

Q3 - 2018 Financial Results Presentation

2018

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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



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



Elements from STC strategy:

- 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
- 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 B2B SME segments
 - Lead technological advancement and provide best in class connectivity platform

Business Overview





Expanding macro economy & liquidity

- The Saudi Ministry of Finance published (Q2) budget performance report, which showed that total revenues reached SR273.588 billion in Q2, an increase of 67% year-on-year.
- Q2 non-oil revenues reached SR89.423 billion, an increase of 42% year-on-year
- As recently announced, the International Monetary Fund (IMF) has revised its growth expectation for the kingdom's economy 5 times this year from 1.9% to 2.2%.
- Saudi joined FTSE emerging index, market may attract over \$30 billion in next two years.
- Saudi joined MSCI , this could lead to passive and active inflows of between \$30 billion and \$45 billion.



Regulatory Environment

- CITC confirms that it allows telecom operators to sell their towers or separate them in independent entities.
- CITC Announces the issuance of temporary licenses for telecom companies to conduct the 5G technology experiments in the Kingdom.
- VOIP ban has been lifted by CITC.
- Expat fees impacted the number of Expats in Saudi Arabia.
- VAT implantation, the increase of electricity and water tariff have influenced the consumer spending. However, the impact of consumer spending is expected to be slightly offset by the decline of real-estate prices including rent, Citizen account and cost of living allowance.



Telecom Industry

- Number of mobile subscribers increased, reached to 43m as of June 2018 (vs. 42m as of Mar. 2018) with a penetration rate of 132.3% .
- Number of fixed Telephony subscribers increased, reached to 3.34m as of June 2018 (vs. 3.72m as of Mar. 2018) with a penetration rate of 31.6% .
- Number of mobile broadband subscribers decreased, reached to 29.1m as of June 2018 (vs. 29.3m as of Mar. 2018) with a penetration rate of 89.3%.
- Number of fixed broadband subscribers decreased, reached to 2m as of June 2018 (vs. 2.19m as of Mar. 2018) with a penetration rate of 29.1%.

Business highlights

- ✓ Our success is based on the "Customer" who serves as a compass that guides us
- ✓ We work in alignment with the Saudi Vision 2030 and NTP 2020 at the strategic partner of the government of Saudi Arabia.
- ✓ Continuing to adopt initiatives to develop unconventional telecommunication infrastructure by investing in the enhancement of the network and associated systems.
- ✓ Promising growth opportunities - STC has a clear growth strategy, with a leading position both nationally and internationally.
- ✓ STC continues to invest in its digital platforms to provide unique and innovative services to individual and business customers.

Saudi Telecom Company

- STC announced the launch of STC Pay, an investment arm specialized in digital payments and the provision of financial technology (FINTECH) services for individuals and institutes.
- STC wins a contract for Riyadh bus interconnection.
- Saudi Telecom Company announces signing a contract for TV and digital broadcasting and the marketing sponsorships with the General Sport Authority and Saudi Arabian Football Federation.
- STC recorded the highest peak hours in the history of the holy places, with more than 7.2 terabytes (MB) per day during the rush hour of the day, a 34% increase over the same period last year. The transfer of data through the 4G network has gone to the highest in history with more than 160% compared to the last year record on the day of Arafa.
- Call Center Company (CCC) achieved the largest acquisition in the outsourcing sector and the customer experience in the Kingdom.
- STC inaugurates a modern data center with global standards STC will have the largest capacity for data centers in the Middle East. In addition to, hosting the biggest iCloud Service in the region, supporting key global platforms that makes the base of infrastructure to comply with the requirements of launching modern technologies such as IOT, Smart Cities, and Cybersecurity.
- STC being the fastest internet provider of 4G, 3G, and Fiber-Optics across the Kingdom, according to (Meqyas) index by CITC.
- STC is the 20th in the world among 100 international companies in the field of Communications and Information Technology, according to "Global".
- STC launches the first live 5G network in MENA.
- Continuing to focus on improving the efficiency of operations through the (Operational Excellence Programs).

This is STC

We achieved 90% Saudization, and 97% of our executives are Saudis which is considered one of the highest rates in KSA.



We are proud to serve more than 200,000 SME clients through My business application.



STC is Saudi Arabia's Speedtest Awards Winner for mobile network speed for the past 3 years.



Our clients redeem 1.5 billion Qitaf points with an amount of 306 million SAR in 2017.



We established 22 Health centers which benefited more than a 3 million client.



More than 2200 students joined our COOP program in 2016 & 2017.



We have established IGate Family application to serve the employees Families.



In the field of sports investment STC established Dawri Plus with more than 2 million subscribers and 64 million views monthly.



We have supported 18 new projects within our business incubators (InspireU).



We have contributed in establishing more than 9044 projects through the Institute of Entrepreneurship.



