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المرجع: 1509

Mr. Mohammad Saud Al-Osaimi

المحترم

السيد / محمد سعود العصيمي

CEO - Boursa Kuwait

الرئيس التنفيذي - بورصة الكويت

State of Kuwait

دولة الكويت

Dear Sir,

تحية طيبة وبعد،،،

Subject: Minutes of Analysts / Investors
conference for Q2 2021 – Zain Group

الموضوع: محضر مؤتمر المحللين / المستثمرين لشركة الاتصالات
المتنقلة – زين للربع الثاني من العام 2021

As per article No. (8-4-2) "Continuing Obligations in the Premier Market" of Boursa Kuwait Rule Book issued as per decision No. (1) for year 2018, and since Zain has been classified in the "Premier Market".

عملاً بأحكام المادة رقم (8-4-2) "الإلتزامات المستمرة للسوق الأول" من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018، وحيث أن شركة زين تم تصنيفها ضمن مجموعة "السوق الأول".

We would like to advise you that quarterly Analyst / Investor Conference was placed through conference call (**Live webcast**) at 2:00 PM local time on Thursday 15/7/2021.

يرجى الإحاطة بأن مؤتمر المحللين / المستثمرين قد إنعقد عن طريق بث مباشر على شبكة الانترنت (**Live webcast**) في تمام الساعة الثانية بعد ظهر يوم الخميس الموافق 2021/7/15 (وفق التوقيت المحلي).

Attached; the minutes of the Conference mentioned above and the Investor presentation (Q2-2021).

مرفق طيه محضر المؤتمر المذكور أعلاه والعرض التقديمي للمستثمرين عن الربع الثاني من العام 2021.

