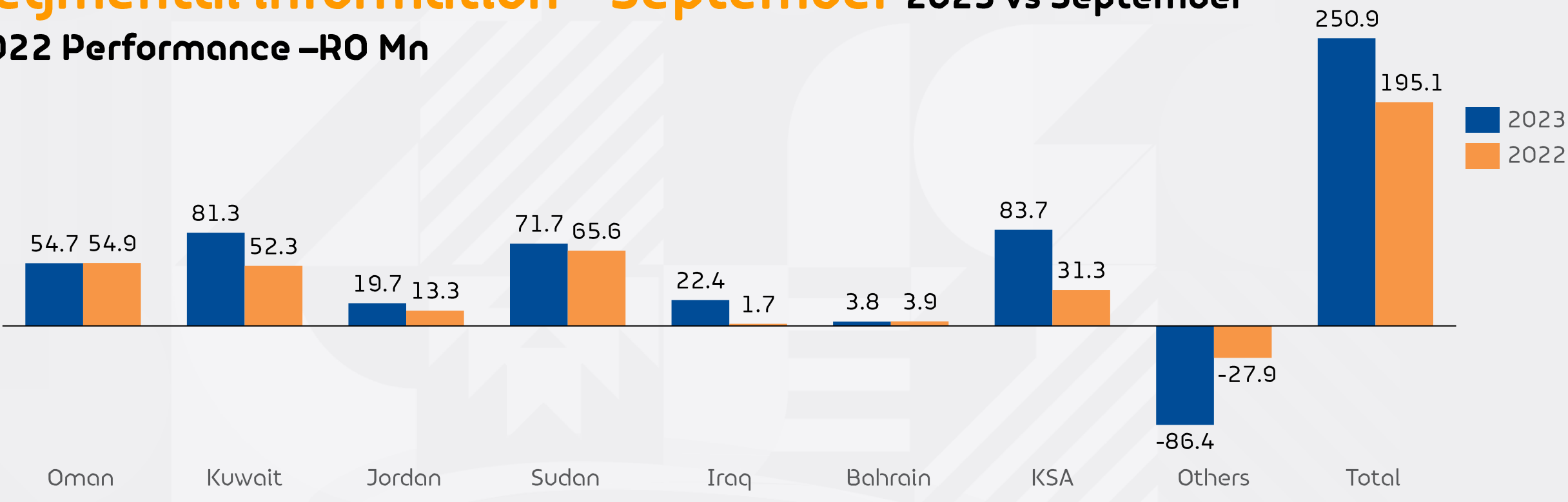
Net Profit in RO Mn

Net Profit observed a growth due to increase in EBIDTA and gain from Tower sale transaction in Zain KSA of RO 56.7 Mn



