

Omer Maher Good morning and good afternoon, everyone. This is Omar Maher from EFG MS. I would like to welcome everyone to ZAIN KSA 3Q2024 Results Call. As usual, the call will begin with a discussion of the key highlights of the period, and this will be followed by a QA session.

So, I'll now hand the call over to Faisal Alkahtani, Investor Relations Manager at ZAIN KSA. Thank you very much.

Faisal Alkahtani Thank you. Good afternoon, everyone. Thank you for joining us today for the ZAIN KSA Third Quarter 2024 earnings call. I am Faisal Alkahtani, manager of investor relations, and with me today our acting CEO, Mr. Saad Alsadhan, and CFO, Mr. Mehdi Khalifaoui.

We announced our result last Tuesday and released our financial statement last Thursday, and you can find all related material on our website. Before we begin, I would like to remind you that during this call, expectations and projections regarding future performance of the company referenced in this presentation are forward-looking statement within the meaning of applicable securities laws and regulation. They are statements which the management believe 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 successful and timely execution of plans and strategies that could cause actual results to differ materially from those anticipated in these forward-looking statements.

Now, I will hand it over to Mr. Saad, who will provide an overview of our third quarter performance. After that, Mr. Mehdi will discuss our financial results in more detail, and we will then open the call for questions.

Mr. Saad, please go ahead.

Saad Alsadhan Thank you, Faisal. Good afternoon, ladies and gentlemen, and thank you for attending the call and showing interest in ZAIN KSA. I'm happy to be with you all on this earning call.

Before I take you through our financials and recent achievements, allow me to take you a few minutes to quickly go through our corporate strategy. We built our eight-pillar corporate strategy to serve the foundation of our brand equity. These eight pillars serve as the building blocks to achieve success and return on investment for all our stakeholders and investors by serving as roadmap for creating success. Our corporate strategic positive financial returns generate value through strategic partnership and leverage our assets of strength to drive the ZAIN KSA brand to greater heights.

On the financial, as we have reported, our latest financial results covering the first nine months of 2024 we achieved revenue of 7.7 billion, 4.5% growth year on year, net profit over the period amounted 322 million, which is 33% increase compared to same period in 2023, excluding the tower sales gains. The financial performance reflect ZAIN KSA's strategic focus on enhancing customer experience and expanding future technologies and 5G. The company saw significant growth in revenue from the enterprise sector Yaqoot Digital Services, and as well as the higher return on investment on our financial arm Tamam, Tamam witnessed a successful first nine months of 2024 and expanded its product and services, resulting in

revenues of 265.4 million, a 24% year on year growth. And Tamam also achieved a 72% net profit growth, corresponding to 78 million in the first months of 2024 versus the same period in 2023.

On the performance, our total achievement at our total active customer increased to 9 million by end of Q3 2024, with an ARPU of 61 SAR, total capex investment for Q3 2024 was 293 million, used to further enhance the quality of the services provided to our customers.

ZAIN continues strengthen its leadership in the 5G innovation as an enabler of vision 2030, we expand coverage to 67 cities by Q3 2024. This strategic growth has resulted in a 30% year over year increase in ZAIN download speed and 25% rise on the 5G traffic compared to Q3 2023.

The strategic partnership, as mentioned in my opening remarks, ZAIN KSA places a great importance on its strategic partnership and the great value to our mutual stakeholders. In this quarter, we launched our partnership with Ministry of Human Resources and Social Development to empower people with disabilities by offering specialized training and development program, along with job opportunities. We contributed to the safer economy by launching phase two of our E-waste recycling campaign in cooperation with Ertiqa department, where we recycled over 3,000 devices. Also, under the umbrella of the Ministry of Economy and Planning, we announced that we will empower three leading local companies through our ESG expertise as part of our commitment to sustainability.

On the sustainability we launched our independent annual sustainability impact report in honor to our beloved late CEO engineer, Sultan Aldeghaither, for his extraordinary contribution to ESG. ESG goals are at the heart of our operations and organization which allow us to remain champions of sustainability. We collaborated with Kalaf Charity as start of this school year. We celebrated purple Saturday, the last Saturday in July by providing tailored and exclusive benefits to people with disabilities. This resulted in over 600% increase in subscription. Through our collaboration with Be My Eyes, 82 ZAINERS proudly contributed their time and expertise to easing the daily activity of blind people through the app.

On an end note, we confirm our ongoing commitment in ZAIN KSA to drive innovation, support Saudi vision 2030, and continuously enhance our services and infrastructure. Our goal is to elevate the quality of life and well-being of people and empower wonderful world.

