



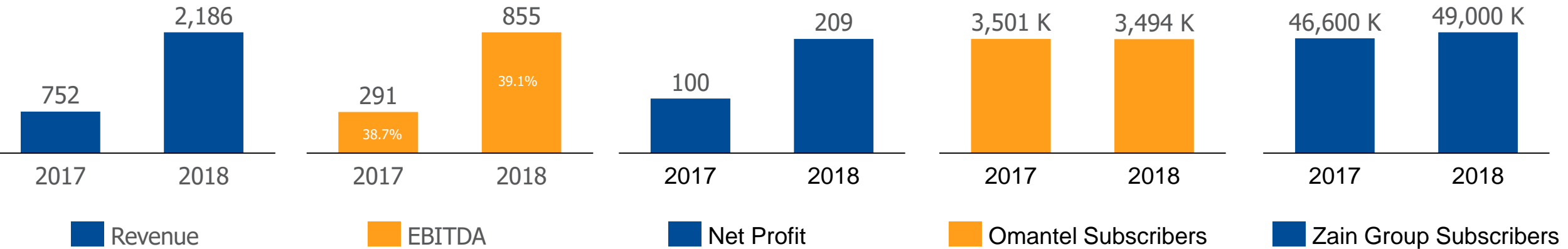
# Omantel Group Performance – Year 2018

## Presentation to Investor Community

Conference Call

28 February 2019 at 2PM (Oman Time)

Group Revenue for the period Dec'18 is RO 2,186 Mn with EBITDA of RO 855 Mn and Net Profit of RO 209 Mn (*net off non-controlling interest is RO 65 Mn*)



### Key Business Updates



- Group's Zain operations reported: 28% growth in consolidated revenues (following the half-year consolidation of Saudi Arabia) and 26% growth in EBITDA and 23% growth in Net Profit
- Witnessed successful turn-around activities in Saudi Arabia and Iraq boosting group's performance

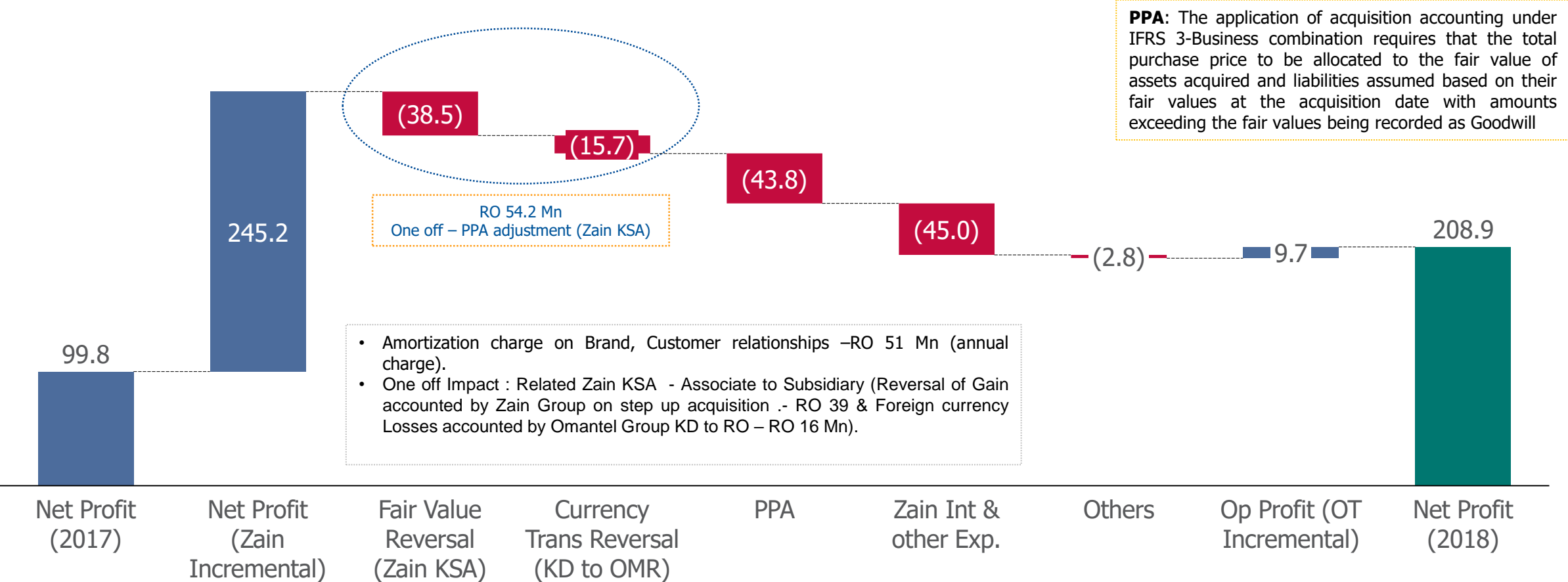


- Omantel Group consolidated revenue posted an increase of 191% mainly due to the consolidation of Zain's entire year revenue in 2018 compared to the consolidation of only last 2 month revenue in 2017 and also consolidation of Zain KSA from H2'18.
- The Group revenue include acquired business of Zain Group, which contributed revenues of RO 1,642 Mn



- The parent company posted a revenue growth of 2.8%, mainly driven from fixed broadband and wholesale services
- Omantel domestic customer base declined marginally by 0.2% mainly due to decline mobile subscriber base. With Mobile Resellers, the customer base is 4,251 K. Omantel Fixed Line subscribers grown by 5.1%

