# Financial Results Presentation

**Investor Relations**
**Q1, 2020**

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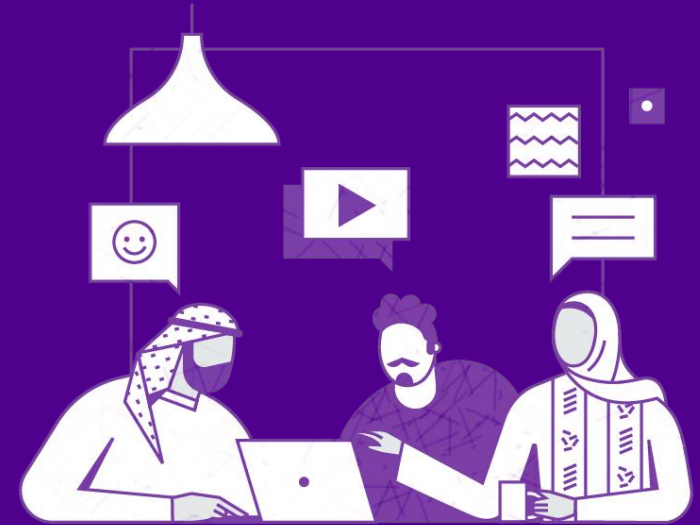
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# Agenda

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I. Strategy Overview

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**d**igitize stc

Digitally transform stc's operational capabilities

**a**ccelerate Core Asset Performance

Extract more value from our core assets and traditional segments

**dare**

**r**einvent Customer Experience At World-class Standards

Redefine customer experience through personalization of every interaction

**e**xpand Aggressively Scale And Scope

Pursue concrete opportunities for growth

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# Aligning stc Strategy with Saudi Arabia's 2020 NTP 2020 & 2030 Vision

VISION 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA

▶ 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.

National Transformation Program

▶ 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 CITC sector;

▶ Develop and activate smart government transactions based on a common infrastructure.

### Elements of stc Strategy:

▶ **Lead market in digital services and creative solutions**

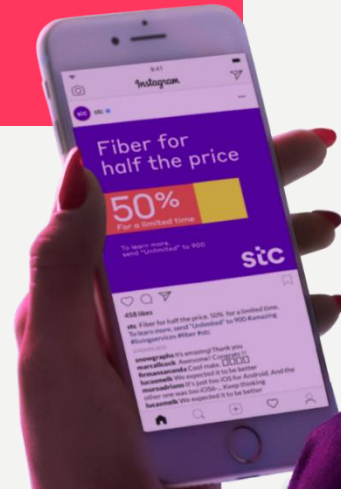▶ **Drive efficiencies through digital transformation**

▶ **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**

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II. KSA Telecom
Market Overview

# KSA & Telecom Industry (Q1 2020)

**Macro Economy & Liquidity**

- Saudi Aramco reports strong 2019 results despite difficult macro environment.
- Saudi Arabia successfully lead the first virtual G20 summit.
- Saudi Arabia is expected to record around SAR 310 billion worth of non-oil exports by the end of 2020, said Saleh Al-Sulami, Secretary General of the Saudi Export Development Authority (SEDA).
- Saudi Statistics Authority: The results of the workforce survey for the fourth quarter 2019 showed the stability of the unemployment rate for Saudis at 12%, compared to the end of the third quarter 2019, where the unemployment rate among males reached 4.9% and among females 30.8%.
- In order to motivate customers to stay home, several major discounts are offered on digital channels, including activating free unlimited international roaming for one week for all customers outside the Kingdom.

**Regulatory Environment**

- CITC has awarded additional spectrum for mobile service providers in the Kingdom as preventive measures against the spread of the Coronavirus that are being implemented in the Kingdom and many countries around the world.
- CITC revealed the indicators of telecommunications services and an increase in the use of mobile and fixed internet in the Kingdom after applying the precautionary measures in the Kingdom to prevent the spread of the Coronavirus, as the average daily consumption of data on mobile and fixed internet networks in the Kingdom increased by 33% from the average of last February.