Segmental information – September 2023 vs September

2022 Performance –RO Mn



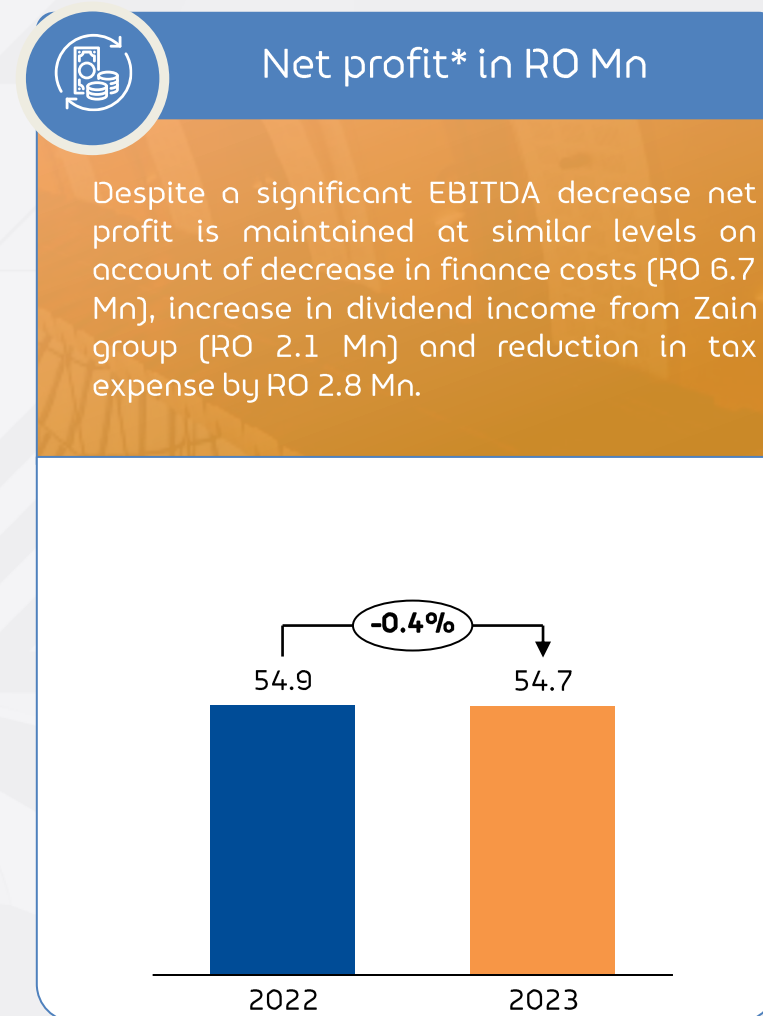
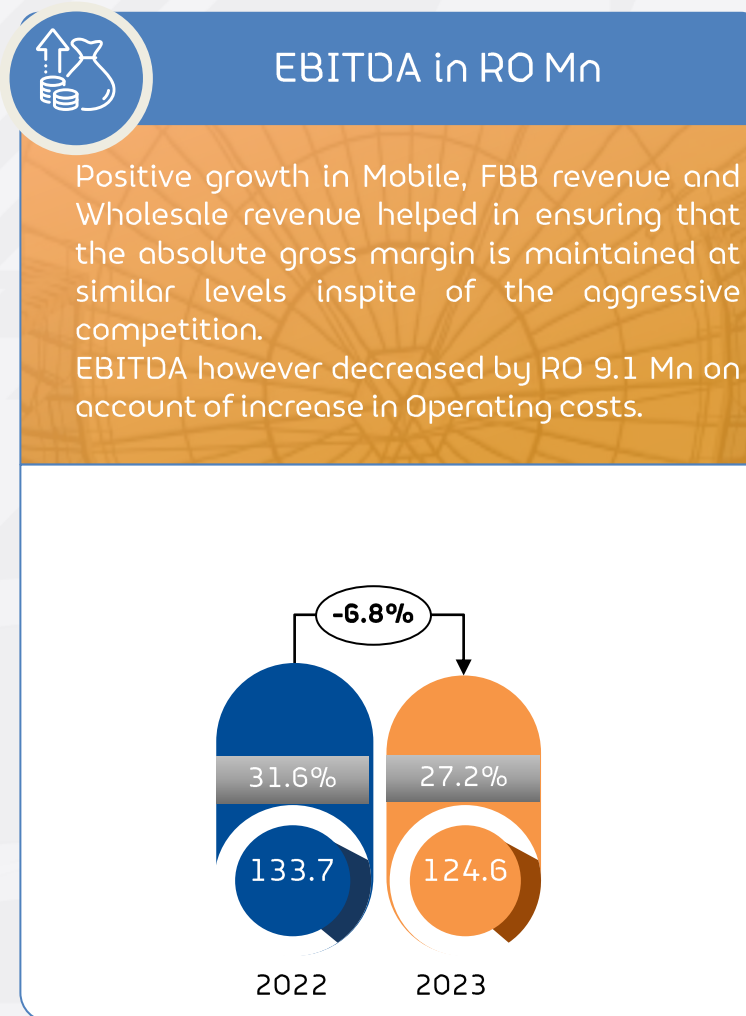
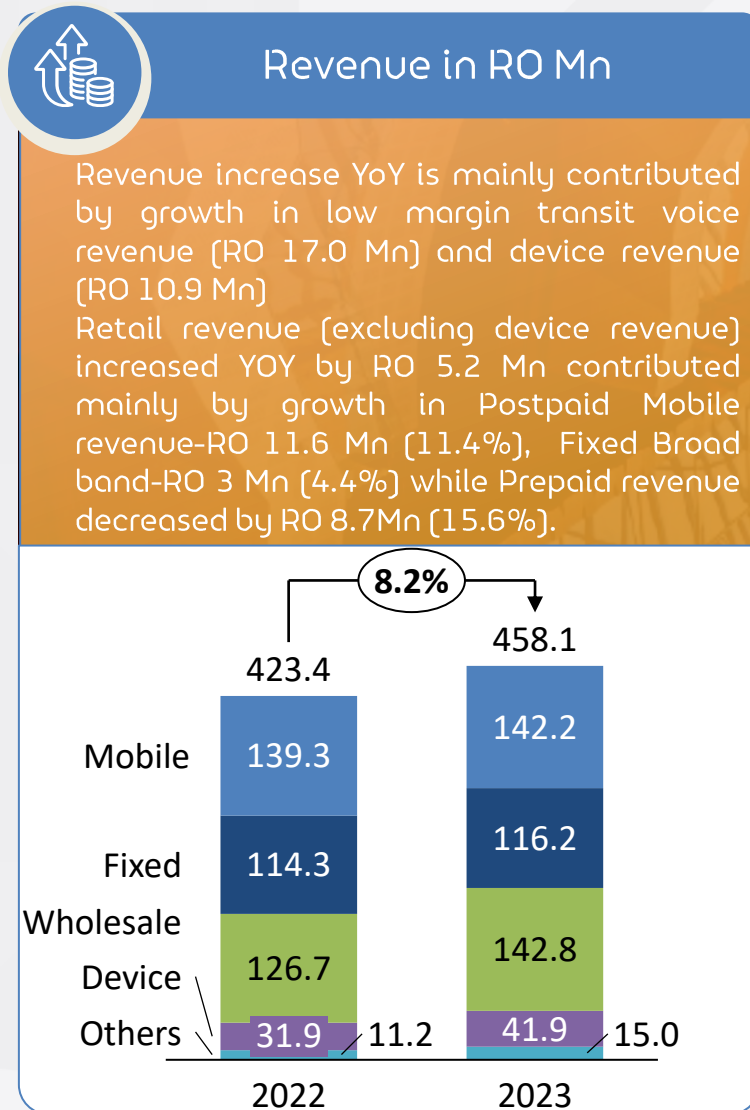
Note:

