

Business

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Zain KSA net income for first 9 months of 2019 reaches a record \$102 million

Revenues up 12.3% for nine months to reach \$1.64 billion

RIYADH: Zain Saudi Arabia (Zain KSA), announces impressive financial results for key indicators for the nine months and third quarter ended 30 September 2019, where the company served 7.7 million customers.

For the first nine months of 2019, Zain KSA generated revenues of SAR 6.16 billion (\$1.64 billion), up 12.3 percent compared to the same period in 2018, while EBITDA for the period increased by 49 percent to SAR 2.85 billion (\$761 million), reflecting an EBITDA margin of 46 percent. Net income for the nine months soared to reach an unprecedented SAR 380 million (\$102 million), reflecting a significant improvement on the net loss of SAR 67 million (\$18 million) reported in the same period of 2018, highlighting an improvement of circa SAR 447 million (\$119 million).

For the three months to 30 Sep 2019 (Q3), Zain KSA recorded revenues of SAR 2 billion (\$536 million), a 3 percent increase on Q3 2018. EBITDA for the period reached SAR 949 million (\$253 million), reflecting a 47 percent EBITDA margin, up 31 percent on Q3 2018. Net income for Q3 2019 amounted to SAR 121 million (\$32 million), reflecting a significant improvement on the net income of SAR 48 million (\$13 million) reported for Q3 2018.

Key Operational and Financial notes for the three months ended 30 September, 2019:

1. During Q3 2019, the company paid off the Industrial and Commercial Bank of China facility in full from the proceeds of the SAR 2.25 billion Murabaha Junior Credit facility that was agreed in June 2019 with a syndicate of five core Saudi Arabia and regional banks

2. Total capex (tangible and intangible) for the nine months totaled SAR 1.2 billion (\$324 million)

3. On October 5, 2019 Zain KSA launched 5G commercial services, with the first phase of the rollout being implemented through a network of 2,000 towers



Bader Al-Kharafi

Al-Kharafi: Impressive operational performance and stronger financial position clearly demonstrates the success of company's digital growth strategy

covering an area of more than 20 cities in the Kingdom. It was the region's largest 5G network deployment

4. Zain KSA launched many appealing B2B services targeting government and enterprise customers as well as individual data monetization initiatives exploiting its superior 4G and 5G network

- Fifth consecutive quarter of profits sees Q3 net income reach SAR 121 million
- Zain KSA's market capitalization has more than doubled over the last 12 months
- Recent launch of 5G services set to bolster key financials in the coming years

Commenting on Q3 2019 results, Bader Al-Kharafi, Zain Vice-Chairman and Group CEO, and Zain KSA Vice-Chairman said, "The impressive operational performance in reporting five consecutive quarters of profit clearly demonstrates the success of the company's digital growth strategy that has placed the company in a much stronger financial position and also seen its market capitalization more than double over the last 12 months."

"Zain KSA's success and continued financial growth was due to the increased demand for the company's innovative digital products and services offered to B2B and individual customers; a direct result of the operator's superior network quality. Additionally, the reduction in the tariff of the annual royalty fees for commercial service from 15 percent to 10 percent of net revenues has contributed to the company's financial performance," Al-Kharafi added.

Al-Kharafi expressed optimism over the continuation of this upward trend in Zain KSA's financial results, supported by the company's continued investment in new services and technologies, the latest of which was the launch of the first phase of commercial 5G services, which has now been extended to 23 cities in the Kingdom through 2200 towers. The initial launch will be followed by a gradual expansion of the network to

cover a total of 26 Saudi cities utilizing 2,600 towers by the end of 2019.

"Zain KSA will also rely on 5G technology to enhance IoT, smart city and digital payment services in the near future. This reflects the company's commitment to encourage innovation and stimulate the development of new sectors in the Kingdom that open the door to a new era of economic growth and enhance job creation opportunities for Saudi youth," Al-Kharafi said.

Al-Kharafi concluded by expressing his sincere gratitude to the leadership of the Kingdom of Saudi Arabia for creating an environment in which companies such as Zain KSA can thrive. "The Board and executive management teams of Zain Group and Zain KSA are committed to playing a key role in the Kingdom's ICT sector and offering customers quality and life empowering telecommunications services in line with Vision 2030. It is gratifying to have authorities at all levels of government support and commit to our presence in the Kingdom in such a positive manner. Such support further increases the attractiveness of the Kingdom's economy, contributing to its ongoing prosperity."

Zain KSA benefits greatly from the expertise and resources of its parent Zain Group, which supports Zain KSA in being a leader in the sector and driving technology innovation in the Kingdom forward.

