# Q3 2021 – Earnings call

# Disclaimer

Expectations and projections regarding future performance of the company referenced in this presentation are 'forward-looking statements' within the meaning of applicable securities laws and regulations.

These are statements which the management believes are true at the time of their preparation based on available data and information and are subject to future events and uncertainties and to the successfully and timely execution of plans and strategies, that could cause actual results to differ materially from those anticipated in these forward-looking statements.
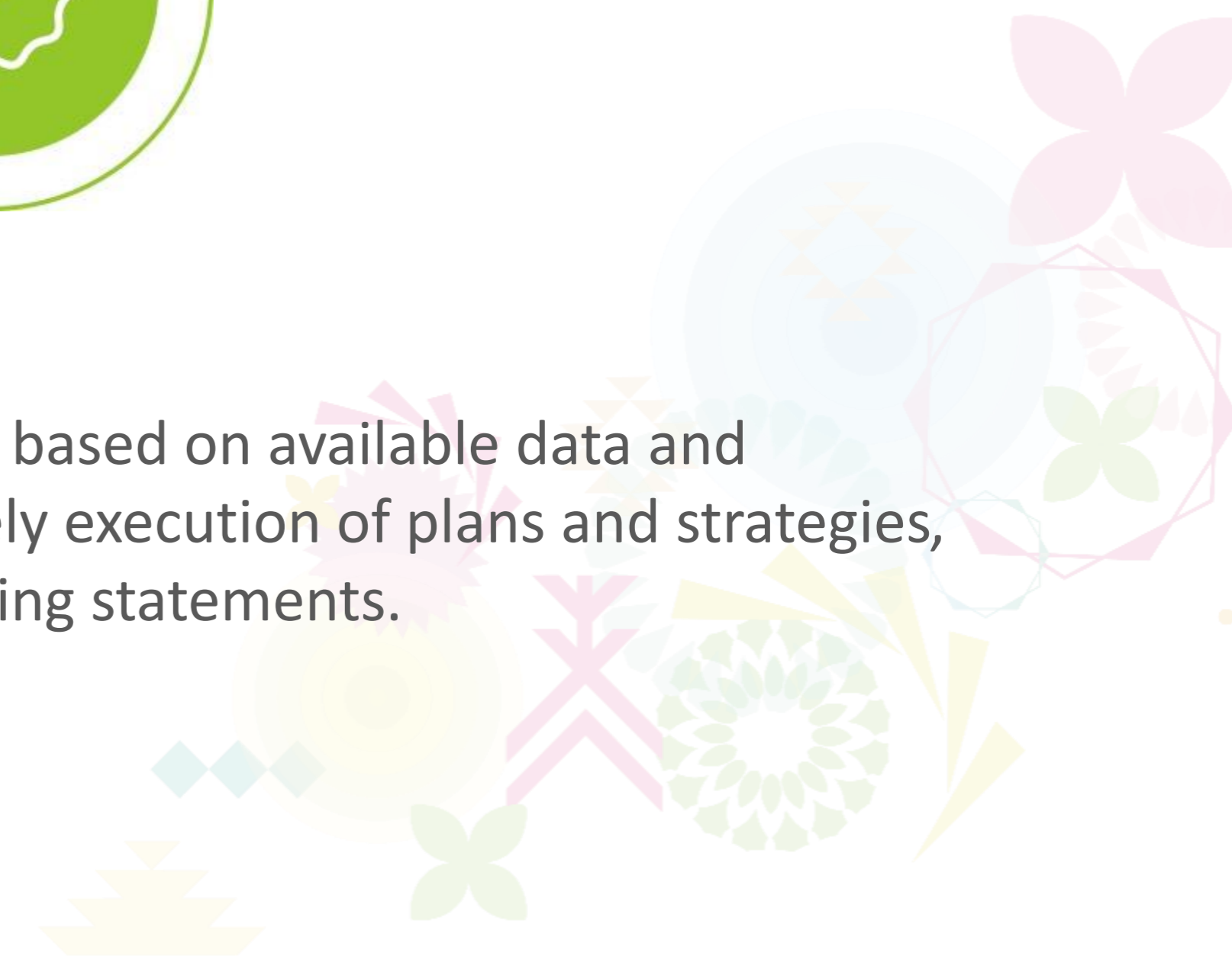
# Introduction

Zain KSA established itself as a reliable telecom operator and a digital service provider whose services include telecom services, 5G network, FinTech (Financial Technology), cloud computing, IoT solutions, fiber services, drones, and many others.

Zain KSA is committed to the continuous development of its network and services in order to achieve the best customer service experience for individuals, the private sector and government institutions, in line with the goals of Saudi Vision 2030 and the digital transformation in the Kingdom which is to provide the services needed for a smart society and a better quality.

# Zain KSA Board of Directors

**HH Prince Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer**

*Chairman*

A highly accomplished Saudi businessman with a vast experience in multiple industries, HH is also a board member of Almarai Company, Alyamamah Cement Company, Farabi Gulf Petrochemicals Company, Projects and Technical Contracting Establishment and Ashbal Al Arab Contracting Establishment.

**Bader Nasser Al Kharafi**
*Vice Chairman*
A renowned regional economic identity, Mr. Al-Kharafi, is the Vice-Chairman of Zain Group Board of Directors since Feb. 2014. Furthermore, in March 2017, he was appointed Zain Group CEO. He also holds several executive roles in multiple businesses under Al Kharafi Group.

**Ossama Michael Matta**
Mr. Matta was appointed the key role of CFO of Zain Group in June 2010, having joined Zain in 2004 and quickly rising through the ranks. With more than 20 years track record in strategic financial transformation, he has solid relationships with banking institutions across the region.

**Raied Bin Ali Al Saif**
Mr. Al Saif is the director of investment and business development at the private office of the Prince Sultan bin Mohammed bin Saud Al-Kabeer Al Saud, where his department provides investment counselling services as well as overseeing business activities at joint ventures companies.

**Saud Bin Abdullah AlBawardi**
Mr. AlBawardi has more than 15 years of experience in the telecommunications and banking industries in Saudi Arabia. He has served in several senior executive positions in Zain KSA and in another operator in KSA.

**Hisham Mohammed Attar**
Mr. Attar has served as a board member in a number of companies, specializing in the field of investment and start-ups, including Body Masters and Amwal Alkhaleej.

**Martial Caratti**
Mr. Martial Caratti is a member of the Board of Directors of Zain Group since November 2017.
He is also the Chief Financial Officer of Omantel since 2015. He has over 30 years of experience
in the telecommunications industry in the Middle East and Europe.

**Firas Oggar**
Mr. Oggar is a Board Member and Treasurer at The Association Of Corporate Counsels (ACC), Washington D.C. He is also the Head of Legal at Zain Group since 2017.

**Kamil Hilali**
Kamil Hilali held the position of Chief Strategy Officer at Zain Group. Hilali has 18 years of experience and has a proven track record in developing corporate strategy and is currently managing Zain Group's digital transformation, information and communication technology, corporate development, digital infrastructure, wholesale, and business development.

# Zain KSA Management Team

**Eng. Sultan Bin Abdulaziz AlDeghaither**

*Zain KSA CEO*

Eng. AlDeghaither first joined Zain KSA in 2009 as Director of Network Planning and took over as CEO on July 1st, 2018; where he spearheaded the turnaround story of Zain KSA, extinguishing SAR 2B+ of accumulated losses and driving the market cap by three-fold despite the outbreak of covid19; up until Zain KSA was ranked the 12th most powerful brand in Saudi.

**Eng. Saad Al-Sadhan**

*CBWO*

Eng. Al-Sadhan's professional career spans over 15 years in the telecom sector. AlSadhan began his journey with Zain in 2016 as Wholesale Senior Director.

**Mehdi Khalfaoui**

*CFO*

Mr. Khalfaoui was appointed CFO in Feb-2017. Having more than 12 years of ICT sector experience.

**Eng. Abdulrahman Al-Mufadda**

*CTO*

Mr. AlMufadda has more than 15 years in the telecommunication sector. He was embarked on his role as Chief Technology Officer of Zain KSA in Feb. 2019.

**Maher AlFawaz**

*CSO*

Maher has over 14 years in the Network Engineering and Customer Care Services. Maher holds a BA in Electrical Engineering and an MBA.

**Eng. Rayan AlTurki**

*CCO*

Mr. AlTurki is a marketing strategist with over 15 years of experience in marketing, communication, and branding.

**Tiago Rocha**

*CMO*

Tiago has more than 13 years of experience working globally in leading position in the field of marketing. Tiago holds a Master degree in BA.

**Eng. Salah Al-Ghamdi**

*Advancement Market VP*

Eng. Salah has over 15 years of experience in the ICT sector. He is leading the digital transformation of Zain KSA into a Digital Telco.

**Eng. Hamad Alkatheri**

*Risk & InfoSec VP*

In his career, Eng. Alkatheri held several leadership positions in cybersecurity for a number of leading entities in the private and public sectors.

**Taghreed Bahdailah**

*Investors Relations VP*

Taghreed is skilled in commercial banking and Islamic economics, with practical experience and, having graduated from Cambridge University in UK.

**Maha Alqernas**

*Business & Fulfilment VP*

Maha AlQernas serves as the Vice President of Business and Fulfilment in Zain. AlQernas holds a bachelor's degree in Information Technology from King Saud University, an MBA from Al-Yamamah University as well as multiple certificates.

**Abdulaziz Suliman Al Subaie**

*Regulatory Affairs & Compliance Vice President*

Al-Subaie has 13 years of experience at the company, and he contributed to several key projects, most recently are the 5G network deployment project, Reload Project, the Zain External DPI project.

**Fabricio Gaspar Martinez**

*Strategy & Transformation VP*

Fabricio Martinez has 20+ years' work experience in consulting, networks and business modelling for the mobile industry. He is responsible for Zain strategy, transformation programs.

