



Omantel Group Performance – H1 2020

Presentation to Investor Community

Conference Call

29th July 2020 at 2 P.M. (Oman Time)

COVID19 Impact & management response



NEGATIVE

POSITIVE

- ✓ **Travel Restrictions**
- ✓ Lower Roaming revenue
- ✓ Residents Stuck Abroad
- ✓ Drop in New Customer Acquisitions
- ✓ Decline in ARPU and mobile data revenue

- ✓ Shop Closures
- ✓ **Expats Unemployment**
- ✓ Lower Purchasing Power
- ✓ Decreased Gross Adds

- ✓ **Layoffs and salary cuts**
- ✓ Increase in bad debts and payment delays

- ✓ Supply chain disturbed
- ✓ Capex deploy delays
- ✓ Movement of citizens from Muscat to the regions, unexpectedly redistributing demand.

- ✓ More need to communicate in crisis situation
- ✓ As the lock down slowly opens up, mobile data usage starts to grow.
- ✓ Increase need of Home broadband services
- ✓ Increased use of digital channels for sales / customer care

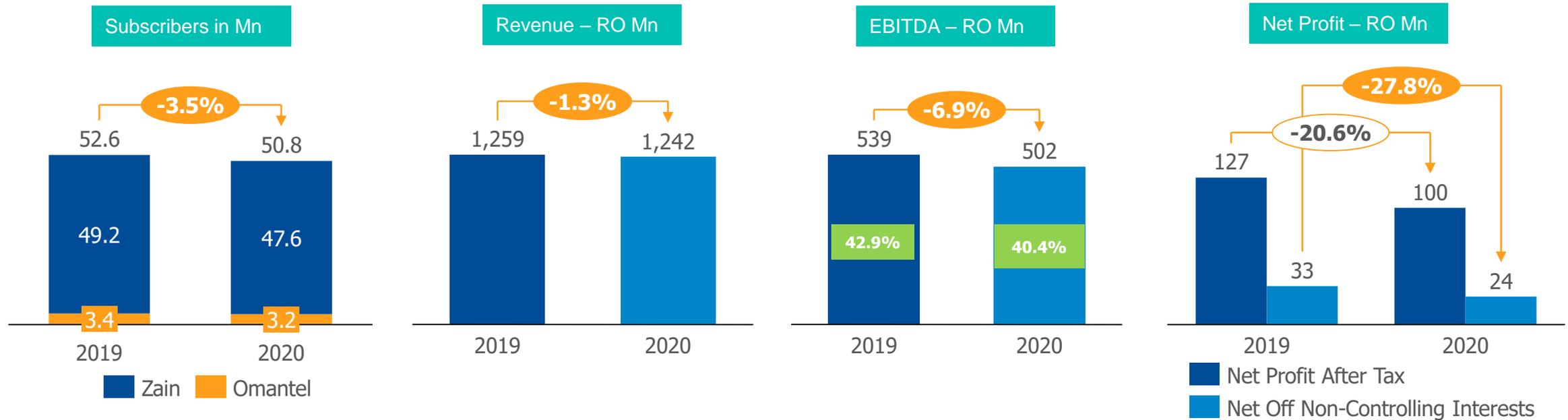
- ✓ **Home Data Consumption increase during lockdown** (entertainment, education, video conferencing)

- ✓ Increase demand of **Data Centre Services and more Bandwidth**
- ✓ **New demand for collaboration and communication tools**
- ✓ Exponential increase in **e-shop and digital services**

CSR / Community support during Covid'19 – free benefits & services worth of RO 9 Mn

