

Business

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Al-Kharafi: Zain Group's 9M performance a testament to the success of '4Sight' strategy

Zain Group's net profit for 9 months ended Sept 2021 grows 5% to reach \$450m

KUWAIT: Zain Group, the leading telecom innovator in seven markets across the Middle East and Africa, announced its consolidated financial results for the third-quarter (Q3) and nine-month periods (9M) ended September 30, 2021. The company ended the period with a stable customer base of 48.4 million customers.

For 9M 2021, Zain Group generated consolidated revenue of KD 1.1 billion (\$3.8 billion), down three percent year-on-year (Y-o-Y), while consolidated EBITDA for the period reached KD 478 million (\$1.6 billion), down 3 percent Y-o-Y, still reflecting a healthy EBITDA margin of 42 percent. Efficiency and optimization initiatives resulted in consolidated net income increasing 5 percent Y-o-Y, amounting to KD 135 million (\$450 million). Earnings per share amounted to 31 fils (USD 0.10) for the nine-month period.

The increase in 9M consolidated net income is attributable mainly to the impressive revenue performance of the majority of Group operations, except primarily for Zain Iraq, which had its profitability impacted by the currency devaluation in the country. Moreover, Group net income increased on account of successful cost optimization initiatives and loan restructuring across operations and the Group, which resulted in significant savings in financing costs.

For 9M 2021, foreign currency translation was impacted mainly due to the currency devaluation in Sudan from 55 in January 2021 to 439 (SDG /USD) end of September 2021, and a 19 percent currency devaluation in Iraq from 1,190 to 1,470 (IQD /USD). These movements cost the Group \$609 million in revenue and \$316 million in EBITDA.

Notably, if the \$609 million currency translation impact on revenue was excluded, Y-o-Y revenue would have grown by 12 percent for 9M 2021.

In Q3 21, Zain Group generated consolidated revenue of KD 385 million (\$1.3 billion), down 4 percent Y-o-Y EBITDA for the quarter reached KD 168 million (\$557 million), an increase of 3 percent Y-o-Y, reflecting a 43 percent EBITDA margin. Net income for the three months amounted to KD 49 million (\$165 million), a 5 percent increase Y-o-Y. Earnings per share for Q3'21 amounted to 11 fils (USD 0.04).

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Key operational notes for 9M 2021

1. The Ordinary General Assembly on October 12 approved distribution of an interim cash dividend of 10 fils, totaling \$143 million as part of 33 fils per share annual minimum dividend policy

2. The 9M 2021 period was highlighted by the 104 percent Y-o-Y increase in net income at Zain Sudan, a 23 percent net income increase in Zain Jordan and a 18 percent net income rise in Zain Bahrain

3. Data revenue reached \$1.58 billion representing 42 percent of the Group's consolidated revenue

4. The first nine months saw Zain Group invest over \$665 million in CAPEX reflecting 18 percent of revenue, mainly in Fiber-to-the-Home (FTTH); spectrum fees; 4G upgrades and 5G rollouts

5. Zain Kuwait witnessed impressive growth in 5G consumer and B2B customers, with Zain Saudi Arabia expanding its 5G network to over 51 cities covering all regions in the Kingdom

6. Zain joins forces with four regional operators to implement Open Radio Access Network (Open RAN) solutions to drive innovation, cost efficiencies, and customer mobile experience

7. The growth of Zain Esports continues, holding 16 tournaments since the beginning of the year with over 18,000 participants and attracting over 35 million social media impressions

8. The Zain Group Application Program Interface (API) platform enabling faster deployment of digital partnerships, continues to grow exponentially, offering 32 live services resulting in a robust 43 percent Y-o-Y increase in revenue and a 70 percent Y-o-Y increase in API transactions per month

9. Zain receives three awards from SAMENA Council-MEA Business Technology Achievement Awards for: New Technology Leadership for 5G launches in Kuwait and KSA; Innovative Collaborations for Zain Esports; Ground-breaking services for fintech solution Tamam in KSA

