



# Omantel - Investor Conference

Kempinski Hotel, Al Mouj Muscat

5<sup>th</sup> September 2018

*In association with*



الخليجية بادر للأسواق المالية ش.م.ع.م  
GULF BAADER CAPITAL MARKETS S.A.O.C.

## AGENDA

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- 1) Growth Opportunities through Diversification (M&A)
- 2) Zain Transaction recap & status update
- 3) Domestic Telecom Sector - Challenges & Opportunities
- 4) Q&A

# Growth Opportunities through Diversification (M&A)

# Growth through international M&A to safeguard and enhance long term shareholder value

Domestic market opportunities are getting limited & reduced fiscal space

Market saturation and maturity

Oman Telecom Market is increasingly competitive and showing sign of saturation.

Entry of the third mobile operator

In the absence of organic market growth, entry of 3<sup>rd</sup> MNO will erode value for existing operators.

New Access & Interconnection regulation

New regulation will put further pressure on margins, especially on incumbent operators.

Increases in royalty (on revenue) and withholding taxes

Directly reduce earnings and returns distributable to shareholders.

Continued investment in new telecom technologies

Expected to generate declining marginal returns – due to market saturation.

Investments in various domestic ventures

Though creating value, are not materially significant in terms of incremental shareholder value creation.

# Growth through international M&A to safeguard and enhance long term shareholder value

Telecom business requires scale to achieve and optimize cost and value efficiency

Scale is a clearly established key success factor in the telecom industry

Large operators with extensive geographical footprint are able to create and exploit synergies and address larger customer base

Enabling value creation across a wide spectrum of business.

- Higher negotiating power with key vendors – **CapEx efficiency.**
- Efficient organization structure and centralized services – **OpEx efficiency.**
- Scale economies in international voice / data / roaming business – **Revenue & Cost of Sales efficiency.**
- Higher brand value and brand equity – **Value efficiency.**
- Better new venture economics due to footprint / scale – **Revenue and value efficiency.**
- Efficient capital structure management and internal capital market efficiency – **Finance cost / income efficiency**

# Zain Transaction Recap

# A Transformational Transaction focus on long term growth Omantel has acquired a 21.9% stake and Board control of Zain

RECAP



- ✓ **Leading** MENA telecom operator
- ✓ **Balanced** portfolio of growth and cash generative assets
- ✓ **Complementary** geographic footprint
- ✓ **Experienced** management
- ✓ **Significant** synergy potential