 Awareness	 Connectivity	 Aid	Free Benefits and Services Worth OMR 9 Million	
58 Million SMS	100 Laptops For teachers - MoE	24,000 COVID-19 Testing Kits	Unlimited National Calls For Baqati, Hayyak, Mada and Nama subscribers	Free minutes & data For healthcare workers (3000 minutes & 30 GB data)
6 Languages COVID-19 precaution ads reached 2 million social media users with MoH	Google Classroom Collaboration with MoE	SMS Donation for COVID-19 Fund 90006	Doubled Speed Of Home broadband Fiber/Copper	Free Chatbot For MOH to answer queries
Inclusive awareness Content for hearing & visually impaired users	40 Modems Support to MoH mission	3D Printing Face masks and medical PPE tools – Cont.	Increase Speed + Remove FUP for WFBB customers	Free Mobile PBX For Central Public Health Laboratories
Public Prosecution Awareness video ads on YouTube	e-AGM Project Collaboration with MCD and BSS	SMS Donation Campaign Supporting families whose livelihood was affected - Dar Al Atta – Cont.	100Mbps ADSL & ILL Ministry of Interior	Free Virtual Clinic Solution The Royal Hospital
SQU 3 months free VPS Services as a backup	Call Centers for Muscat, Dhofar, and MoH Developing the IVR for the MOH CC	Free Browsing For educational websites	6 months Free access To Microsoft Teams & Ijtimati (4 months)	Free access to Google classroom In cooperation with Google

Omantel Group performance is comparatively resilient despite the pandemic impact and Revenue stands at RO 1,242 Mn as of H1'20 and Net Profit is at RO 100 Mn (Net profit *net off non-controlling interest* is RO 24 Mn).

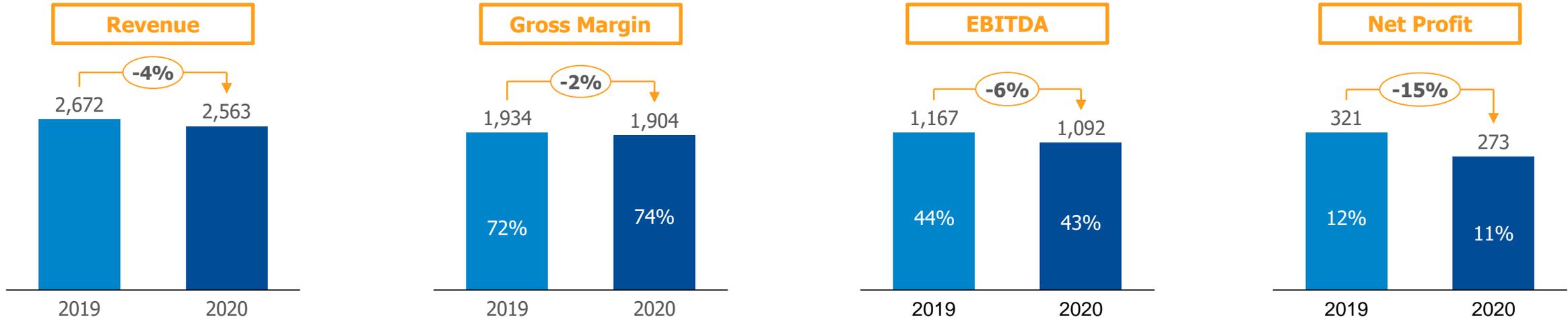


- Group Revenue for the period is RO 1,242 Mn compared to RO 1,259 million for the corresponding period 2019, a decline of 1.3%. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 961 Mn. EBITDA and Net Margin are impacted as well. The group performance has been resilient considering the market and operational challenges witnessed from the Covid'19 pandemic.
- Omantel Group subscriber base declined by 3.5%. Zain Group customer base recorded a decline of 3.4%, while Omantel customer base declined by 6.3%, mainly due to decline in mobile & resellers subscriber base. The main reason for declining subscriber base is from the Lock down impact as well as current macro-economic situation (increasing job losses and exit of expatriate employees)