**Government Initiatives**

- KSA is No. 10 worldwide in terms of internet speed.
- With more than SAR 120 Bn: government of Saudi Arabia implements urgent measures to mitigate the impact of coronavirus on economic activities and private sector.
- Saudi Minister of Communications: 100K free SIM's for students and 30 thousand tablets.
- Minister of Finance and Acting Minister of Economy and Planning: Government is taking precautionary financial measures to face effects of the global epidemic (COVID-19).
- CITC directed telecommunications companies to calculate free tariff for approved educational and health digital platforms, as part of the measures taken in the backdrop of preventing the spread of COVID-19.

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## Business Highlights

- stc business signs a cooperation agreement with an international health and beauty company.
- stc academy and Microsoft partnership to foster Digital Leadership Development.
- Qitaf Program organizes Forejat initiative to donate to pay off the debts of the accused in financial cases.
- stc business launches sign service approved digital signature service for establishments in the kingdom.
- Group CEO: stc develops artificial intelligence applications to enrich peoples lives and improve customer experience.
- stc receives two Speedtest awards for the fastest mobile network, and best mobile coverage in the Kingdom.
- Eastern region customers test the 5G network.
- Providing 40,000 free internet SIM cards to "Attaa Digital" initiative to support those who cannot access the Internet and educational platforms.

- stc and Vodafone Group sign a Memorandum of Understanding in relation to Vodafone's 55% shareholding in Vodafone Egypt.
- Officially stc pay is the first licensed financial technology company in the Kingdom.
- The company wins the best apply of Customer Experience Management program Award 2020.
- stc participates in the Middle East and North Africa Retail Leaders Summit.
- Government's Meqyas Report: stc has the fastest mobile internet download in Saudi Arabia.
- Joint cooperation agreement between stc pay and the Saudi Payments Company.
- stc successfully deploys the first 5G "Smart Campus" in MENA.
- stc participates in the Saudi Cup as platinum partner and technology provider.
- stc signs UN women empowerment principles.

- Al Nasser Receives "2020 Change Leader Award".
- Digitizing 7 million contracts saves 200,000 annual waiting hours.
- 1000% increase for users of educational platforms, 177% for health platforms and 73% for social media apps during the month of March.
- stc will bear the cost of the temporary SME services suspension fees and doubles internet data bundles for free.
- The successful summit was a significant reflection of the Kingdom's success in e-government implementation and technical development.
- KSA is ranked No. 10 worldwide in terms of internet speed.
- SAMA decides to raise e-wallet top-up monthly ceiling limit up to SAR 20,000.
- Over 2 billion free awareness messages in 44 days, in 10 languages, for coronavirus prevention.
- stc signs agreements to provide high-speed broadband optical fiber service with Integrated Telecom and Dawiyat.