Sincerely yours,

وتفضلوا بقبول فائق الاحترام والتقدير ،



بدر ناصر الخرافي

بدر ناصر الخرافي

نائب رئيس مجلس الإدارة والرئيس التنفيذي لمجموعة زين

Bader Nasser AIKharafi

Vice Chairman and Group CEO



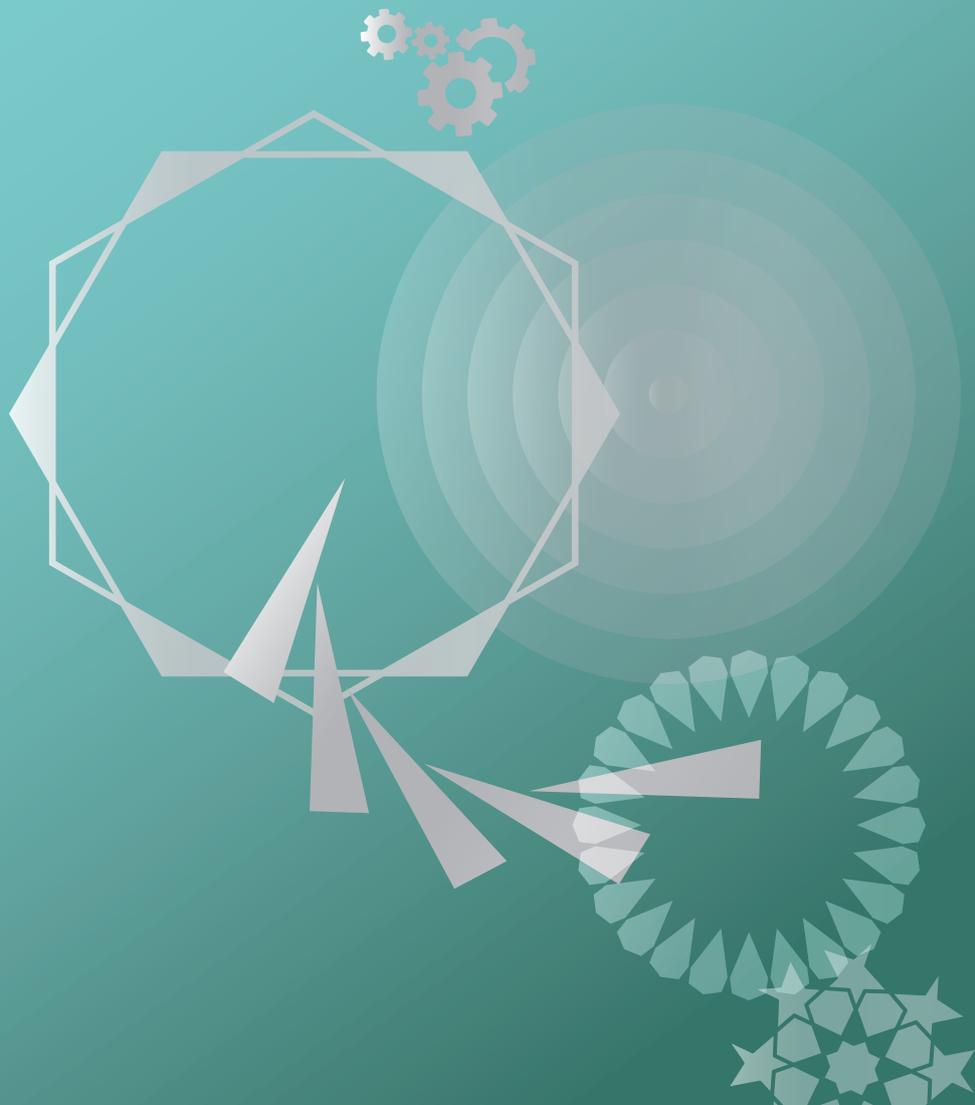
Zain Group

Q2 2021

Earnings Conference Call

July 15, 2021

Chaired by:
Sunil Rajgopal
HSBC





Zain Group Q2 2021 Earnings Call Transcript

Thursday 15 July 2021

2:00 PM Kuwait Time

Zain Group Executive Management:

Mohammad Abdal - Group Chief Communications Officer

Mohammad Shereef - Group Head of Finance

Iyadh Borgi - Group Operation & business Performance Director

Aram Dehyan - Group Investor Relations Director

Moderator:

Sunil Rajgopal

HSBC



Sunil Rajgopal:

Greetings ladies and gentlemen, this is Sunil from HSBC. I would like to welcome you all to the Zain Group's Q2 2021 Results Conference Call. It is my pleasure to host Zain Group senior management today on the call. By now you should have received the company's presentation and earnings release for the 2nd quarter and detailed financials which have all been uploaded on the Group's website.

Now without further delay, I will hand the call to Mohammad Abdal, Zain Group's Chief Communications Officer. Thank you.

Mohammad Abdal:

Thank you and welcome to Zain's 2nd Quarter 2021 Earnings Conference Call. Joining us today will be Mohamed Shereef, The Head of Finance Division and Iyadh Borgi, our Operations & Business Performance Director. We'll start with opening comments from Mohamed Shereef and after the remarks, we will be happy to answer your questions. This time we will be taking questions exclusively through Slido.

Questions can be submitted by going to slido.com, using the code #ASKZAINQ2. Analysts can ask questions directly into Slido and all participants can then vote on the questions they find the most relevant. Feel free also to drop your question in the chat box and we will make sure to cover it. If for some reason you don't have access to Slido, you can email investor relations at IR@zain.com and we'll add in your question.

Before we begin, let me quickly cover the Safe Harbor. During this call, we will be making forward-looking statements which are predictions, projections OR other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Please refer to our detailed cautionary statement found in slide #2.

With that, I will now turn it over to Mohamed Shereef.

Mohamed Shereef:

Thank you, Mohammed. Good afternoon to everyone and thank you for joining us on today's call.

Yesterday, we reported robust results for the 2nd quarter of 2021, as we continue to execute our 4Sight strategy, digital transformation and expansion of our 4G, 5G and FTTH networks, making the company's future, ready for the next phase of growth.



2021 witnessed excellent growth in Digital revenue across our markets, with data revenue reaching over USD 1 billion, which represents 42% of consolidated revenue. Moreover, our focus on lucrative Business Solutions witnessed a 16% YoY B2B revenue growth.

We have continued our focus on digital strategy of monetizing the infrastructure and the Group API platform through compelling initiatives and packages for:

- Government, Businesses, IoT and smart city sectors that attracted key clients across our footprint and;
- Gaming, Entertainment, Fintech and E-health services.

In early June we held a successful EGM which witnessed the approval of the Board of Directors' recommendation to distribute interim dividends, quarterly or semi-annually.

For the first time in the Group's history, the Board recommended to pay an interim cash dividend of 10 fils per share (as part of the 33 fils) as a result of our strong balance sheet and solid operational performance.

Operationally, Zain Opcos did an excellent performance during the second quarter, increasing their bottom line. Even more impressive is that both Iraq and Sudan, despite severe devaluation of their respective currencies, had exceptional performances when compared to the same period in 2020.

Now, I would like to start by briefly touching upon the operational highlights for the quarter:

- We ended the quarter serving 48.3 million customers, which increased 1% despite the end of management contract with Touch Lebanon back in October 2020 (~2m customers).
- Several Price uplifts on track, to mitigate the FX impact:
 - In response to a 19% currency devaluation in Dec'20, Zain Iraq launched a massive commercial uplift program.
 - Zain Sudan already uplifted tariffs, including international (voice up by 150% and data by 100% on April 1st) following the currency devaluation in Feb 2021.
- TowerCo Update:
 - Mobily announced that the IHS offer is no longer part of their strategy going forward and hence, they exited the consortium. However, we are still working with the rest of the consortium members and awaiting a new offer. Regardless of Mobily's decision that is respected, we strongly believe that the tower deal will be value accretive to Zain.
 - As mentioned earlier in the previous calls, we believe in the TowerCo business Model, and its application across our markets. Today we are happy to announce

that Zain Jordan's TowerCo transaction is close to finalization (expected during the 2nd Half of the year), while a similar transaction with Zain Iraq is progressing.