**US\$ 2.25bn**  
fully debt financed transaction

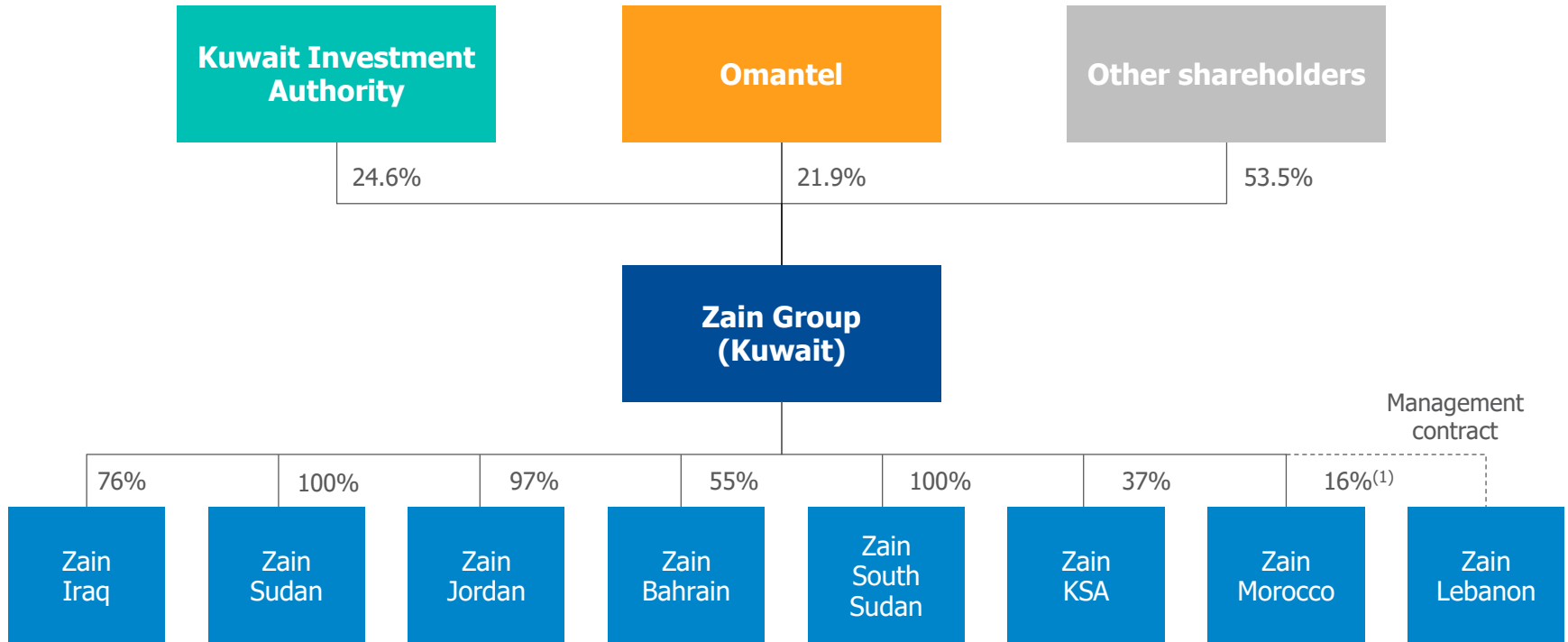
**21.9%**  
economic stake

**Since Q4 '17**  
full consolidation  
of financials<sup>(2)</sup>

**US\$ 849m**  
cash injected into Zain<sup>(1)</sup>

**Majority Board  
seats**  
with 5 Omantel appointees

# Omantel Group structure Post Zain Acquisition



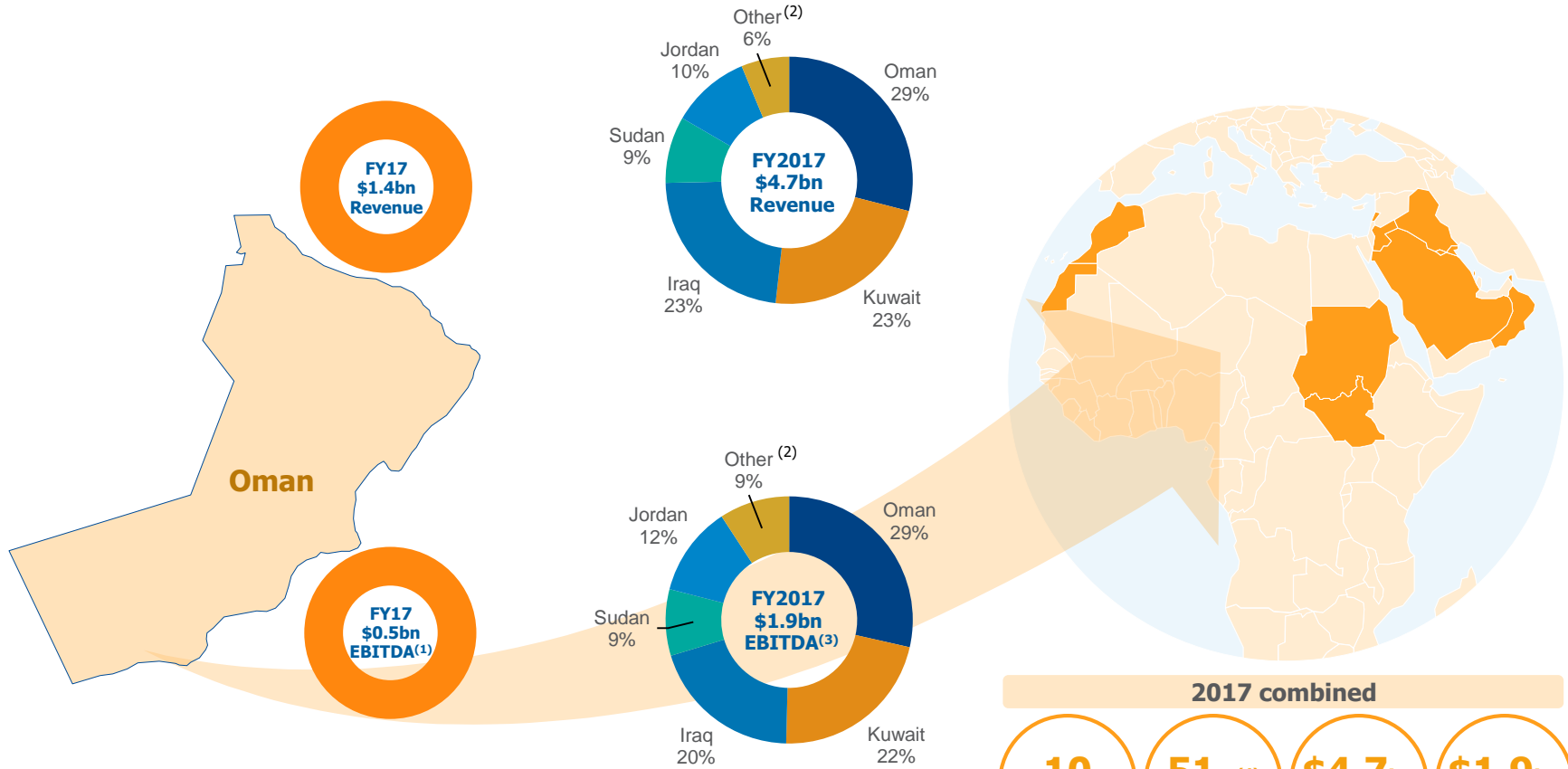
Note - Following SPV / subsidiaries are 100% owned by Omantel:

- Oztel SPV (holding Zain Shares)
- Omantel Int SPV
- Omantel France



# Transformation into a leading regional operator...

## From a single country incumbent to a major MENA operator



Source: Company information.

Note: OMR/USD exchange rate of 2.6008; KD/USD exchange rate of 3.2490.

Omantel financials represent Parent financials.

(1) Adjusted EBITDA.

(2) Other includes Zain Bahrain, Zain Lebanon, Zain South Sudan and Zain HQ, as well as Omantel Data Park, Omantel France and IOT.

(3) Indicative combined Adjusted EBITDA calculated as the sum of 2017 Adjusted EBITDA of Omantel (US\$538 million) and Zain (US\$1,346 million).

(4) Mobile customers comprised of Omantel (incl. resellers) and Zain (excluding Morocco (INWI) but including Zain KSA).

# Zain synergies – achieved reasonable progress, and managing some delays due to regulatory and commercial challenges.



## Corporate Governance



- Board control & other key shareholder relationships streamlined
- Governance on Board committees - Chairmanship of Omantel representative in Audit, Risk and Human Resource committees
- Initiating governance and performance reviews for enhancements and best practices



## Procurement Synergies



- Targeted US\$15 million p.a. Capex savings.
- Successful re-negotiations with key vendors achieving discount around 20% on Unit Price on main network equipment results in approx. **US\$ 15 Mn** Capex savings for Year 2018



## Wholesale Synergies



- Zain Bahrain operations integrated
- Technical integration – Interconnect Links established in Sudan and Jordan and commercial operation is expected in Q4'18.
- Discussion with Zain Saudi is in progress and expected to be ready by Q2 2019.
- Discussion on Zain Group International bandwidth requirements is in progress.