# Group Net Profit Transition Yr 2017 to Yr 2018 and impact of Purchase Price Allocation (PPA)



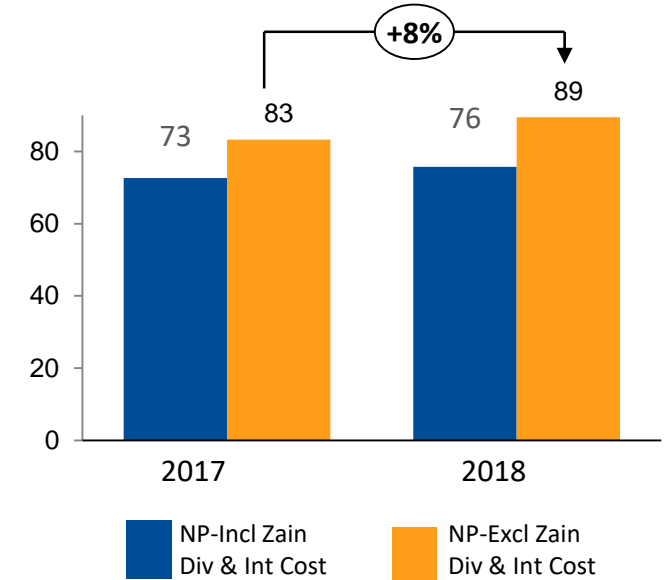
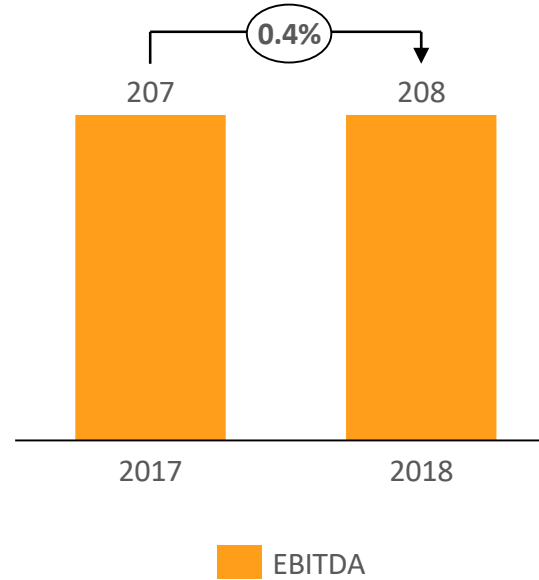
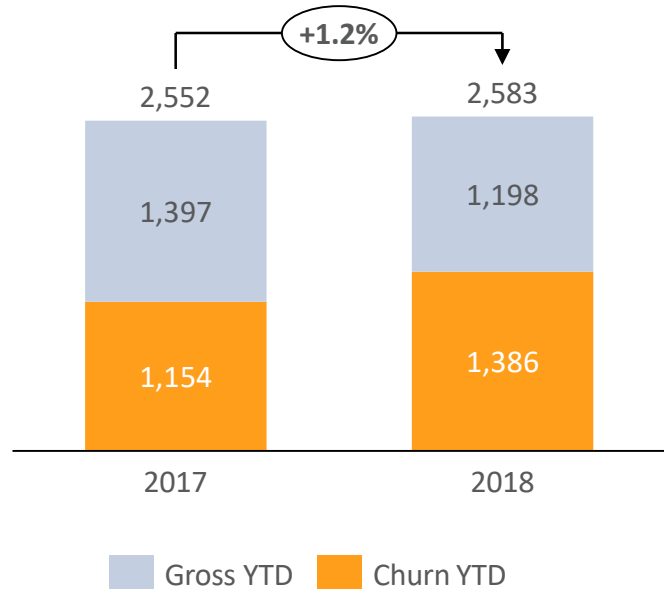
Note:

- 1) Net Profit is before Non Controlling Interest.
- 2) Others Include Tax and Loss of discontinued operations

# Omantel (excluding Zain Group) Performance

Omantel + International SPVs + Domestic subsidiaries & associates

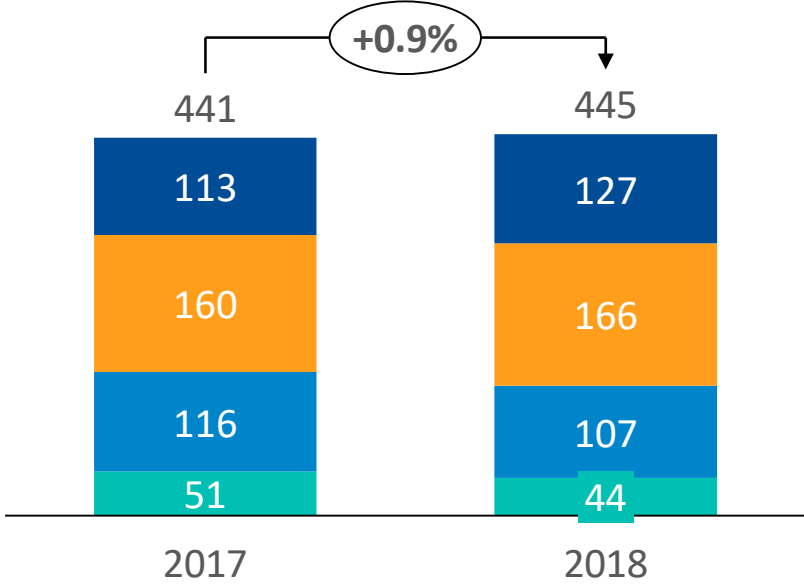
Omantel (excluding Zain Group) revenue compared to last year is higher by 2.6% mainly contributed by Fixed Broadband, ICT & Wholesale Revenues. EBITDA and Net Profit are impacted due to change in revenue mix



