



Omantel Group Performance – Q1'2021

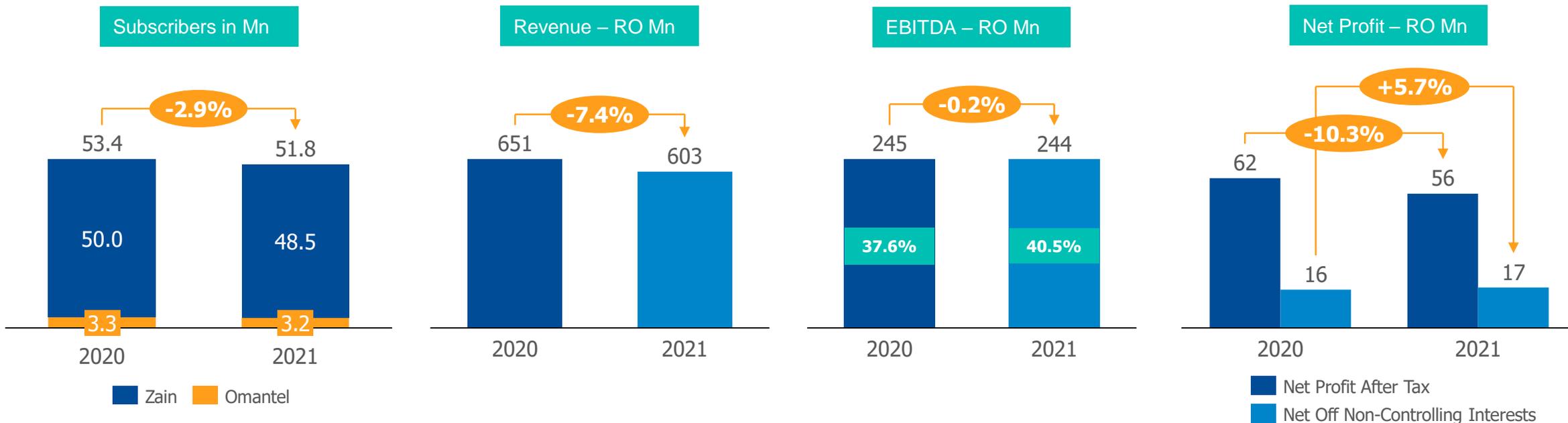
Presentation to Investor Community

Conference Call

18th May 2021 at 2 P.M. (Oman Time)

Omantel Group (Incl Zain Group) – Q1 2021 Performance

Group Revenue stands at RO 603 Mn and Net Profit is at RO 56 Mn



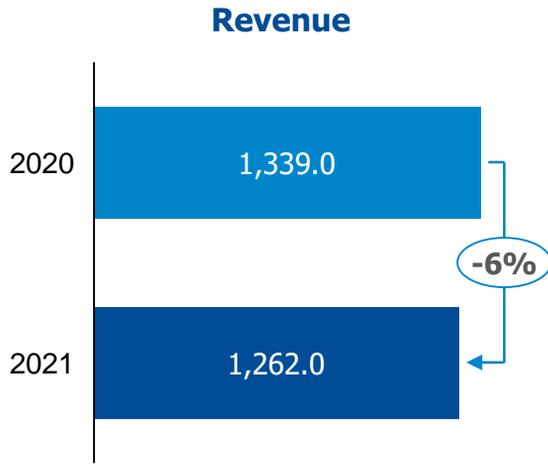
- Group Performance continue to have its impact of Covid'19 due to business disruptions along with FX rate impact due to currency devaluation. Revenues and Customer base, both declined by 7.4% and 2.9% respectively.

- Omantel customer base declined by 2.8%, mainly due to decline in mobile prepaid & resellers subscriber base as witnessed across the sector.

- Group Revenue for the period is RO 603 Mn compared to RO 651 million for the corresponding period 2020. Revenue include acquired business of Zain Group, which contributed revenues of RO 473 Mn.

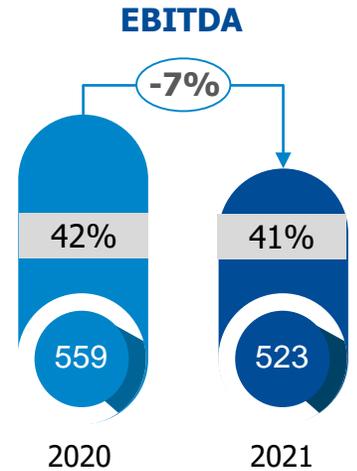
- Decline in revenue and FX rates impact, have an adverse affect on EBITDA and Net Margins. However, series of cost optimization measures contributed to arrest the steep decline.

Zain Group Performance – Q1 2021 Performance (In US Dollars)



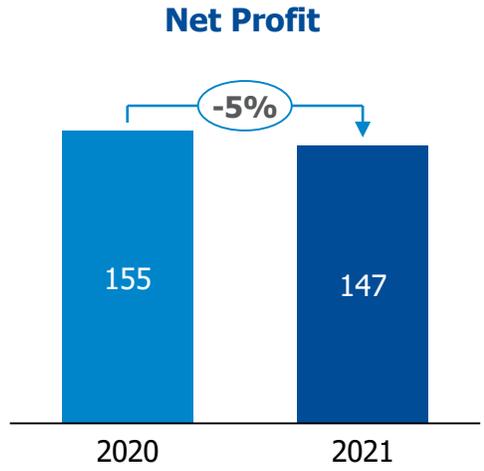
The impact of COVID-19 still affects the operations, coupled with the FX rate change impact mainly due to the currency devaluation in Sudan and Iraq

KSA was impacted by the VAT increase in Q3 '20 (from 5% to 15%) and fall in customer base on account of drop in the number of expats in the country, lack of Visitors and Pilgrims due to Omra closure and flights restrictions, CITC disconnections and new governmental requirement (Tawakalna application required for customers mobility) and drop in termination rates (SR 0.055 to 0.022)



Q1 EBITDA decreased by 7% mainly due to;

- Rate Change and FX Translation impact in Iraq and Sudan.
- Conclusion of the three-year CITC agreement in KSA.