- Zain Group signed an MOU with major GCC telcos for open RAN collaboration... This will benefit us in many ways:
 - Considerable savings of ~30% on RAN CAPEX is expected over the next 5 years.
 - Network sharing to reduce opex.
- **On the Fintech side:**
 - **Zain Cash Jordan** signed an agreement with **Western Union** for international remittances.
 - **Zain Kuwait and BOUBYAN BANK** engaged with Central Bank of Kuwait to seek approval to jointly offer digital banking services. The license is expected in Q3'21
 - **Zain Sudan** is planning to launch Financial Services this year and is in active discussions with VISA, to become a card issuer directly or via a licensed partner bank.
 - **Zain Saudi Arabia's** micro-finance arm **Tamam** continues to grow with over 114,000 registered users that has seen the loan book grow substantially over the last 12 months. After the license issuance of Tamam KSA, The Central Bank of Bahrain endorsed our request to acquire a license to deliver a full value proposition in Bahrain.
- **Zain esports** growth trajectory continues during Q2 2021 holding 11 tournaments with over 5000 participants and attracting 6 million social media impressions; also noting Zain partnered with UNICEF to launch Child Online Safety Booklet promoting safe esports and gaming to Schools & Universities.
- It is worth mentioning the continual success and growth of the **Group API platform** that currently offers 26 entertainment and gaming live services and having over 5million transactions per month.
- Sustainability: Zain named winner in three categories at the annual Global Good Governance Awards 2021 held in London: Best of the Best in Diversity Award 2021; Leadership in Sustainability Award 2021; and Championship Award in Women Empowerment 2021.
- It was also pleasing for Zain Group to be recognized with the prestigious World Finance '**Best Corporate Governance Award 2021**' for Kuwait.

Moving into the 2nd quarter financial highlights starting from page (13).

Despite the COVID impact and major currency devaluation in two of our key markets, we reported stable Revenue of USD 1.2 billion, while EBITDA for the quarter dropped 5% compared to Q2'20, to reach USD 506 million, still reflecting a healthy EBITDA margin of 41%. The drop in EBITDA mainly on account of conclusion of CITC settlement agreement back in Dec 2020 (\$47m waiver in Q2 '20)

Net income for the quarter increased 17% to reach USD 138 million, reflecting EPS of 10 Fils (USD 0.03).

For Q2 2021, foreign currency translation impact, mainly due to the currency devaluation in Sudan from 55 to 444 (SDG / USD), and a 19% currency devaluation in Iraq from an average of 1,190 to 1,470 (IQD / USD), cost the Group USD 215 million in revenue and USD 175 million in EBITDA.

Excluding the above FX translation impact, Revenue growth would have been +18% and EBITDA growth would have been +28%

CAPEX on page (16)... The Group continued to invest at healthy levels across operations. We closed the quarter with a total of USD 491 million, spent on 5G rollouts, coupled with FTTH and 4G expansion and spectrum license fees in key markets (tangible capex represents 5.4% to total group revenue). As you see in the slide, the majority of intangible Capex is coming from the grant of 4G license in Iraq and the renewal of the 900 MHz license in Jordan.

Our Debt Profile on the next page (17) The Group continues to maintain healthy cash flows, with total debt reducing by 8% (in KD terms) compared to Q2'20 and net debt / EBITDA currently stands at 2.5x. The drop in debt levels was also instrumental in reducing finance costs by over 30% compared to H1 '20.

Moving to the Opcos... Let's move to slide (22) - Zain Kuwait.

Zain Kuwait remains the most profitable company within the Group and maintains its market lead in terms of both value share and customer base, serving 2.4 million customers. Its market leadership in all key financial indicators is highlighted by its revenue representing 40% of the total market revenue and 73% of the industry's net income during Q1-21. We expect to maintain similar levels for H1 '21.

For Q2 2021, Kuwait's excellent performance was underpinned by its revenue increase by 9% to reach USD 253 million, mainly due to the growth in 5G segment and increase airtime revenue.

EBITDA for quarter increased 17%, due to cost optimization initiatives, as well as healthy acquisitions which translated into better collections and lower bad debts.



Net income for the quarter also grew by a remarkable 21% YoY.