- 1) **Net profit:** are adjusted for Purchase Price Allocation (PPA).
- 2) **After the Tower sale transaction in Oman:** the segment performance for Oman in Q4-2022 was updated to include dividend income and finance costs related to the Investment in Zain.
- 3) **Kuwait:** showed a significant increase in profit on account of RO 30.5 Mn accounted for settlement of Number range case
- 4) **Net profit of KSA:** increased mainly on account of RO 56.6 Mn gain on account of sale of Towers.
- 5) **Profits of Iraq:** include RO 12.3 million on account of gain on sale of Towers. This gain is eliminated at the Group level and recomputed at Group level as transfer of business
- 6) **Others:** include finance costs at Zain group management level which increased YOY by RO 14 Mn, Iraq tower sale elimination and provision created for Sudan.

Omantel Domestic Performance

Domestic Performance – Nine months ended September 2023

Omantel Including OT SPVs and Domestic subsidiaries, associates.

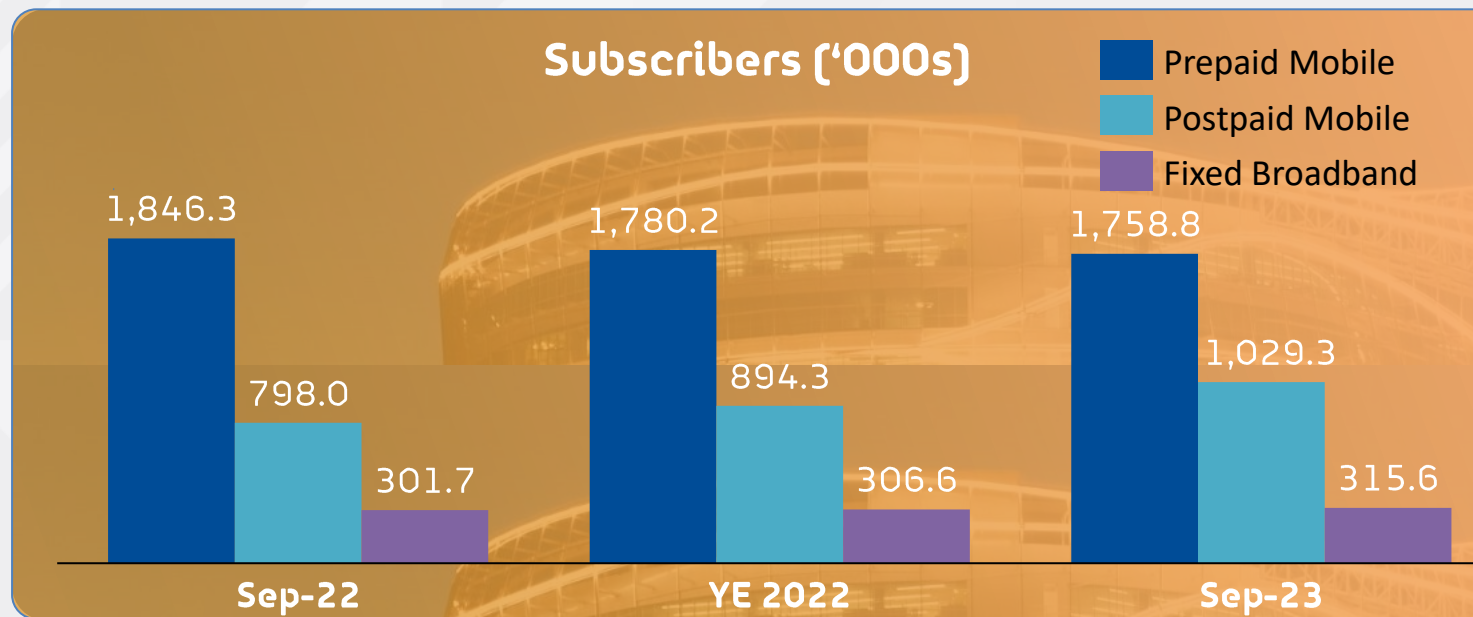


NOTE: Q1 and Q3 profits will include a one time impact of final dividend and interim dividend from Zain group. Dividend from Zain in year 2023 is RO 41.5 Mn vs RO 39.5 Mn in year 2022

