

Q1 - 2019 Financial Results Presentation

2019

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For further information about Saudi Telecom Company, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at **IRU@STC.com.sa**

Strategy Overview



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We are a world-class digital leader providing innovative services and platforms to our customers in the MENA region

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STC Values:



**Customer
First**



Innovation



**Lead with
Agility**



**Building
Trust**



One STC

Digitize STC

Digitally transform STC's operational capabilities

Accelerate Core Asset Performance

Extract more value from our core assets and traditional segments

DARE

Reinvent Customer Experience
At World-class Standards

Redefine customer experience through personalization of every interaction

Expand Aggressively
Scale And Scope

Pursue concrete opportunities for growth



- ▶ To raise our ranking on the E-Government Survey Index from our current position of 36 to be among the top five nations.
- ▶ To increase the private sector's contribution from 40% to 65% of GDP.
- ▶ To increase women's participation in the workforce from 22% to 30%.
- ▶ To move from our current position as the 19th largest economy in the world into the top 15.
- ▶ To lower the rate of unemployment from 11.6% to 7%.
- ▶ To increase SME contribution to GDP from 20% to 35%.
- ▶ To increase our capacity to welcome Umrah visitors from 8 million to 30 million every year.



- ▶ Provide broadband services to all KSA regions by stimulating investment in infrastructure and regulatory frameworks.
- ▶ Support e-commerce.
- ▶ Bridge the digital gap in the skills of ICT users.
- ▶ Increase the IT industry's contribution in the non-oil GDP.
- ▶ Rehabilitation of specialized Saudi human capital and employment in the CITC sector.
- ▶ Develop and activate smart government transactions based on a common infrastructure.



Elements from STC strategy:

- ▶ Lead market in digital services and creative solutions
- ▶ Drive efficiencies through digital transformation
- ▶ Digitalise processes, internal operations, delivery engine and commercial approach
- ▶ Instill culture change
- ▶ Grow B2G and B SME segments
- ▶ Lead technological advancement and provide best in class connectivity platform

Business Overview



Expanding macro economy & liquidity

- ✓ Saudi home ownership up by 3.4% in 2018.
- ✓ Saudi oil exports up 12.7% in December.
- ✓ \$21bn investment in housing sector expected this year.
- ✓ Saudi oil exports up 12.7% in December.
- ✓ Saudi Arabia allocates \$3.1bn to help private sector with expat fees.
- ✓ Unemployment rate of Saudis decreased from 12.9 to 12.8 in Q4.
- ✓ Saudi Arabia ranks 9th on list of world's most powerful countries.
- ✓ Over 5.2 million Umrah visas issued since the season started.

Regulatory Environment

- ✓ Saudi Arabia's Minister for Communications and Information Technology, has announced the largest 5G commercial roll-out in the Middle East and North Africa – with an additional 400 MHz in mid-band (3.5Ghz) spectrum now being released to commercial operators in March 2019.
- ✓ CITC awards additional spectrum in 2300MHz and 2600MHz bands
- ✓ STC and Zain win mobile spectrum licenses in Saudi Arabia.
- ✓ CITC is expected to commercially launch the fifth generation (5G) network by mid-2019.
- ✓ "The launch of 5G is projected to contribute more than \$19 billion to Saudi Arabia's gross domestic product (GDP) and create almost 20,000 new jobs by 2030", citing Haytham Bin Abdulrahman Al-Ohali, Deputy Minister of Communications and Information Technology.