During the quarter, the operator witnessed impressive growth in both 5G mobile and broadband customers and resulting revenue, capturing the largest 5G market share in the country. The operation invested USD 35 million (7% of its revenue) in CAPEX during H1-2021

Saudi Arabia which is on slide (23).

For Q2'21, revenue slightly increased to reach USD 507 million, highlighted by the outstanding performance of 5G, B2B, Yaqoot and Tamam, our digital and Fintech arms.

EBITDA for the quarter decreased by 15% YoY with a strong EBITDA margin of 40% on account of conclusion of CITC settlement agreement back in Dec 2020 (normalized without the CITC waiver, the EBITDA is almost aligned with last year). Net income reached USD 11 million during the quarter, down 29%.

Zain KSA invested USD 28 million (3% of revenue) on CAPEX during H1-2021 thereby integrating more than 4,500 5G sites till date.

Zain KSA's concerted efforts in network quality saw it ranked first in the Kingdom's Meqyas report issued by the Communications and Information Technology Commission (CITC):

1. Delivering the best 5G services during the first quarter of 2021.
2. Recording top connectivity performance in 4 of the most popular video games
3. Having the Kingdom's fastest average response time achieved by its 5G mobile network.

Moving to slide (24), which is Zain Iraq.

As mentioned in our previous calls, on 19 Dec 2020, Iraqi dinar devalued against the USD by 19% from IQD 1,190 to 1,470 vs USD.

Customer base increased by 7% and reached 16.1m customers in such a challenging environment, driven by the launch of 4G services.

Overall revenue continued to be impacted on account of extended lockdowns across the country, as well as decreased economic activity, resulting in 10% YoY decrease. EBITDA for the quarter decreased by 16% however Net income for the quarter jumped 93%, mainly due to one-time provision reversal which is no longer required.

The operator invested USD 188 million in Capex during H1-2021, out of which USD 146 million relates to 4G license, which was commercially launched in late January 2021.

Zain Jordan, on slide (25) which is.

Zain Jordan remains the market leader, serving 3.5 million customers. Revenue for the quarter grew by 5% YoY, mainly due to increase in broadband and FTTH revenue on account of increased work from home requirements. EBITDA grew by 18% on account of the top line performance and improved collections, maintaining a remarkable margin of 51%. Notably, net income for the quarter increased by 24%.

CAPEX in Jordan amounted to USD 195 million in H1 2021. CAPEX was mainly spent on the renewal of the 900 MHz technology neutral license.

Zain Cash continues to maintain its position in the market as the largest mobile financial services provider in Jordan with +350K mobile wallet accounts. It has been rapidly expanding its portfolio to cover more services and verticals and managed to lead the processing of disbursements for the government's financial aid programs with a value exceeding JOD 100 million.

Zain Cash recently obtained initial approval from The Central Bank of Jordan to issue Credit Cards which will further enhance the products and services portfolio.

Zain Sudan which is on slide (26):

As mentioned earlier, On 21 February 2021, the Central Bank of Sudan revised its exchange rate policy from “fixed rate” to “flexible managed floating rate”. Accordingly, the SDG devalued from 55 SDG to 375 SDG per US Dollar in February 2021. Exchange rate currently stands at 444 SDG per US Dollar.

With a leading customer market share of 49%, Zain Sudan was able to further improve its market position by reporting customer growth of 8% YoY, to reach 17 million, representing 35%, the largest contributor of Zain Group’s total customer base.

Revenue for the quarter dropped by 23% mainly due to the devaluation impact. EBITDA decreased by 13% to USD 34 million, while net income jumped by 109% to reach USD 23 million.

The expansion of 4G combined with data marketing initiatives, saw data revenue grow by 4%, representing 28% of total revenue during H1-2021.

Zain Sudan invested USD 22 million in CAPEX or 14% of its revenue during H1-2021.

Finally, Zain Bahrain which is on page (27):

For Q2, 2021, Zain Bahrain generated revenue of USD 43 million, up 8% Y-o-Y. EBITDA for the period increased by 10% to USD 14 million, reflecting an EBITDA margin of 33%. Net income increased 61% amounting to USD 3.3 million.

Data revenue with a growth of 5% represents 45% of total revenue.

Zain Bahrain is focused on the continued expansion of 4G and 5G infrastructure and became the first provider to enhance services in newly developed housing areas of the country, providing customers with much-needed connectivity to support remote working/ education.

With that, I'll hand over to Mohammad Abdal for Q&A.

Mohammad Abdal:

All right. Thanks, Mohamed. With that, we will now move to the Q&A session... and again, if you've got any questions, please go to slido.com, #ASKZAINQ2. We will be reading the questions in the order they come... Sunil, please check the questions for us.