Commenting on the 9M performance, the Chairman of the Board of Directors of Zain Group, Ahmed Al-Tahous said, "We continue to roll out high quality



Zain Vice-Chairman and Group CEO Bader Al-Kharafi

- An exceptional 9M performance with significant progress on our '4Sight' strategy, fintech plans and development of numerous digital revenue streams
- \$143 million interim dividend distributed in Q4, a first by a Premier listed entity in Kuwait
- Data revenue represents 42% of consolidated revenue for the nine months
- Establishment of ZainTech targeting lucrative enterprise and government business
- Zain seeks digital banking license to become first telco-led challenger bank in Middle East
- Healthy growth in Fintech services, API platform and Esports participants
- Launch of Zain Ventures sees investment in fast-growing startups
- Revamp of Group's Wholesale aiming to be a carrier of choice for Telcos, other carriers and OTTs

telecommunications services across our markets in an inclusive manner, empowering and improving the socio-economic well-being of the communities we serve. We are also focused on driving efficiencies and seeking new lucrative opportunities to create shareholder value. We thank government authorities across our markets for their vision and support in helping us overcome the many challenges faced by the telecom sector at large."

Zain Vice-Chairman and Group CEO, Bader Al-Kharafi commented, "The operational performance that saw net profit growth over the 9M period, despite the huge impact of unavoidable currency devaluations, is testament to the successful implementation of the '4Sight' strategy. I am extremely proud of the digital transformation achievements and network rollouts our



teams have accomplished across our footprint, enabling us to continue in our mission to foster sustainable systemic change and provide meaningful connectivity in offering high-quality and appealing services to our customers."

Regarding the huge impact of unavoidable currency devaluations in Iraq and Sudan, Al-Kharafi noted, "It is unfortunate that factors beyond our control have impacted several key financial indicators. Management is taking concrete steps to mitigate the impact, including revamping of prices, and offering new lucrative digital services and packages to individual and enterprise customers to capitalize on the comprehensive 4G roll-outs in these countries."

Al-Kharafi continued, "We are operating at optimal efficiency levels and are confident of the future prosperity of the company, evident by the minimum dividend policy we set in 2019 and the recent decision to distribute interim dividends in Q4 '21, a step that provides a clear indication of the strength of our financial solvency, and the company's ability to execute on its strategic growth and financial plans."

"We remain focused on several new lucrative and strategic business opportunities with a priority today on obtaining a digital banking license and becoming the first telco-led challenger bank across the Middle East. We are keen on fostering innovations in the fintech space, given the success and exponential growth we have achieved to date with Tamam in Saudi Arabia and Zain Cash in Iraq and Jordan."

"Similarly, a priority that will create enormous value, is the recent establishment of ZainTech, a vital development in Zain's determination to transform into a multi-core digital business. A first among telecom operators in the Middle East, ZainTech unifies the Group's ICT assets under one roof to provide comprehensive digital solutions and transformation services to enterprises and governments across the region. The new entity also incorporates NXX and Zain Data Park, both specialized ICT establishments in their respective fields. ZainTech offerings will range from solutions for cloud, cybersecurity, and associated managed and professional services. The company will also provide standard and customized digital solutions addressing the unique needs of different verticals leveraging the latest innovations in IoT, big data, artificial intelligence, and emerging technologies."

"To support the ever-growing demand for high-quality data and benefit from the many lucrative opportunities especially in the enterprise space, sound international connectivity and capacity is critical in offering customers quality services across all our markets. Accordingly, the company has revamped the Group's Wholesale business, aiming to become the carrier-of-choice in the region for telcos, other carriers and OTTs. The entity will act as the single interface between Zain opcos and other international carriers, thereby operating at scale and achieving efficiencies. It will also invest in its own infrastructure, including platforms, international cables and data centers."