Value generation: Mobile & fixed

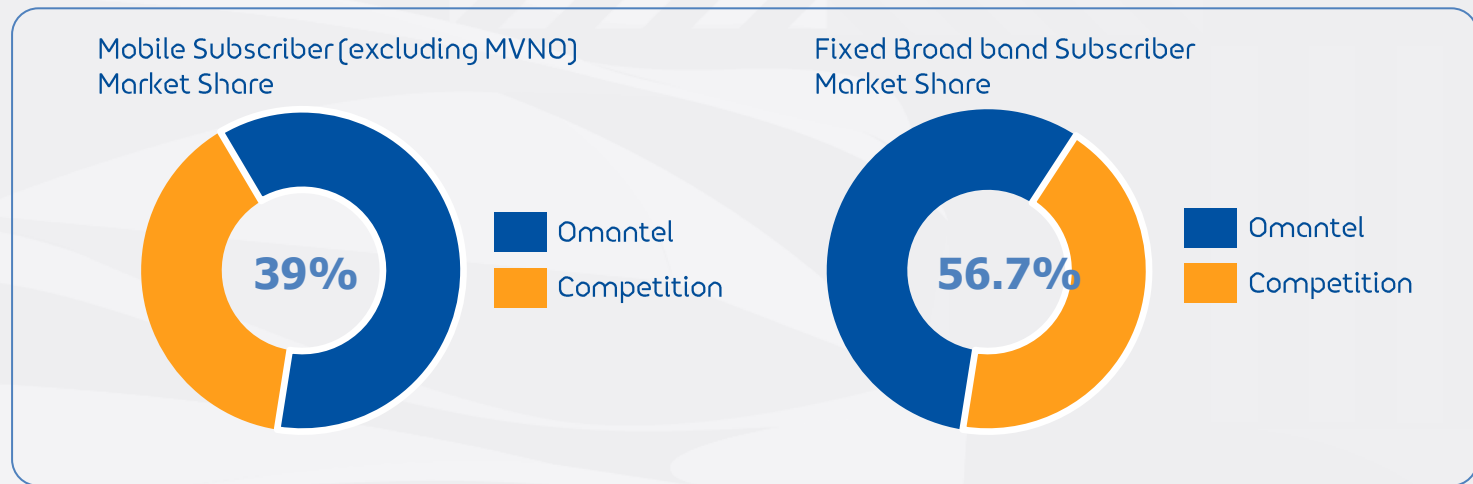
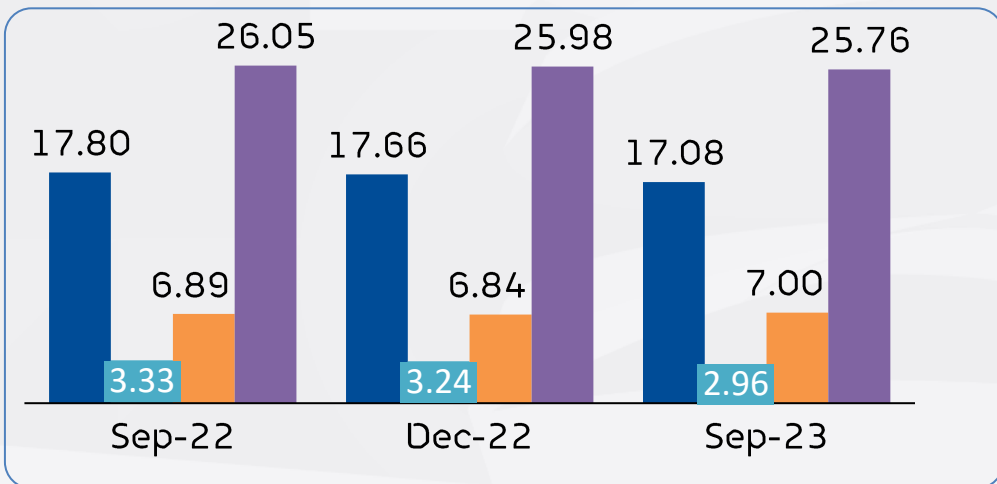
- Mobile Value generation driven by pre-paid to post-paid migration, portfolio revitalization and Better Base Management.
- Fixed Value generation driven by migration of customers from legacy copper technology to 4G/5G (wireless Fixed Broadband) and Fibre, Capturing competition base.