# III. Financial Highlights
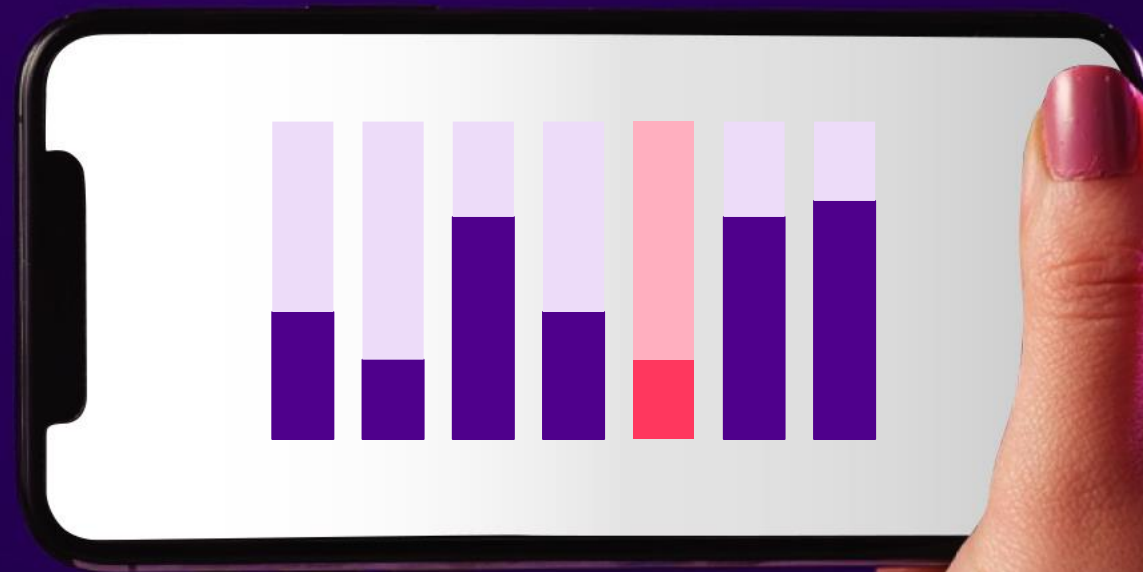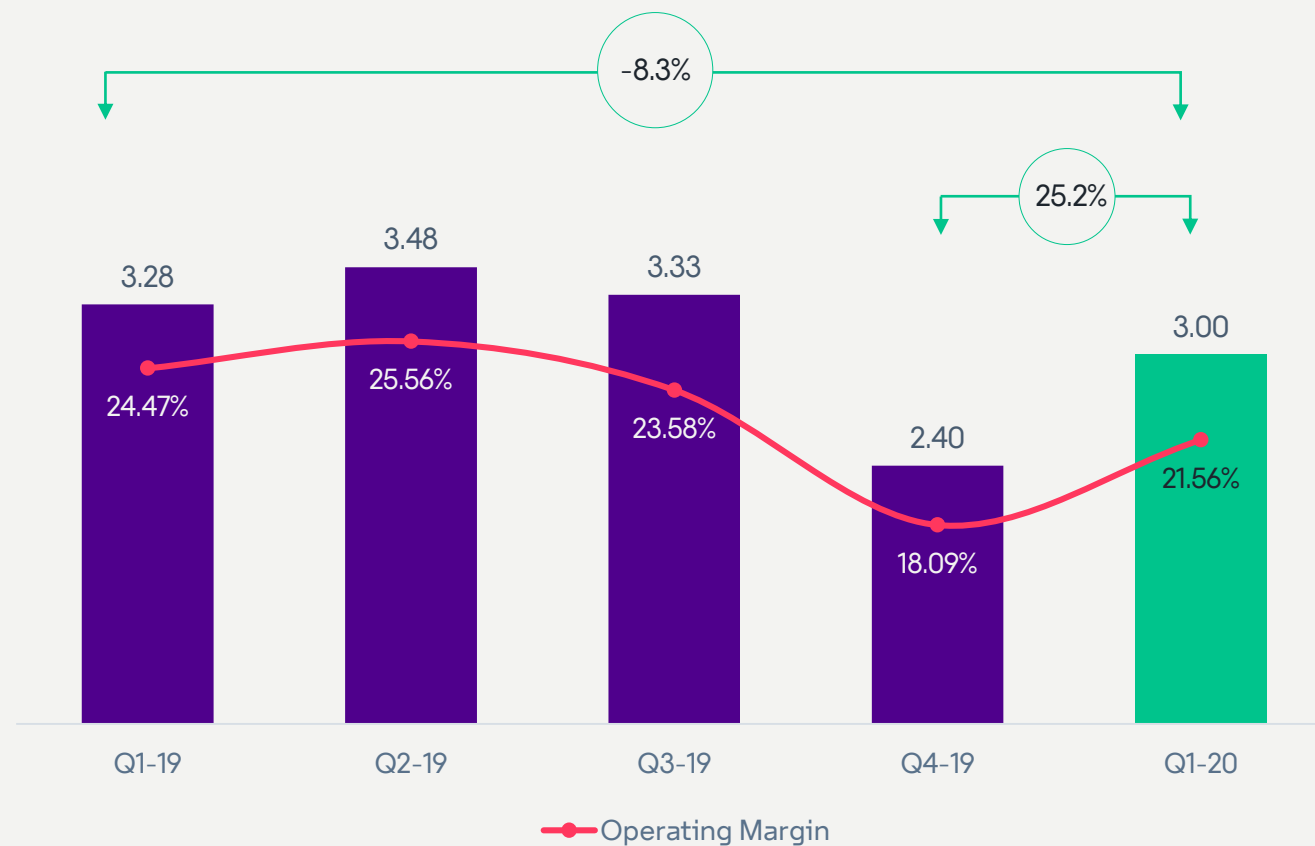
# stc – Q1, 2020 Financial Highlights
# Revenue
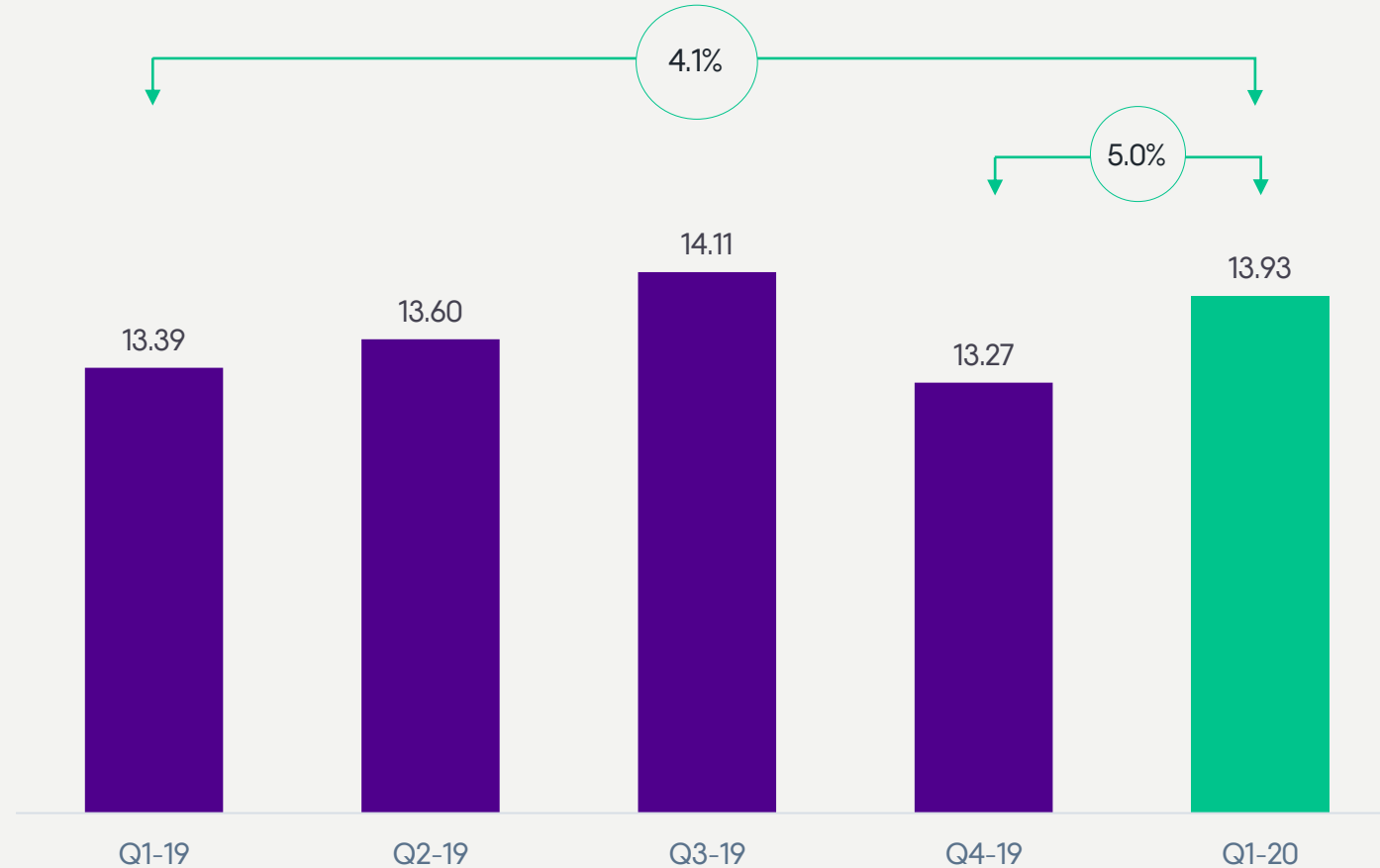
Consolidated revenue has seen single digit growth both Y-o-Y and Q-o-Q basis