"I'm extremely excited by the recent creation of Zain Ventures, formalizing Zain's entrepreneurial start-up-related investments under a single entity and opening the door to future investment opportunities in the venture capital, fintech and tech world. We will support and create enormous value from recent investments we've made in fast-growing innovative startups such as PIPE and SWVL."

Al-Kharafi concluded, "As the world continues to



Zain Group Chairman Ahmed Al-Tahous

The Board focused on driving efficiencies and seeking new lucrative opportunities to create shareholder value

deal and co-exist with the pandemic, Zain's resilience and agility to adapt to a vastly changing environment primes us well to tap into the many lucrative opportunities that are brought forth by the Fourth Industrial Revolution. New business verticals and opportune investments we proactively made in the digital arena in recent times will ensure Zain achieves healthy cash-flows and sustainable returns for shareholders. We will continue fostering new value-accretive areas as we drive the business forward."

Operational review of key markets for the nine months ended 30 September, 2021

Kuwait: Maintaining its market leadership, Zain Group's flagship operation saw its customer base serve 2.3 million. It remains the Group's most profitable operation with revenue for 9M 2021 growing 1 percent and reaching KD 235 million (\$779 million), EBITDA grew 9 percent to reach KD 91 million (\$303 million), representing an EBITDA margin of 39 percent. Net income grew by 2 percent to reach KD 58 million (\$193 million) for 9M 2021, with data revenue accounting for 41 percent of total revenue, representing 6 percent growth.

Saudi Arabia: For the 9M 2021, Zain KSA generated revenue of SAR 5.8 billion (\$1.6 billion), EBITDA for the period reached SAR 2.3 billion (\$616 million), reflecting an EBITDA margin of 40 percent. Net income for the nine months reached SAR 143 million (\$38 million). Data revenue represents 49 percent of total revenue and customers served stood at 7.5 million. For the 3rd quarter of 2021, Zain KSA revenues increased by 3 percent to reach \$530 million, EBITDA increased by 5 percent to reach \$215 million, with an impressive EBITDA margin of 41 percent, and net profit stable at \$16 million.

Iraq: Zain Iraq's 9M 2021 revenue reached \$574 million and EBITDA amounted to \$226 million, reflecting EBITDA margin of 39 percent. Net income reached \$31 million for 9M 2021. The operator served 16.5 million customers maintaining its market leading position.

Sudan: For 9M 2021, Zain Sudan generated revenue of \$241 million, with EBITDA amounting to \$118 million, reflecting an EBITDA margin of 49 percent. The operation reported an impressive net profit of \$72 million, reflecting a 104 percent increase in USD terms. Data revenue represented 28 percent of total revenue, while the operator's customer base reached 16.4 million, maintaining its market leadership.

Jordan: For 9M 2021, Zain Jordan revenue increased by 4 percent to \$373 million, EBITDA grew by 16 percent and reached \$186 million, reflecting a healthy EBITDA margin of 50 percent, with net income increasing an impressive 23 percent reaching \$69 million. With the ongoing expansion of 4G services across the country, data revenue represented 50 percent of total revenue. Zain Jordan served 3.7 million customers maintaining its market leading position.

Bahrain: Zain Bahrain generated revenue of \$127 million for 9M 2021 (4 percent growth). EBITDA grew by 4 percent to reach \$44 million, reflecting an EBITDA margin of 34 percent, while Net income grew by an impressive 18 percent to reach \$12 million, for 9M 2021.

Group Key Performance Indicators (KD and USD) for the first nine months (9M) 2021

Consolidated Revenue	KD 1.1 billion - USD 3.8 billion
EBITDA	KD 478 million - USD 1.6 billion
EBITDA Margin	42%
Net Income	KD 135 million - USD 450 million
EPS	31 fils - USD 0.10

Group Key Performance Indicators (KD and USD) for third-quarter (Q3) 2021

Consolidated Revenue	KD 385 million - USD 1.3 billion
EBITDA	KD 168 million - USD 557 million
EBITDA Margin	43%
Net Income	KD 49 million - USD 165 million
EPS	11 fils - USD 0.04