With that, I would like to hand over to Mehdi Khalfaoui, our chief financial officer.

Mehdi Khalfaoui

Thank you, Saad. Good afternoon, everyone. In terms of third quarter performance, our revenue reached 2.6 billion, witnessed an increase of 2% or 58 million compared to Q3 2023. Compared to Q2 2024 revenue reflected a small uplift of 1% or 31 million, a significant part of revenue growth as compared to Q3 last year is driven by enterprise, 5G, wholesale segments contributing to yearly uplift by more than 90%. Further, the micro lending segment showed a 27% increase in revenue during the current quarter, reaching 95 million compared to 75 million in Q3 2023, in line with the higher gross loan book portfolio.

The total customer base crossed 9 million, reflecting 1% growth as compared to last year. Our blended ARPU declined slightly by 2% to reach 61.3 SAR with legacy broadband being the key contributor of this decline.

Gross margin reached 1.7 billion, 66% of revenue, and was higher than Q3 2023 gross margin of 1.48 billion, 59% of revenue by 232 million, or 16%. Compared to Q2 2024, our gross margin compared to Q2 2024 gross margin of 1.5 billion, 60% of revenue. The gross margin witnesses the growth of 173 million or 11%.

Gross margin enhancement versus Q3 2023, mainly resulting from enterprise micro lending device wholesale, along with the withholding tax on international accruals reversal of 157 million. Gross margin percentage reached 66% yet normalized for the one-off benefit would be 60.3%.

To conclude on the gross margin, we reported 58 million, an additional revenue versus Q3 last year, translating into an additional gross margin of 76 million, along with the one-off adjustment of 157 million, as discussed, yielding an additional gross margin of 232 million, equivalent to 16%.

In terms of OPEX, we reported 858 million. SAR, 33% of revenue higher than Q2 2024, OPEX of 760 million, equivalent to 30% of revenue by 98 million or 13%, mainly due to additional 61 million ECL, or bad debt originating from comprehensive review of all aged receivables. Compared to Q3 2023, Opex of 645 million or 26% of revenue. The current quarter was higher by 213 million or 33%. Main driver for the variance was the additional bad debt, basically a reversal of 90 million last year, the inclusion of higher network maintenance owing to the complete transfer of towers from towerco to transaction, and the additional BTS built during this year, offset by an optimization that was done when it comes to other OPEX and advertising cost.

EBITDA margin of the company of 33% normalized at 27% for the one-off reversal. Our reported EBITDA for the current quarter reached 856 million, 33.1 % EBITDA margin higher than Q2 2024 EBITDA of 780 million, or 30.6% EBITDA margin compared to Q3 2023 EBITDA of 836 million, our EBITDA is higher by 20 million or 2%, mainly due to the listed increase in gross margin by 232 million, offset by increase in Opex, as compared to Q3 last year, by 212 million.

In terms of EBIT, the company generated 318 million, reflecting almost stable trend compared to Q3 last year, as a high EBITDA was offset by higher depreciation and amortization in line with the asset capitalization.

To conclude with a net profit, the company closed with 150 million higher than Q3 2023 by 1.2 times, or 81 million, mainly from the gain on disposal of the towers of 21 million during Q3 this year, as compared to a loss on disposal in prior year quarter of 47 million. Whereas we witnessed a drop in interest expense by 9 million or 5% and lower zakat expense by 5 million or 30% as a result of the adoption of the latest Zakat regulation. capex amounted to 293 million, equivalent to 11% of revenue, representing a significant increase from Q3 2023

of 93 million. Year to date capex reaching 412 million, reaching 5.3%. In terms of capex commitment related to projects under implementation, we still have project worth of 2.6 billion, as compared to 662 million by end of December last year.

In terms of cash flow, we started the year with 946 million. We closed at 426 million at the end of Q3, following the major payments that took place during the year, capex payment of 530 million that was fully funded by the capex facility dividend of 448 million, interest payment of 525 million. During the year, we had a drawdown of 620 million and repaid 1.1 billion relating to MOF facility and the Murabaha loan, with the latest payment being in end of September, of 633 million from the MFA facility.

In terms of free cash flow, our reported free cash flow reached 1.2 billion for this year, and this, despite the increase in receivables of 967 million. In terms of debt profile, our net debt for the period reached 7.3 billion as a result of the new facilities in place in terms of capex financing and receivable discounting. Yet, our reported net debt to EBITDA, excluding any of this liability here for to a nonbank, reached 2.4 times as compared to 2.46 times at the end of Q2, by including the least liability, we are at 2.85 times.