Q1 Net Income decreased by \$8m YoY, mainly due to:

- Decrease in EBITDA, due to currency devaluation
- Gain on sale and leaseback of Towers (Kuwait) in Q1'20.

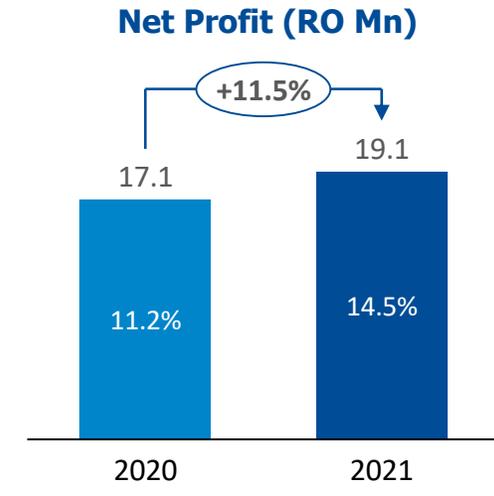
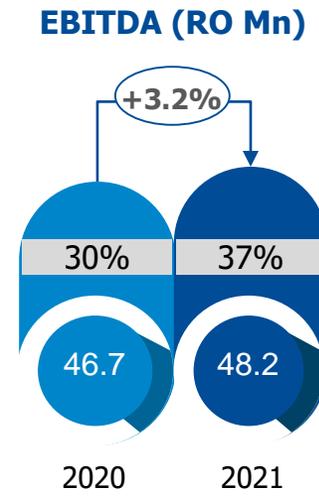
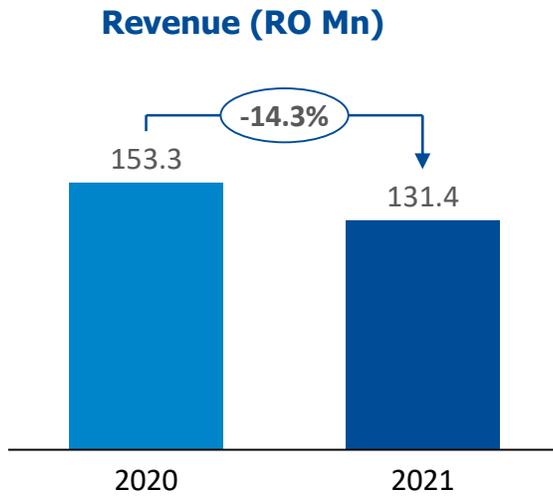
Excluding the one-time gain from the sale and lease back of towers in Kuwait of \$15m in Q1'20, Net Income for Q1 '21 grew by 4% y-o-y.

Above was partially offset by decrease in Finance costs from loan settlements, drop in LIBOR and negotiations held with lenders

Omantel (Domestic performance)

Omantel + International SPVs + Domestic subsidiaries & associates

Domestic Performance revenue compared to last year is lower by 14.3% mainly due to decline in revenues Mobile Prepaid & Hubbing. Despite decline in revenues, Net Profit recorded an increase of 11.5% mainly due to closing off high margin Capacity Sales.



- Domestic operations covers Fixed Line business, Mobile business, Omantel International (OTI)-Wholesale arm of Omantel engaged in international voice aggregation business and Omantel subsidiaries (Oman Data Park, Infoline and Internet of Things- MOMKIN).
- Revenues growth achieved in Mobile Postpaid, Fixed Broadband, and Wholesale Capacity Sale while prepaid revenue declined due to challenging market conditions. Core revenues (*excluding Hubbing & Device revenues*) increased by 2.3% YoY.
- Operating & Admin costs decreased by 6% mainly due to cost optimization measures.
- EBITDA & Net Profit is 36.7% and 14.5% respectively.