- Revenue recorded a growth of 2.6% compared to last year
- EBITDA & Net Profit is 38.2% and 13.9% respectively. Net Profit (*excl Zain Dividend & Interest Cost*) is higher than last year by 8%.
- Total cash outflow on interest cost related to Zain Transaction is RO 46.9 Mn against the Dividend Income from Zain of RO 42.6 Mn. The total Interest Cost on Zain Transaction is RO 56.3 Mn including amortization cost related to the Financing.
- 5.2% growth from Fixed Line Retail revenues compared to last year. 12.8% increase in Fixed Broadband revenue and Growth in Fixed Broadband subscriber by 11.8%
- Mobile Retail revenues decreased by 4.7% compared to last year mainly due to decline pre-paid subscriber base / revenues
- Wholesale revenue grown by 19.6% due to higher External Admin Revenues mainly Hubbing revenues
- 80.6% Smartphone penetration in Omantel Mobile Network
- Continue decline in voice revenues (both national and international calls) due to increase in OTT services

# Opex and Capex to revenue ratios are lower than last year mainly due to cost optimization drives

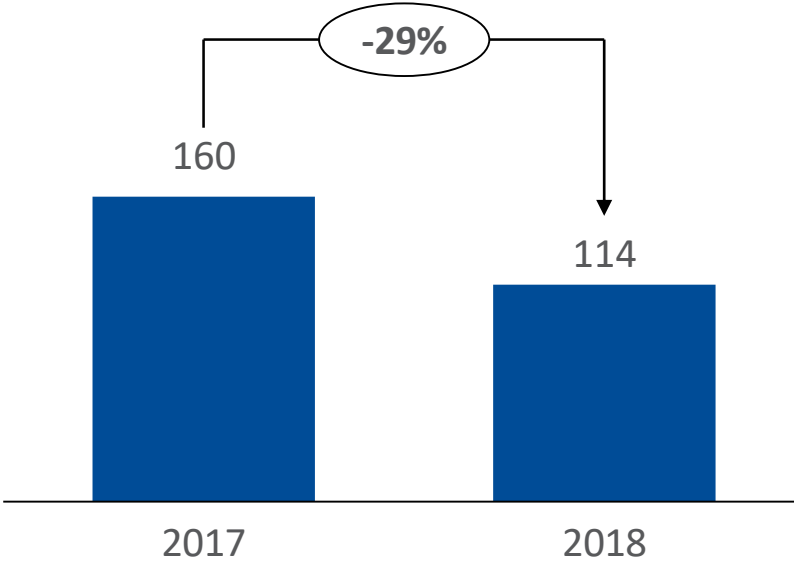
Total OPEX RO Mn (incl Depreciation)



■ CoS 
 ■ Operating Exp 
 ■ Dep&Amo 
 ■ Royalty

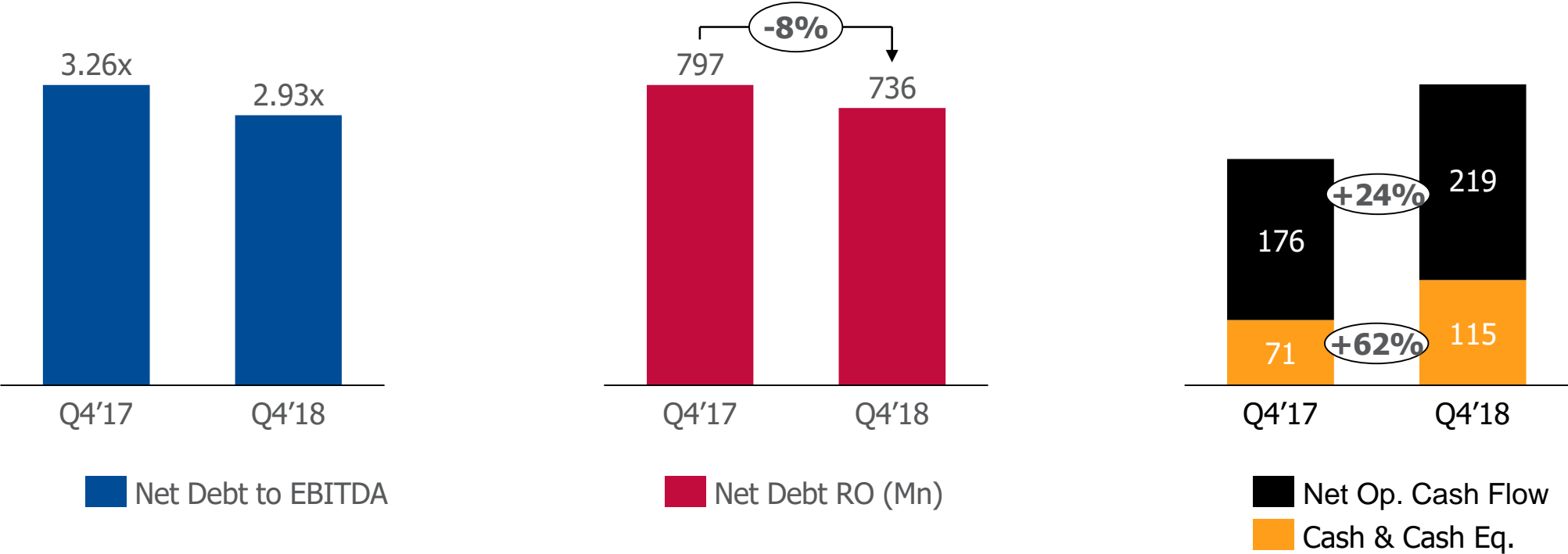
- Opex to Revenue ratio for 2018 is 81.5% and for Yr 2017 is 83%.
- Royalty for Fixed Business is 7% and for Mobile is 12%. Last Year both applied at 12%.
- Increase in Operating expenses mainly due to higher provision of impairment of receivables compared to last year