**Loluwah Alnowaiser**

*Human Resources VP*

Loluwah AlNowaiser is an HR expert, with an extensive practical experience, Miss. AlNowaiser was appointed to lead the HR Division as the Human Resources Vice President on Nov 2021.
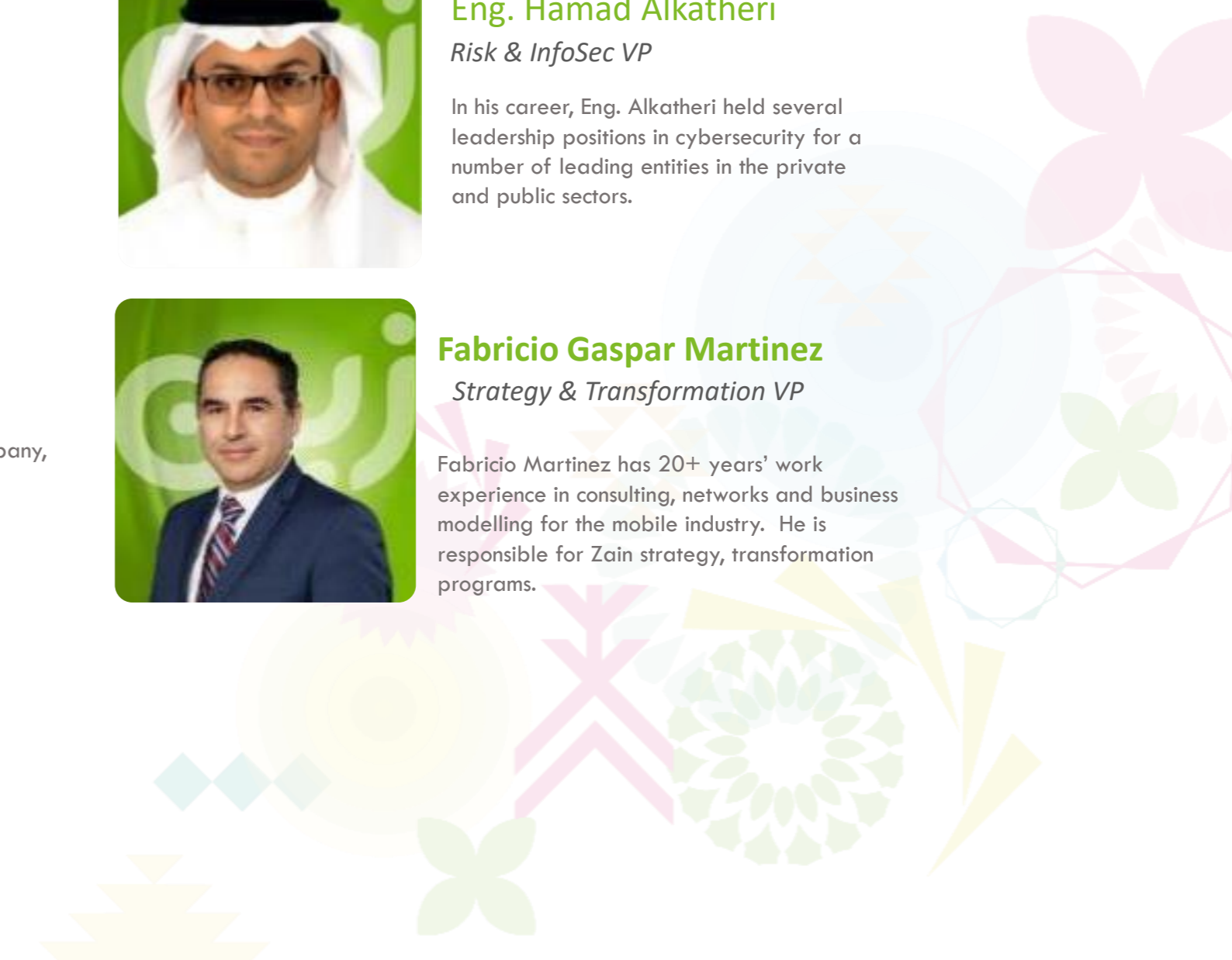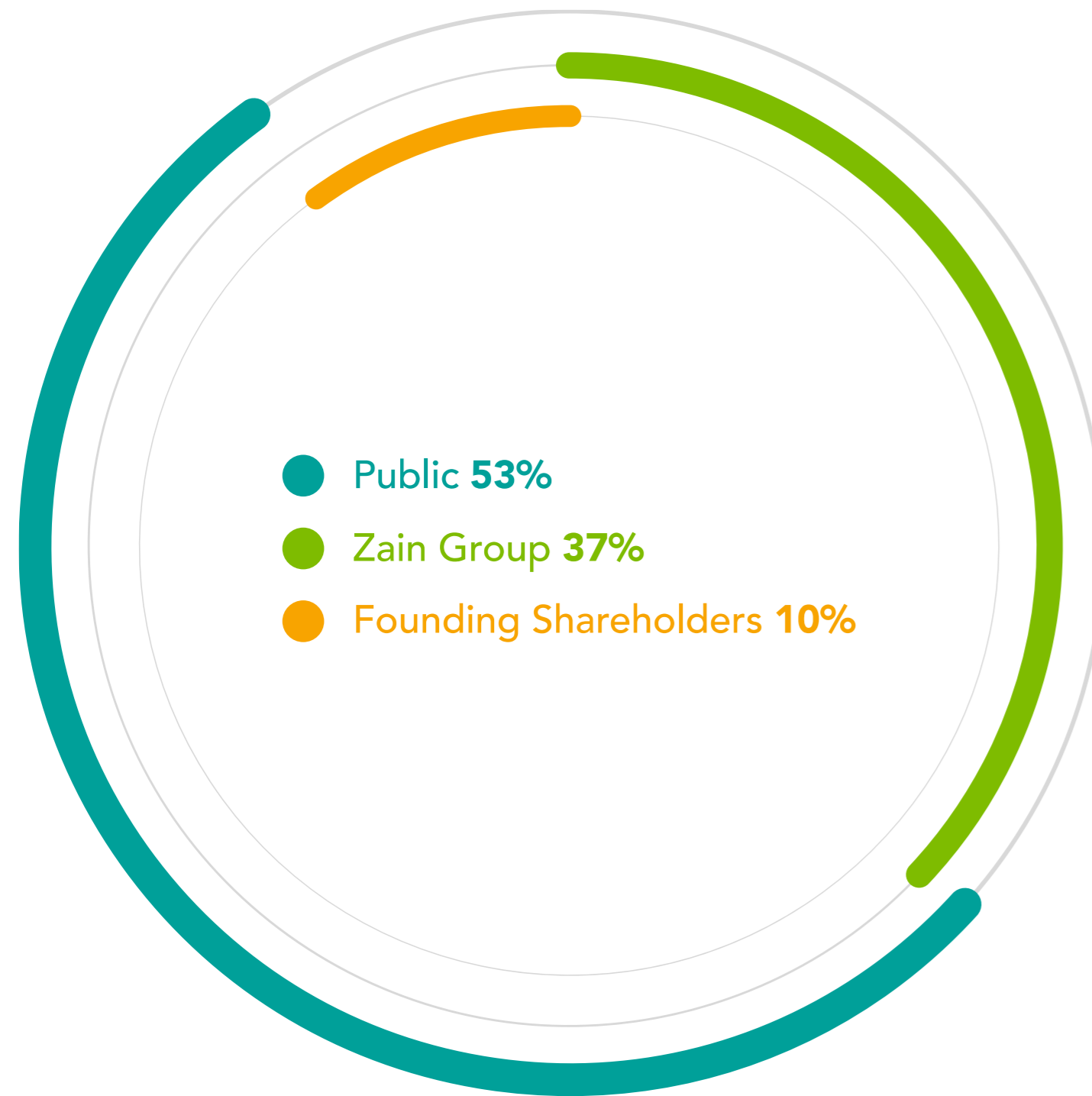
# 2021 Financial Results

Zain KSA has achieved stabilized profits for Q3 2021, recording 60 million riyals in profits compared to 42 million riyals for Q2 of the same year, posting a 45 percent growth. The company made 1,984 million riyals in revenues, accomplishing a growth rate of 4% during Q3 2021, as compared to Q2 2021.

# Shareholder Structure

Zain Group provides Zain KSA with operational, technical, brand financial support

- Public **53%**
- Zain Group **37%**
- Founding Shareholders **10%**

**Around 320,000**
Shareholders

| | | |
|---|---|---|
| 01 | HRH Prince Saud Bin Fahad Bin Abdulaziz Al Saud | **2.98%** |
| 02 | Saudi Plastic Factory Est. | **2.93%** |
| 03 | HH Prince Sultan Bin Mohammed Bin Saud Al Kabeer Al Saud | **2.13%** |
| 04 | Abu Dhabi Investment House (ADIH) | **1.07%** |
| 05 | Al Jeraisy Development Co. Ltd. | **0.53%** |
| 06 | Architectural Elite Est. for Engineering & Contracting | **0.28%** |
| 07 | Rakisa Holding Co. | **0.22%** |