Segmental information – Q1 2021 Performance

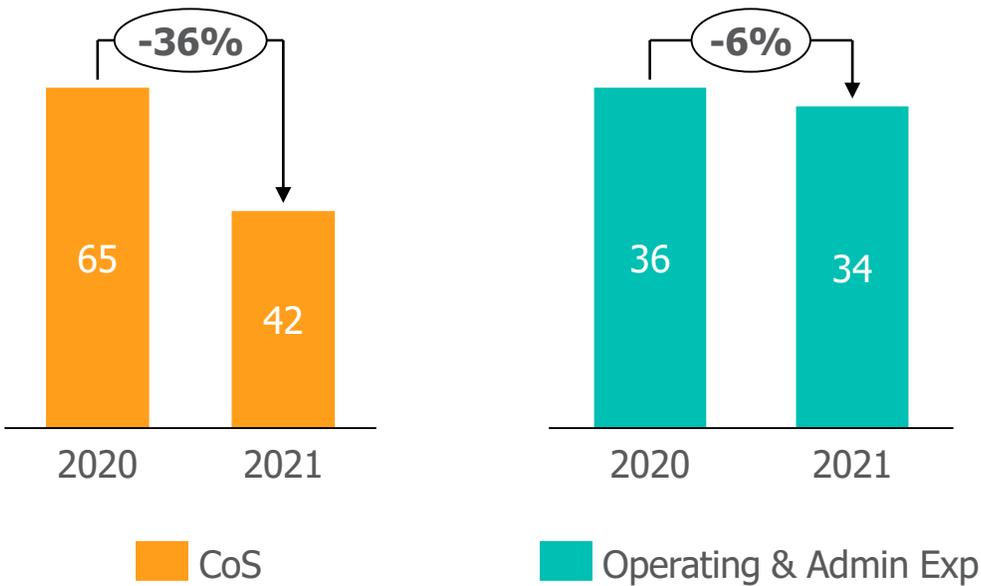
	Omantel Group – Segment Report								
In RO Mn	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total
Revenue	131.4	98.5	46.5	34.5	69.2	16.4	194.0	12.2	602.7
Net Profit	19.1	13.2	5.4	6.7	4.3	1.3	3.6	2.8	56.4
Others (Unallocated items)									(0.4)
Profit for the Period	19.1	13.2	5.4	6.7	4.3	1.3	3.6	2.8	56.0

Note:

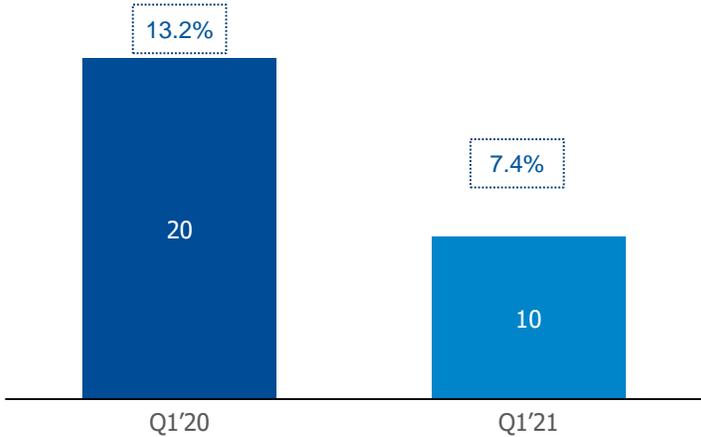
- 1) Net profit are adjusted for Purchase Price Allocation (PPA).
- 2) Others include unallocated adjustments which are of non-operating nature.

Operating & Admin costs are reduced by 6% YoY mainly due to cost optimization measures. OPEX to Revenue ratio is lower than last year due to decrease in revenue related costs. Capex to revenue ratio is at 7.4%

CoS & Operating /Admin Expenses RO Mn

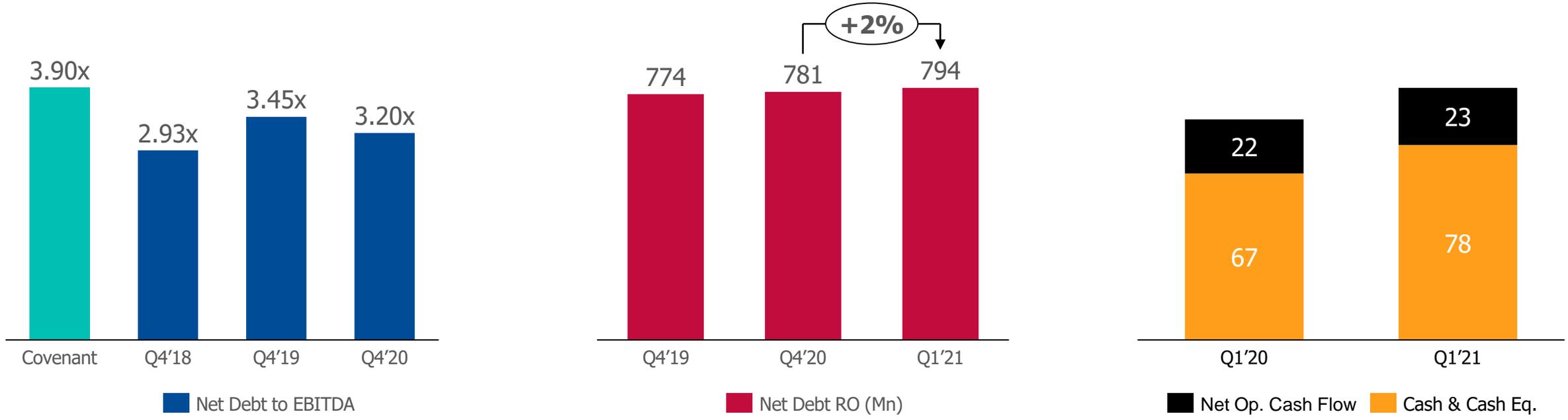


CAPEX additions RO Mn



- YTD Opex to Revenue ratio for 2021 is 84% Vs 87% last year.
- Ratio decrease is mainly due to drop in both CoS & Operating/ Admin Expenses. The decline in CoS is mainly driven by decrease in External Admin (Hubbing), which in line with decrease in revenues.