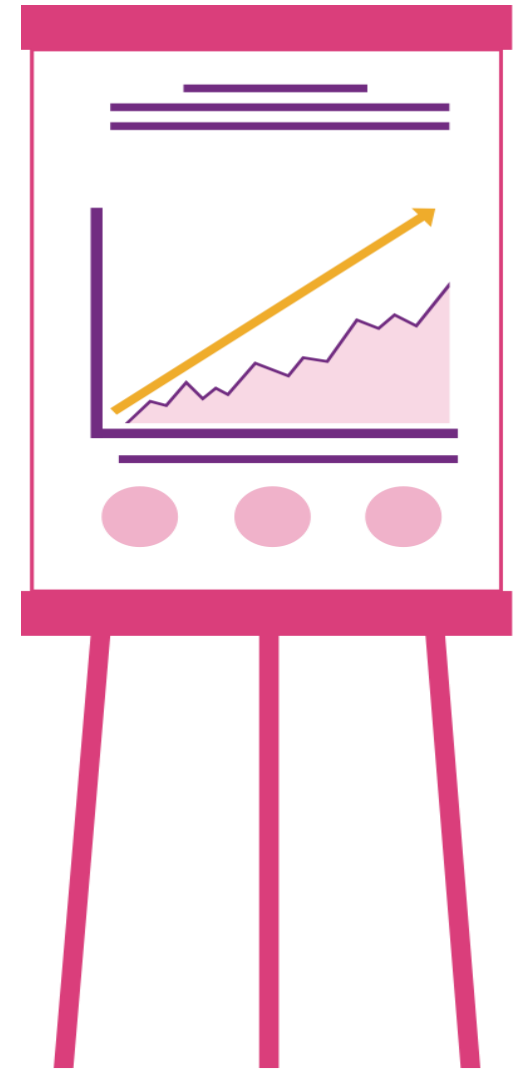
We Hosted 300 Students from MISK's Fellowship & Traineeship.



We received an award for Talent Management Program at ASHRM.



Financial Highlights

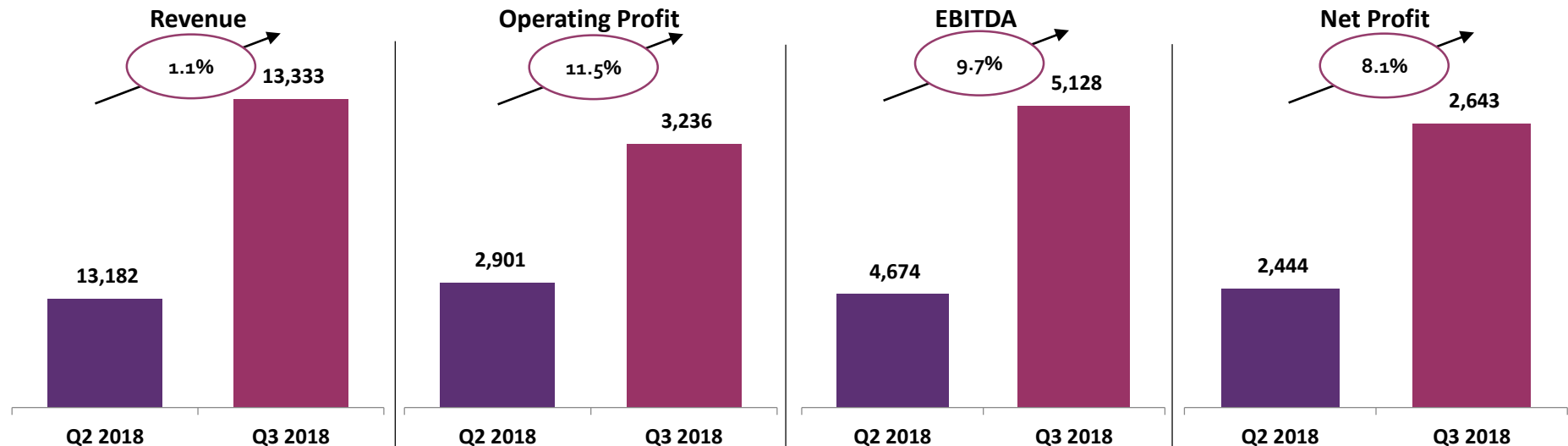


STC - 2018 Financial Highlights

SAR mn	Q3 2017	Q3 2018	Change
Revenue	12,621	13,333	6%
Operating Profit	2,907	3,236	11%
EBITDA	4,744	5,128	8%
<i>EBITDA Margin</i>	37.6%	38.5%	2%
Net Profit	2,569	2,643	3%
<i>Net Profit Margin</i>	20.4%	19.8%	-3%

SAR mn	9M 2017	9M 2018	Change
Revenue	38,187	38,902	2%
Operating Profit	8,106	8,769	8%
EBITDA	13,600	14,446	6%
<i>EBITDA Margin</i>	35.6%	37.1%	4%
Net Profit	7,461	7,674	3%
<i>Net Profit Margin</i>	19.5%	19.7%	1%

QoQ 2018



Thank you