Omantel Group – H1'20 – Income statement summary

Group Consolidated Performance				
In RO Mn	Year to Date (2020)	Year to Date (2019)		
	Actual'20	Actual'19	Variance	% of Chg
Revenue	1,242.0	1,258.9	(16.9)	(1.3%)
Cost of Sales (CoS)	(353.5)	(346.7)	(6.8)	(2.0%)
Gross Margin	888.5	912.2	(23.7)	(2.6%)
Gross Margin %	71.5%	72.5%		
Operating Expenses				
Operating and administrative expense	(349.5)	(348.2)	(1.3)	(0.4%)
Provision for impairment of receivables	(36.8)	(24.5)	(12.2)	(50.0%)
Sub Total	(386.2)	(372.7)	(13.5)	(3.6%)
EBITDA	502.2	539.5	(37.2)	(6.9%)
EBITDA %	40.4%	42.9%		-
Depreciation & Amortisation	(275.5)	(280.6)	5.1	1.8%
Amortization (Purchase Price Allocation)	(23.4)	(26.2)	2.9	11.0%
Operating Profit	203.4	232.7	(29.3)	(12.6%)
Interest Income/Exps & Others	(86.8)	(88.0)	1.3	1.4%
Taxation	(16.1)	(18.1)	2.0	11.1%
Profit After Taxation	100.5	126.5	(26.0)	(20.6%)
Non-controlling interests	(76.5)	(93.3)	16.8	18.0%
Net Profit (attributable to shareholders of the company)	24.0	33.2	(9.20)	(27.7%)

Zain Group Performance – H1 2020 (In US Dollars)



Key Business Updates

- **Revenue:** 4% decline in revenue YoY due to the impact of Covid 19
- **Covid 19** and subsequent lockdowns impacted all key markets – most notably KSA, Kuwait and Iraq
- Revenue decline in key markets was partially offset by growth in Sudan c. USD 40m YoY increase

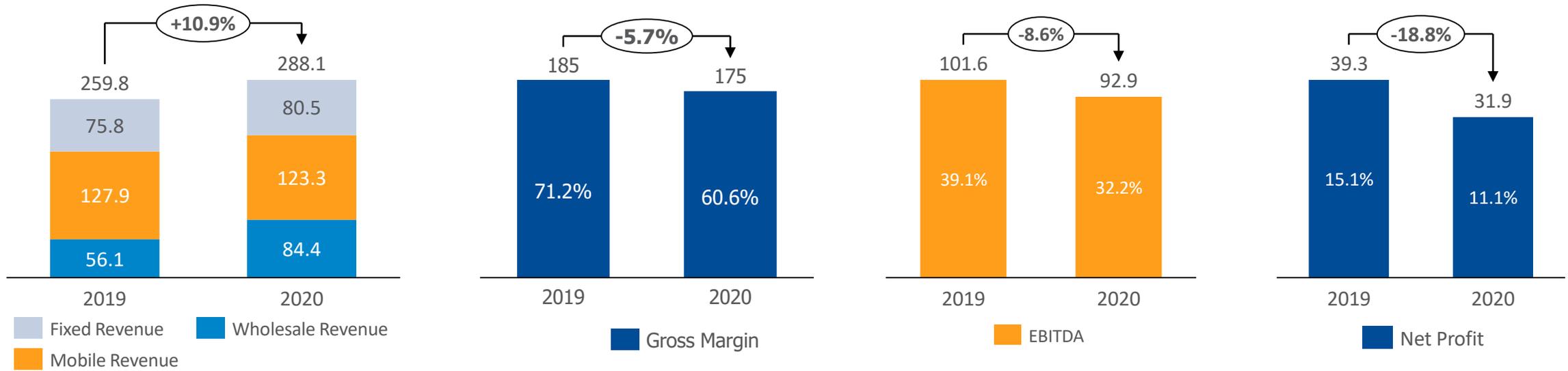
- **Excluding** forex translation impact of USD 51 Mn, and Covid 19 impact of USD 183 Mn, revenue growth would have been 5% Vs. 1/year.
- **Gross Margin:** improved to 74% in H1-20 vs. 72% in corresponding period last year.
- **USD 68 Mn savings:** in operating costs across the Group and OpCos during the period.

- **EBITDA:** impacted by revenue decline. However, the impact was partially offset through Cost Optimization Program launched in the wake of Covid-19 crisis
- **Net Profit:** 15% decline YoY largely flowing from revenue and EBITDA shortfall.

Omantel (Domestic performance)

Omantel + International SPVs + Domestic subsidiaries & associates

Omantel (Domestic performance) revenue compared to last year is higher by 11% mainly due to growth in Wholesale International business and Device revenues. Gross Margin, EBITDA and Net Profit are impacted adversely due to change in revenue mix plus the challenges posed by COVID-19 pandemic.