CAPEX additions RO Mn



- Capex to Revenue ratio is at 21.0% in Year 2018 compared to 30% in Yr 2017

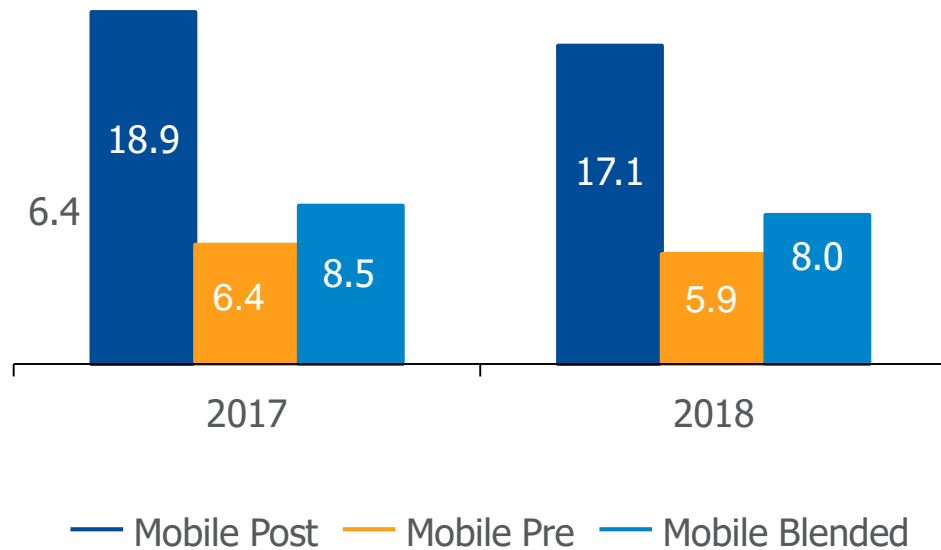
# Leverage and Cash Flow position



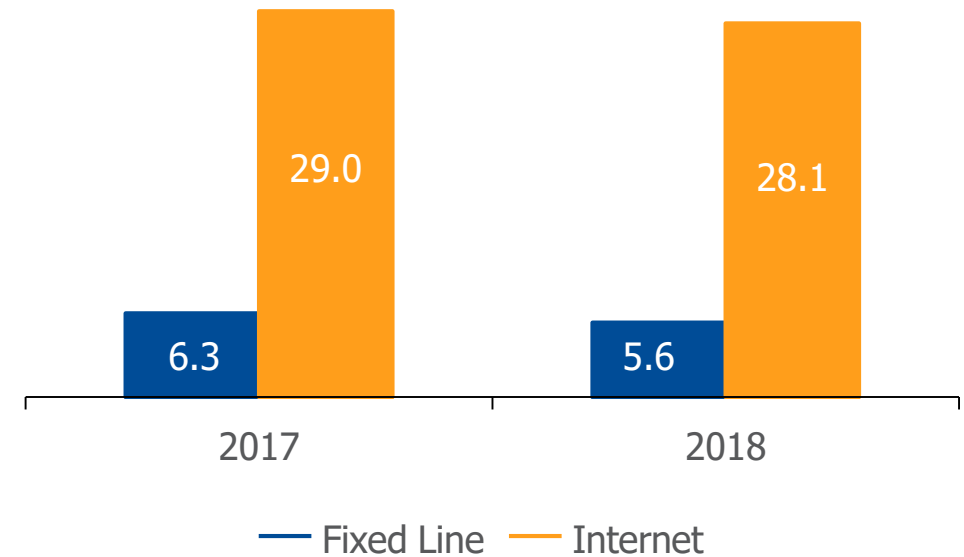
- With continuous efforts we are able to reduce our Net Debt position with focused approach on the Cash generation
- Debt Covenants: Net Debt to EBITDA (Leverage ratio) as per the Covenant is 3.8. Based on adj EBITDA (EBITDA plus Dividend from Zain), the leverage as of Dec 2018 is 2.93 and Interest cover is 4.37 against the target of 4
- Operating cash generated during 2018 corresponds to 41% of the total revenue, as against 33% as recorded in 2017
- Omantel carries stand alone credit ratings of '**Baa3**' and '**BB+**' as assigned by Moody's and Fitch respectively

# 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 and payphone.
- Internet include Broadband and all internet services (dialup post & prepaid, dedicated)



# Extensive & Wide Network Coverage with High Quality of Service

## Coverage & QoS



**Coverage**  
Network coverage

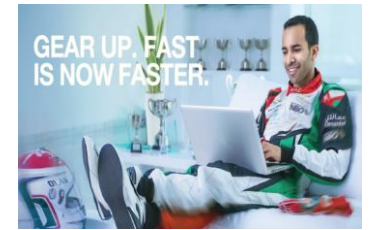
### Extensive Network coverage across Sultanate

Omantel mobile 3G and 4G/LTE network covers 99.2 and 93.7% of population & Fixed Broad Band coverage is 90% of household. We extensively focusing on to drive next gen network deployment (network function virtualization - NFV, massive MIMO - 5G). Continuously exceeding QoS targets on both Voice and Data services set by Regulatory Authority.