that was supported by the increase in Enterprise Business Unit revenues delivered through innovative products in the field of IoT, cloud computing and Cyber security in addition to other telecom products and services. Further, the Wholesale Business Unit revenue also increased supported by the growth witnessed in Hubbing services. As for Consumer Business unit, revenue has increased with the support of an increase in fiber optic subscribers by 23% and data revenue by 15.5%.
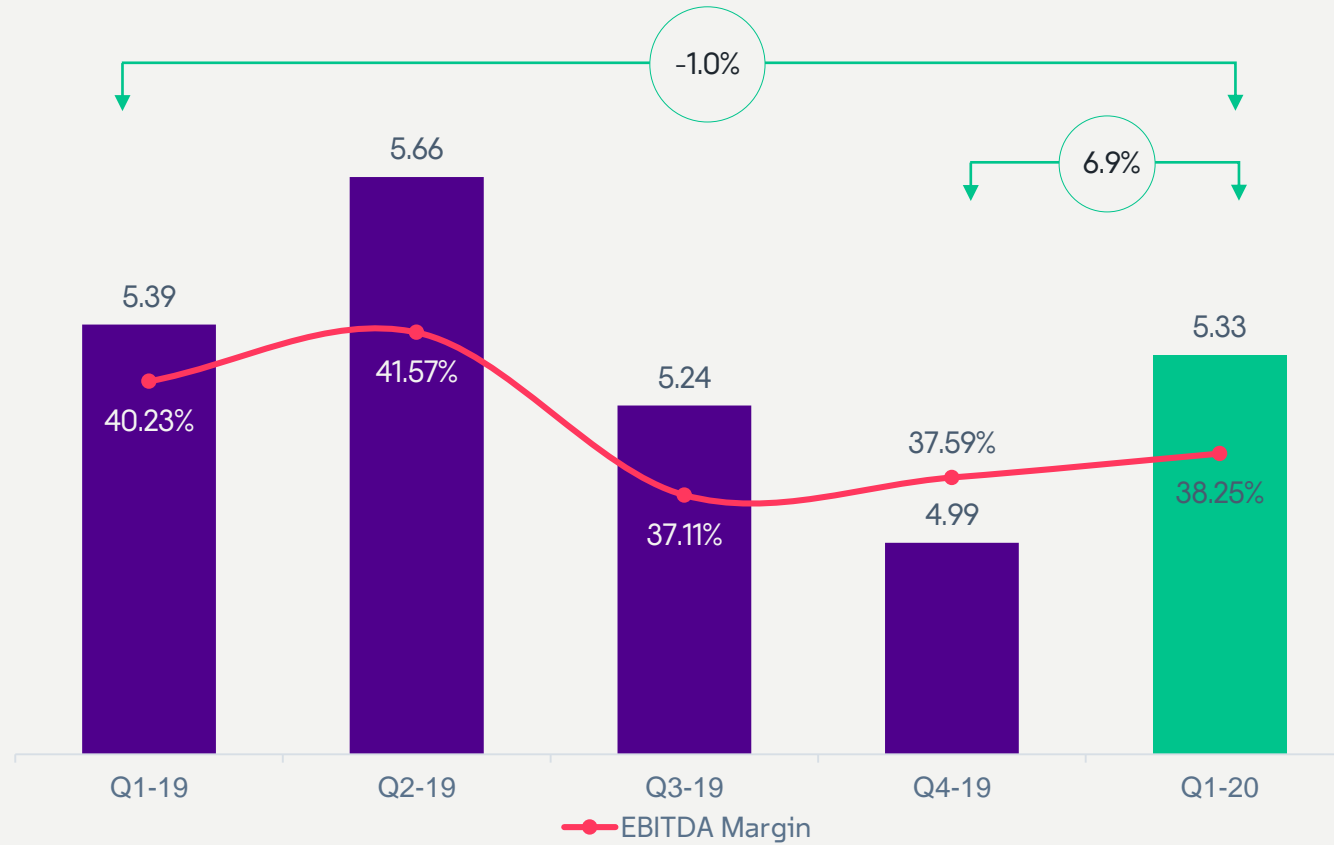
*All figures are in SAR Billions*

