

## Q1 - 2018 Financial Results Presentation

2018

## Disclaimer

---

Saudi Telecom Company (STC) has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation.

This presentation has been prepared as an informative guide that might assist interested parties in gaining an insight into the history and background of telecommunications within Saudi Arabia, as they relate to STC. Furthermore, it does not constitute an invitation or inducement to purchase or dispose of any securities, either in STC, or any companies in which STC has a financial interest.

The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.

In addition, there may also be 'forward looking' statements included within the meaning of current securities laws and regulations. In this context, any opinions expressed within this document, regarding the company's potential future performance, should be viewed as being accurate at the time of preparation. However, cognizance should be taken of the fact that uncertainty may dictate that actual performance differs substantially from any views articulated herein.

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](mailto:IRU@STC.com.sa)**

---

# Strategy Overview



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



## STC Values:



**Customer  
First**



**Innovation**



**Lead with  
Agility**



**Building  
Trust**



**One STC**

## **D**igitize STC

Digitally transform STC's operational capabilities

## **A**ccelerate Core Asset Performance

Extract more value from our core assets and traditional segments



## **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



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

---

# Business Overview

## Expanding macro economy & liquidity

- Saudi joined FTSE emerging index, market may attract well over \$30 billion in next two years.
- MSCI proposes to reclassify the MSCI KSA index to emerging markets status. MSCI will announce its decision in June 2018.
- STC is a key company in the index of FTSE and MSCI, with the second largest market cap on Tadawul
- Saudi Arabia announced 2018 budgetary expenditure of SAR 978 billion.
- Saudi Arabia will inject SR72 billion into the private sector.
- New monthly payment of SAR 1,000 cost of living allowances is expected to inject SAR 50 billion into the economy

## Regulatory Environment

- CITC lifted the ban of VOIP.
- Expat fees impact number of Expats in Saudi Arabia.
- VAT implantation has influenced the consumer spending.
- CITC and MOMRA amended municipalities rules in favor of mobile operators , specifically with regard to site requirements (height of tower , separation distance) and allowing installation in residential areas.

## Telecom Industry

- Pre-Paid ARPU for Telecom sector remains under pressure.
- Number of mobile subscribers continue to decline, reached 44.2m as of Sep. 2017 (vs. 47.9m as of Dec. 2016) with a penetration rate of 139% .
- The number of Internet users have increased by 2% as of Sep. 2017 (vs. Dec 2016) with a penetration rate of 77%
- Zain waiting for approval to sell its mobile towers.
- More than 136 billion riyals the volume of spending on telecommunications services in the Kingdom. Telecom sector's direct and indirect contribution to GDP was about 6% and 10% in non-oil GDP.



## 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 at the 2018 Mobile World Congress (MWC) in Barcelona signed important MoU's and agreements with renowned companies e.g. Nokia, Huawei, Ericsson, ZTE and Juniper in the areas of IoT, 5G, smart content and digital infrastructure.
- STC launched an Academy for digital learning and training, which is one of STC initiatives to achieve the Kingdom's Vision 2030 and to build digital skills and enable E-services in the Kingdom.
- Continuing to focus on improving the efficiency of operations through the (Operational Excellence Programs).
- STC has won the auction of mobile phone licenses in the frequency bands 700 MHz and 1800 MHz.
- STC has signed a MoU with The General Sport Authority (GSA), the Saudi Arabian Football Federation (SAFF). The MoU is in line with company's ambitious strategy for digital content and media as one of the most important areas of growth in the new digital economy. The agreement gives STC the right to obtain the exclusive broadcast rights for the local competitions, the Saudi Professional League, the King's Cup, the Crown Prince's Cup, professional league matches and all the Saudi national team matches, of which SAFF retains the broadcasting and sponsorship rights.

---

# 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 3 million patient.



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

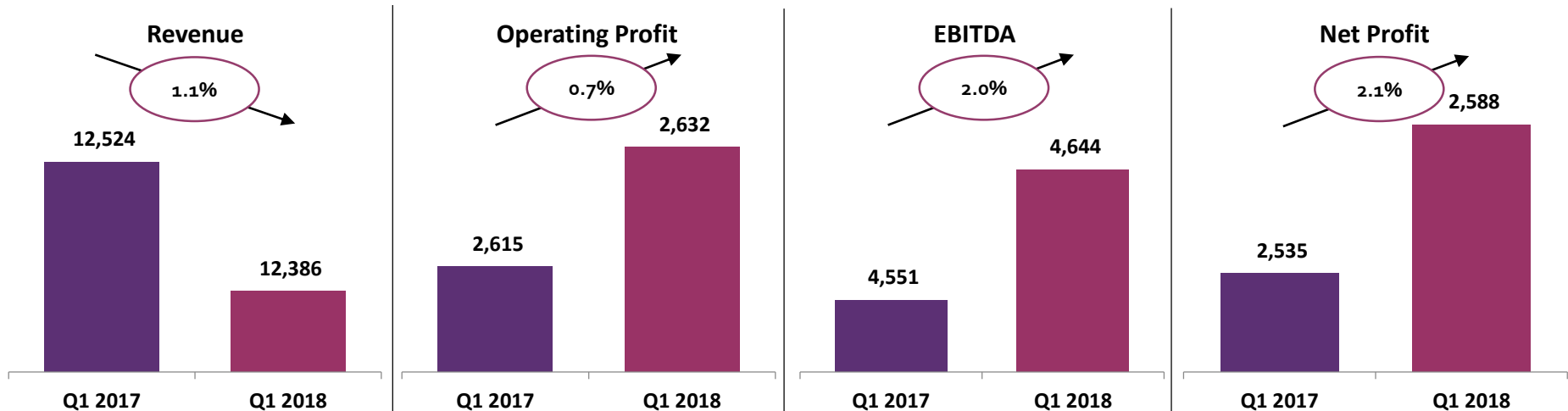
## STC - Q1 2018 Financial Highlights

SAR mn	Q1 2017	Q1 2018
Revenue	12,524	12,386
Operating Profit	2,615	2,632
EBITDA	4,551	4,644
<i>EBITDA Margin</i>	36%	37%
Net Profit	2,535	2,588
<i>Net Profit Margin</i>	20%	21%

### Financial Highlights

- STC seeks to improve its financial performance, enhance the margins and its position to deliver value to its shareholders.
- STC maintains healthy financial position with stable credit rating and strong debt capacity.
- 2018 Q1 revenue from service declined by 1.1%\* mainly due to the decline in Consumer segment performance for challenging economic conditions and regulatory environment.
- 2018 Q1 EBITDA increased by 2.0%\*
- 2018 Q1 Net income increased by 2.1%\*

### YTD



\* Compared to Q1 2017

**Thank you**

---