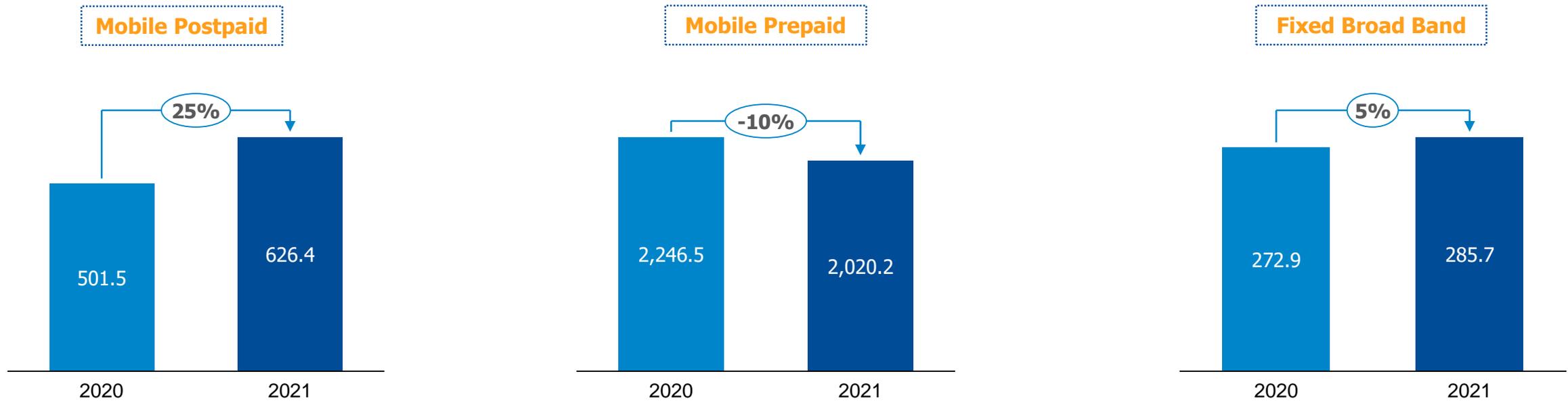
Leverage and Cash Flow position



- The Net Debt to EBITDA is measured at the end of every half and full year. Net Debt to EBITDA (Leverage ratio) required as per the Covenant is 3.9. Based on adj EBITDA (EBITDA plus Dividend from Zain), the leverage as of Q4'2020 is 3.2x and Interest cover is 4.53 against the target of 4.
- Omantel carries a Corporate Family Rating (CFR) assigned **by Moodys 'Ba3'** and **by Fitch 'BB-'**

Omantel Subscriber base analysis shows FBB and Mobile postpaid continued its growth trajectory, while pre-paid declined YoY.