| | |
|---|---|
| Tadawul: | **7030** |
| Bloomberg: | **ZAINKSA:AB** |
| Issued Shares: | **898,729,175** |
| Paid Capital: | **SAR 8,987,291,750** |
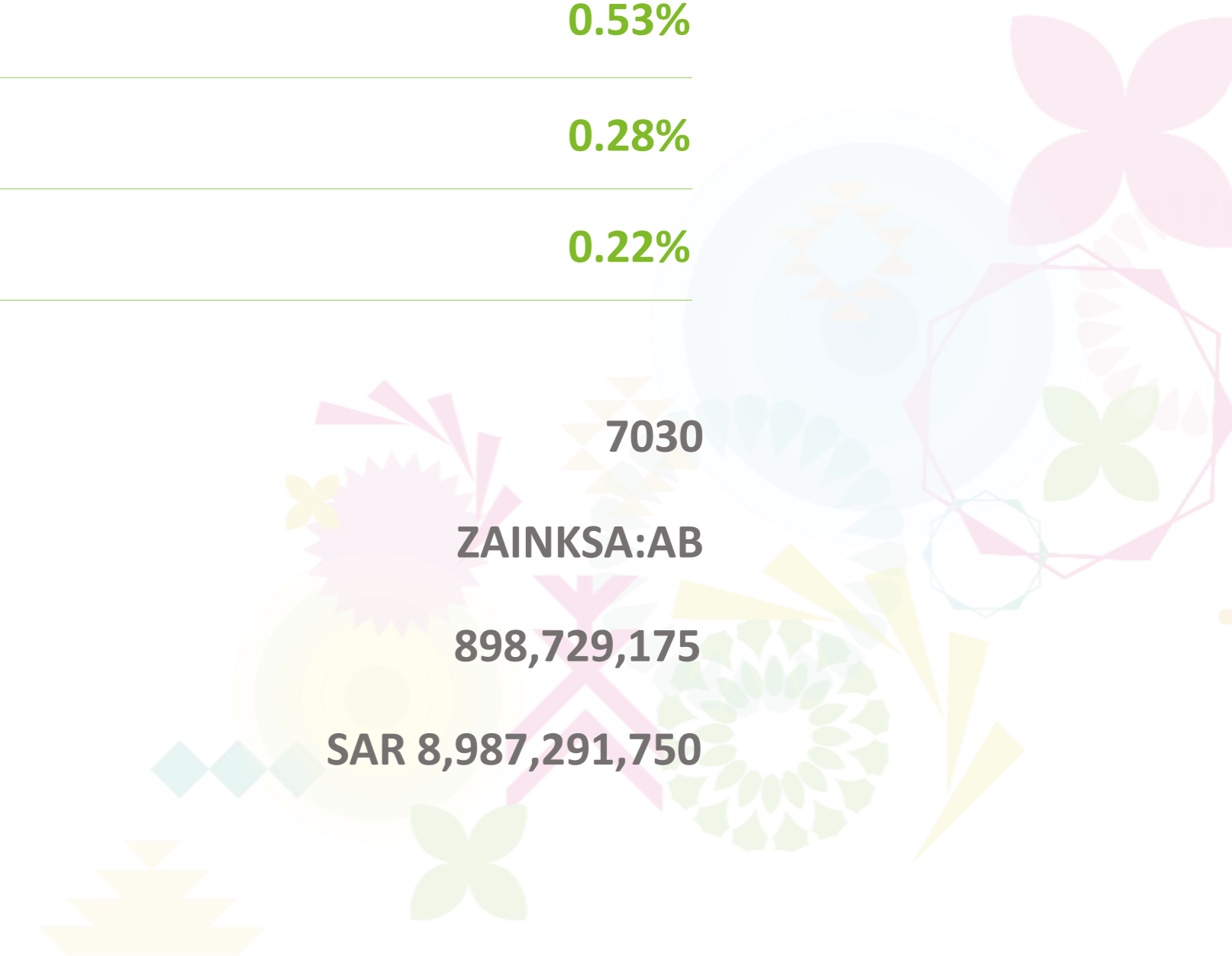
# Zain Saudi Arabia Today
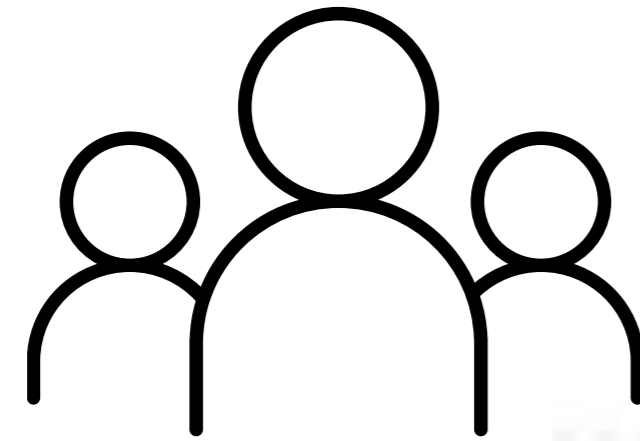
**7.47** Million
Subscribers
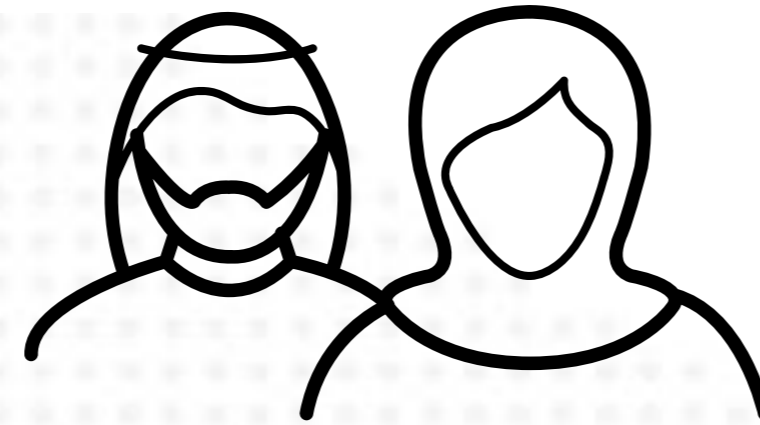
**1,348** Zainers
Saudi: 85.78%
Woman: 13.20%
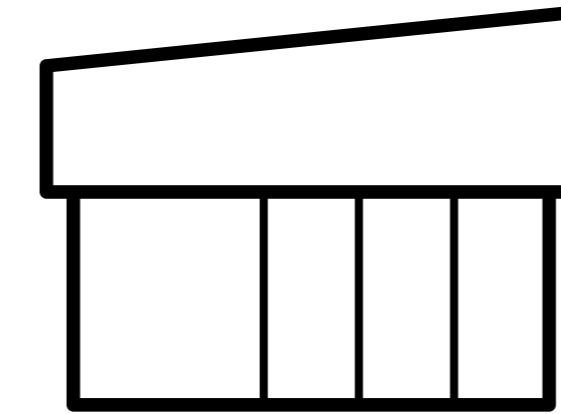
**238 Shops**
4,071 POS
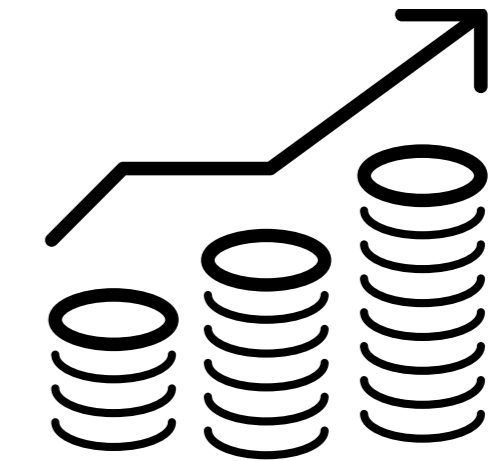
**48% Data Revenue**
(Excluding SMS & VAS)
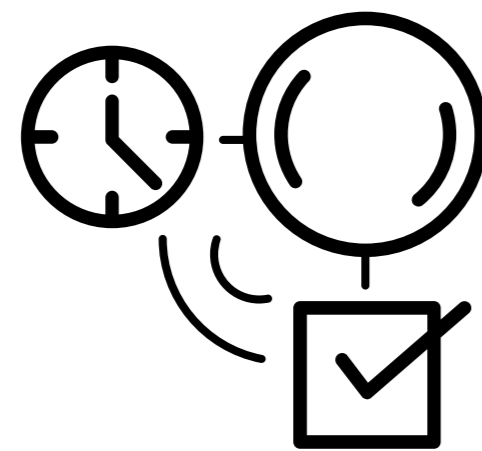
**71 SAR**
Blended ARPU
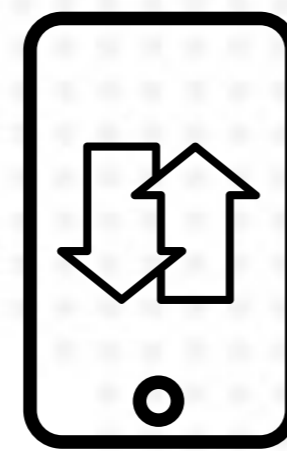
10,691 TB/Day
Average daily data traffic
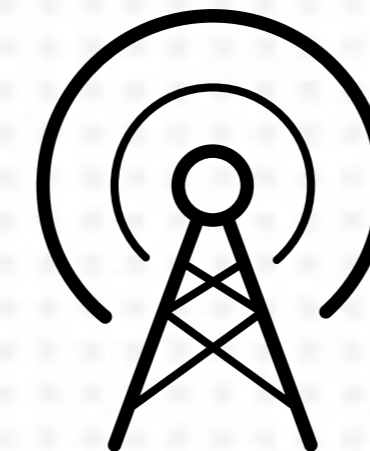
| **99%** | **98%** | **94%** | **62.3%** |
| 2G | 3G | 4G | 5G |