37% of Mobile subscriber base is now Postpaid
68% of total mobile revenue is now Postpaid Mobile revenue



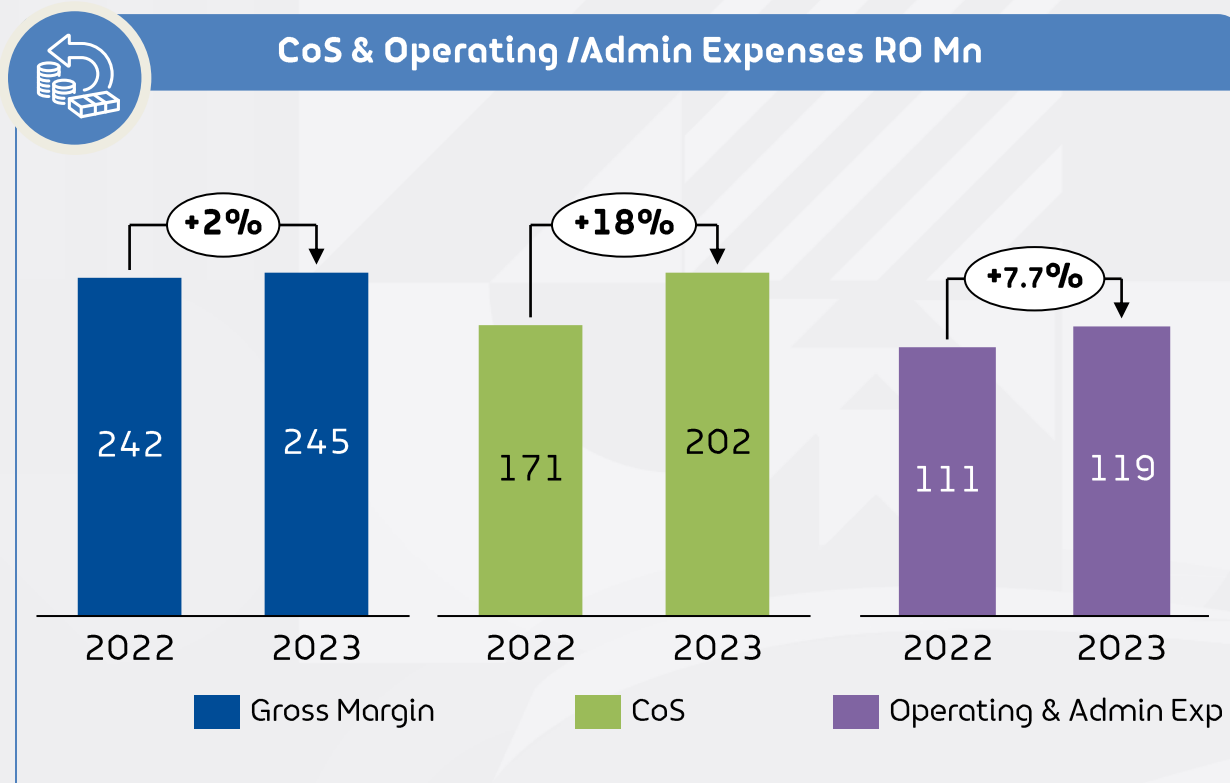
■ Post paid-Mobile ■ Prepaid-Mobile ■ Blended-Mobile ■ Fixed Broadband

ARPU | RO / Month

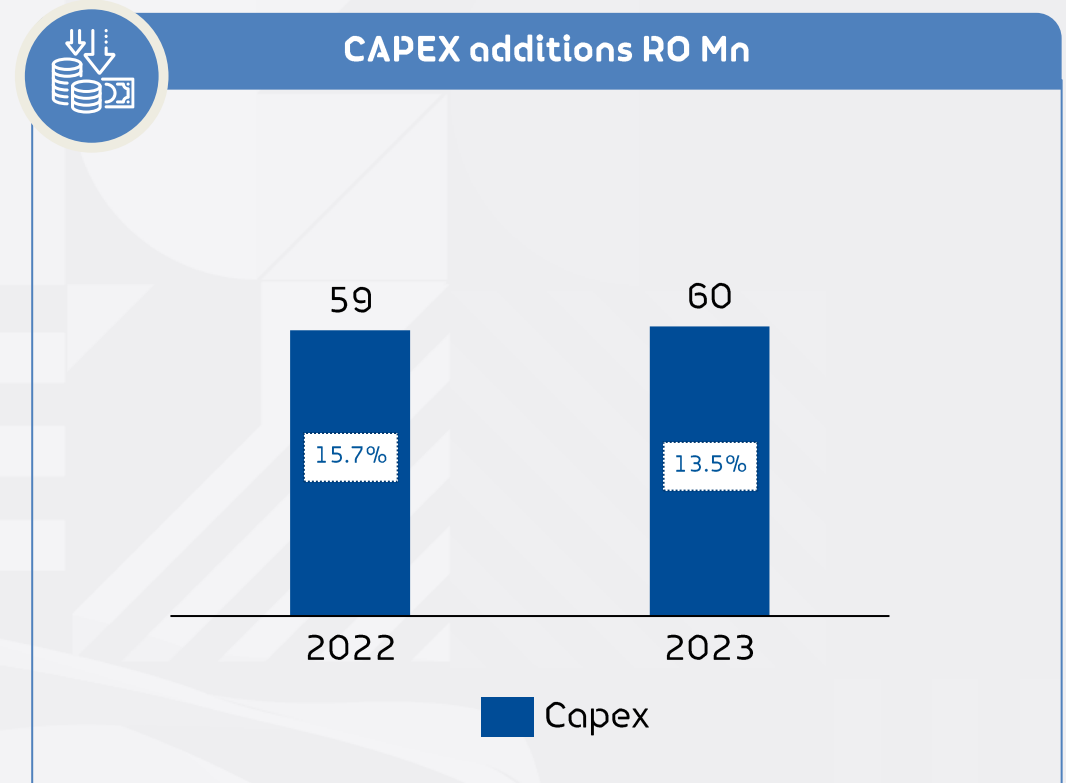


Source: Company information
 ARPU for Mobile excludes M2M SIMS from subscribers and revenue