- Revenue recorded a growth of 11% compared to last year mainly due to increase in Wholesale International business (hubbing) and device revenues. Core revenues (excluding Hubbing & Device revenues) declined by 4.6% YoY.
- 6.2% growth from Fixed Line Retail revenues compared to last year. This is mainly contributed by Fixed Broadband Segment, where the revenues and subscribers recorded a growth of 8.1% and 5.5% respectively.
- Mobile Retail revenues decreased by 3.6% compared to last year mainly due to decline in prepaid revenues, however, Postpaid recorded a growth of 6.7% YoY
- Voice revenues (both national and international calls) continues its declining trend mainly due to increase in OTT services
- Wholesale revenue increase is mainly due to higher External Admin (voice Hubbing) compared to 2019.
- Operating & Admin costs decreased by 5.9% mainly due to cost optimization measures.
- EBITDA & Net Profit is 32.2% and 11.1% respectively.

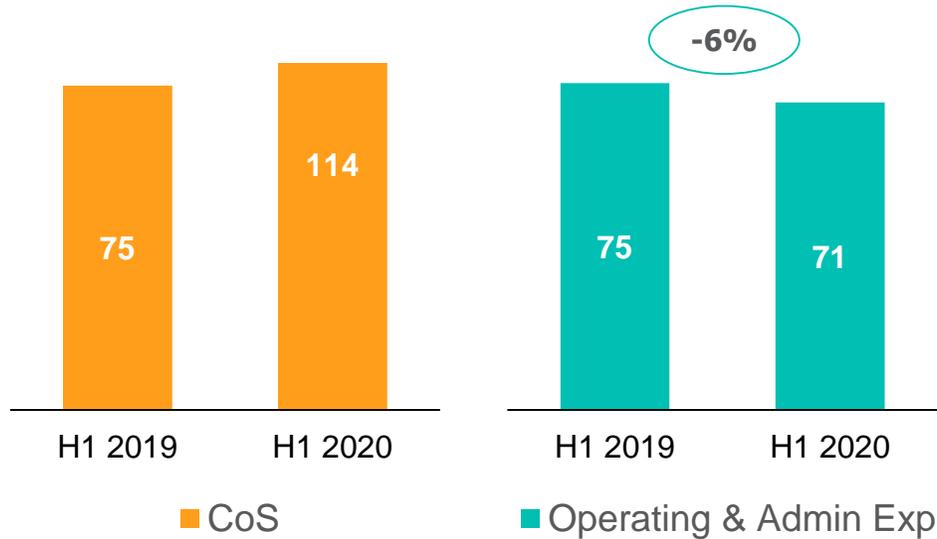
Segmental information – H1 2020

Omantel Group - Segment Report									
In RO Mn	Year to Date								
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total
Revenue	288.1	186.3	87.9	66.7	173.9	31.2	392.7	15.2	1,242.0
Net Profit Before Interest & Tax	37.7	35.9	16.3	9.7	22.2	1.1	64.8	9.7	197.3
- Interest Income	0.7	0.7	0.3	0.2	0.5	0.1	1.0	0.1	3.6
- Gain on Sale & leaseback	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	5.8
- Finance Costs	(0.8)	(0.3)	(3.8)	(0.2)	(9.2)	(0.6)	(50.3)	(0.0)	(65.3)
- Income Tax Expenses	(5.8)	0.0	(4.3)	(4.1)	(3.1)	0.0	0.0	(0.3)	(17.7)
Sub Total	31.8	42.1	8.5	5.5	10.4	0.6	15.4	9.4	123.7
<i>Unallocated Items</i>									
- Investment Income									0.3
- Share of Results of Associates & JVs									0.8
- Others									(24.4)
Profit for the Period									100.5

Note: Others include an amount of RO 26.183 Million (2019- RO 26.223 Million) representing interest costs on borrowings relating to acquisition of shares in Zain Group