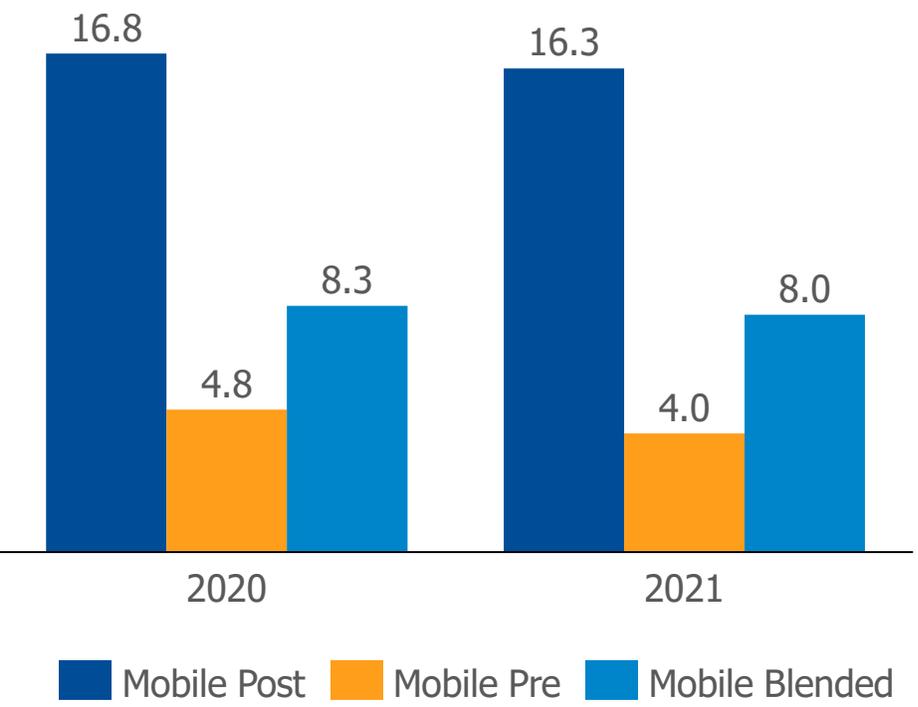
Fig In '000s



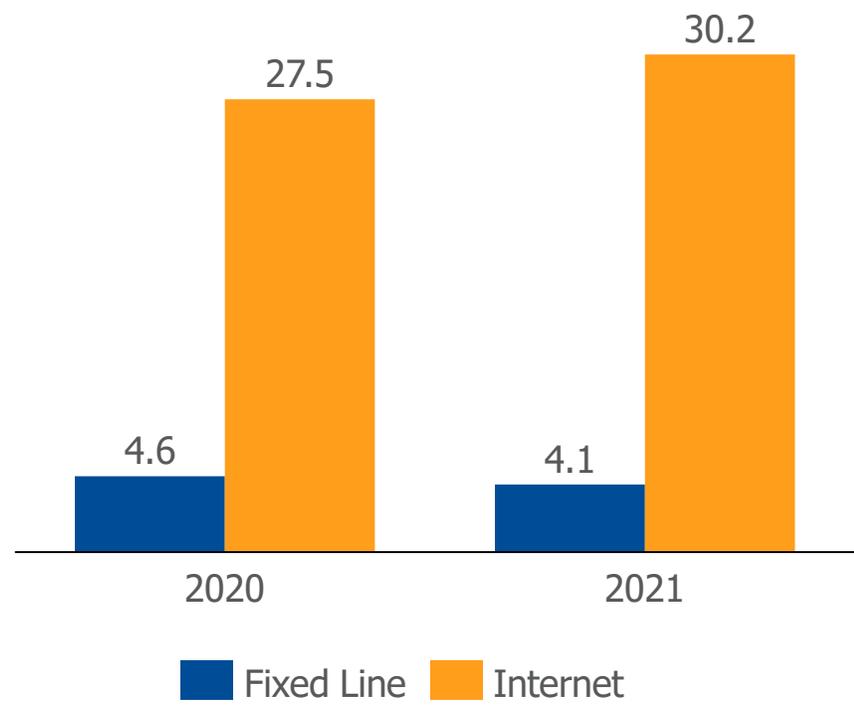
- Mobile postpaid customer base shows steady growth, mainly driven by pre to post migrations .
- Although prepaid market base is declining in the country (YoY -11%), Omantel is maintaining the prepaid subscriber market share. The general drop on the Prepaid Customers base comes from migrations Postpaid plans, as well as, expats leaving.
- Fixed Broadband customer base keeps on growing, fundamentally on WFBB (4G/5G) with increased uptake in line with 5G network rollout and Fiber customers.

ARPU / month for Internet shows growth mainly due to uptake of higher ARPU services, while mobile continue to record marginal decline compared to previous year

Mobile Services RO / Month



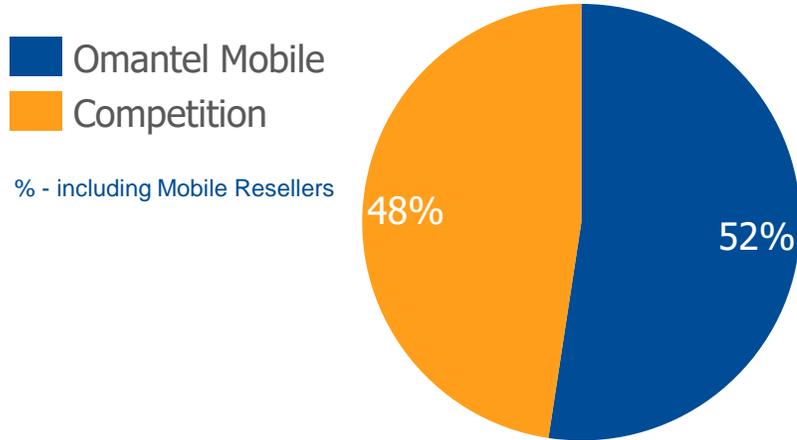
Fixed Line Services RO / Month



- Fixed line include post & pre-paid voice services.
- Internet include Fixed Broadband and all internet services (dialup post & prepaid, enterprise data services)

Mobile & Fixed Line Business Market share (Subscriber & Revenue share)

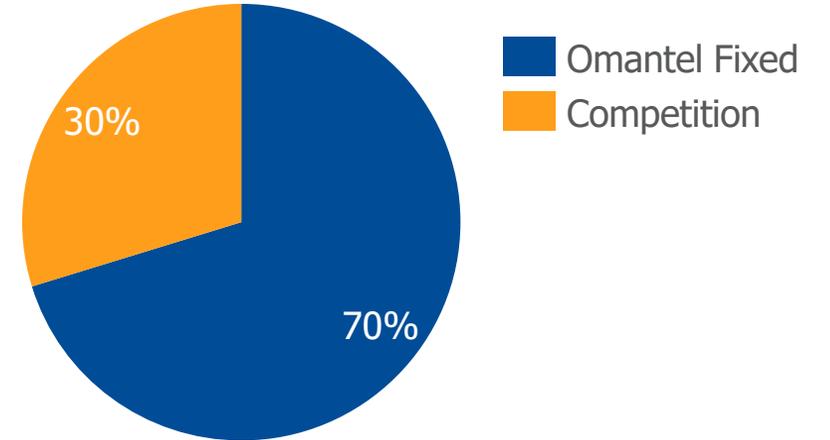
Mobile Subscriber Market share



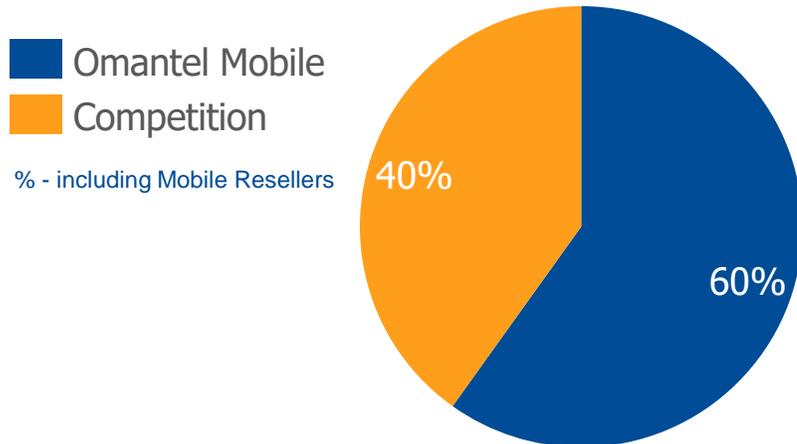
% - including Mobile Resellers

Note: Omantel Mobile (incl Mobile Resellers) subscribers declined by 6.7%, net drop is around 231 K mainly due to drop in Mobile Prepaid