## Commercial Synergies



Intra-group collaboration and shared learning on-going

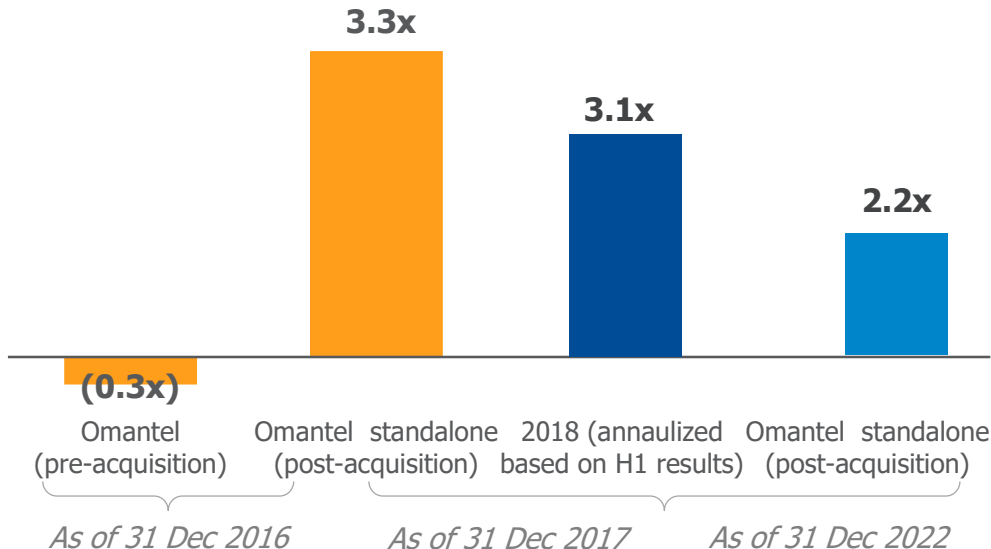
1. Customer Value Management
2. Customer experience
3. Digital channels
4. New product development
5. B2B / ICT

# Focus will be on meeting debt covenants through appropriate and effective Deleveraging strategy

Omantel's acquisition of 21.9% stake in Zain was financed in aggregate by US\$ 2.3bn, comprising of:

- **US\$ 1,500 million Bond**
  - \$ 600 Mn 5.5 Year Bond (Yield 5.875%)
  - \$ 900 Mn 10 Year Bond (Yield 6.875%)
- **US\$ 800 million Term Loan** (15% annual amortization for 4 Years and remaining in 5<sup>th</sup> Year)

Net Debt / EBITDA on standalone basis



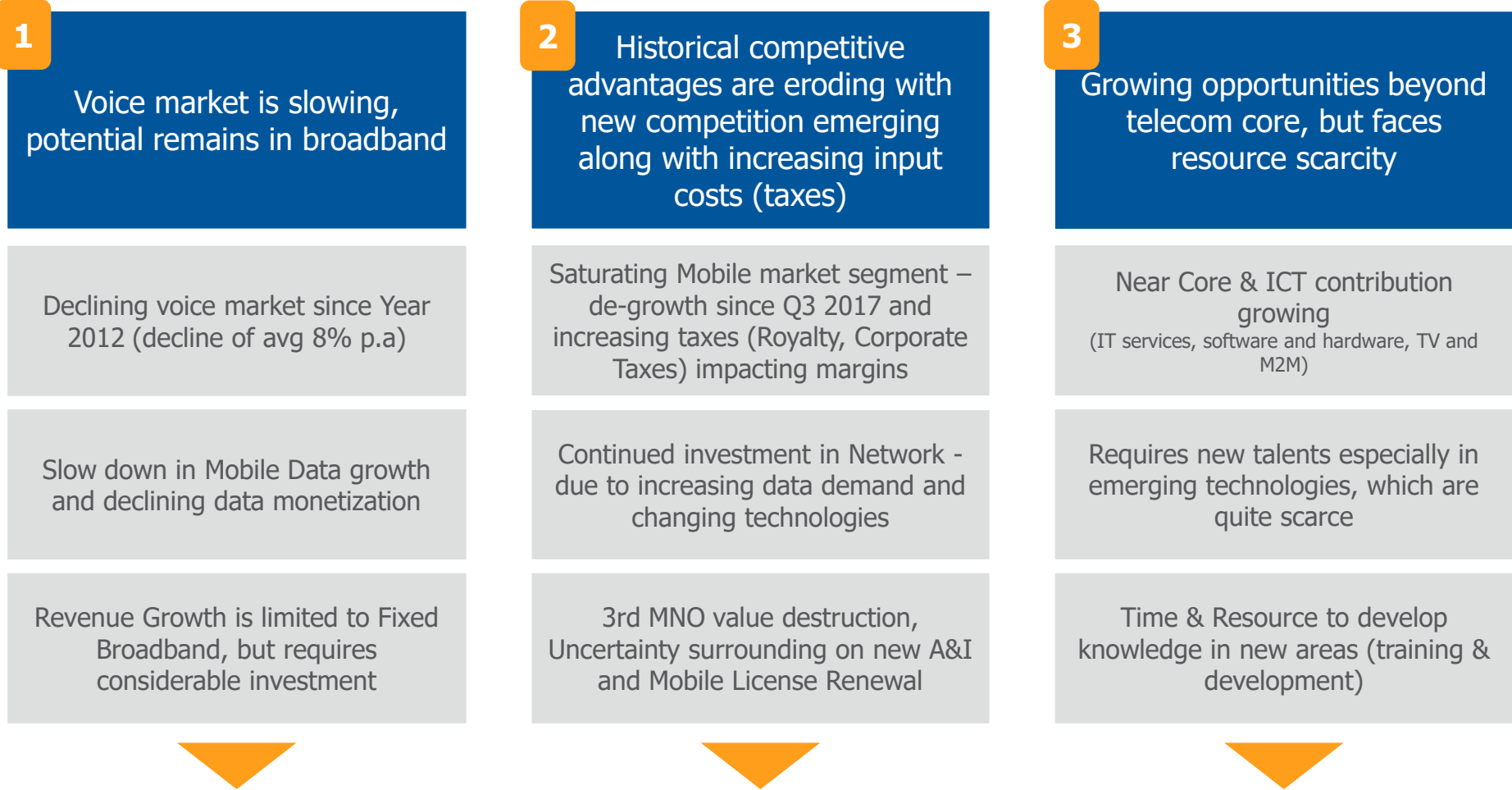
## Measures undertaken to deleverage:

- Capex rationalization
- Cash flow Management

Note: Adjusted EBITDA including the share of Zain dividend

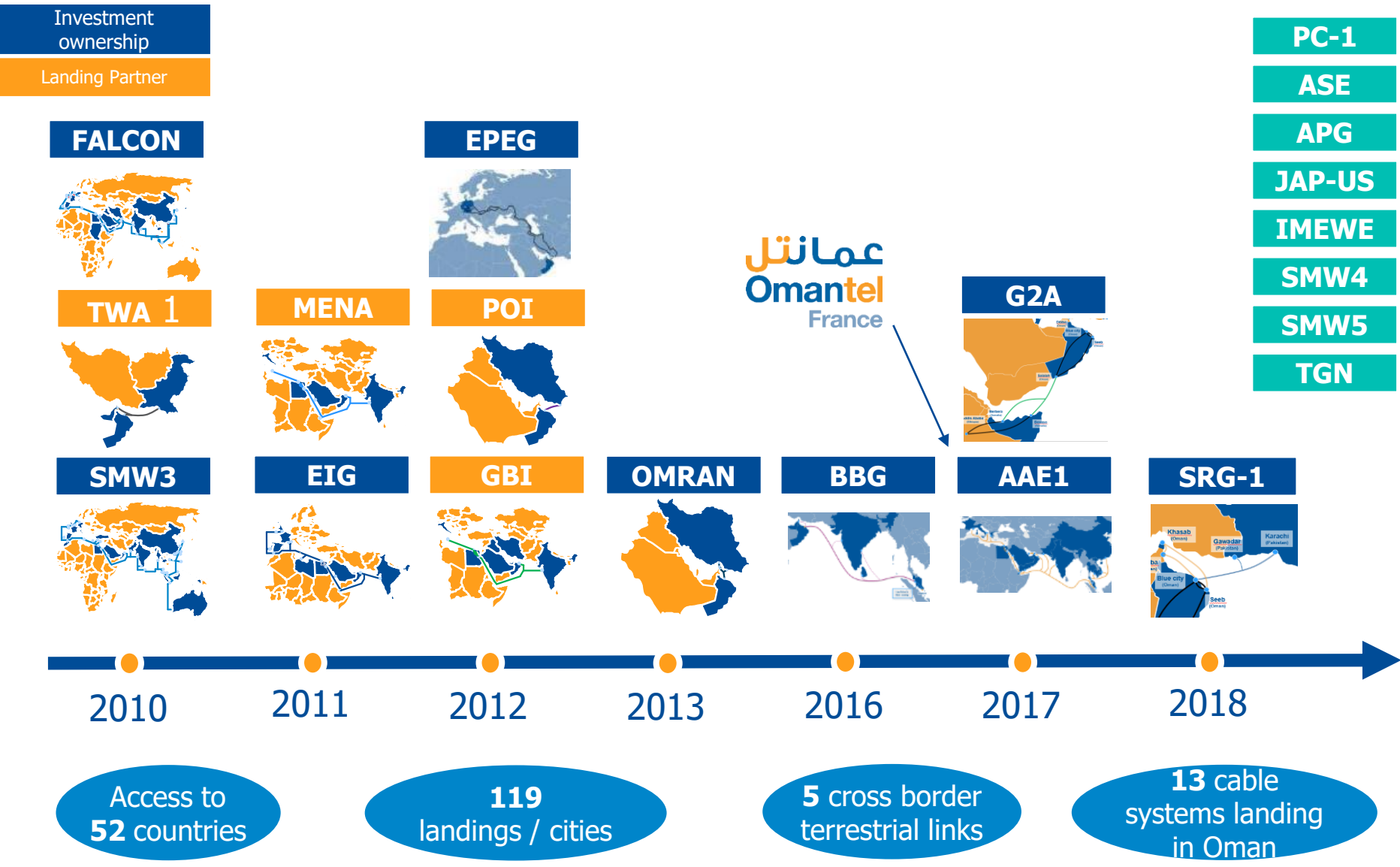
# Domestic Telecom Sector Challenges & Opportunities