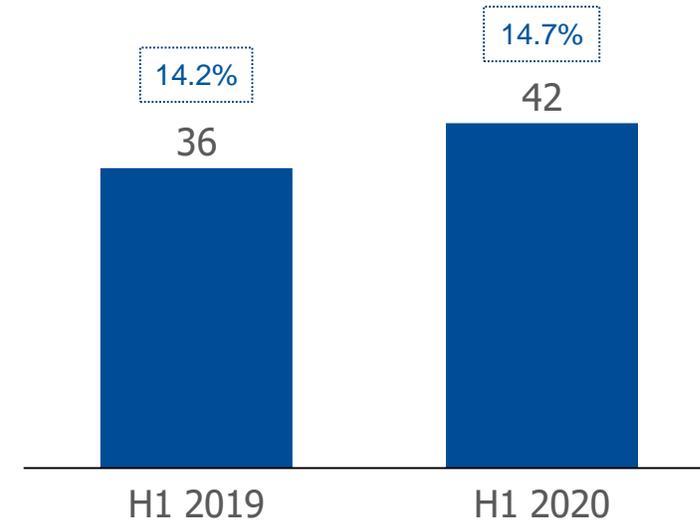
5.9% YoY decrease in Operating & Admin costs mainly due to cost optimization measures. CoS increase due to increase in revenue related costs. Capex to revenue ratio is at 14.7%

CoS & Operating /Admin Expenses RO Mn



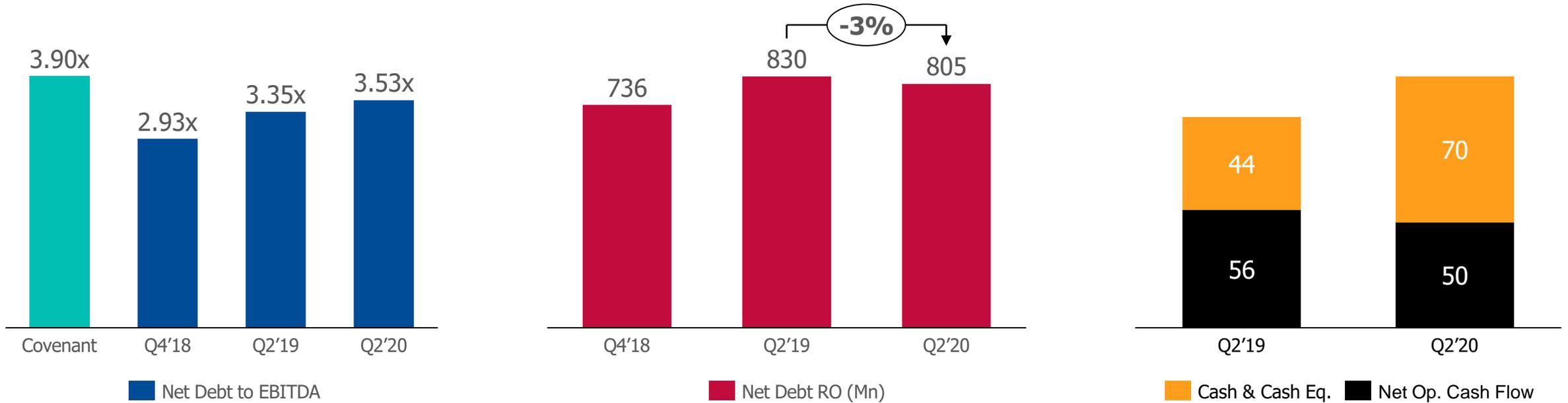
- Opex to Revenue ratio for 2020 is 87%. Ratio increase is mainly due to increase in CoS mainly driven by increase in External Admin (Hubbing) & Device costs which is in line with increase in revenues of the related items.
- Provision of Impairment has increased from RO 7.9 Mn to RO 10.5 Mn due to delay in collections specially from Enterprise segment.

