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Business

Zain Group revenue rises 35%, net income up 12%

Bader Al-Kharafi hails success of digital strategy • Q3 2019 sees net income up 10% to KD 56m

KUWAIT: Zain Group, the leading mobile telecom innovator in eight markets across the Middle East and Africa, announces its consolidated financial results for the third quarter (Q3) and nine-month periods (9M) ended 30 September, 2019. The company ended the period serving 49.1 million customers, reflecting a 3 percent year-on-year (Y-o-Y) increase.

For 9M 2019, Zain Group generated consolidated revenue of KD 1.2 billion (\$4.0 billion), up 35 percent Y-o-Y, while consolidated EBITDA for the period reached KD 538 million (\$1.8 billion), up 66 percent Y-o-Y, reflecting a healthy EBITDA margin of 44 percent. Consolidated net income amounted to KD 153 million (\$504 million), reflecting a 12 percent Y-o-Y increase. Earnings per share amounted to 35 fils (\$0.12) for the nine-month period.

For 9M 2019, foreign currency translation impact, predominantly due to the 41 percent currency devaluation in Sudan from an average of 27.1 in 9M 2018 to 46.0 in 9M 2019 (SDG / USD), cost the Group \$141 million in revenue, \$62 million in EBITDA and \$21 million in net income.

In Q3'19, Zain Group generated consolidated revenue of KD 411 million (\$1.4 billion), up 2 percent Y-o-Y in KD terms. EBITDA for the quarter reached KD 183 million (\$603 million), an increase of 18 percent Y-o-Y, reflecting a 45 percent EBITDA margin. Net income for the three months amounted to KD 56 million (\$183 million), showing a 10 percent increase Y-o-Y. Earnings Per Share for Q3 reached 13 fils (\$0.04).

In Q3'19, foreign currency translation impact, predominantly due to the 38 percent currency devaluation in Sudan from an average of 28.1 in Q3'18 to 45.0 in Q3'19 (SDG / USD), cost the company \$42 million in revenue, \$19 million in EBITDA and \$5 million in net income.

Commenting on the performance to date, the Chairman of the Board of Directors of Zain Group, Ahmed Al-Tahous said, "Impressive growth in key financial metrics for the Q3 and 9M periods of 2019 are primarily a result of the heavy investment we have undertaken in expanding our 4G and 5G networks, to enhance customer experience and increase market share. Given the many challenging socio-economic market conditions across our footprint, the Board is working closely with the management in dealing with these and seeking new lucrative opportunities in the ICT sector."

Bader Nasser Al-Kharafi, Zain Vice-Chairman and Group CEO commented, "The third-quarter saw numerous milestones and was characterized by profitable growth across all key operations, indicative of the success of our digital strategy. This is highlighted by Zain Kuwait recording impressive net income levels and the soaring net income of Zain Saudi Arabia. Moreover, robust revenue growth in our data monetization programs, Enterprise (B2B), cloud services, as well as smart city initiatives in key markets are areas of the business that we will continue to foster, both in individual and enterprise segments."

Al-Kharafi continued, "The recent launch of 5G networks in Kuwait and Saudi Arabia is significant as it allows us to offer more innovative and compelling services to our customers across government, business, IoT, and smart city sectors, bolstering the digital economy in these areas. 5G technology will create vast opportunities in the value chain proposition in numerous industries and will push the telecom sector to a new and exciting phase of growth. Zain is mobilizing all its resources to capitalize on this enormous opportunity in creating shareholder value."

Al-Kharafi also touched upon the company's progress in the area of Fintech stating, "Our focus on exploring new lucrative areas of growth in the Fintech arena saw several major milestones including the launch of the Taman platform in Saudi Arabia, which made Zain the first telecom operator in the region to offer micro-financing to customers. Zain also entered into an agreement with Boubyan Bank in Kuwait to launch a digital platform for Islamic banking services, marking the first digital partnership of this nature in the

region. In addition, the volume of Zain Cash transactions in Jordan and Iraq continues to grow exponentially, reinforced recently by the agreement with UNHCR and IrisGuard to implement iris technology for cash disbursements to refugees in Iraq."