Fixed Subscriber Market share

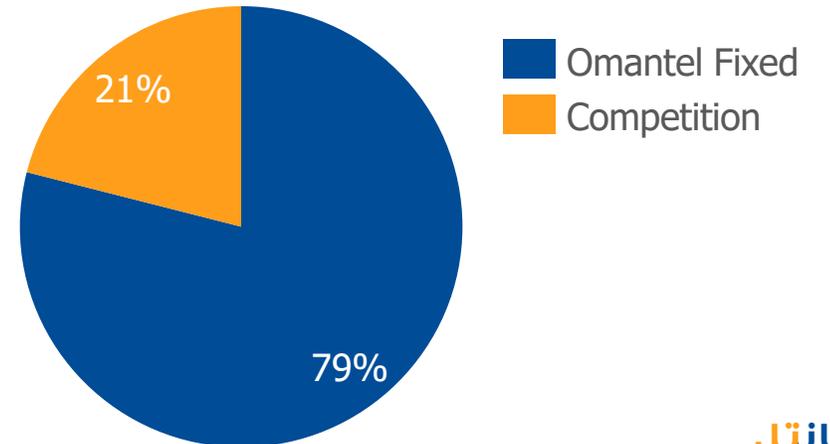


Mobile Revenue Market share



% - including Mobile Resellers

Fixed Revenue Market share



Tower sale update

Sale of Towers is an Important Pillar in Omantel's Strategy

The sale of TowerCo is critical for Omantel to achieve its investment and efficiency targets, especially in respect of improving Omantel's balance sheet position.

Omantel Objectives

1 Reduce Omantel leverage and raise capital to fund network upgrade

2 Accelerate network deployment

3 Improve cost structure

4 Focus management on core business

5 Follow international best practice

Achieved through TowerCo

- Cash proceeds to reduce leverage levels
- Network capex funded by sale proceeds

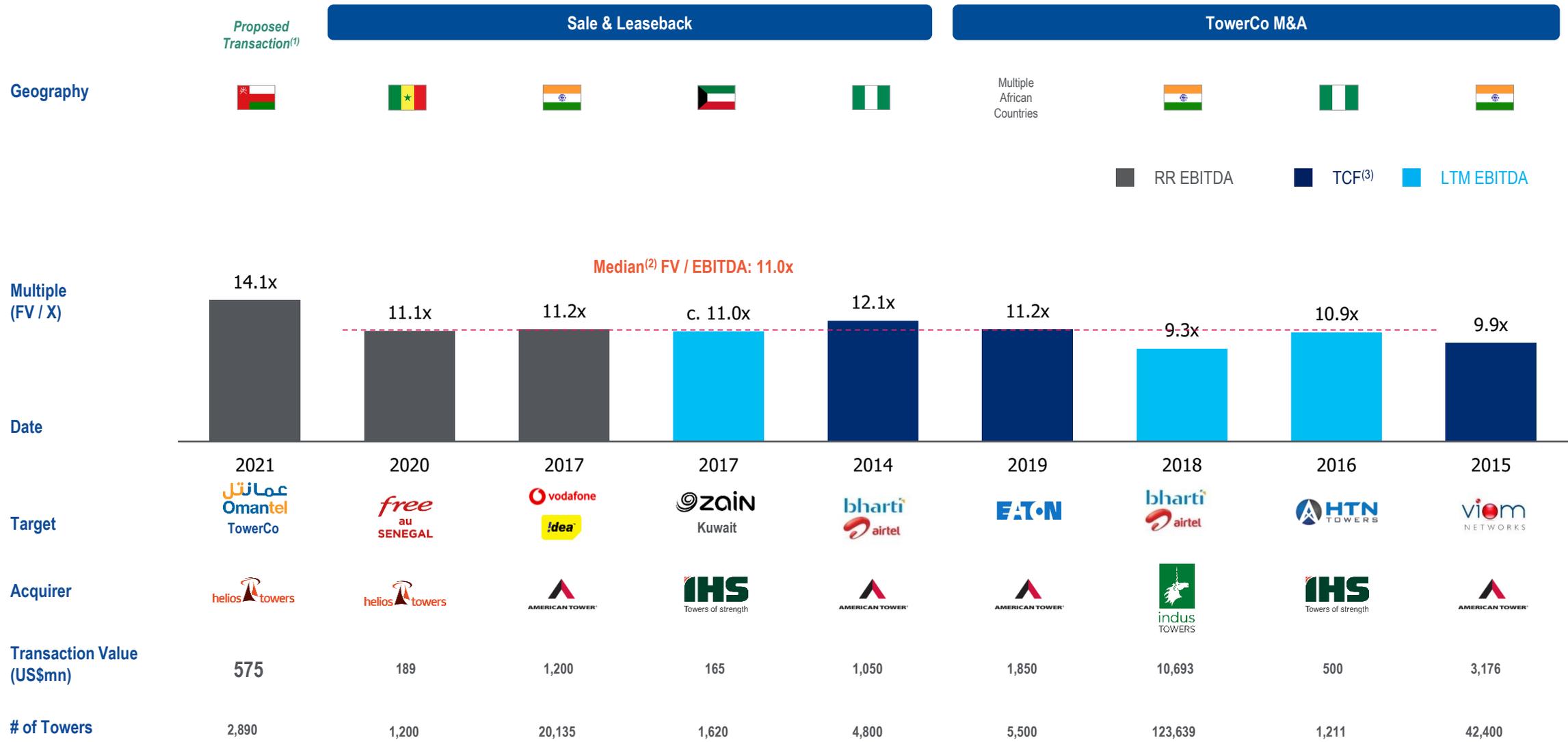
- Establishment of a commercially attractive Build-to-Suit agreement