CAPEX additions RO Mn



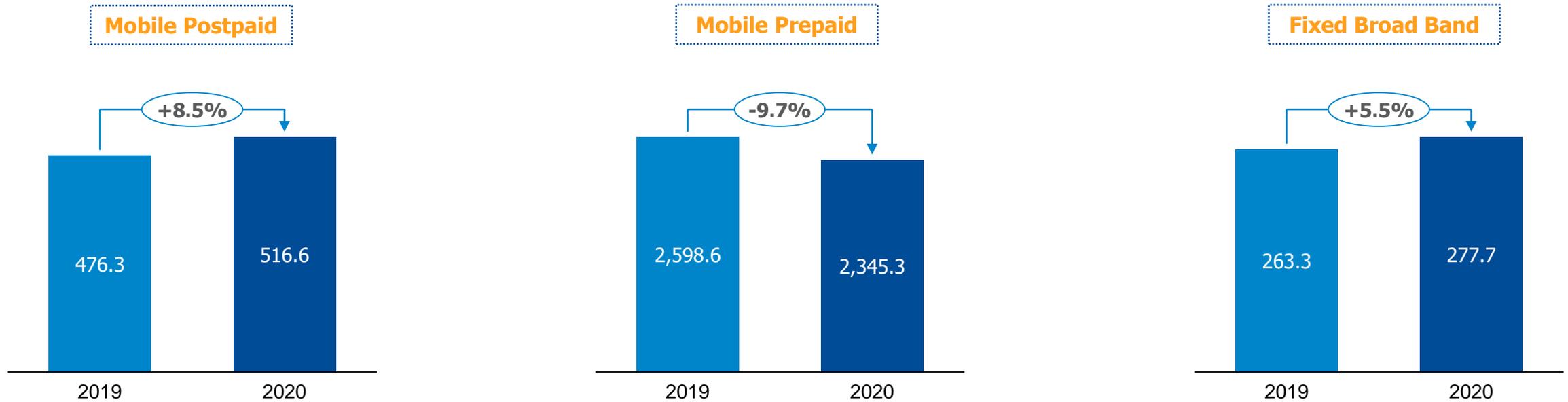
- Despite new capex spending is controlled, the increase in capitalization due to overflow projects of the last year capitalized during the period.
- 30% of the New Project planned for the Year 2020 & 9% of the existing projects (Projects of Yr 2019 & before) are postponed/ cancelled amounting to RO 44.5 Mn.

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 Q2'2020 is 3.53x and Interest cover is 4.82 against the target of 4.
- Omantel carries a Corporate Family Rating (CFR) assigned **by Moodys 'Ba3'** and **by Fitch 'BB'**