Al-Kharafi concluded by drawing attention to the success of Zain Group's API program launched in 2018 that has seen the company's operations in Kuwait, Saudi Arabia, Iraq, Jordan and Bahrain connected to the API. "We now have more than 12 partners connected, among them are Apple, Google, DoCoMo Digital, Digital Virgo, Eros, Deezer, Starzplay, and OSN, resulting in more than 2 million monthly transactions. It is extremely gratifying for us to see the benefits of one of the key aspects of our digital lifestyle strategy coming to life in such an impactful way."

Operational review of key markets for the nine months ended 30 September, 2019

Kuwait: Maintaining its market leadership, Zain Group's flagship operation saw its customer base serve 2.7 million. It remains the Group's most profitable operation with revenue for 9M 2019 remaining stable at KD 248 million (\$818 million), EBITDA increasing 17 percent to KD 98 million (\$322 million), representing an EBITDA margin of 39 percent. Net income increased an impressive 10 percent to reach KD 66 million (\$217 million) for 9M 2019, with data revenue growing 8 percent Y-o-Y and accounting for 37 percent of total revenue.

Saudi Arabia: The operator continues to grow all its key financial metrics, recording positive net income for the last five consecutive quarters. For the 9M 2019, Zain KSA generated revenue of \$1.64 billion, up 12 percent Y-o-Y, while EBITDA for the period increased by 49 percent to \$761 million, reflecting an EBITDA margin of 46 percent. Net income for the nine months soared to \$102 million, reflecting a significant improvement on the net loss of \$18 million a year earlier, highlighting an improvement of circa SAR 447 million (\$120 million). Data revenue represents 44 percent of total revenue and customers served stood at 7.7 million.

Iraq: Zain Iraq's 9M 2019 revenue reached \$792 million and EBITDA amounted to \$335 million, up 8 percent Y-o-Y, reflecting a much-improved EBITDA margin of 42 percent. The operation reported a net profit of \$36 million for 9M 2019, up 7 percent Y-o-Y. Zain Iraq's focus on expansion of 3.9G services across the country combined with numerous customer acquisition initiatives, resulted in it serving 15.5 million customers, a 3 percent increase Y-o-Y. Another contributing factor to the operation's positive performance was the significant growth of data revenue and robust growth in the Enterprise (B2B) segment.

Sudan: Substantial currency devaluation (approximately 41 percent) in Sudan affected the operation's financial results in USD terms for 9M 2019. Nevertheless, in local currency (SDG) terms, the operator continues to perform remarkably well as revenue grew by 47 percent Y-o-Y to SDG 10.0 billion (\$217 million, down 14 percent in USD terms). EBITDA increased by 49 percent to reach SDG 4.0 billion (\$88 million, down 13 percent in USD terms) and net income increased by 41 percent to SDG 1.6 billion (\$35 million, down 19 percent in USD terms). Data revenue accounted for 16 percent of total revenue and grew 34 percent in SDG terms, while the operator's



Zain Vice-Chairman and Group CEO Bader Nasser Al-Kharafi



Zain Group Chairman Ahmed Al-Tahous

customer base increased 8 percent to reach 15.4 million.

Jordan: Zain Jordan served 3.8 million customers at the end of September 2019, maintaining its market leading position despite intense price competition and challenging economic conditions in the Kingdom. Y-o-Y revenue was stable at USD 369 million, with EBITDA up 14 percent to reach \$169 million, reflecting an EBITDA margin of 46 percent. Net income increased 6 percent to \$59 million for 9M 2019. With the ongoing expansion of 4G services across the country, data revenue represented 40 percent of total revenue.

Bahrain: Zain Bahrain generated revenue of \$121 million for 9M 2019, down 6 percent Y-o-Y. EBITDA for the period amounted to \$42 million, up 37 percent, reflecting an EBITDA margin of 34 percent. Net income amounted to \$10 million, reflecting a 4 percent increase.