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# stc – Q1, 2020 Financial Highlights
## Operating Profit (EBIT)

−8.3%

25.2%

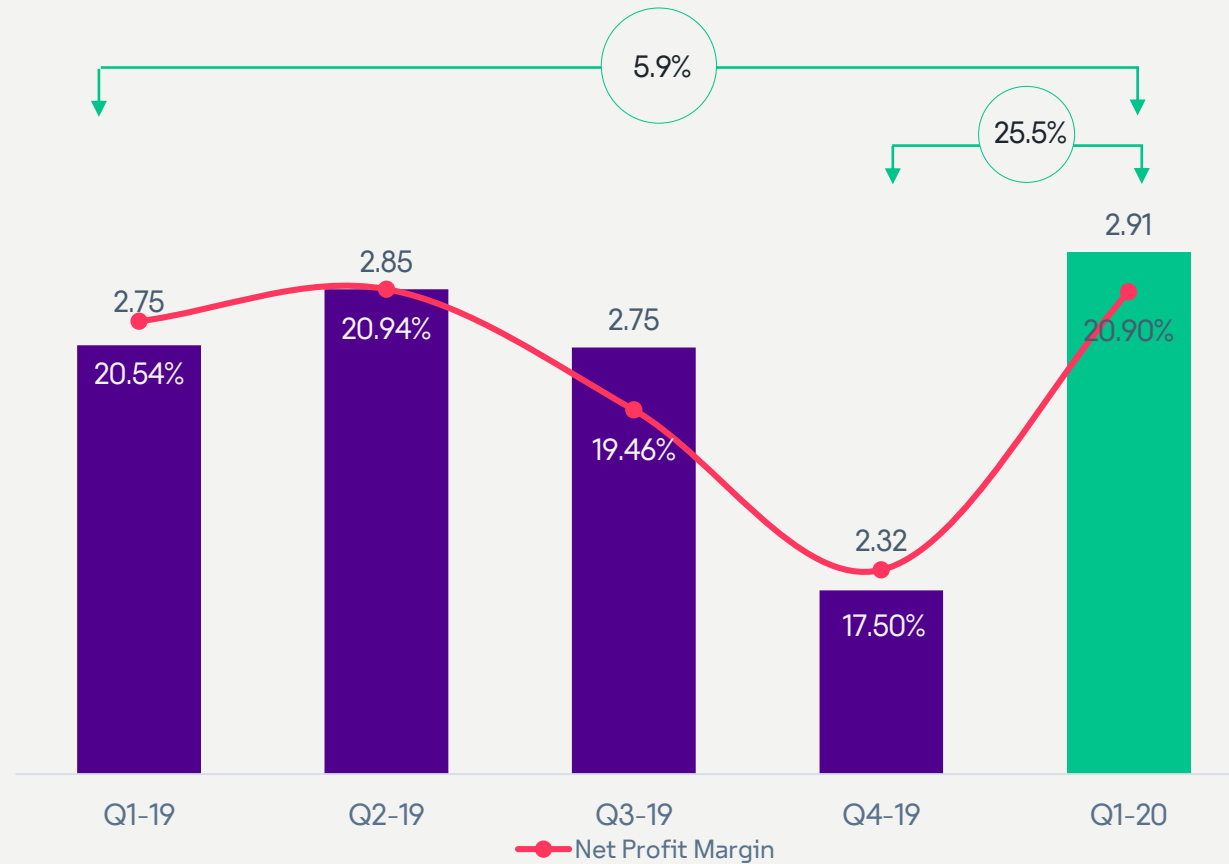| | | | | |
|---|---|---|---|---|
| 3.28 | 3.48 | 3.33 | 2.40 | 3.00 |
| 24.47% | 25.56% | 23.58% | 18.09% | 21.56% |
| Q1-19 | Q2-19 | Q3-19 | Q4-19 | Q1-20 |