## Capacity

### State of the Art Network Platform / Strongest Gigabit Network

Our Fiber networks are infused with substantial capex in upgrade to support exponential data growth. Our transport networks are established over 10,000+ kilometers of Highly meshed fiber network, Omantel owns highly resilient nationwide IP/MPLS core and metro network providing L2/L3 packet services across Oman



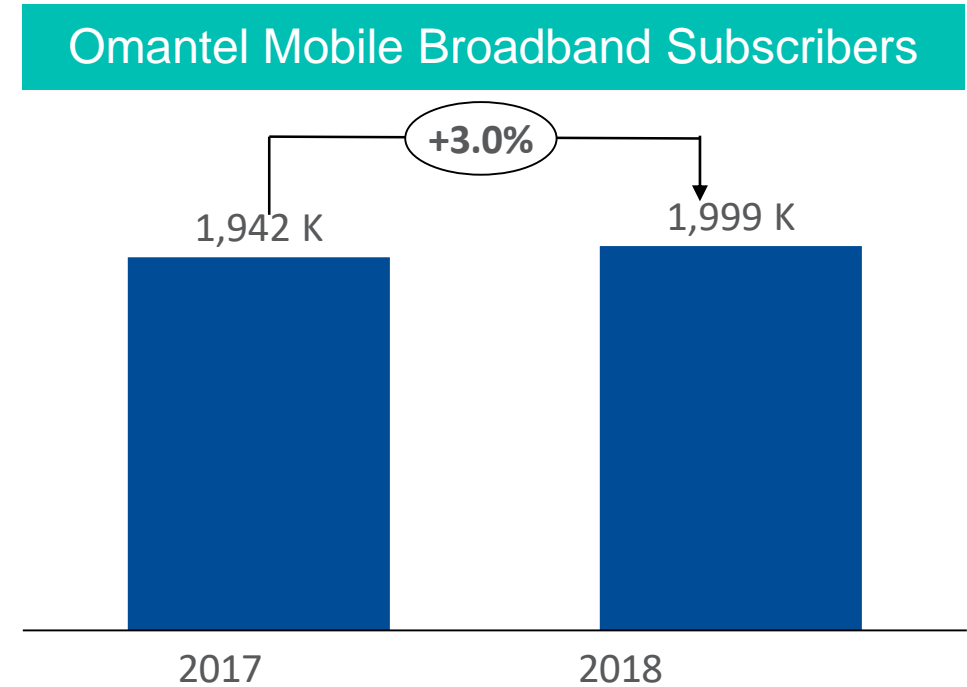
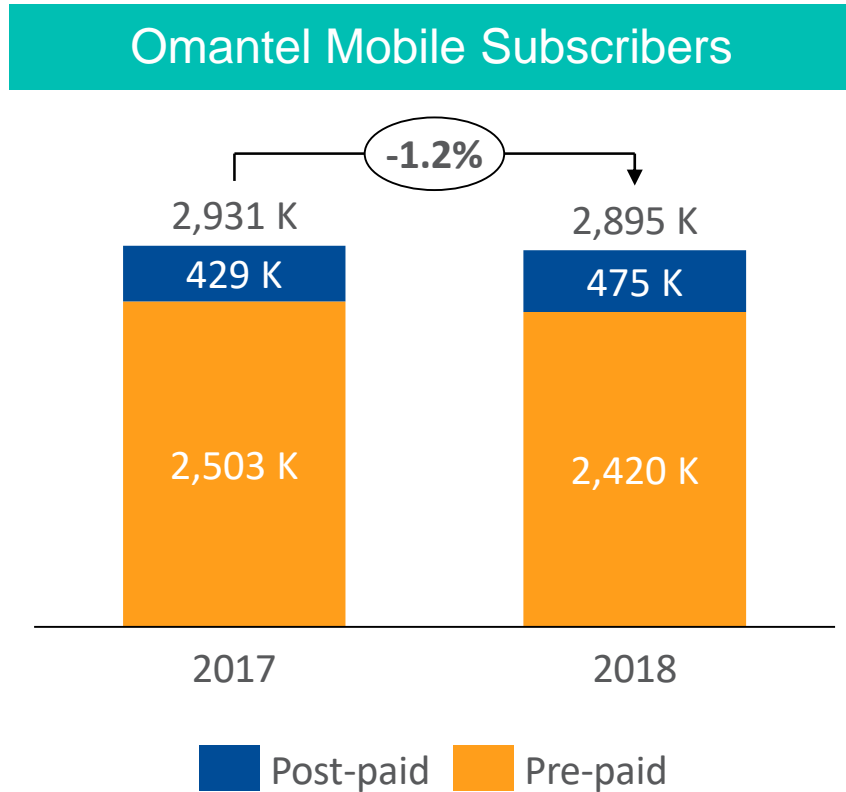
## Innovative Services