Our debt today is stable, representing 43% of the capital structure.

With this, I would like to end the financial part, hand over back to Faisal.

Faisal Alkahtani Thanks. We can start the question now.

Omar Maher Thank you very much for the presentation. So, we'll move to Q&A, and if anyone would like to ask any questions, you can either use the raise hand function or put the question in writing in the Q&A box.

So, the first question verbally comes from Thandos Kosana . Please go ahead.

Thandos No. Thank you very much for this. I've got a couple of questions, but I'll ask two, just given the time, and then get back in the queue. Just the first two on margins. Your EBITDA margins normalized, it's 27, 28% roughly. Just wanted to get your thoughts in terms of what we should be thinking in terms of the Q4, and then is that 27, 28% the jump off point for 2025? Just your thoughts there on the pulls and pushes in terms of margins. The second question is just on accounts receivable. It continues to go up, increasing, and I think in the last quarter, Mehdi, you mentioned that there's been some seasonality in terms of the consumer receivables, but doesn't seem like this has reversed. I just wanted to get your thoughts on in terms of the collection and the visibility you have for this balance. Thank you.

Mehdi Khalifaoui Thank you. Thank you for your questions. Yes, indeed. EBITDA margin, if we have to normalize it with the one-off reversal that is due basically to the conclusion of the withholding tax on international case that came in favor of all operators. It's 27%. We should continue to think at the 30% because this quarter we took an additional bad debt after the comprehensive assessment that was that was done at the receivable level. Yet, if this receivables are recoverable in the future, then definitely it would lead to less bad debt.

In terms of account receivable, yes, Q2 there was a seasonal when it comes to consumer, yet this has been recovered during Q3. So, we saw an enhancement when it comes to the collection from consumer, yet when it comes to B2B, this is from where, basically the increase is coming, and we are doing all our efforts, either with the government when it comes to the government receivable collection, or with the corporate when it comes to the collection, to make sure that we get the maximum before year end. Thank you.

Omar Maher Thank you. And once again, if anyone would like to ask questions, you can raise the user raise hand function or put in the Q&A box in writing. Next one is from Delelta Reesh . Please go ahead.

Delelta ,we can't hear you, so if you could just enable your mic.

All right. Perhaps we could take a question from the Q&A box from Sheriff Salim, is asking, how do you see the ARPU evolving? Where do you see most competition in terms of segments?

Saad Alsadhan Thank you, Omar, for the question. It's all about the consumer. And the challenge that we are seeing with the consumer, where it is more to transactional, more than lifetime revenue, we are focusing on higher stickiness of customer. We commit, we continue. We think that the continue of Umrah and visitors will continue, and we can see still the traffic coming with the higher ARPU from such visitors. We expect more growth on this segment, especially in Q4 with the iPhone and this immediately will reflect the ARPU of the customer. Definitely, we will continue our focusing on the 5G, and we expect coming from the 5G more customers with higher ARPU, not normal prepaid or normal low ARPU customers.

Omar Maher Thank you. And then back to the lens question she's asking about the overall market dynamics. So, what trends did the company see in 3Q on the competitive and pricing front?

Saad Alsadhan we can see the consumer is challenging because of lots of transactional activities, more than lifetime of customers. This is on the consumer side, but we think in Q4 because of the effect of the iPhone launch will enhance a little bit on the demand, on the market. On the B2B segment, we can see growth by multiple activities, like pertaining multiple sectors and segment and having a healthy margin on that segment.

On the 5G, as mentioned before, we saw huge growth, quarter over quarter on the demand from the Customer. In terms of traffic, we are seeing around 25% on the 5G compared to the normal technologies. We are covering 67 cities. And even in the revenue, we can see 25% the same thing, around 25% growth in revenue coming from the 5G.

Omar Maher Thank you. And next question is from Kaushik Misran f. The question is, what is the committed capex for this year, and going forward how will it be as a percentage of revenue for the medium term?