Operating Margin

Although the Y-o-Y period have seen a decline in operating profit, yet a double digit growth was achieved compared to the last quarter mainly due to the decline in operating expenses as well as booking the gain from selling the company's direct share in Careem after completing Uber's acquisition.

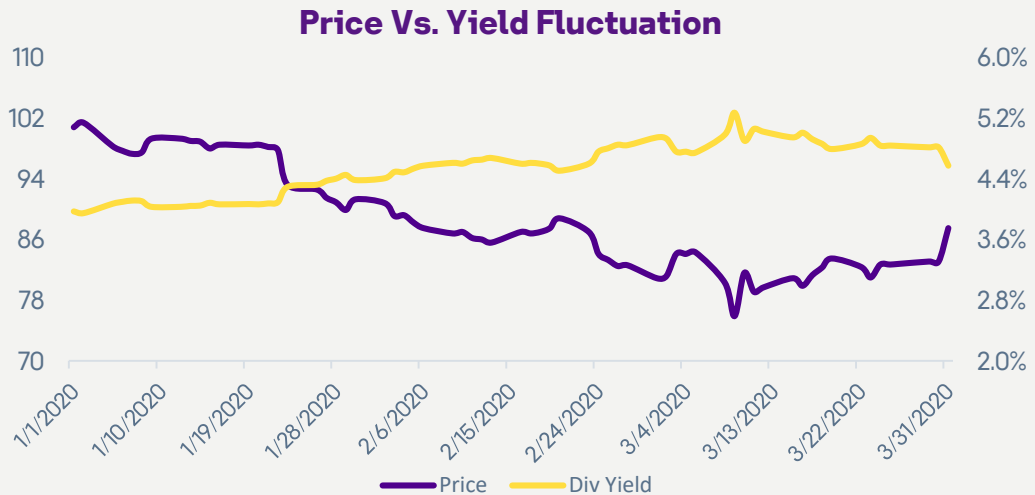*All figures are in SAR Billions*

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# stc – Q1, 2020 Financial Highlights
## EBITDA