Zain KSA Key Performance Indicators (SAR) for the first nine months of 2019

Revenues	SAR 6.16 billion	USD 1.64 billion
EBITDA	SAR 2.85 billion	USD 761 million
EBITDA Margin	46%	
Net Income	SAR 380 million	USD 102 million

Zain KSA Key Performance Indicators (SAR) for third-quarter of 2019

Revenues	SAR 2 billion	(USD 536 million)
EBITDA	SAR 949 million	(USD 253 million)
EBITDA Margin	47%	
Net Income	SAR 121 million	(USD 32 million)

US budget deficit soars to almost \$1tn

WASHINGTON: America's budget deficit soared to nearly \$1 trillion in the 2019 fiscal year as government borrowing swelled, the US Treasury announced Friday. The fourth straight year of broadening budget gaps underscored a new tolerance for yawning fiscal imbalances in the current political era. Republican lawmakers' oft-stated fears of weak fiscal discipline under the prior administration have fallen by the wayside and trillion-dollar annual deficits look set to become a new normal. It is the first time since the early 1980s that the budget gap has widened over four consecutive years.

The figures reflect the second full budget year under US President Donald Trump, a Republican, and come at a time when the country has an expanding tax base with moderate economic growth and an unemployment rate currently near a 50-year low.

The US budget deficit widened to \$984 billion, which was 4.6 percent of the nation's gross domestic product. The previous fiscal year deficit was \$779 billion, with a deficit-to-GDP-ratio of 3.8 percent. Total receipts increased by 4 percent to \$3.5 trillion but outlays rose by 8.2 percent to \$4.4 trillion.

"Americans from all walks of life are



US Treasury Secretary Steven Mnuchin

flourishing again thanks to pro-growth policies enacted by this administration," Acting Office of Management and Budget Director Russ Vought said in a statement accompanying the figures.

The deficit reached a peak of \$1.4 trillion in 2009 as the Obama administration and Congress took emergency measures to shore up the nation's banking system during the global financial crisis and provide stimulus to an economy in recession.

The persistent increase in government borrowing also runs counter to President Donald Trump's campaign pledges in 2016 to eliminate or at least significantly reduce America's \$19 trillion debt load.

The fiscal 2019 deficit jumped by 26 percent to \$984 billion, the highest since 2012, as spending outstripped tax receipts in the wake of the 2017 Republican-led tax cuts, according to the Treasury. Tariffs imposed in Trump's multi-front trade confrontations also rose to a record \$30 billion in the year ended September 30. "President Trump's economic agenda is working," Treasury Secretary Steve Mnuchin said in a statement, calling on lawmakers to cut "wasteful and irresponsible spending."

The increase in the deficit paled in comparison to those recorded during and after the Great Recession of 2007 to 2009.

More than healthcare

But unlike that era, the current stretched fiscal reality coincides with a record economic expansion now in its 11th year. With the economy growing, the government took in more money from workers, importers and companies, who paid \$3.5 trillion in taxes, about four percent more than in 2018.

But spending grew twice as fast, rising 8.2 percent to \$4.5 trillion, driven higher by rising interest on existing public debts, defense spending and outlays for social

safety net programs like Medicare and Social Security. Borrowing from the public swelled to 79.1 percent of GDP for the year, up from 77.5 percent in the year before.

The 2019 fiscal year's deficit put Washington on a path to exceed forecasts from the non-partisan Congressional Budget Office, which in February said budget gaps should surpass \$1 trillion beginning in 2022. Mnuchin repeatedly argued that the sweeping cuts to corporate and personal income taxes in 2017 would spur economic growth, boosting tax receipts and help the tax cuts pay for themselves.

More recently, however, the White House has emphasized other priorities, with the president saying a stronger military is more important than a balanced budget. The United States has run budget deficits every year since the late 1990s, an era which immediately preceded the 2001 terrorist attacks and the ensuing wars and recessions. While interest rates have remained low in the last decade, the costs of US borrowing are rising. Interest on public debts paid by the Treasury in 2019 rose nearly 10 percent to \$572.8 billion.

That handily surpassed the \$409.4 billion in federal spending on Medicaid, the health insurance program covering scores

of millions of low-income Americans.

The annual budget deficit had been reduced to \$585 billion by the end of former President Barack Obama's second term in 2016 and Republicans in Congress during that time criticized Obama, a Democrat, for not reducing it further.

Since then, the budget deficit has jumped due in part to the Republican's overhaul of the tax system, which in the short term reduced revenues, and an increase in military spending. By the end of fiscal 2019, corporate tax payments were up 5 percent. Customs duties, which have been boosted by the Trump administration's levying of tariffs on China and others, were up 70 percent year-on-year to a record high.

For September, the US government recorded an \$83 billion surplus, a 31 percent drop from the same month last year. When accounting for calendar adjustments, the surplus last month was \$17 billion compared with an adjusted surplus of \$51 billion the previous year. For the fiscal year, the adjusted deficit was \$1 trillion. Outlays were \$291 billion in September, up 30 percent from the same month a year earlier while receipts totaled \$374 billion, an increase of 9 percent from the year-ago month. — Agencies