- Mehdi Khalifaoui Capex, as we mentioned, we still have 2.6 billion of committed projects under delivery for this year. I would say after nine months, we will be lending at between 10 to 12%, not less than 1 billion for this year as executed project. Thank you.
- Omar Maher Thank you. And next question is from Indica Himata
- Indica Yes, thank you for the call. I have a couple of questions. One is basically, if you look at the performance nine months, this 321 million, basically one of 148 reversal. And then if you are just for the even Tamam contribution around 76 million. So, if you just add these two and then basically the core business is giving around 100 million or 110 million. So just wanted to understand the company strategy. I mean, it's significantly weaker sort of performance from ZAIN, so what is the company strategy to improve this profitability and the bottom line? I mean, this is like for long, how long we have been expecting now company to have, like, a very strong bottom line? That's the first question. And the second one is with regard to Tamam, the Islamic financing arm, I mean, you almost reached around 800 million net loan book. What are your basically the future strategies, how fast you are growing?
- We know the competitors are growing much faster than you, and what is the strategy from that front and improve the profitability as well as the loan book size?
- Saad Al-Sadhan Thank you, Indica, for the question. Going back to the strategy, we can see the growth is coming from the segment where digital services B2B, as you mentioned, exactly Tamam the micro financing definitely. We are trying to go for good margin, products, highest stickiness, and returning on the investment, have return on the investment as well. Still, we can see huge potential on the other segments, like the B2B, digital services, and monetizing the 5G investments that we put in the network by having multiple product and services, not only one segment. The core is challenging, as mentioned before, especially with the margins, but we are trying to overcome this challenge with lot of initiatives.
- For the second question about Tamam and the micro financing product, yes, the active loan reached more than 800 million, and we are in the process to increase the capital in order to push more the activities of Tamam targeting multiple sector and segment and these as well. Thank you.
- Omar Maher Thank you. And there's a follow-up clarification on the capex question from Padmasagar . And the question is whether the 10 to 12% intensity capex intensity is for the remainder of 2024, or is it your long-term target?
- Mehdi Khalifaoui I would clarify it here more. I would say it's for both. Yeah, but let's not forget that today we are running into a Towerco model. So, any capex that we used to spend before in terms of passive today is captured under Opex. So however, we continue to prioritize the high return on investment area. And definitely any capex saved from the passive part that again today is incurred as part of the Opex is prioritized towards that, but yes, 10 to 12% I would say that's our aim for this year and for the upcoming years as well. Thank you.

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- Omar Maher Thank you. And another reminder, in case anyone has any questions. We have a follow-up from Thandos Kosana . Please go ahead.
- Thandos Hi, thank you. I just wanted to clarify again, just on the EBITDA margins, Mehdi, did you say that 30% is for Q4 this year or for the full year, if we exclude the one of reversals that happened this year? And then, just in terms of the post, your post-paid and prepaid, so your mobile subscriber business. I mean, we saw Mobily lose a couple of subscribers, or quite a huge amount of subscribers this quarter. And I look at your numbers, it doesn't seem like you've gained much. Just maybe, if you can just talk about where these customers are going, they're probably going to STC, or what's happening. Just some kind of internal mobile business. Thank you.
- Mehdi Khalifaoui Ok Thandos. So, on the full year, we continue committed to deliver 30% EBITDA margin, as discussed during prior calls. However, when it comes to customer base Q3 and Q2 it's seasonal. For us, it's more into the value of the customer, rather than on the transactional customers that we might acquire this quarter and disappear the next one. However, we are there into the transactional. I mean, we continue to be the challenger, and we will not leave any headroom to the competition there yet, the core when it comes to consumer remain challenging for this year. I mean, we suffered from the second quarter seasonality. Q3 is also low season. Our bet is on the launch of the iPhone 16, where usually it is the enabler of growth when it comes to consumers that we started seeing some positive results that we hope to continue during the upcoming quarter. Thank you
- Omar Maher Thank you. Next question is from Padmasagar Chika Para again. It says, have you realized all the potential gains from the towerco deal and your PNL, or are there still some portion you are yet to realize?
- Mehdi Khalifaoui Thank you for the question. So basically, to clarify the gain on tower code that took place in Q3, while we were negotiating the transaction with PIF, we allowed a certain buffer or headroom that allow us to sell the sites that were built during the transaction discussion. The total number of sites was handled, 199 sites, and this is the last batch basically that was transferred to GLI. Thank you.
- Omar Maher Thank you. It looks like we don't have any more questions in the queue.
- Mehdi Khalifaoui If we don't have any additional question, I think we can end the call, Omar.
- Omer Maher Sure. Would you like to make any concluding remarks? Or shall we wrap up? We have one that just -- no, that's it. Sorry. It was a comment.
- So, in case you'd like to make any concluding remarks, otherwise we can just wrap it up.
- Faisal Alkahtani Okay, thank you all for joining us today and for your continued interest in ZAIN KSA. Should you have any additional questions or require further information, please do not hesitate to reach out to our investor relation team. We look forward to updating you on our progress in

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the next quarter. Thank you again for your time and support. Have a great day. Thank you.
Thank you very much.

Omar Maher

Thank you Zain Saudi team and thank you everyone for your participation. This concludes the call and have a nice day.