# Omani telecom market dynamics are changing substantially - core telecom markets are gradually saturating, while competitive pressure is increasing



Omantel needs to boldly react to the market dynamics to safeguard its position and grab growing opportunities, which is encapsulated in Omantel Corporate Strategy 3.0

Oman has become a key regional hub with access to 20 submarine cable systems, which supported Omantel to grow revenues despite increasing competition in domestic market.



# Omantel used its cable landings to transform Oman into a major regional content hub supporting over 40+ operators in the region and beyond

Omantel is fully engaged with Zain Group to leverage Omantel investments in submarine cable systems / hosting solutions for the benefit of the both companies

75%  
Internet served locally



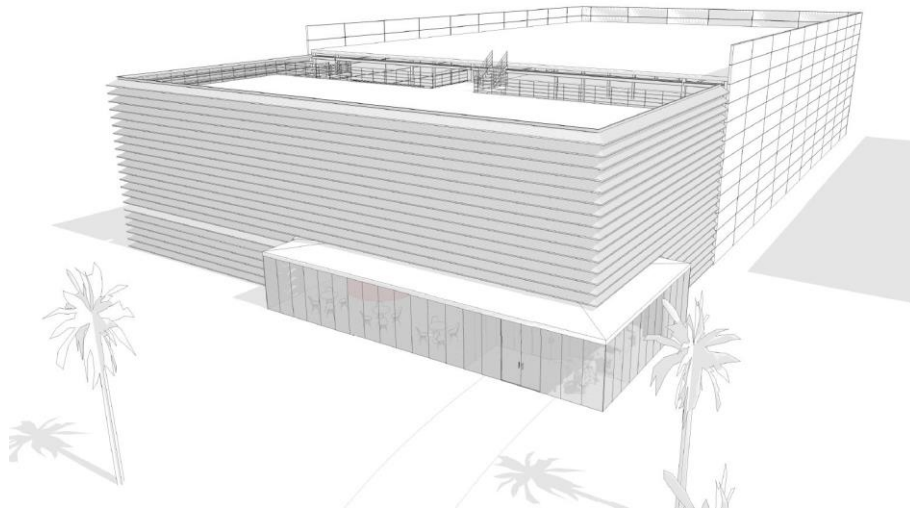
Best Latency to content hosted in Oman

# Omantel Partners with Equinix, Largest Data Center Operator in the World, to build a Strategic Carrier and Cloud Neutral, Carrier Grade Data Center in Oman