Sunil:

Your first question: Can you talk thru the EBITDA margin development in Kuwait, the H1 2021 results saw strong improvements YoY – how should we be thinking of the H2 2021?

Mohamed Shereef:

- Zain Kuwait improved the EBITDA margin in the first 6 months period from 35% to 38% y-o-y mainly from a lower provision of doubtful debts.
- This achievement is due to a great effort on improving the collection and healthier customer acquisitions to reduce the high-risk customers.
- Also, the cost optimization initiatives implemented after the start of the pandemic in Q2 2020 continue to generate cost savings.
- So, it is safe to say that we see the same momentum of H1 to continue and to deliver same or better levels in H2.

Sunil:

How should we be thinking about the future growth prospects in domestic market? and other markets like Iraq?

Mohamed Shereef:

We expect Kuwait market to recover more in H2 with reopening of the border starting August 1st which should improve economic activity in the country and thus boost roaming revenue and will stimulate the prepaid segment. In Q4 '21 the launch of the iPhone will boost the postpaid segment as we all know that Kuwait market is iPhone dominant, and with the more relaxed restrictions in the government, we are optimistic that Enterprise and Fixed solutions will also recover.

As for the Iraq market, the macro-economic situation, the currency devaluation, and the continuous restrictions due to COVID 19 are headwinds for the recovery and the market remains challenging.

However, the team on the ground are implementing many initiatives to uplift the market, continuing the 4G deployment and controlling cost to deliver better performance.

Sunil:

What will be the company's strategy in KSA going forward? The EBITDA margins appears to be under pressure. How is the competition developing and any updates on the 5G rollout?

Iyadh Borgi:

Zain KSA strategy that was presented in 2019 is based on 3 main pillars, 5G, B2B and Digital, all these segments are showing a significant growth and participating more and more to the overall revenue of Zain KSA.

These segments along with others are compensating the decline of the prepaid and consumer revenue that started with the pandemic and Expat leaving the kingdom which impacted the:

- Hajj and Omra
- As well the roaming revenue due to the travel restrictions.

True, the EBITDA margin dropped vs same period of last year mainly due the impact of the CITC waiver used in H1 2020 (SAR 368M) vs. nil in H1 2021. Normalizing the EBITDA, it will be flat growth because of the conclusion of the 3-year CITC agreement.

Regarding your 3rd part of the question, Zain KSA is continuing the 5G rollout across 50 cities with more than 4,700 sites currently on air and aggressive rollout plan in major cities like Jeddah, Makkah and Medina in H2 2021. As for the competition, the market remains challenging especially on the consumer side.

However, Zain KSA is working on changing its business model and introducing new products to control the customer base and gain more market share.

Sunil:

Reason for the increase in other income?

Mohamed Shereef:

The increase is mainly on account of the one-time provision reversal of \$18 million (maintained for legal disputes, which is no longer required) in Zain Iraq.

Sunil:

What caused the very low ECL/reversals?

Mohamed Shereef:

The decrease in ECL is due to:

- Improved collections across major OpCos like Kuwait, KSA and Jordan
- Healthier customer acquisitions thereby reducing high risk customers.

Sunil:

How come there are net monetary gains despite FX impact?

Mohamed Shereef:

If I understand the question correctly, net monetary gains are dependent on the respective economy in which IAS 29 is applied and has nothing to do with the FX impact. Moreover, the Net monetary gain / Loss depends on the Consumer Price Index (CPI), Additionally the Net Monetary Gain / Loss.

Sunil:

Price uplifts in Sudan/Iraq to counter FX? How long this will continue?

Iyadh Borgi:

In Sudan, the price up across all segments is going as per the initial plan when the devaluation started, with quarterly increase to reach up to 300% by year end. These uplifts will reduce the impact of the devaluation. The adjustment in prices will continue until the SDG stabilizes.

For Iraq, the setup is different as the price uplifts are more challenging to implement and its positive impact on the top line is not immediate. The plan is to cover ~\$12m per month from the revenue by year end, once all the initiatives are implemented (Currently \$3m -\$4m per month)

Sunil:

Weak margins in Iraq? What is the strategy going forward?

Iyadh Borgi:

As we have mentioned earlier, Iraq market remains very challenging, however the local teams and group are working on many initiatives to bridge the drop in revenue with price uplift, cost optimization, 4G offering and new products in the market.

Sunil:

Can you take money out from Iraq? Is this solely done via dividends paid by Zain Iraq? Do you get management fees / technical service charges to group?

Mohamed Shereef:

We don't have any issue repatriating money from Iraq. We receive the dividends and the management fee, there are no issues in that.

Sunil:

Why isn't Zain KSA growing despite all the heavy CAPEX?