Population coverage

**9,980** Total number of sites
566 Cities covered by 3G
479 Cities covered by 4G
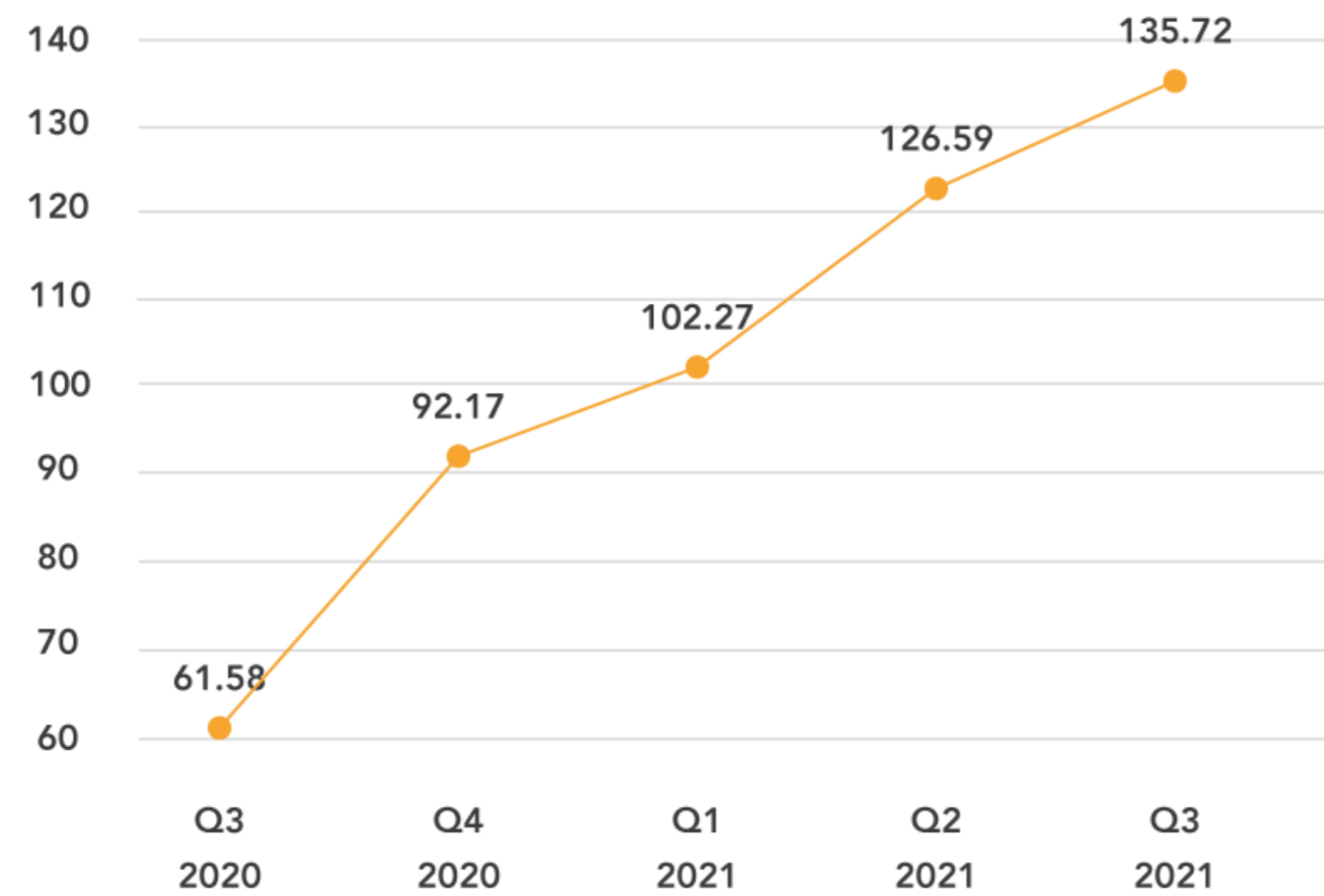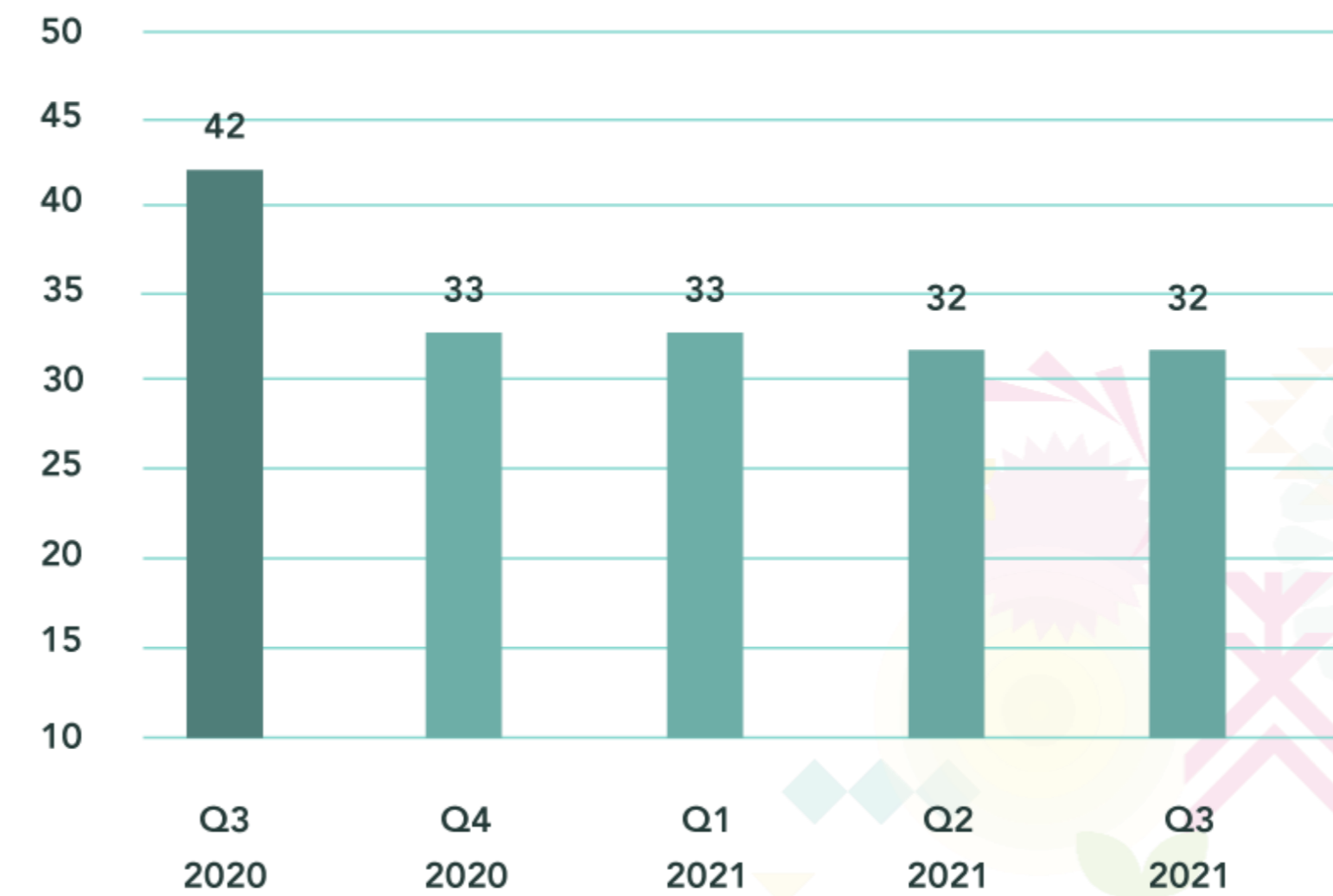51 Cities covered by 5G

# Zain Internet Growth

**Q3-20 to Q3-21**

| | |
|---|---|
| Internet usage (TB) | 26.64% |
| 5G Subscribers | 97.35% |

0  10  20  30  40  50  60  70  80  9  100
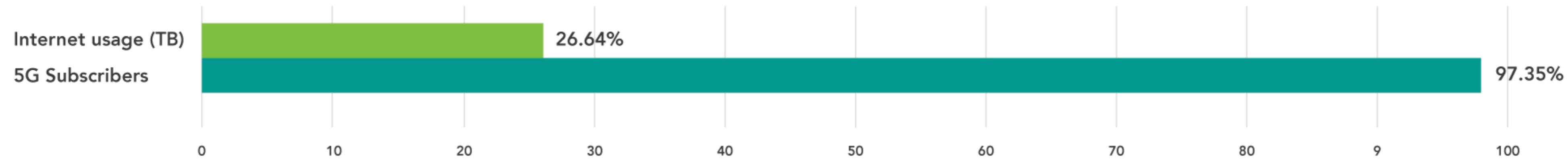
## Data Throughput
*Quarterly data from Ookla
(higher is better)

61.58 — Q3 2020
92.17 — Q4 2020
102.27 — Q1 2021
126.59 — Q2 2021
135.72 — Q3 2021

## Latency (ms)
*Quarterly latency from Ookla
(lower is better)

42 — Q3 2020
33 — Q4 2020
33 — Q1 2021
32 — Q2 2021
32 — Q3 2021

# Zain KSA's Strategic Pillars

The below **eight pillars** come as a natural evolution and extension of the strategy Zain KSA has successfully delivered on as well as the expectations of stakeholders.

| **Economic Growth** | **Sustainable Practices** | **Partner of Choice** | **Customer Centricity** | **Digital Default** | **Beyond Telecom** | **Future Forward Network (5G)** | **Brand and Culture** |
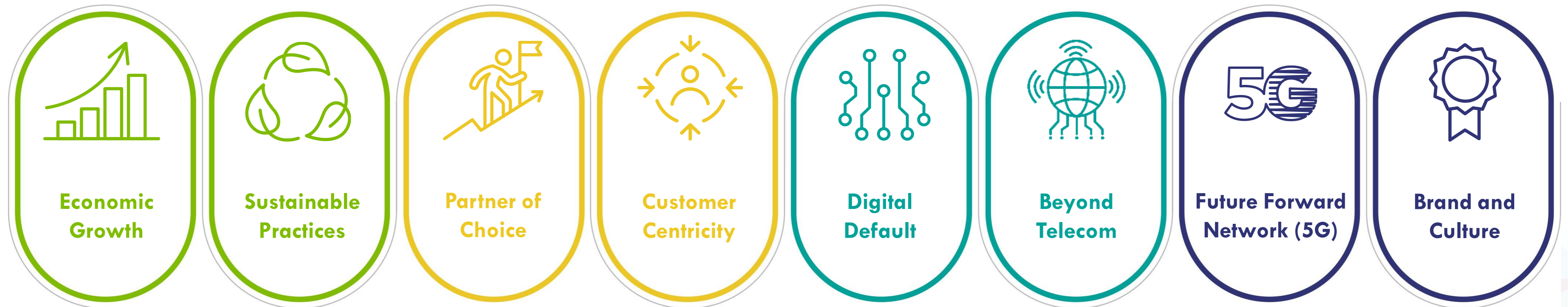
Creative positive impact **outcomes** that include improving profitability and cash position all while considering environmental and social disciplines.