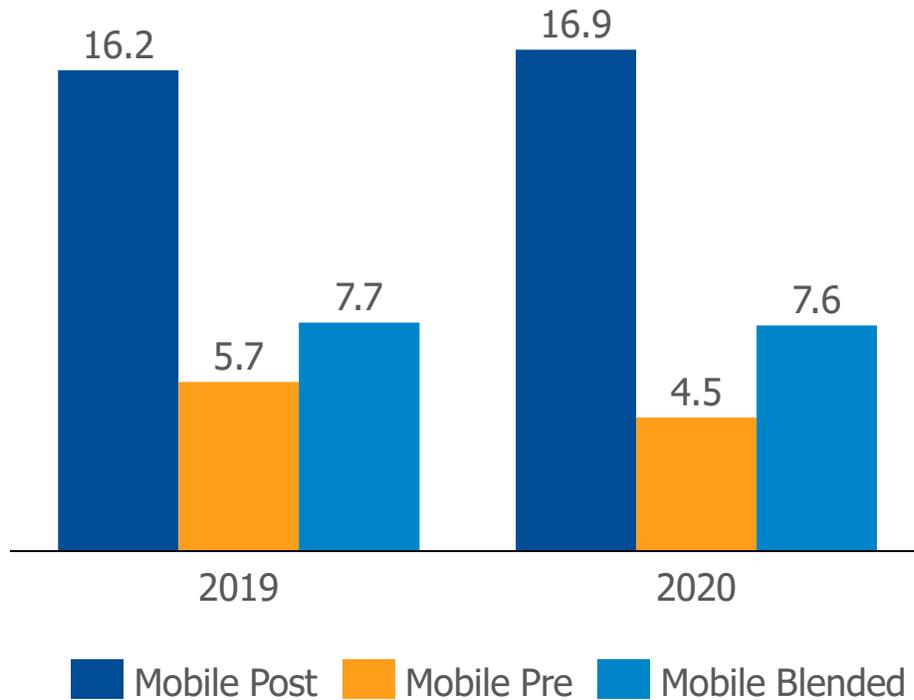
Omantel Subscriber base analysis



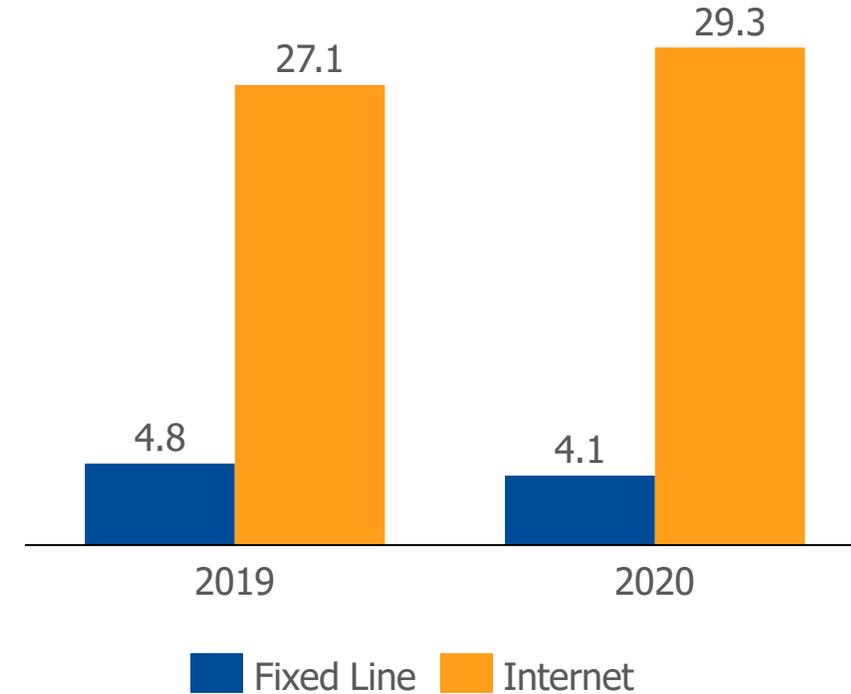
- Mobile postpaid customer base shows steady growth, mainly driven by pre to post migrations, as one of the key strategies to protect the high end customer base and b2b2c offers.
- Although prepaid market base is dropping in the country, Omantel is maintaining the prepaid subscriber market share. The general drop on the Prepaid Customers base comes from migrations to Enterprise (B2B2C) and Consumer Postpaid plans, as well as, expats leaving.
- Fixed Broadband customer base keeps on growing, fundamentally on WFBB (4G/5G) and Fiber customers. WFBB subscribers have reached 34K compared to 13K in 2019, growth of 171%.
- Lockdown resulting from Covid'19 did impact the subscriber uptake during the period.

ARPU / month for major products shows marginal variation compared to previous year

Mobile Services RO / Month



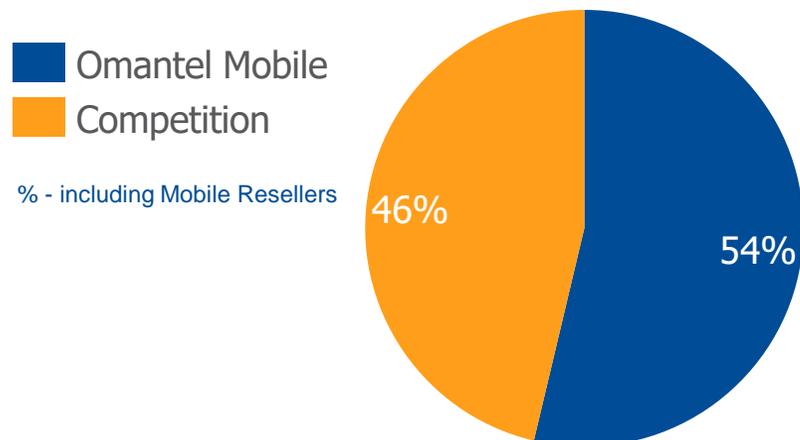
Fixed Line Services RO / Month



- 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)