EQUINIX

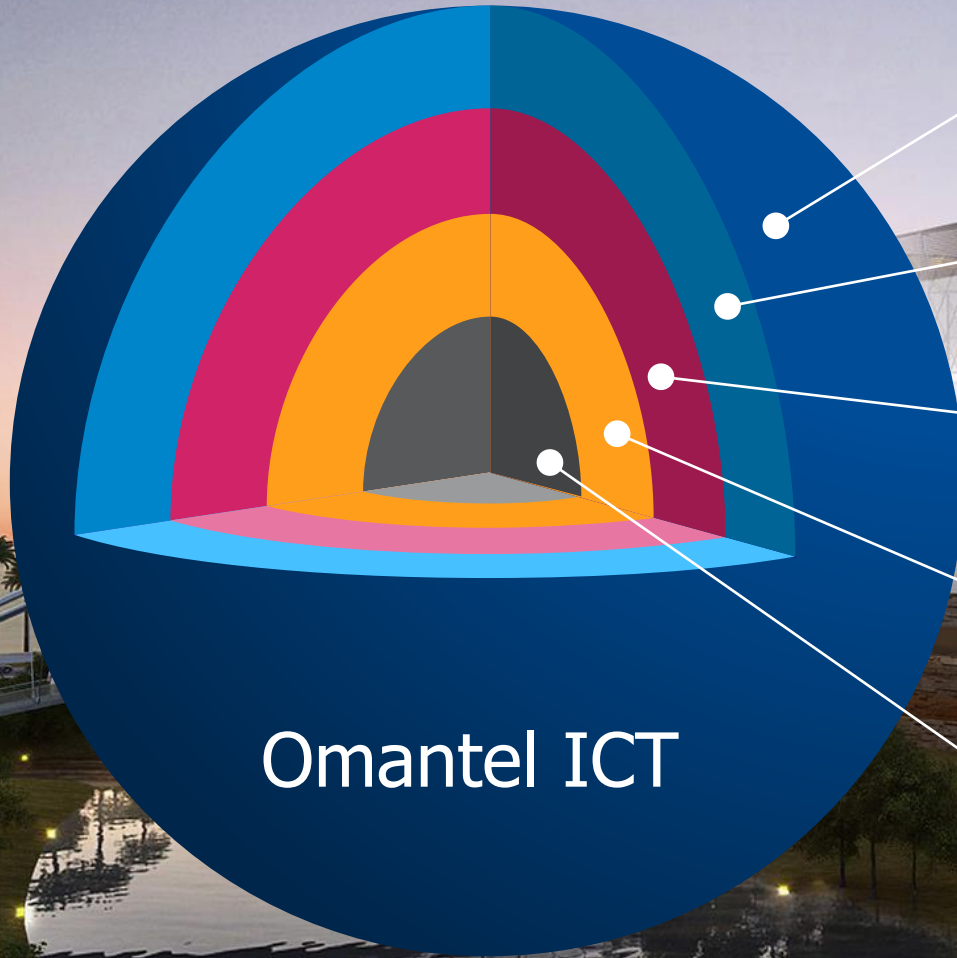
WHERE OPPORTUNITY CONNECTS



- The data center will cater to the colocation needs of international customers including telecom operators, global enterprises, internet services companies and content players, looking to establish presence in the large and growing Middle East market and utilize the location to access customers in Africa, Asia and Europe.
- The data center will have a scalable capacity of **2.4 MW** which can cater **700-800 colocation racks** for customers.
- The strategic and competitive advantage of the proposed project stems from two main complementary strengths of the partners:
  1. Leveraging extensive international connectivity network of Omantel; and
  2. Benefiting from Equinix extensive experience in data centers and global network of sales and customer relationship.
  3. Ready for Service **Q2 2019**



# End-to-end ICT Solutions to the Enterprise and Government market



## ***Digital Transformation***

Gov e-services  
Smart Communities



## ***Customer Excellence***

Automated Call Centers, BPO  
NOC, SOC



## ***Software Platforms***

SAP, Oracle, Microsoft  
Enterprise Apps



## ***Premium Data Services***

Big Data Analytics  
Internet of Things



## ***Foundation ICT services***

Data Centers, Cloud

# Q & A