

<b>Call Date</b>	25 <sup>th</sup> of February, 2024
<b>Hosts</b>	Mr. Ameen AlShiddi – stc GCFO Mr. Turki AlAshaikh – Investor Relations, VP Mr. Abdulaziz AlNasser – Investor Relations, Director

**(Mr. Abdulaziz AlNasser – Investor Relations, Director)**

Welcome everyone and thank you for joining full year 2023 Earnings Call. Today with us are Mr. Ameen AlShiddi, stc Group CFO, along with Mr. Turki AlAshaikh, stc Group Investor Relations VP. We will start with a recap of the key updates and financial performance, followed by Q&A session.

**Financial performance:**

- **Revenues** for the 4th quarter reached **SAR 17,724m** with an increase of **4.05%** compared to the corresponding quarter last year. For the year 2023, the revenues reached **SAR 72,337m** an increase of **7.27%** compared to last year.
- **Gross Profit** for the 4th quarter reached to **SAR 8,928m** with a decrease of **(1.11%)** compared to the corresponding quarter last year. For the year 2023, the Gross Profit reached **SAR 37,804m** with an increase of **1.10%** compared to last year.
- **Operating Profit** for the 4th quarter reached to **SAR 2,851m** with a decrease of **(3.95%)** compared to the corresponding quarter last year. For the year 2023, the Operating Profit reached **SAR 14,200m** with a decrease of **(5.89%)** compared to last year.
- **EBITDA** for the 4th quarter reached to **SAR 5,567m** with an increase of **1.18%** compared to the corresponding quarter last year. For the year 2023, EBITDA reached **SAR 24,683m** with a decrease of **(1.58%)** compared to last year.
- **Net Profit** for the 4th quarter reached to **SAR 2,274m** with a decrease of **(17.51%)** compared to the corresponding quarter last year. For the year 2023, the Net Profit reached **SAR 13,295m** with an increase of **9.24%** compared to last year.

**2023 Recap:** During the year 2023, stc Group has been actively engaged in many strategic initiatives that are in line with the E pillar (Expanding scale and scope) of its DARE 2.0 strategy, making it a busy period for the Group.

- In line with stc's 'DARE 2.0' strategy, which aims to expand in scale and scope, stc through its subsidiary "**solutions**", acquired a **40%** stake in **Devoteam Middle East**, a renowned digital business consultancy specializing in innovative solutions. The approved value of Devoteam Middle East stands at **SAR 741.7 million (USD 197.8 million)**, making it one of the largest deals in the digital transformation sector in the region.
- Furthermore, **iot squared**, one of the stc's subsidiaries and the leading provider of IoT solutions, acquired **100% of Machinestalk**, which specializes in IoT solutions and technologies.
- A significant move was stc's acquisition of a **9.9% interest in Telefónica** for **SAR 8.5 billion (USD 2.3 billion)**, representing another milestone in its expansion and growth strategy, and reflecting its confidence in Telefónica's sustainable growth and potential.

- As part of stc's expansion and growth strategy, **TAWAL** acquired **United Group's** telecom tower assets in Bulgaria, Croatia and Slovenia with a total value of **SAR 5 billion (USD1.3 billion)**. The total towers portfolio of TAWAL now exceeds **21,000** towers across five countries.
- Additionally, **center3** acquired **CMC Networks**, a global service provider offering market leading networking solutions.
- In line with the stc's strategy on maximizing assets return, and supporting capital recycling to strengthen the telco's ability to invest in new domains, stc **sold a vacant land plot** in Khobar city for **SAR 1.378 billion (book Value SAR 82 million)**.
- Another achievement was stc Group's receiving its **first credit rating from Fitch** Rating Agency, being **rated (A+)** with a stable future outlook, in line with the sovereign rating of the Kingdom of Saudi Arabia. stc's credit rating is the **highest** among telecommunications companies rated by Fitch. This new rating complements stc's **(A1)** rating with a positive future outlook from **Moody's, (A)** rating with a stable future outlook from **S&P, and (AAA)** rating from Simah Rating Agency (**Tassnief**).

#### Key Points:

- By the end of 2023, **FCF** recorded **SAR 12.63 bn**, which indicate strong cash positions, displaying adaptability in making investments in expansion prospects.
- **Capex** recorded **SAR 9.79 bn** with **13.5%** capex intensity. The Capex intensity is expected to be around **14%-15%** during 2024, ensuring it aligns with the benchmark range and within the company's abilities.
- **Receivables collection** recorded **SAR 15.20 bn**. The overall receivables were reduced by **7.8% (11.4%** reduction for public sector).
- stc has announced that the Board of Directors has recommended to distribute **special dividends** with **1 SAR per share** for the year 2023 to stc shareholders, and is expected to gain the General Assembly's approval for execution and distribution in their upcoming meeting.

We will now start the Q&A session.