Generate value from and for **stakeholders** by scaling our B2B offerings and costumer base and outperform the market on the B2C side.

Adopting sustainable and innovate **processes** that will allow us to venture into new areas of business while leveraging gains from automation in the business.

Leveraging areas of strength, including human capital and 5G network leadership as **enablers** that propel the ZainKSA brand.

# Financial highlights

## REVENUE [Million SAR]

- 2017: 7,306
- 2018: 7,531
- 2019: 8,386
- 2020: 7,917
- Q3 2020: 1,928
- Q2 2021: 1,896
- Q3 2021: 1,984

+5%
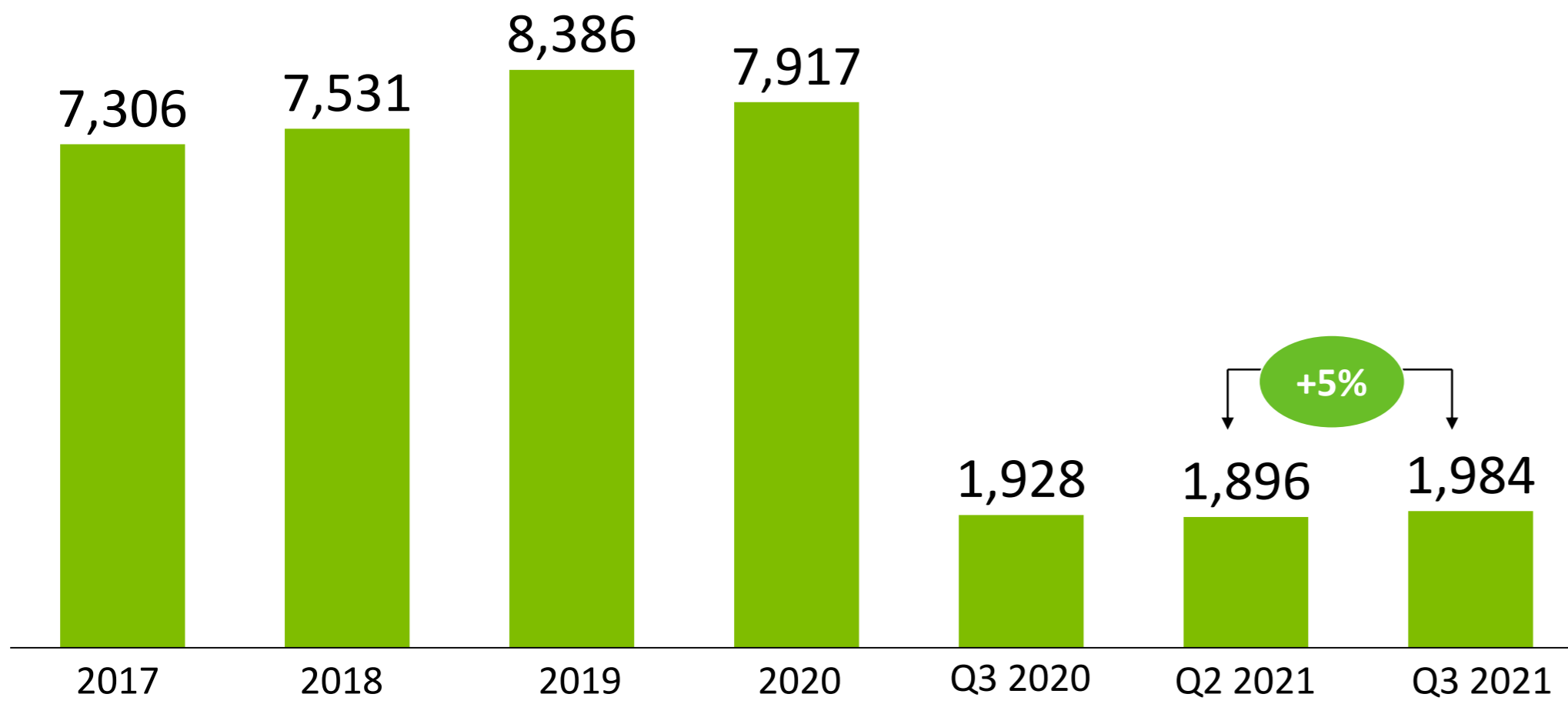
## GROSS PROFIT [Million SAR]

- 2017: 4,202
- 2018: 4,796
- 2019: 5,424
- 2020: 5,445
- Q3 2020: 1,266
- Q2 2021: 1,259
- Q3 2021: 1,244

-1%
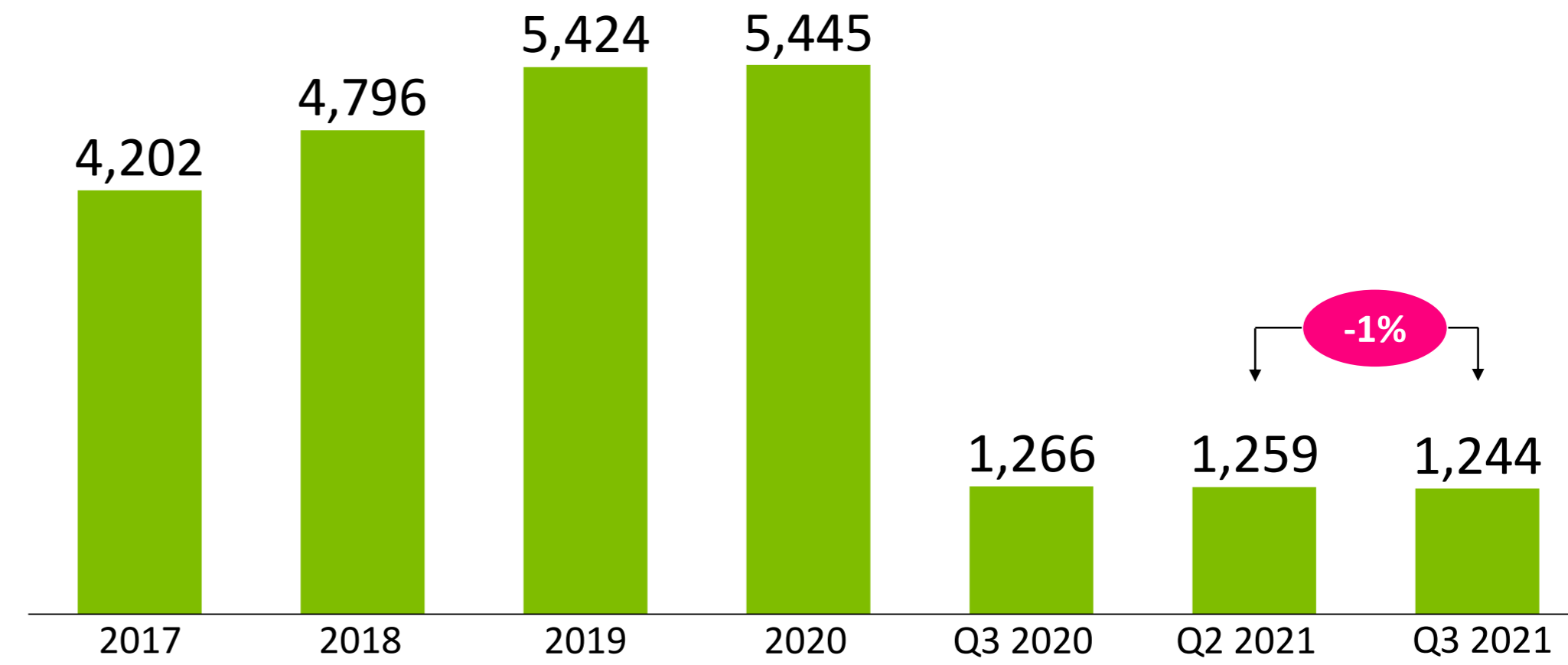
## EBITDA, EBITDA MARGIN [Million SAR]

- 2017: 2,517 (34%)
- 2018: 3,009 (40%)
- 2019: 3,823 (46%)
- 2020: 3,441 (43%)
- Q3 2020: 767 (40%)
- Q2 2021: 765 (40%)
- Q3 2021: 806 (41%)

+5%
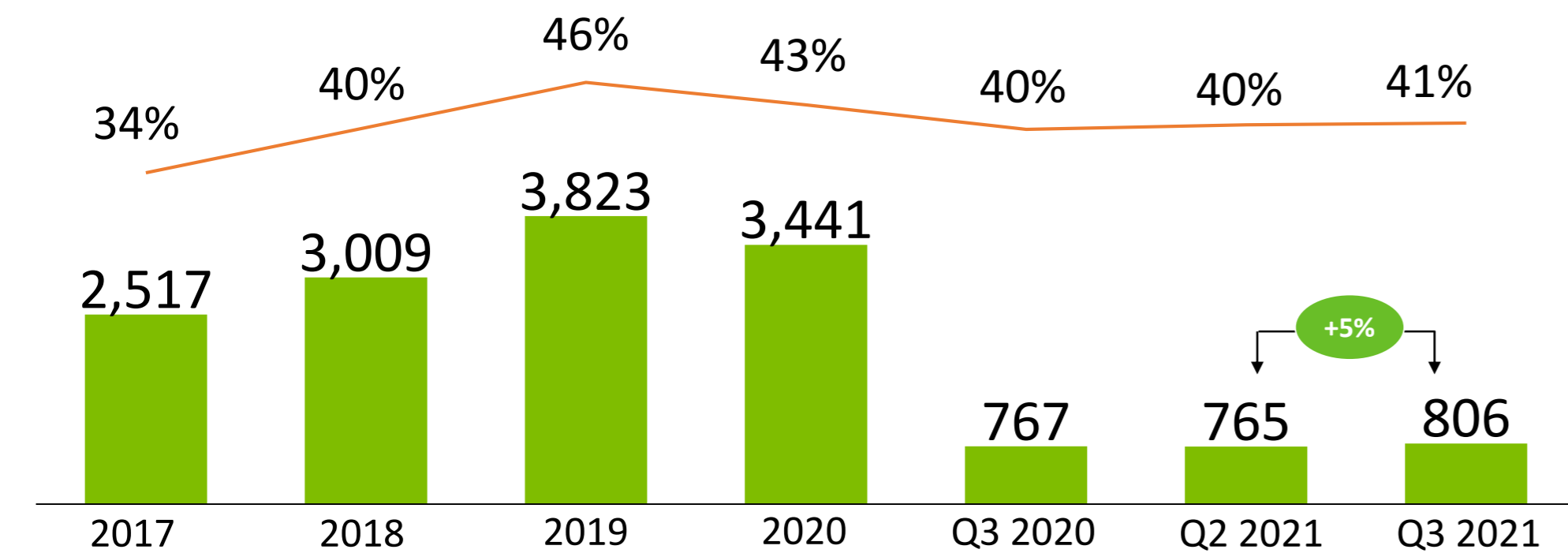
## NET (LOSS) / PROFIT MARGIN [Million SAR]