Operating & Admin costs have increased by 7.7% YoY. Capex to revenue ratio is at 13.5%

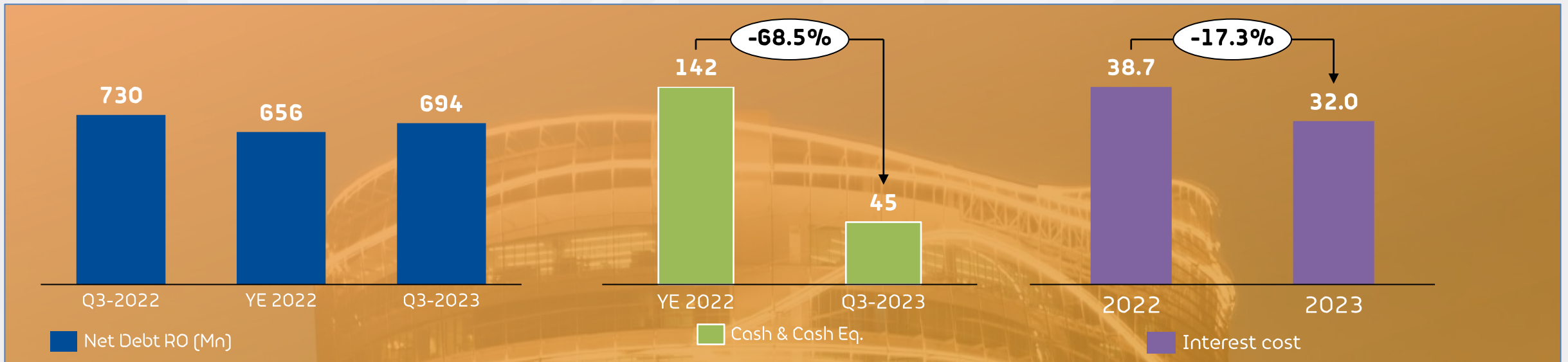


The increase in CoS is mainly driven by higher External Admin (Hubbing), Device costs which are in line with increase in revenues. Further charges payable to OBC increased by RO 2.2 Mn on account of increase in fibre base and migrations from WFBB. Increase in Opex is mainly on account of higher costs payable for Tower lease rentals.



Prior period capex was high on account of increased investments in 5G rollout. Capex to revenue ratio stands at 16.8% in 2023 vs 17.4% in 2022 after adjusting hubbing revenue from total revenue.

Cash flow position (Including domestic subsidiaries)- Interest cost savings of 17.3% YOY on account of completion of deleveraging initiatives in 2022



- Net debt as of Q3-2023 increased compared to Year end 2022 on account of a drop in cash and cash equivalents which in turn was impacted by drop in EBITDA.
- Leverage (Net debt/EBITDA) (incl lease liabilities) stands at 3.45 as of H1-2023 compared to 3.12 at end of the year 2022. Leverage is measured at the end of year and H1-2023.
- On account of deleveraging initiatives completed last year, interest cost savings of RO 6.7 Mn was realized during the period.
- Omantel carries a Corporate Family Rating (CFR) assigned by Moodys 'Ba2' (Outlook revised to positive from stable) and by Fitch 'BB+' (Outlook is stable).
- *Leverage [excluding lease liabilities] is 2.4 as of H1-2023 compared to 2.2 at end of year 2022.