**Q&A Session: (Mr. Ameen AlShiddi & Mr. Turki AlAshaikh)**

	Question	Answer
A	<p><b>Q1)</b> Could you elaborate more on the public sector pressure on the enterprise segment performance and its margins?</p>	<p><b>A1)</b> The pressure from the public sector on the enterprise segment and its margins was not a surprise to us and we are prepared for it as we mentioned in our last earnings call. We were expecting it to happen since the beginning of the year and it will continue in 2024. However, the other stc segments such as the commercial, the wholesale and subsidiaries have been doing well with a very healthy growth, which compensates the decline happening for the enterprise segment.</p>
B	<p><b>Q1)</b> Regarding the decline in the enterprise unit, does it only related to the connectivity or includes all of the enterprise business?</p> <p><b>Q2)</b> Can we expect similar pressure in the Gross profit margin and EBITDA margin in 2024?</p> <p><b>Q3)</b> Are we likely to see a substantial acquisition from stc in 2024-2025?</p>	<p><b>A1)</b> The decline is mainly related to the connectivity, which is around 6%. Overall, stc KSA is growing and as we just mentioned this decline has been compensated by the growth in the commercial and the wholesale units. In addition to the expansion and growth from the subsidiaries</p> <p><b>A2)</b> We had less reversal 2023 compared with the year before. As well as the new investments in the start-up during the past years along with the increase in cost. However, we are expecting a better results in 2024, as some of the start-up, 2024 will be their second year and we are hoping they will achieve a positive result that will contribute positively on the Group level.</p> <p><b>A3)</b> We are focusing on the 'E' pillar of our strategy, while also carefully driving growth and creating value for the shareholder. When an opportunity arises that we believe can add and consolidate our EBITDA, as well as promote further growth, we will pursue it. What matters at the end is ensuring that we create value.</p>
C	<p><b>Q1)</b> What is your expansion plan, particularly in Europe? And do you plan to invest beyond what you have now? Are you just focusing in Europe?</p>	<p><b>A1)</b> We are not limited to the Europe alone and we are not focusing in a certain footprint. Stability and growth are crucial to us, and "expanding and growing" is main pillar of our strategy. If there is an opportunity (on a group or subsidiary level) that fits our portfolio and we believe it will create value, we will pursue it.</p>

<p><b>D</b></p>	<p><b>Q1)</b> Why did the intercompany elimination spike in Q4?</p> <p><b>Q2)</b> Can you share with us the growth in Fixed and Mobility segments 2023?</p> <p><b>Q3)</b> Your dividends policy is expiring soon, what is your thoughts on the potential change of the design for the policy?</p>	<p><b>A1)</b> The main reason behind the increase in eliminations is that the “other segments” that includes center3, iot, and SCCC. stc now is conducting business with them, which was not the case last year.</p> <p><b>A2)</b> For the Mobility, there was an increase of around 4.3%, amounting to more than SAR 1 billion riyals, and more than SAR 400 million for Fixed, which is around 9.7% increase.</p> <p><b>A3)</b> We are assessing different policies, and evaluating each of them. The assessment will be present it to our Board of Director. Once the Board decides, it will be announced to the market at the time.</p>
<p><b>E</b></p>	<p><b>Q1)</b> Can you to talk about the competitive dynamic in Saudi Arabia on the mobile side, and for the fixed FTTH can you talk about the subscribers’ growth for stc, as we have seen the FTTH has stabilized stc while others have been growing, is it due to the loss of market share?</p> <p><b>Q2)</b> Is there any room to increase prices on the mobile side or the fixed FTTH side?</p> <p><b>Q3)</b> Can give us an update on stc Bank strategy and when do you expect the products to be launched?</p>	<p><b>A1)</b> Regarding the competition, the market is healthy for everyone. Everyone is enjoying the massive inflow of foreigners to Saudi Arabia, this the reason for the uptake when it comes to the prepaid segment. For the fiber optics, we have been growing nicely and we do not see a decline or a slowdown, also we have a project when it comes to the deployment of fiber optics that we are taking this year that is expected to add nicely to the overall subscribers. Most importantly, this year we were able to migrate around 300K of the copper network and replaced it with the fiber optic which will give customers multiple options that are more expensive in price and this hopefully will help to improve the ARPU for the fixed.</p> <p><b>A2)</b> The pricing is subject to the demand and supply, and there is a regulator that needs to make sure that everyone’s interest is protected, but we do not see a possibility for significant increase in prices in the near future.</p> <p><b>A3)</b> We are ready and expecting the product will be launched this year (2024), but it depends on the discussion that we are having with the regulator.</p>
<p><b>F</b></p>	<p><b>Q1)</b> Regarding the potential deal between TAWAL and PIF, when do you expect it to conclude?</p> <p><b>Q2)</b> Regarding the data centers that will be operational in 2024, can you elaborate on the capacity and the market share that you have for data centers?</p>	<p><b>A1)</b> Hopefully we will announce soon the latest developments and the outcomes of this potential deal.</p> <p><b>A2)</b> The new data centers will be operational, hopefully in 2024-2025. Moreover, we do a quarterly assessment and a study in order to maintain and grow our market share in data centers. We are mindful of avoiding investments that do not yield expected returns. Our goal is to provide capacity for data centers only when there is sufficient demand, which is happening.</p>

<p style="text-align: center;"><b>G</b></p>	<p><b>Q1)</b> on the revenues, how much of your revenue is coming from the public sector (the government)?</p> <p><b>Q2)</b> Can you talk about which subsidiaries is closets IPO?</p>	<p><b>A1)</b> We have a full disclosure with respect to the public sector revenue in stc’s financial statements.</p> <p><b>A2)</b> we have a strategy for the IPO, it is about value creation and the right time, and there are two or three subsidiaries that are not far from being IPO’ed. We cannot give a time line, as it is not just depends on the readiness of the subsidiary; it also depends on choosing the right time.</p>
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**Mr. Abdulaziz AlNasser (Investor Relations, Director):**

Thank you all again for participating in the full year 2023 Earnings Call. If you have more questions, please do not hesitate to email us at [IRU@stc.com.sa](mailto:IRU@stc.com.sa).

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