- ■ Net Profit/(Loss)  — Profit Margin

- 2017: 12 (0%)
- 2018: 332 (4%)
- 2019: 485 (6%)
- 2020: 260 (3%)
- Q3 2020: 60 (3%)
- Q2 2021: 42 (2%)
- Q3 2021: 60 (3%)

+45%
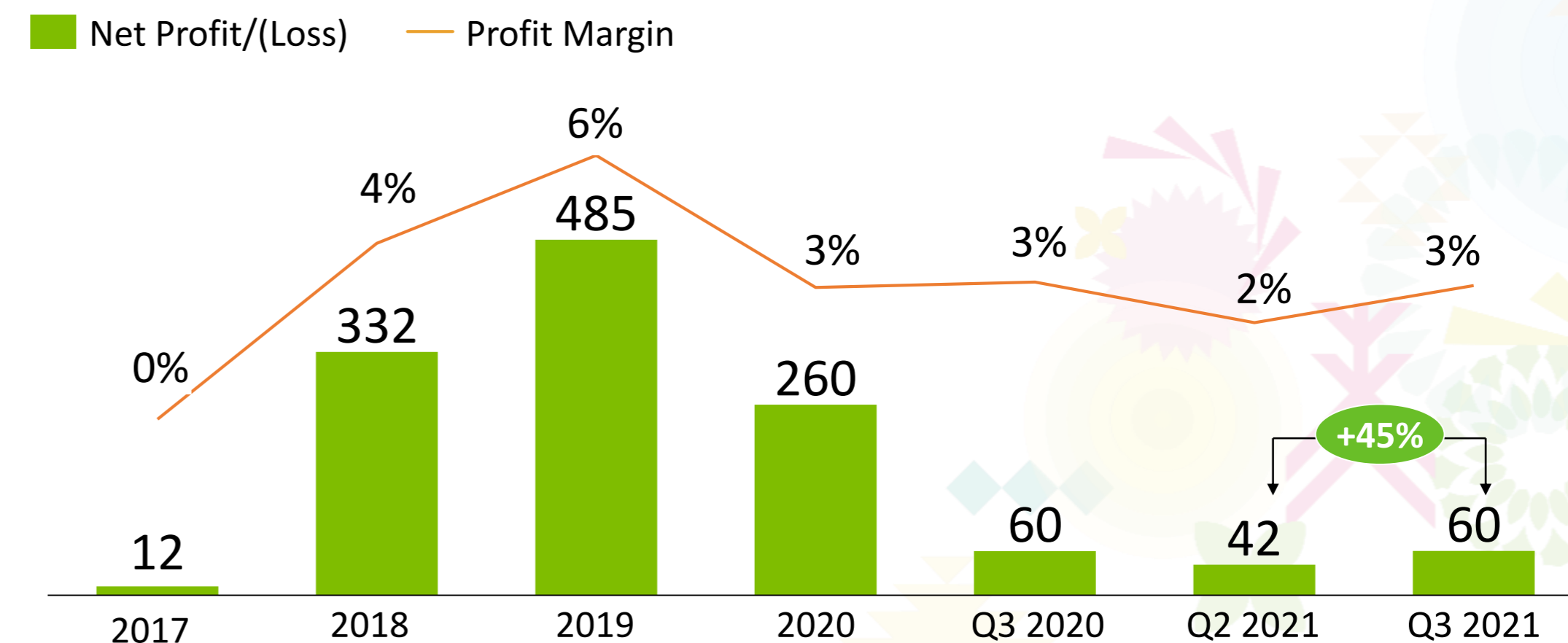
Certain comparatives figures have been reclassified to conform with the presentation in the current period.

# Financial highlights

## OPERATIONAL (LOSS/INCOME) [Million SAR]

| 2017 | 2018 | 2019 | 2020 | Q3 2020 | Q2 2021 | Q3 2021 |
|------|------|------|------|---------|---------|---------|
| 903  | 1,219 | 1,511 | 1,002 | 138 | 159 | 188 |

+18%
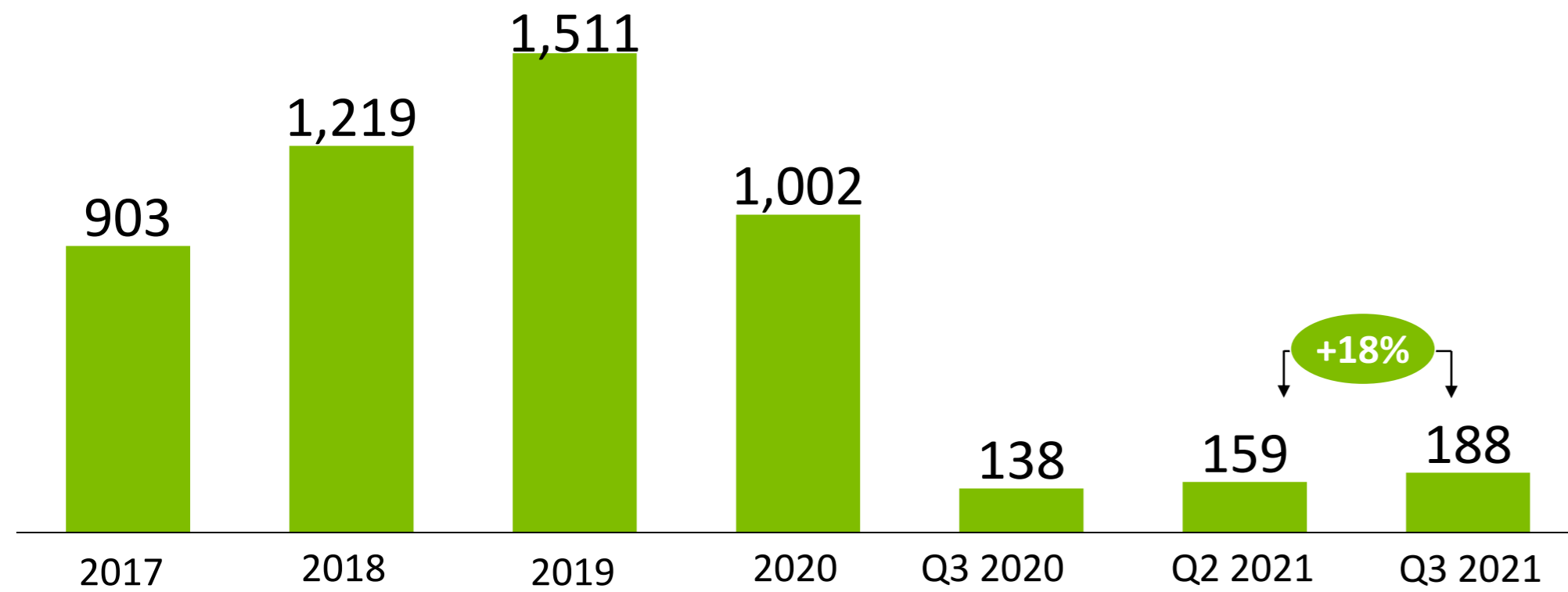
## CAPEX, CAPEX/REVENUES [Million SAR]

■ Capex  — Capex/Revenue

| 2017 | 2018 | 2019 | 2020 | Q3 2020 | Q2 2021 | Q3 2021 |
|------|------|------|------|---------|---------|---------|
| 1,029 | 1,924 | 1,906 | 2,943 | 329 | 34 | 225 |
| 14% | 26% | 23% | 37% | 17% | 2% | 11% |