Source: Company information

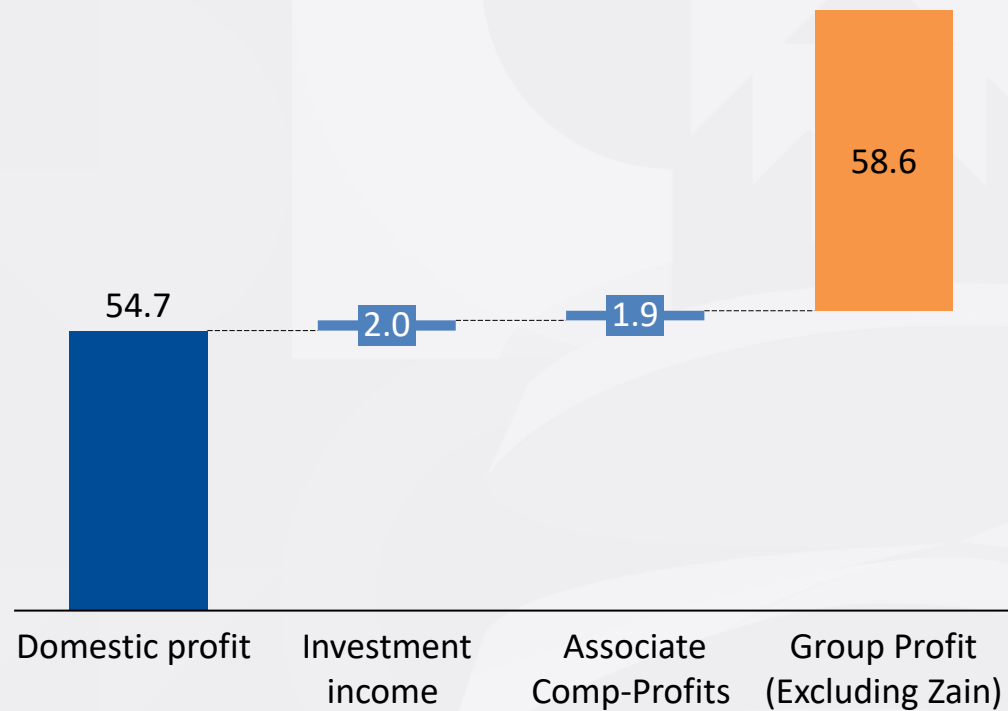
Omantel Group

(Excluding Zain group) Financial statements

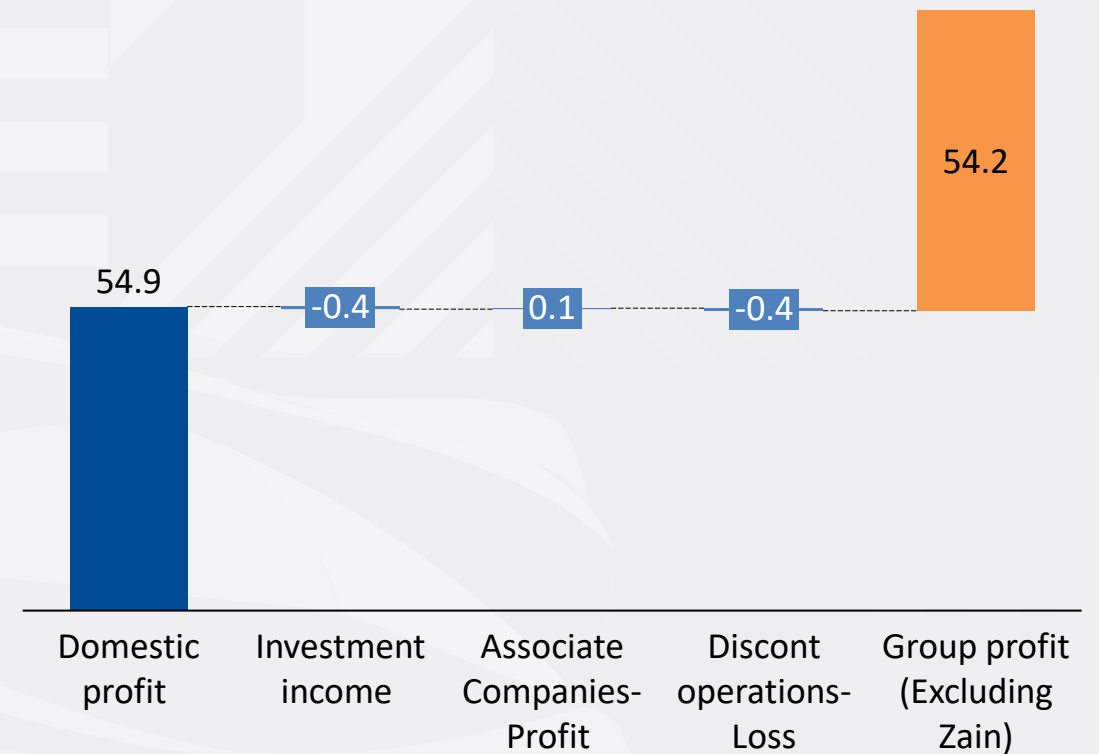
Note: Omantel Group (Excluding Zain group) in addition to the Domestic performance nos presented includes Investment income (Other than Dividend income from Zain group), Share of profit from associate companies. These items are not included in Domestic performance nos to ensure that it is in line with the Segment reporting presentation in the financial statements.