- Utilization of specialist supplier
- TowerCo better qualified to run assets more efficiently

- Outsourcing of maintenance of (non-core) passive infrastructure
- Focus management attention on innovation and product development

- Majority of towers globally are now owned and managed by TowerCo

Omantel's tower deal closed at \$575 Mn, which is at a premium valuation compared to precedent emerging market transactions in other emerging markets



Source: FactSet, Company Filings, Mergerstat and Wall Street Research.
 Note: (1) Proposed transaction based on highest offer received (\$575mn) (2) Measures limited to FV / EBITDA (both RR and LTM) transaction multiples. (3) Tower Cash Flow.

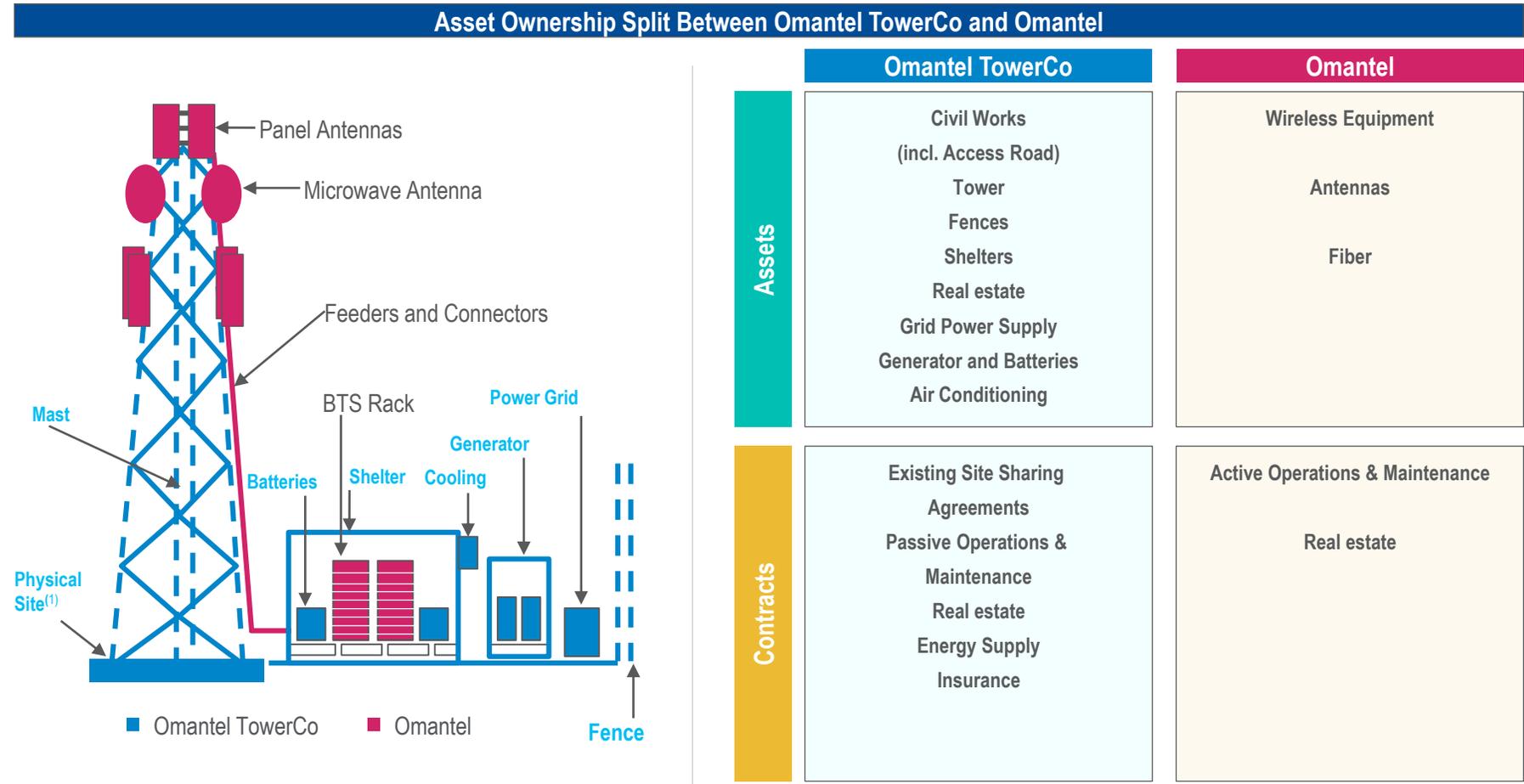
Transaction Perimeters

The transaction perimeter reflects the asset split which is common in tower transactions.