-1.0%

6.9%

5.66

5.39

5.24

4.99

5.33

41.57%

40.23%

37.11%

37.59%

38.25%

| Q1-19 | Q2-19 | Q3-19 | Q4-19 | Q1-20 |

EBITDA Margin

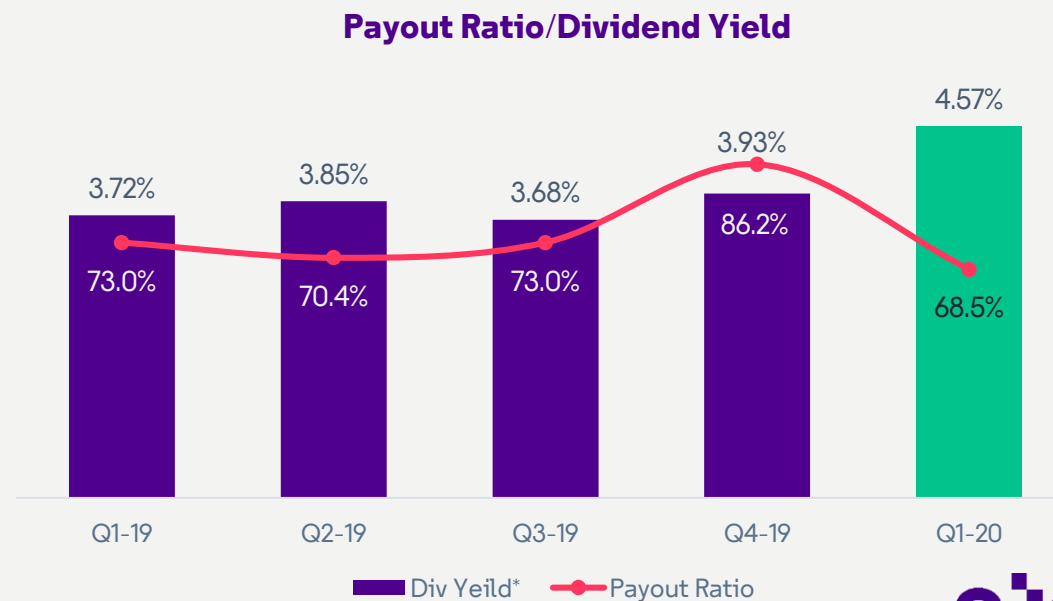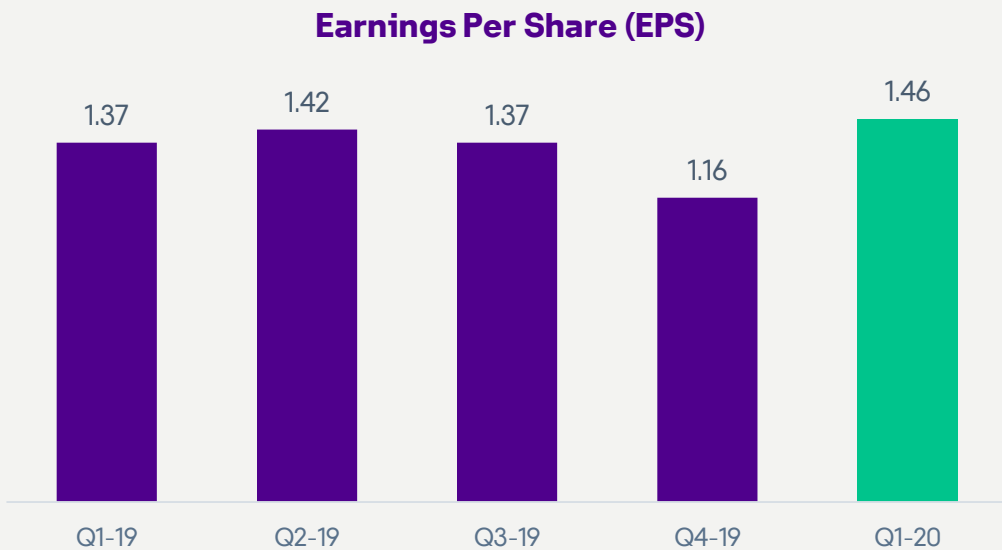EBITDA witnessed Q-o-Q growth by SAR 343 million that was contributed by the increase in operating profit by 25%.

*All figures are in SAR Billions*

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# stc – Q1, 2020 Financial Highlights

## Price Vs. Yield Fluctuation



Legend: Price, Div Yield

- stc commits to pay a fixed minimum dividend of a SR 1 per share per quarter. Further, the company may consider and pay additional dividend subject to the Board approval after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements. Additional dividends are likely to vary on quarterly basis depending on the company's performance.

- The dividends policy will remain subject to:

  1. Any material changes in the strategy and business of the company (including the business environment it operates in);
  2. Laws and regulations that are applicable on the company;
  3. Any banking, other funding or credit rating covenants that the company may be bound to follow from time to time.

## Earnings Per Share (EPS)



| Q1-19 | Q2-19 | Q3-19 | Q4-19 | Q1-20 |
|-------|-------|-------|-------|-------|
| 1.37  | 1.42  | 1.37  | 1.16  | 1.46  |

## Payout Ratio/Dividend Yield



| | Q1-19 | Q2-19 | Q3-19 | Q4-19 | Q1-20 |
|---|-------|-------|-------|-------|-------|
| Div Yield* | 3.72% | 3.85% | 3.68% | 3.93% | 4.57% |
| Payout Ratio | 73.0% | 70.4% | 73.0% | 86.2% | 68.5% |

Legend: Div Yeild*, Payout Ratio

*Annualized Dividend

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# Thank You

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