Domestic Net profit reconciliation to Omantel Group Net profit (Excluding Zain group)

Nine months ended September 2023-RO Mn



Nine months ended September 2022-RO Mn



Income statement for the period ended September 2023

RO '000	2023	2022
	Actual	Actual
Revenue	458,058	423,362
Cost of Sales	(212,707)	(181,714)
Gross Margin	245,351	241,648
<i>Gross Margin %</i>	<i>53.6%</i>	<i>57.1%</i>
Operating and administrative expenses	(115,036)	(101,994)
Provision for impairment of receivables	(5,760)	(5,958)
Operating Expense	(120,796)	(107,953)
EBITDA	124,555	133,695
<i>EBITDA %</i>	<i>27.2%</i>	<i>31.6%</i>
Depreciation & Amortisation	(75,936)	(73,642)
EBIT	48,620	60,053
Dividend income from Zain Group	41,531	39,456
Finance & Other Income / (Expenses)	4,052	2,063
Interest cost	(31,990)	(38,715)
Share of profit/(loss) from associate companies	1,906	70
Profit Before taxation	64,119	62,927
Taxation	(5,513)	(8,349)
Profit After Tax from continuing operations	58,606	54,578
Loss from discontinued operations	0	(406)
Profit After Tax	58,606	54,172

Statement of financial position as at 30 September 2023

BALANCE SHEET	RO'000	RO'000
	September-23	December-22
ASSETS		
Current assets		
Cash and bank balances	42,873	153,625
Trade and other receivables	170,987	153,941
Inventories	9,876	9,956
Investment securities at FVTPL	5,731	8,445
Investment securities at amortised cost	0	1,000
Contract asset	29,193	21,693
Assets held for sale	1,296	1,296
	259,956	349,955
Non-current assets		
Contract assets	3,864	5,115
Investment securities at FVTPL	25,462	24,528
Investment securities at amortised cost	1,000	0
Other assets	3,678	8,703
Deferred Tax	28,123	27,902
Investments in associates and joint ventures	32,229	30,491
Investments in subsidiaries	850,336	850,336
Property and equipment	452,151	439,379
Right of use assets	95,615	74,708
Intangible assets and goodwill	70,925	75,358
	1,563,383	1,536,520
Total assets	1,823,338	1,886,475

Statement of financial position as at 30 September 2023 (continued)

BALANCE SHEET	RO'000	RO'000
	September-23	December-22
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payable	267,323	257,794
Contract liability	45,201	43,187
Income tax payable	7,638	15,615
Borrowings	218,259	283,134
Lease liability	11,274	9,025
	549,696	608,754
Non-current liabilities		
Borrowings	280,374	312,305
Lease liability	124,705	105,194
Other liability	115,069	117,071
	520,148	534,570
Total liabilities	1,069,844	1,143,324
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
Retained earnings	557,632	544,001
Hedge reserve	0	4,150
Equity attributable to equity holders of parent	751,688	742,207
Non-controlling interest	1,806	943
Total equity	753,494	743,150
Total equity and liabilities	1,823,338	1,886,475

Cash flow statement for the period ended September 2023

	Nine months ended	
	2023	2022
	RO'000	RO'000
Cash flows from operating activities		
Profit before tax for the period	64,118	62,927
Adjustments for:		
Depreciation and amortization	75,936	73,642
ECL on financial assets	5,760	5,958
Interest income	(1,878)	(1,759)
Investment income	(1,515)	939
Share of results of associates and joint venture	(1,906)	(70)
Finance costs	31,990	38,714
Dividend income	(42,014)	(39,983)
(Gain)/ loss from currency revaluation	137	214
(Gain)/ loss on sale of property and equipment	(12)	123
Operating profit before working capital changes	130,616	140,705
Increase in trade and other receivables and contract assets	(27,855)	(27,953)
(Increase)/ decrease in inventories	239	(2,407)
Decrease in trade and other payables	4,254	21,646
Cash generated from operations	107,254	131,991
Income tax paid	(13,185)	(10,626)
Net cash from operating activities	94,069	121,365
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien	11,554	0
Proceeds/(Acquisition) from sale/purchase of investments (net)	1,822	(49)
Proceeds from REIF		27,091
Investment in associate	(1,290)	0
Investment in subsidiaries		(3,554)
Acquisition of property and equipment (net)	(71,205)	(45,986)
Acquisition of intangible assets (net)	(196)	(13,289)
Proceeds from sale of telecom assets (sale and lease back)		-
Dividend received	44,930	40,845
Interest received	1,878	1,759
Net cash used in investing activities	(12,507)	6,817

Cash flow statement for the period ended September 2023 (continued)

	Nine months ended	
	2023	2022
	RO'000	RO'000
Cash flows from financing activities		
Proceeds from borrowings	81,585	1,469
Repayment of borrowings	(186,558)	(1,577)
Repayment of lease liabilities	(14,143)	(6,388)
Share capital from minority shareholders of subsidiaries	480	0
Dividend paid to Company's shareholders	(45,000)	(41,250)
Finance costs paid	(17,125)	(27,248)
Net cash used in financing activities	(180,761)	(74,994)
Net increase/(decrease) in cash and cash equivalents	(99,199)	53,188
Cash and cash equivalents at beginning of period	142,072	103,866
Cash and cash equivalents at end of period	42,873	157,054

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PRESENTED

BY:

Ghassan Al Hashar

Chief Finance Officer

Sudhakar Ippatappu

GM Finance Control

Wahbi Al Riyami

GM Treasury

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GM Stratgic Finance

**Invetor Relation
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Aisha Al Balushi