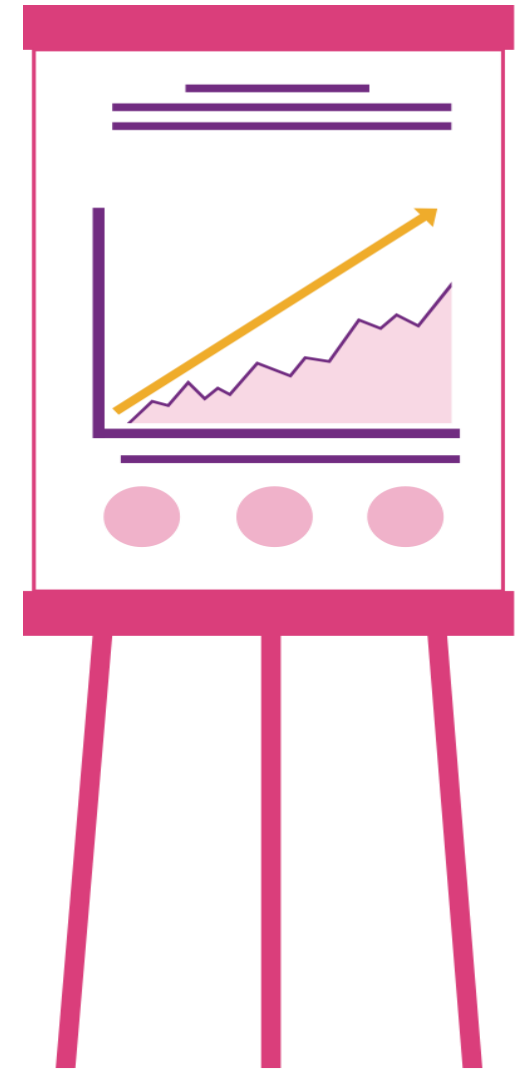
Telecom Industry

- ✓ Number of mobile subscribers declined to 41.3m as of Dec. 2018 (vs. 42.5m as of Sep. 2018) with a penetration rate of 126.9%. Nonetheless, it increased compared to 40.21 as of Dec 2017.
- ✓ Number of fixed Telephony subscribers decreased, reached to 3.12m as of Dec. 2018 (vs. 3.29m as of Sep. 2018) with a penetration rate of 31.8% and (3.64m as of Dec 2017).
- ✓ Number of mobile broadband subscribers declined, reached to 29.15m as of Dec. 2018 (vs. 29.9m as of Sep 2018) with a penetration rate of 89.5% and (29.72m as of Dec 2017).
- ✓ Number of fixed broadband subscribers decreased, reached to 1.90m as of Dec. 2018 (vs. 2.07m as of Sep. 2018) with a penetration rate of 33.7% and (2.50m as of Dec 2017).

Business highlights

- ✓ STC announces that it has won a (2300) MHz spectrum license for to provide mobile telecommunications services.
- ✓ STC announces the launch of the Investor Relations App
- ✓ STC launches the unclaimed dividends query page.
- ✓ STC announces its intention to establish an international Sukuk Program and to issue Sukuk thereunder..
- ✓ STC announces that Careem, in which STC owns a direct stake of 8.8%, has reached an agreement to be acquired by Uber. Also, STC has invested indirectly in Careem through two owned funds, which are: STC Ventures (STCV), which owns a 6.4% stake and Saudi Technology Ventures (STV), which owns a 2.9% stake.
- ✓ STC will be receiving nearly SAR 1.03 billion (\$274 million) profits from Careem stake sale.
- ✓ STC Signs with Cisco and Others to Maximize the Local Content and Enable Digital Transformation.
- ✓ STC launches the first live 5G network in MENA.
- ✓ STC and Nokia sign deal for 5G network launch an rollout of services.
- ✓ STC deploys 5G sites in 450 locations.
- ✓ STC announces a successful Call on a 5G smartphone for the first time in MENA
- ✓ STC first Middle East carrier to join i3 forum.
- ✓ STC, Huawei complete first indoor 5G trial in the Middle East.
- ✓ STC to Establish USD 5 Billion Sukuk Program.
- ✓ King Salman honors STC for supporting the Founder's Equestrian Cup Festival.
- ✓ STC announces the first global Multi-Vendor Integration in its 5G Network.
- ✓ An agreement between STC and KT to develop infrastructure and smart cities.
- ✓ STC Business: Digital Enabler to the Digital Transformation Plan in the Health Sector Launches Tele-Radiology Technology.
- ✓ STC collaborates with Q-loud GmbH to accelerate the Digitalization of Utilities in Saudi Arabia.
- ✓ STC signs a framework agreement with the Ministry of Municipal and Rural Affairs to improve performance and coordination efficiency.
- ✓ STC Reaps 3 International Technology Awards.
- ✓ CITC honored STC Business for participating in the 2019 ICT Indicators Forum, which was opened by H.E. Eng. Abdullah Amer Al-Swaha, Minister of Communications and Information Technology.
- ✓ STC Concludes an Agreement to Execute the Broadband Deployment Initiative through Optical Network Terminals (ONT) with Zhone.
- ✓ STC Business Launches the Link Business Package.
- ✓ STC's JDC and its cloud services receive international PCI Certification.
- ✓ STC and Zain sign an agreement to deliver Fiber Optic Broadband Services to Homes.
- ✓ STC wins Ookla award for fastest network in KSA.