### World Class Innovative Services

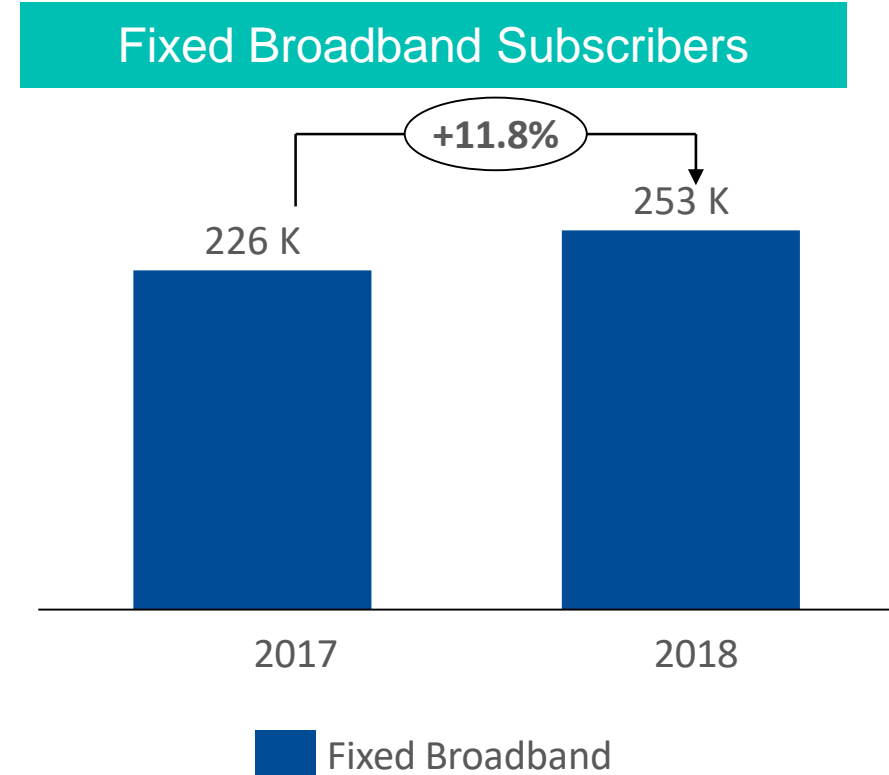
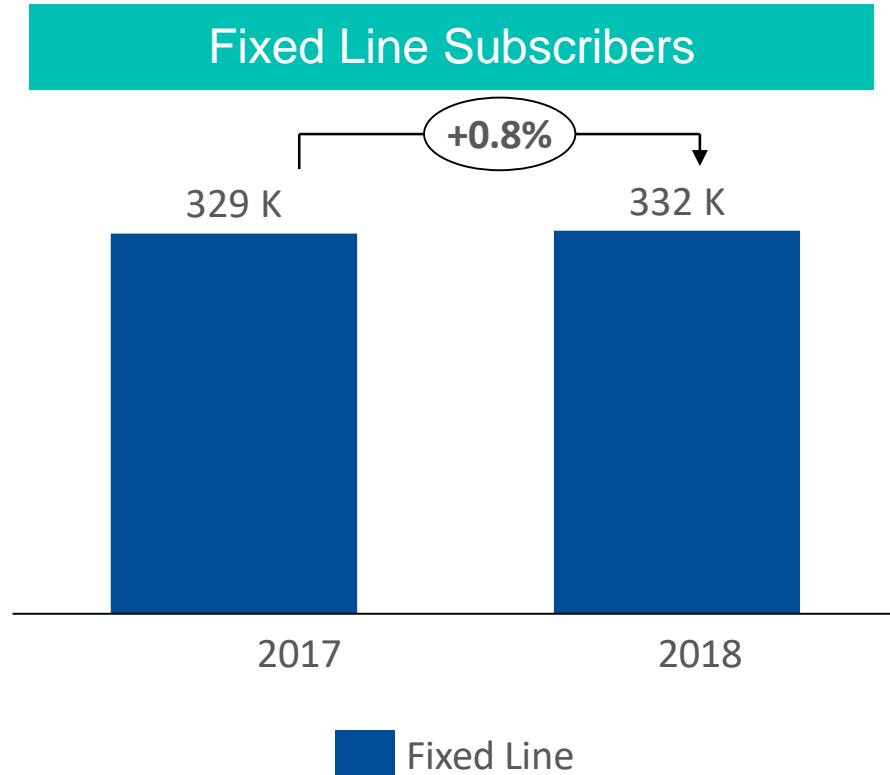
Omantel received 'Best Middle Eastern Project' award at the Global Carrier Awards 2018 in London. the award recognizes Omantel's work in establishing the first world-class carrier-neutral hub in Oman and accelerating innovation regionally and globally. Omantel investments in 20 subsea cable systems and six diverse landing stations in Oman making it on of the well diversified and resilient international hub in the region

Omantel Mobile Subscribers declined by 1.2% mainly due to macro economic situation and stricter starter kit regulations.



- Mobile subscriber base – Post paid continue to grow and achieved 10.8% growth YoY
- Total mobile subscriber base continuing the declining trend since Q3'17 due to stricter starter kit promotional measures and macro economic situation
- Mobile Broadband subscribers increased by 2.9% compared to Q4'17, which includes Pay As You Go (PAYG) subscribers.
- Mobile Broadband unique subscribers subscribed to any one of the packages including Blackberry service is around 1200 K as of Dec'18 compared to 1132 K, an increase of 6.0%.
- With Mobile Resellers, the total subscriber base is 3,652 K compared to last year base of 3,990 K, a decline of 8.5%

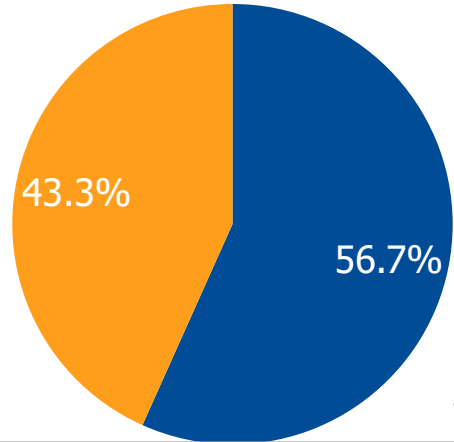
# Omantel Fixed Broad Band Subscribers continued the growth trend and achieved a growth of 12% YoY