Iyadh Borgi:

The heavy capex in last 2 years was mainly toward 5G and spectrum acquisition which is positively contributing to the 5G revenue. The 5G segment is growing as per the plan and we have our ambition to grow it even further.

The decline is coming from the prepaid consumer segment for which the local team are working hard to reverse despite the absence of Hajj, Omra and roaming revenue.

Sunil:

What is your expected CAPEX intensity in KSA this year? How much do you plan to pay for the ministry of finance per year over the next 5 years (SAR m)?

Iyadh Borgi:

We will continue similar to the last 2 years, in the range of 20% capex/revenue, mainly due to the acquisition of the spectrum. For 2021 and forward, would be around 15%, staying within the healthy range within the telecom industry.

Sunil:

Does Zain Group have a shareholder loan for Zain KSA that does not bear any interest/return?

Mohamed Shereef:

There is no Shareholder loan to Zain KSA anymore... everything was settled last quarter.

Sunil:

2 new MVNO license were awarded in KSA today. Is any on them being hosted by Zain KSA?

Iyadh Borgi:

Regarding the MVNOs, Zain KSA is in very advanced discussion with both of them and we will be providing more update in this regard after the Eid break.

Sunil:

Why are Subscribers declining in Kuwait?

Iyadh Borgi:

The decline is mainly in the prepaid MBB and prepaid mobile. The impact of COVID-19 pandemic on sales and revenue started since Feb'20 lockdown (varies between full and partial) and travel restrictions.

In 2021 low gross adds is also impacted by partial lockdown took place during March – May.

Sunil:

What is the update on the tower deal in KSA?

Mohamed Shereef:

Zain KSA is continuing with the tower deal despite Mobily dropping out. We see a high appetite from different investors to join the consortium and we are currently evaluating these investors as mentioned earlier in the highlights.

Sunil:

What is the MVNO update in Kuwait?

Mohamed Shereef:

CITRA awarded the MVNO license to Virgin Mobile, which the STC network will host, making it the fourth operator in the market. No further news on additional MVNOs. We don't see any major impact in our Market.

Sunil:

Are there any M&A plans?

Mohamed Shereef:

At Zain we are continuously exploring expansion opportunities that fits our 4sight strategy that will maximize shareholder value.

Sunil:

As the DPS policy of 33fils expires this year, does this mean we can expect 23fils for H2?

Mohamed Shereef:

Yes, our commitment is a minimum DPS of 33 Fils for FY'21. So, you will be seeing DPS of minimum 23 Fils.

Sunil:

What is your view on any potential impact arising from expat exodus in Kuwait.

Iyadh Borgi:

No major impact on Revenue with Expats leaving Kuwait. I believe in the second half of the year, we will see some improvements, as expats will be allowed to enter the borders again.

Sunil:

Zain Sudan margin is at 34% in 2Q, highest across operations and better than the usually most profitable operation - Kuwait. So how high can it go from here?

Iyadh Borgi:

Regarding the margin, we expect that it will stay the same, especially because of what all the price uplift that we did on regular basis, every quarter as Mohamed Shereef mentioned. Around 100% on the voice April 1st and then we increased again in July 1st with another 100% and we are planning to increase another 100% on the voice by October 1st. On the Data is also increased 100% for 2 times, so I think we will keep seeing high margins in Sudan.

Sunil:

Regarding the digital banking services in Kuwait, is there approximate time for launching the services?

Iyadh Borgi:

As of now its in very early stages, there are ongoing discussions with the Central Bank and other banks, we might give you more update in the coming quarter.

Sunil:

At this point there are no further questions...



Mohammad Abdal

Thank you, Sunil, please refer to the Investor Relations website for additional updates and feel free to contact the IR team at IR@zain.com for further information. We look forward to your future participation in our Q3 2021 update.

Thank you for joining the call, have a great day and stay safe.