Transaction Description

- The transaction perimeter includes 2,890 sites as well as necessary supporting infrastructure including air conditioners, generators, batteries and rectifiers
- 15 year lease and service agreement – renewable for 5 year intervals
- The TowerCo will own passive infrastructure as well as energy equipment, grid power supply, generators and batteries, air conditioning while Omantel will retain ownership of all active elements (such as antenna systems, microwave equipment, cable/feeders and all active equipment on the ground)

Transaction Perimeter

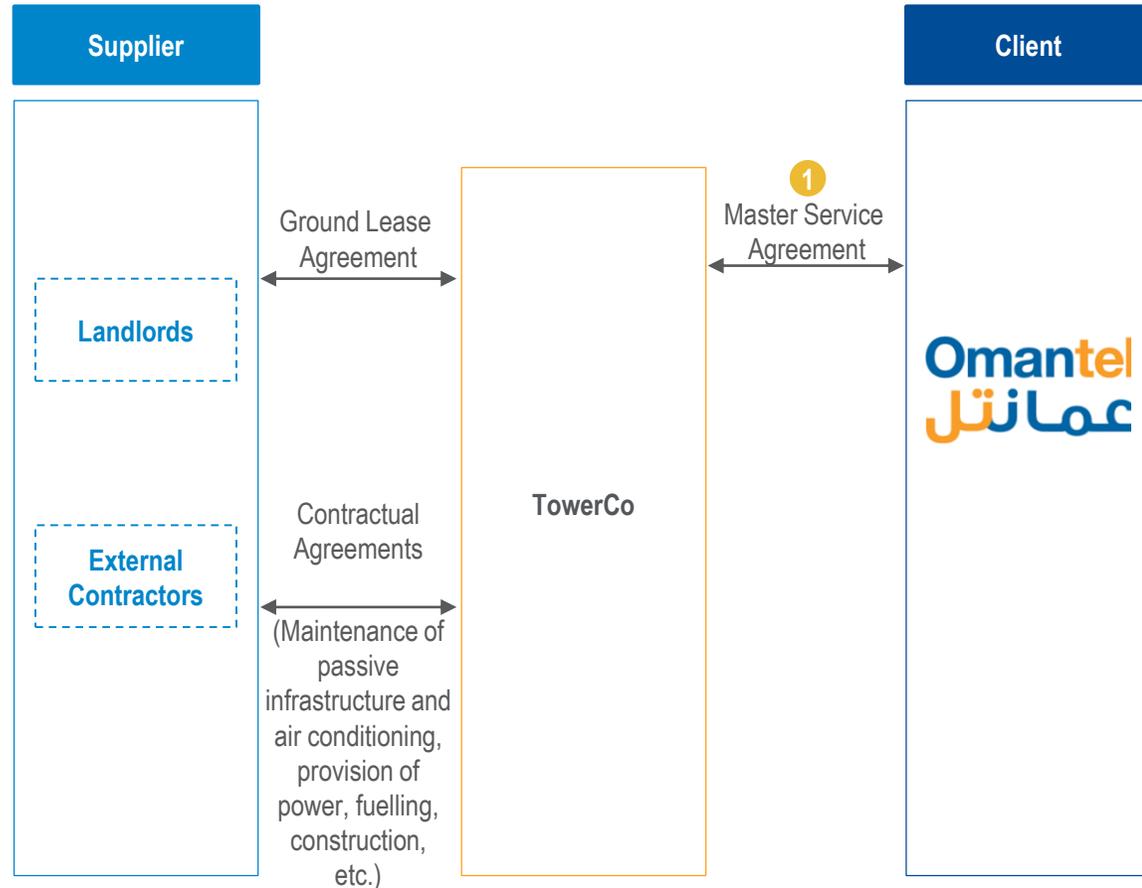


Source: Company information; Notes: (1) Direct ownership or through lease.

Contractual Framework between Omantel & TowerCo.

Contractual Framework with Omantel

As under any tower transaction, a number of agreements govern the relationship between Omantel and TowerCo.



Description

1
Master Service Agreement

- Contractual agreement between TowerCo and Omantel for providing the passive infrastructure services
- Key inclusive document that dictates and governs the relationship between Omantel and TowerCo. across all aspects of the operating relationship between two entities

The tower sale is expected to positively impact KPIs

- Under the agreement, Omantel will receive the cash proceeds of the sale against payment of service and lease charges to the Tower Co.;
- The Tower Co. will also assume direct operating cost of the passive infrastructure. These costs include electricity, fuel, operations and maintenance, depreciation, ground rent and other costs.
- The proceeds from the sale will be primarily used for deleveraging the balance sheet – prepayment of existing borrowings which will further impact positively in the form of reduced financial charges going forward.
- Tower Co. will also build new sites as per Omantel's requirement (min. 300 in next 7 years). This will reduce the related CapEx outflows going forward.
- From the profit and loss perspective, the towers transaction is expected to have a neutral to positive impact on Net profit.
- The transaction is expected to be “Credit Positive” as it will result in reduction in leverage – net debt to EBITDA expected to fall from 3.2x to below 3x.

Presented by

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Q&A