+563%
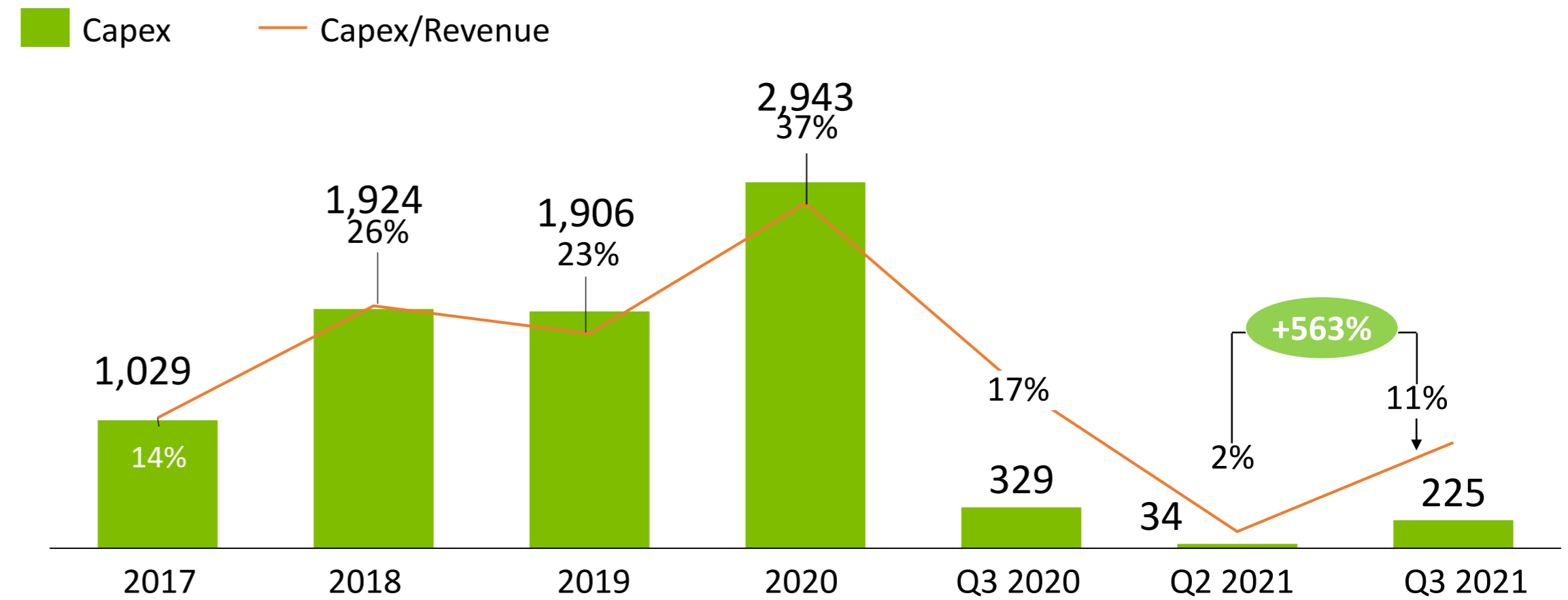
## CASH BALANCE [Million SAR]

| 2017 | 2018 | 2019 | 2020 | Q1 2021 | Q2 2021 | Q3 2021 |
|------|------|------|------|---------|---------|---------|
| 1,116 | 1,416 | 1,157 | 1,103 | 362 | 739 | 613 |

-17%
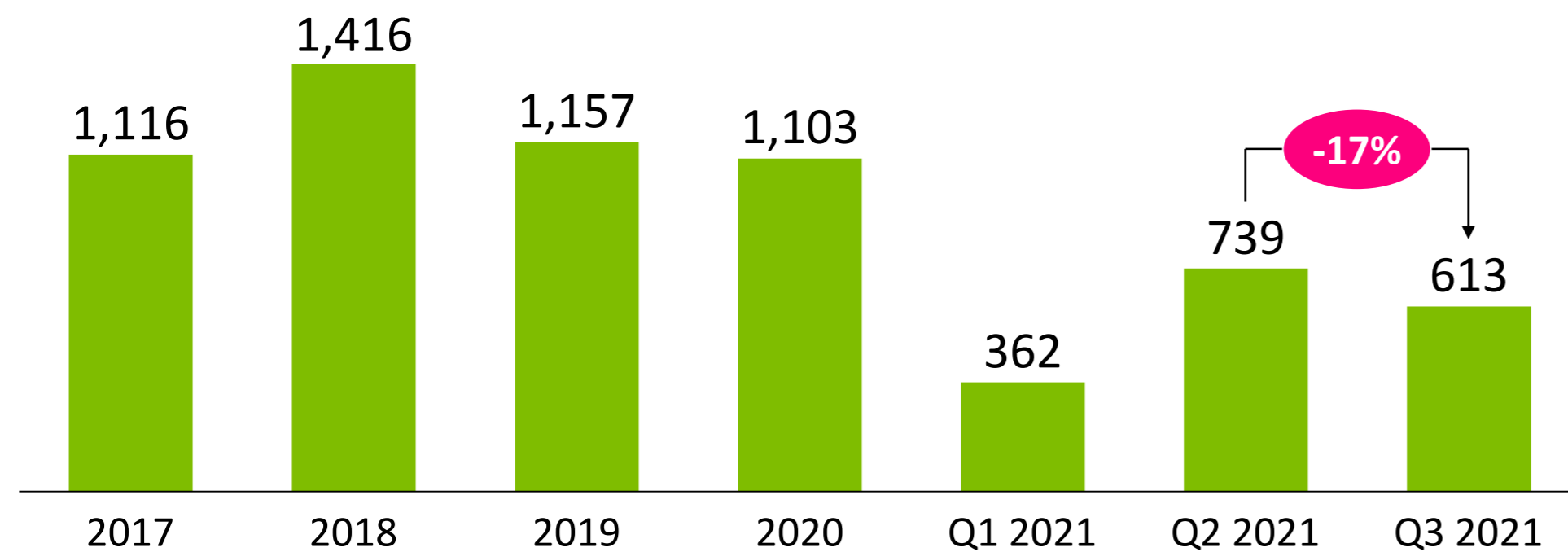
## EBITDA-CAPEX [Million SAR]

■ EBITDA-CAPEX  – – – FCF

| 2017 | 2018 | 2019 | 2020 | Q3 2020 | Q2 2021 | Q3 2021 |
|------|------|------|------|---------|---------|---------|
| 1,010 | 1,467 | 1,788 | 1,616 | 487 | 598 | 574 |
| 858 | 1,457 | 1,292 | 2,204 | -81 | 89 | 12 |

-4%
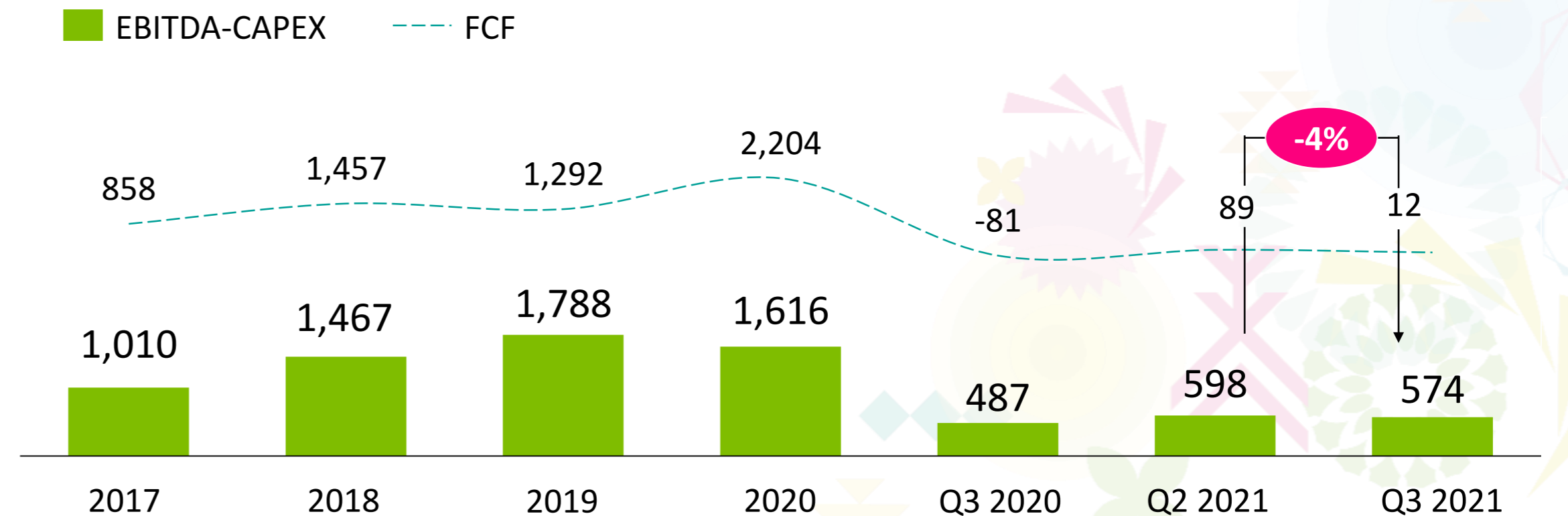
- PAID CAPEX relevant to fixed and intangible assets
- Working Capita increased due to reclassification of MOF loan – current portion

# Company Debt

With financial support from financial institutions, shareholders, and the Ministry of Finance.

## Zain Saudi Arabia borrowings summary

| Description | Party | Outstanding Amount |
|---|---|---|
| Murabaha Facility Arrangement (MFA) | Consortium of eight banks | 3,678 |
| Government Loan (MoF) | Ministry of Finance | 4,039 |
| Due to Shareholders* | Founding Shareholders | 85 |
| Junior Murabaha Debt | Consortium of five banks | 2,250 |

* Due to Shareholders do not bear interest

| | Q3 2021 | Q2 2021 | Q1 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|
| Net Debt* | 9,390,369 | 9,232,377 | 9,193,616 | 9,141,540 | 14,226,889 | 14,217,950 |
| EBITDA | 805,843 | 765,186 | 735,490 | 3,441,087 | 3,822,603 | 3,009,254 |
| Debt / (Debt + Equity) | 52.86% | 53.03% | 52.07% | 53.99% | 78.95% | 79.58% |
| Net Debt/EBITDA (Annualized) | 2.99 | 2.98 | 2.84 | 2.66 | 3.72 | 4.72 |

* Net Debt includes due to shareholders and excludes the management fee due balance

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# Company Debt

**Evolve cost** transformation **initiatives**

- Opportunity to approach business differently
- Increasing efficiencies to lower operating costs
- Aligning businesses to changing customer behavior

**Taking Proactive Financial Measures**

- Increased capex guidance while implementing efficient cost measures

**Committed investment in key capital projects**

- Network investment including 5G and expanding fiber
- Technology and content investment