- END -



 **zain**

Investor Presentation

Q2 2021

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Chief Financial Officer



Nawaf Al-Gharabally
Chief Technology Officer



Kamil Hilali
Chief Strategy Officer



Bader Nasser Al-Kharafi
Vice Chairman & Group CEO



Mohammad Abdal
Chief Communications Officer



Malek Hammoud
Chief Investments and
Digital Transformation Officer



Jennifer Suleiman
Chief Sustainability Officer



Dr. Andrew Arowojolu
Chief Regulatory Officer



Nawal Bourisli
Chief Human Resources Officer



Maryam Saif
Chief Diversity and Inclusion Officer



Venkatesh Jandhyala
Chief Internal Auditor



Firas Oggar
Head of Legal



Abdul Ghaffar Setareh
Chief Risk Officer



Abdulaziz Jawad
CEO of Zain Drone & Head of Corporate Finance

OUR GROUP AT A GLANCE **H1'21**



**48.3
MILLION**

ACTIVE CUSTOMERS



**\$2.5
BILLION**

IN REVENUE



**\$1.03
BILLION**

IN EBITDA
EBITDA MARGIN 41%



**\$285
MILLION**

IN NET INCOME



**7
CENTS**

IN EPS

OUR OPERATIONS



Over
7,500
EMPLOYEES



KUWAIT



KSA



IRAQ



SUDAN



JORDAN



BAHRAIN



SOUTH SUDAN

Contribution

REVENUE %
CUSTOMERS %

21%

5%

41%

15%

15%

33%

6%

35%

10%

8%

4%

2%

3%

2%

Zain has a 15.5% ownership in Moroccan mobile operator "INWI"

PRESENCE IN KEY ECONOMIES IN THE GULF REGION AND RESILIENT UPSIDE POTENTIAL IN SUDAN AND SOUTH SUDAN

KEY EVENTS THIS QUARTER

Interim Dividends

- In early June 2021, Zain held a successful EGM which witnessed the approval of BOD recommendation to distribute interim dividends, quarterly or semi annually.
- On 14th July 2021, Board recommended an interim dividend of 10 Fils per share for first six months of 2021, subject to Regulatory approvals.

5G Growth across key markets

- Zain Kuwait, KSA and Bahrain witnessed impressive uptake of 5G services
- Iraq and S. Sudan launched 4G services

For the 1st time ever, Zain KSA achieves positive Retained Earnings

After 12 consecutive quarters of profits, for the 1st time ever Zain KSA achieves positive Retained Earnings after extinguishing all accumulated losses

Iraq & Sudan Price Revamp

Counteracting currency devaluations, price uplift initiatives undertaken

Fintech... Excellent customer growth across the Opcos

- Zain Kuwait Fintech License is expected in Q3 2021
- Zain Cash Jordan agreement with Western Union on international remittances
- Zain KSA's "Tamam" and Zain S. Sudan's "M-Gurush" witnessed growth

Zain Jordan TowerCo deal

Transaction close to finalization, expected H2 2021





BEST CORPORATE GOVERNANCE,
KUWAIT

Zain Group wins prestigious 'Best Corporate Governance Award 2021' for Kuwait



Zain Kuwait wins Gulf breakthrough award from Dell Technologies during virtual MERAT Partner Summit 2021



Zain KSA ranked first in the Meqyas report issued by the Communications and Information Technology Commission (CITC) in the Kingdom



Zain recognized in three major categories at the Global Good Governance Awards 2021

1. Best in Diversity Award
2. Leadership & Sustainability Award
3. Women Empowerment Award

4SIGHT : Creating our sustainable & digital future

01 DIGITAL TRANSFORMATION



Transforming the telecom core to provide customers with the best experience, while simultaneously streamlining the back end and reaping the best of analytics for Zain to thrive and even lead in the digital era.

ICT 01



Establishing a regional center of excellence developing and providing the latest infrastructure, managed services and digital solutions.

02 ENTERPRISE AND GOVERNMENT



Working closely with organizations of all sizes to provide them with the necessary connectivity and the latest solutions required to achieve their business and operational objectives.

DIGITAL INFRASTRUCTURE 02



Building a leading independent digital infrastructure player in the region.

EVOLUTION OF TELCO

03 FIXED AND CONVERGENCE



Transforming from a mobile centric telecom into an integrated player offering fixed-mobile domestic and international convergence serving the needs of consumers and businesses.

GROWTH VERTICALS

FINTECH 03



Introducing a suite of digital financial and insurance services contributing to the evolution of the region's digital ecosystem.

04 PORTFOLIO OPTIMIZATION



Continuously seeking opportunities to realize synergies and unlock potential value through M&A activities.

DIGITAL HEALTH 04



Leading the development of the digital healthcare landscape in the region as well as widening and facilitating access to medical services.

ZAIN VENTURES

ZAIN HAS EVOLVED AS AN ACTIVE PLAYER WITH A FOCUS ON STRATEGIC INVESTMENTS

EXPAND OUR NETWORK :

Investing in multiple venture capital funds focused on technology startups

COMMITMENT



USD 3 Million
April 2015



USD 5 Million
June 2016



USD 2 Million
August 2016



USD 8.5 Million
April 2020

Invested	Received	Outstanding Value	Value Generated
\$18.2m	\$14.03m	\$16.5m	1.7x



ZAIN FINTECH

ACHIEVED KEY MILESTONES IN REALIZING THE FINTECH STRATEGY GROUP-WIDE



KSA

8 K TOTAL REGISTERED USERS

Licensed by Saudi Central Bank (SAMA), **Tamam** is the first micro-financing license in region. The platform is Shari'a compliant and offers consumer micro-finance in less than five minutes via a seamless digital customer experience through a mobile app.