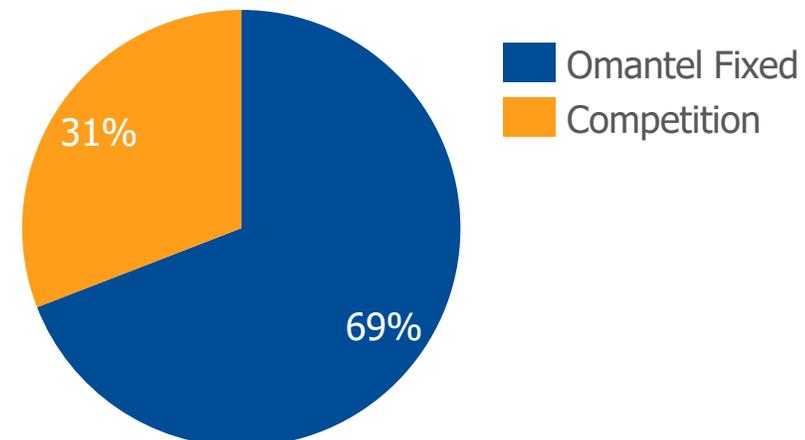
Mobile Subscriber Market share



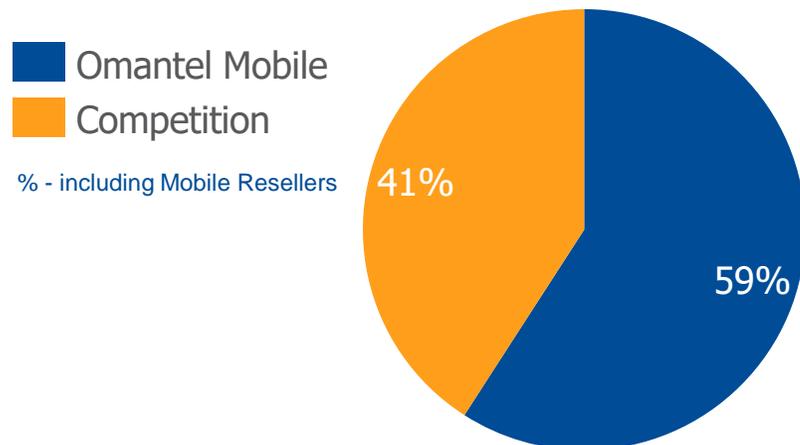
% - including Mobile Resellers

Note: Omantel Mobile (incl Mobile Resellers) subscribers declined by 3.4%, net drop is around 114 K mainly due to drop in Mobile Prepaid

Fixed Subscriber Market share

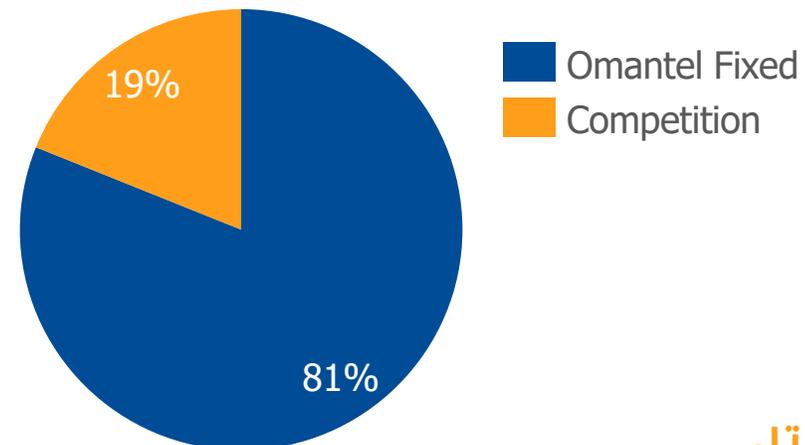


Mobile Revenue Market share



% - including Mobile Resellers

Fixed Revenue Market share



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Q&A