# National Roaming Launch



**Zain KSA** rolls out "**National Roaming**" Service in Asir, Qassim and Riyadh.

In Partnership with **CITC** and other **Telecom Operators**.
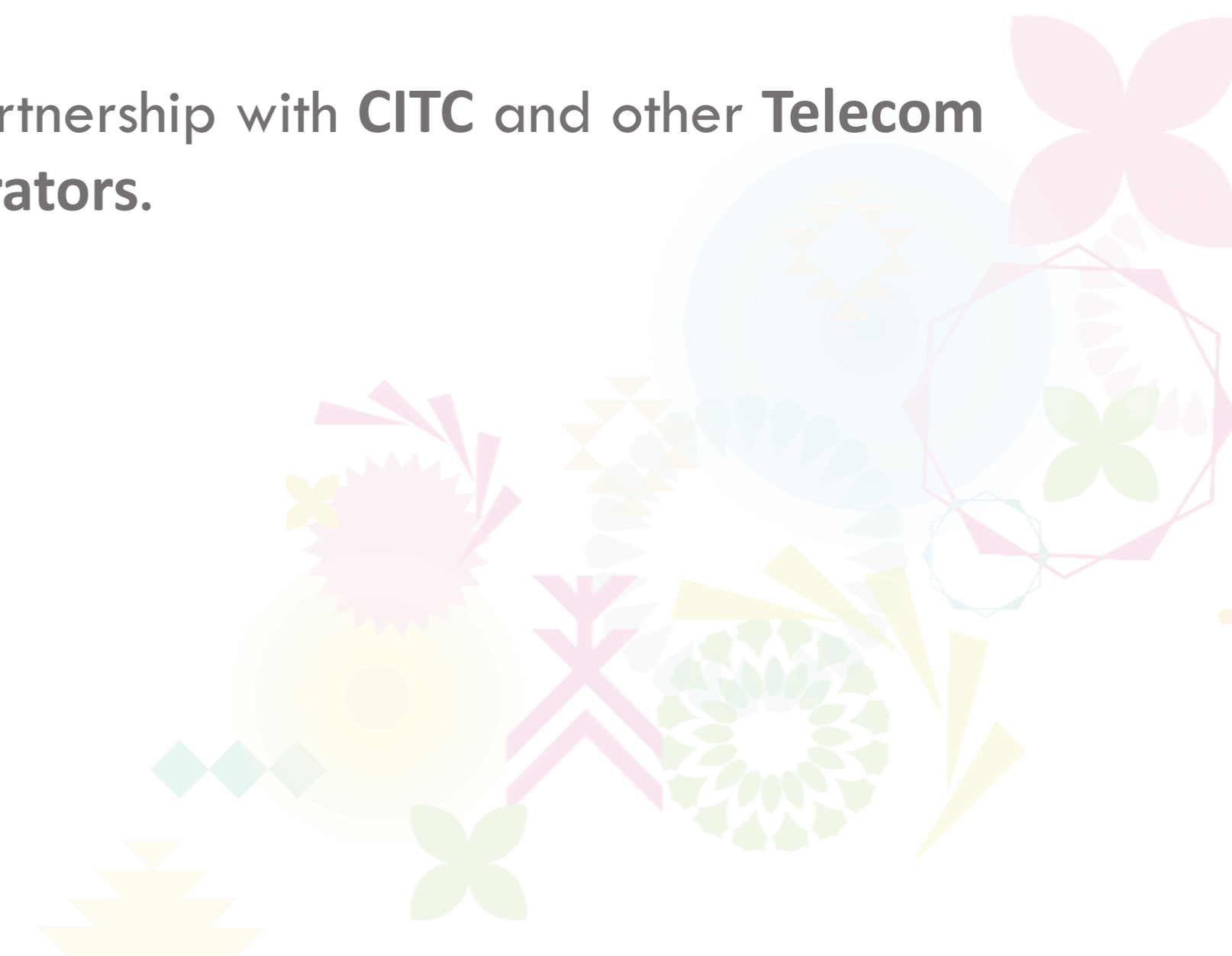
# New Package



During this quarter, **Zain** launched
the **Black package** for its VIP customers with
unique features that suit the customer's needs.
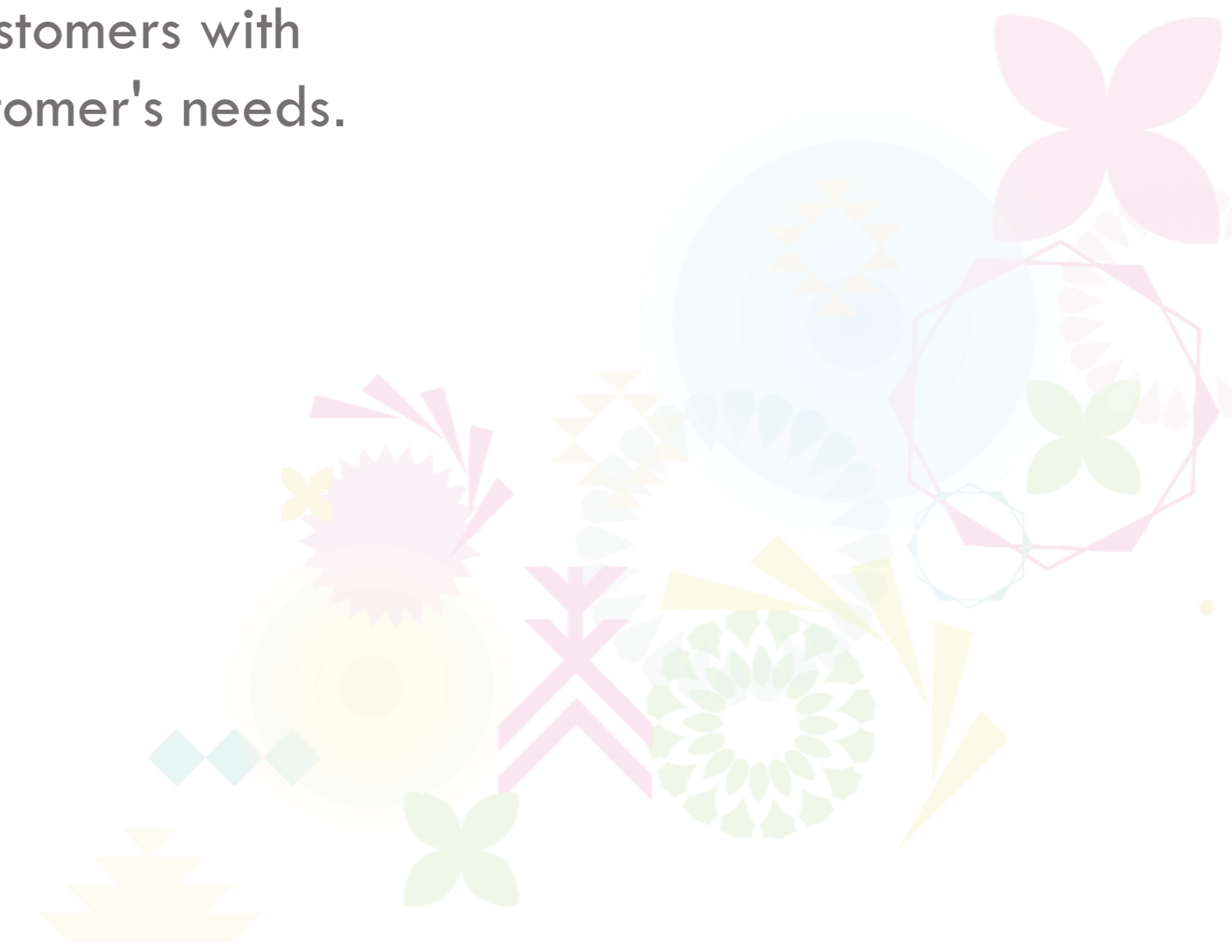
# iPhone 13 Launch



On September 24, **Zain** started selling for iPhone 13 and organized a launching event in King Abdullah flagship.

# Telecom Review Magazine

**Zain KSA** committed to driving innovation for a sustainable future. [link](#)

# 5G Recognitions



Zain KSA once again ranks first in the Q3 2021 edition of Meqyas Report, issued by the Communications and Information Technology Commission (CITC).

Our award-winning 5G Network was recognized by Meqyas for achieving the fasted average download speeds for mobile 5G in Riyadh city. Zain topped the list with an average download speed of 379.7 Mbps.

Zain KSA was also awarded for having the largest 5G coverage in Riyadh city at around 89.35%.

This once again solidifies Zain KSA's position as the best 5G provider.

# 5G Recognitions

# Environment

Sustainability lies at the core of all our work. In accordance with our Corporate Sustainability Strategy, Zain KSA is proud of its efforts to help combat climate change through several initiatives.



Partnership with Hejaz bloggers for cleaning beach in Western Province



Signing MoU with 'Tadweer' for recycling e-waste



Partnership with الرياض الخضراء



Launch e-waste initiatives to encourage people to recycle e-waste

# Society

Zain KSA continues to support initiatives that play a positive role in driving a happy, healthy and sustainable society:



Parental Control guideline



Signing MOU with the National Mental Health Center



Sponsorship with Space Commission in "art pioneer" competition



Digital Partner of MCIT's ThinkTech initiative



FIFA tournament with Saudi E-Sport



National day song

# Achievements

Zain KSA has been awarded the ISO 27017-2021 (ISMS) certification. which certifies Zain KSA's ability to enhance the security of cloud solutions and mitigate risks for customers.

The certification also denotes Zain KSA's successful implementation of mutual protocols and guidelines to help customers and cloud service providers operate their cloud services safely and efficiently while protecting their data as well their customers' data from cyberthreats.

Zain KSA has been awarded the ISO 27018: 2021 (ISMS) Certification for its "Zain Cloud" and "Drone" services which demonstrates our ability to maintain and continually improve our Information Security Management System along with the requirements for the assessment and treatment of information security risks.

# More information

For more information, please visit our website or contact us through:

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📞 **+966 59 244 8888**



https://sa.zain.com/en/investors/financial-reports

# Thank You