- Fixed line subscribers include postpaid, pre-paid and payphone Including ISDN primary, the total fixed line reported is 410,664

# Despite stiff competition, Omantel able to manage both Mobile & Fixed Market Share

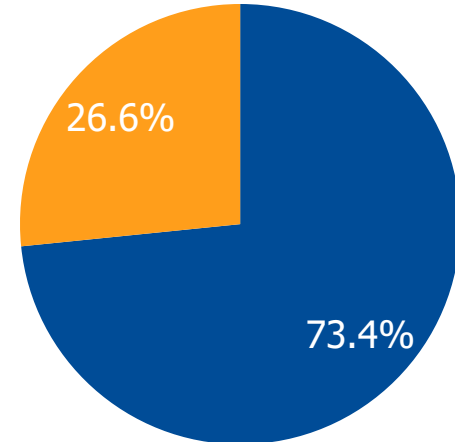
Mobile Subscriber Market share



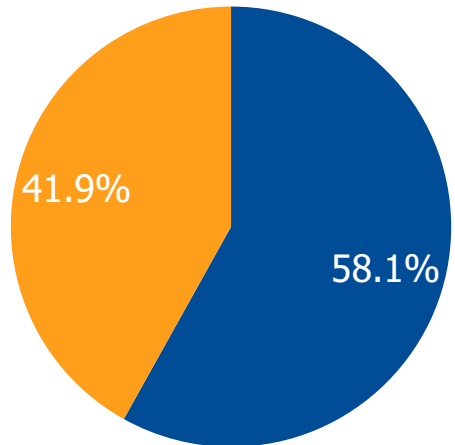
% - including Mobile Resellers

Omantel Mobile (incl Mobile Resellers) subscribers declined by 8.5%, net drop is around 338K

Fixed Line Subscriber Market share

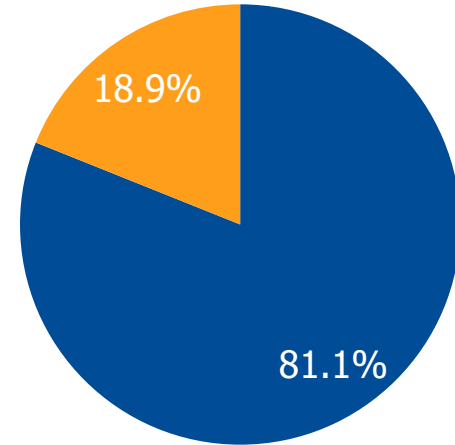


Mobile Revenue Market share



% - including Mobile Resellers

Fixed Line Revenue Market share

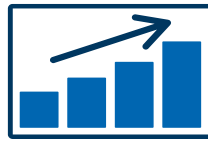


Note: Source as announced by the Operators/ TRA

# Omantel Business plan focus on “Core Execution excellence”

We are extensively focused on our “Core execution excellence model”

- We are extensively focused to drive our growth via focused customer service approach
- Driving core excellence and competence model is our focused strategy



## Focus on EBITDA

- High margin
- High Value Customers
- Collection
- Protect Core (Convergence, ICT)



## Investment Efficiency

- Cash Flow
- CAPEX Planning
- Demand Management
- Strategic Sourcing



## Operational Excellence

- Core Network competency
- Core Customer Experience
- Group Synergies
- Cost Optimization drive
- Agility

## Summary & Other Important developments for Investor attention

- Omantel Board has recommended a dividend of 50 bz per share which will be subject to the approval of AGM. Dividend Yield is 7.4% (*based on the last week, 21<sup>st</sup> Feb 2018 closing price of 680 bz* ) and payout ratio will be 57% of Group Net Profit.
- Omantel Mobile license was renewed with the total cost of RO 75 Mn, which will be paid in two annual instalments of RO 37.5 Mn starting from year 2019.
- Initiated close collaboration between Zain Group and Omantel on several fronts following acquisition of 21.9% stake in Zain Group. This include Wholesale and Procurement Synergies. We achieved reasonable success in Procurement synergies, but yet to realize the full potential of Wholesale Synergy. However, it is progressing in the right direction. In 2019, Omantel will continue to work closely with the Zain group in extracting long term economic benefits through materialization of wholesale & ICT synergies.