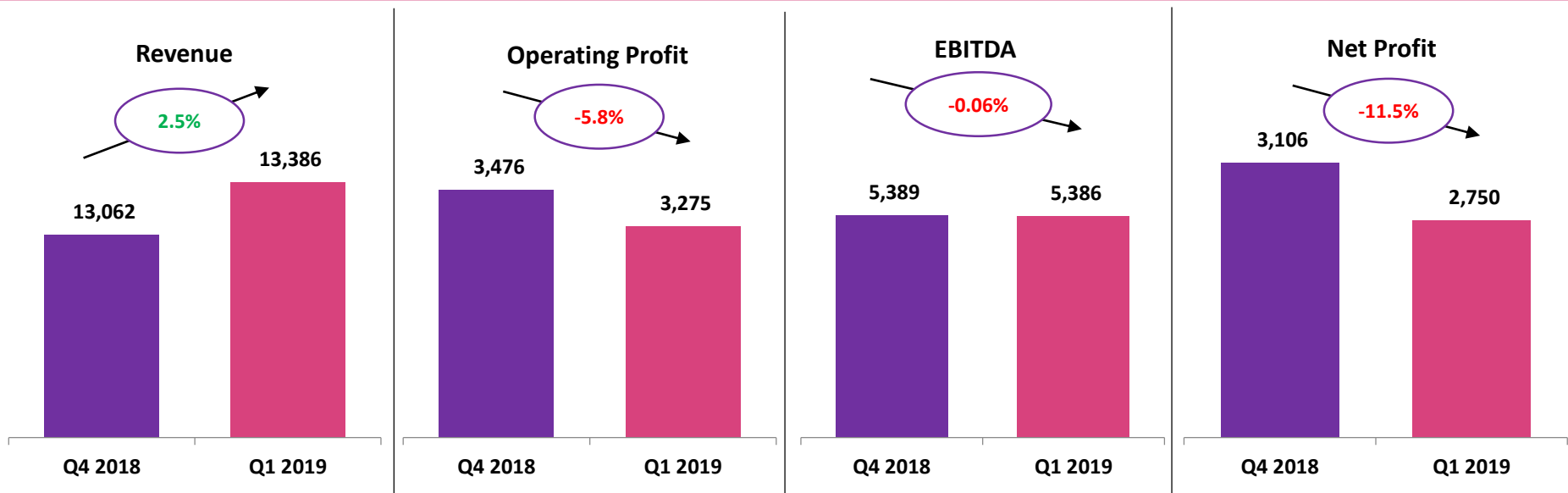
Financial Highlights



STC – 2019 Financial Highlights

| SAR mn | Q1 2018 | Q1 2019 | Change |
|--------------------------|---------|---------|--------|
| Revenue | 12,349 | 13,386 | 8.4% |
| Operating Profit | 2,632 | 3,275 | 24.4% |
| EBITDA | 4,527 | 5,386 | 19.0% |
| <i>EBITDA Margin</i> | 36.7% | 40.2% | 9.5% |
| Net Profit | 2,588 | 2,750 | 6.3% |
| <i>Net Profit Margin</i> | 21.0% | 20.5% | -2.4% |

QoQ 2019



Thank you