# Omantel (Excluding Zain) – Balance Sheets as at 31 Dec 2018 (Pro forma)

	31 December 2018 RO'000	31 December 2017 RO'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank balances	118,300	74,472
Trade and other receivables	117,450	121,954
Contract assets	12,352	-
Inventories	11,763	9,254
Investment securities at FVTPL	10,598	17,168
Investment securities at amortised cost	1,000	6,000
Investment securities available for sale	-	-
Dues from subsidiaries	-	-
	<u>271,463</u>	<u>228,848</u>
Non-current assets held for sale	-	-
	<u>271,463</u>	<u>228,848</u>
<b>Total current assets</b>		
<b>Non-current assets</b>		
Contract assets	-	-
Investment securities at FVTPL	32,947	34,655
Investment securities available for sale	-	-
Investment securities at amortised cost	2,000	3,000
Investments in associates and joint ventures	13,671	9,021
Due from associates	-	-
Other assets	4,817	94
Investment in subsidiaries	850,336	850,336
Property and equipment	539,859	535,625
Intangible assets and goodwill	15,907	18,860
	<u>1,459,533</u>	<u>1,451,591</u>
<b>Total non-current assets</b>		
	<u>1,459,533</u>	<u>1,451,591</u>
<b>Total assets</b>	<u>1,731,000</u>	<u>1,680,439</u>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Trade and other payables	212,680	181,888
Deferred revenue	39,832	26,479
Borrowings	46,046	604,641
	<u>298,558</u>	<u>813,008</u>
<b>Total current liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	805,592	270,308
Other non-current liabilities	12,399	10,633
	<u>817,991</u>	<u>280,941</u>
<b>Total non-current liabilities</b>		
	<u>817,991</u>	<u>280,941</u>
<b>Total liabilities</b>	<u>1,116,549</u>	<u>1,093,949</u>
<b>Equity</b>		
<b>Capital and reserves</b>		
Share capital	75,000	75,000
Legal reserve	25,000	25,000
Voluntary reserve	49,875	49,875
Capital contribution	44,181	44,181
Foreign currency translation reserve	(2)	-
Investment fair valuation reserve	-	35
Hedging reserve	2,301	(122)
Share of reserves of associates	-	-
Retained earnings	417,778	392,522
	<u>614,133</u>	<u>586,491</u>
<b>Attributable to the Company's shareholders</b>		
Non-controlling interests	318	(1)
	<u>614,451</u>	<u>586,490</u>
<b>Total equity</b>		
	<u>614,451</u>	<u>586,490</u>
<b>Total liabilities and equity</b>	<u>1,731,000</u>	<u>1,680,439</u>

# Omantel (Excluding Zain) – Income Statement for the twelve months ended 31 Dec 2018 (Pro forma)

	Consolidated	
	2018 RO'000	2017 RO'000
Revenue	546,031	532,211
Cost of sales	(171,427)	(164,723)
<b>Gross profit</b>	<b>374,604</b>	<b>367,488</b>
Operating and administrative expenses	(153,676)	(150,904)
Depreciation and amortization	(107,362)	(116,142)
Expected credit loss on financial assets	(12,600)	(9,178)
<b>Operating profit</b>	<b>100,966</b>	<b>91,264</b>
Interest income	2,273	1,806
Investment income	41,820	1,814
Share of results of associates and joint ventures	799	136
Other (expense) / income	2,790	571
Finance costs	(57,421)	(11,820)
Impairment of investment in subsidiary	-	-
Loss from currency revaluation	(5)	146
Net monetary gain/(loss)	-	-
<b>Profit before taxation</b>	<b>91,222</b>	<b>83,917</b>
Taxation	(15,715)	(11,919)
<b>Profit for the period from continuing operations</b>	<b>75,507</b>	<b>71,998</b>
<b>Discontinued operations:</b>		
Net gain/( loss) from discontinued operations	-	(347)
<b>Profit for the period</b>	<b>75,507</b>	<b>71,651</b>
<b>Attributable to:</b>		
Shareholders of the Parent Company	75,709	72,623
Non-controlling interests	(202)	(972)
	<b>75,507</b>	<b>71,651</b>
<b>Earnings per share</b>		
Basic and diluted – RO	<b>0.100</b>	<b>0.097</b>

Net Profit excluding Interest Cost and Dividend related to Zain is RO 89.5 Mn compared to last year of RO 83.2 Mn, an increase of 7.5%



# Omantel (Excluding Zain) – Statement of Cash Flows for the twelve months ended 31 Dec 2018 (Pro forma)

	2018 RO'000	2017 RO'000
<b>Cash flows from operating activities</b>		
Profit for the period before income tax	91,222	83,570
Adjustments for:		
Depreciation and amortization	107,365	116,147
ECL/Provision for impairment	12,600	9,178
Interest income	(2,242)	(1,806)
Investment income	1,774	(551)
Share of results of associates and joint ventures	(799)	(136)
Finance costs	57,420	11,819
Dividend income	(43,594)	(2,327)
Gain on deconsolidation of a subsidiary	-	(2,676)
Gain on sale of property and equipment	(38)	(42)
Operating profit before working capital changes	223,708	213,176
Increase in trade and other receivables	(35,735)	(36,454)
Decrease / (increase) in inventories	(2,403)	187
Increase / (decrease) in trade and other payables	33,830	14,057
Cash generated from operations	219,400	190,966
Income tax paid	(87)	(14,703)
Net cash from operating activities	219,313	176,263
<b>Cash flows from investing activities</b>		
Deposits maturing after three months	-	59,500
Investments in securities (net)	14,805	16,796
Increase in due from associates		
Acquisition of property and equipment (net)	(107,133)	(131,439)
Acquisition of intangible assets (net)	(1,583)	(179)
Investment in subsidiary	(1,650)	-
Investment in associate	(3,851)	(41)
Acquisition of a subsidiary		(850,336)
Interest received	2,346	1,806
Dividend received	43,594	2,327
Net cash used in investing activities	(53,472)	(901,566)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings (net)	571,814	854,659
Repayment of bank borrowings	(608,614)	(1,658)
Dividends paid to Parent shareholders	(37,500)	(67,500)
Share capital from minority shareholder	400	966
Finance costs paid	(48,041)	(1,144)
Net cash (used in) / from financing activities	(121,941)	785,323
Net increase in cash and cash equivalents	43,900	60,020
Derecognition of a subsidiary	-	(315)
Effect of foreign currency translation	-	-
Transition adjustment on adoption of IFRS 9	(74)	-
Cash and cash equivalents at beginning of period	71,474	11,769
<b>Cash and cash equivalents at end of period</b>	<b>115,300</b>	<b>71,474</b>

## Presented by

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Q&A