157 K TOTAL REGISTERED USERS
7.6 K TOTAL REGISTERED AGENTS

Zain Cash Iraq is a mobile wallet licensed by Central Bank of Iraq to offer innovative financial services such as money transfer, electronic bill payment, funds disbursement service, mobile recharge, ecommerce. .
Zain Cash Iraq's customer base and volumes grew along with a variety of initiatives to assist the government funding support to reach out to beneficiaries.



350 K TOTAL REGISTERED USERS
3.0 K TOTAL REGISTERED AGENTS, ATMs

In addition to maintaining its position in the market as the largest mobile financial services provider in Jordan, **Zain Cash Jordan** has been rapidly expanding its portfolio to cover more services and verticals and managed to lead the processing of disbursements for the government's financial aid programs with a value exceeding JOD100 million.



243 K TOTAL REGISTERED USERS
4.3 K TOTAL AGENTS

M-Gurush is Zain South Sudan Digital Financial Service based on partnership model with Trinity Technologies, licensed by Central Bank of South Sudan to run Mobile Money and Electronic Payment Services in South Sudan.

ZAIN DIGITAL HEALTH

LAUNCHED SHLONIK AND WASFA APP IN KUWAIT TO SUPPORT MOH



Another milestone for Zain in 2020 was with Kuwait's Ministry of Health, where Zain's team played a key role in supporting the authorities in the control of the spread of COVID-19, ensuring the safety of all citizens. Zain developed a state-of-the-art digital platform, Shlonik, in collaboration with the Ministry of Health and Central Agency for Information Technology, to manage the quarantine process for those arriving from overseas. The platform was developed in record time and was ready for operation during one of the largest repatriation campaigns ever undertaken in Kuwait in April and May 2020 to bring Kuwaiti citizens back to the country from abroad. The platform has become a vital tool for the Ministry of Health to manage the quarantine process.

SHLONIK



Wasfa is an end-to-end e-prescription digital platform. By connecting medical stores, pharmacies, and prescribing doctors, Wasfa allowed the Ministry of Health to control end-to-end prescription and dispensing of drugs in Kuwait.

Wasfa provides insights and analytics on the purchasing habits and behavior of patients, doctors and pharmacists in order to minimize waste and fraud, and generate significant savings for the Ministry of Health. The platform also introduces the concept of preventive care.

Operational in two sites since August 2019, Wasfa generated over 350,000 e-prescriptions.

DIGITAL TRANSFORMATION



LIVESTREAMING POWERED BY ZAIN



1. Gross Revenues **\$28M** and Net Revenues **\$8.5M** generated for Zain Opcos and Omantel in H1 2021
2. 49.6 Million Addressable customers over Group API (**1.1 Million** active Customer base)
3. **26** services are currently running and generating revenue for Zain Opcos, with over 108 million transactions since launch

Zain live streaming is a web application that provides digital attendance for events to ensure viewing of the event as well as keeping social distancing regulations set forth by MoH.

Latest Live Stream Events



The Ministry of Commerce in Kuwait approved digital presence of Annual General Meetings "AGM" as part of the official quorum

Live Streaming Service was provided for Zain and Gulf Bank's AGM as well as Nawal's latest concert in JACC



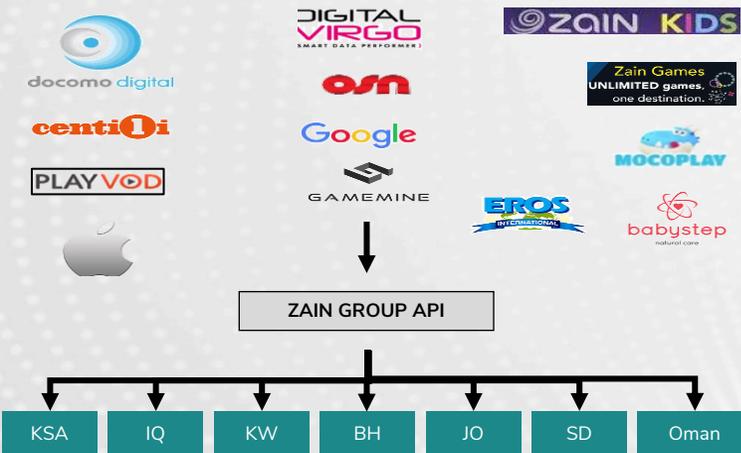
- Zain esports Ramadan Challenges**
11 tournaments and challenges across 3 weeks of Ramadan, encompassing 8 games
- Participation from over 5,000 entrants
 - 6 Million social media impressions



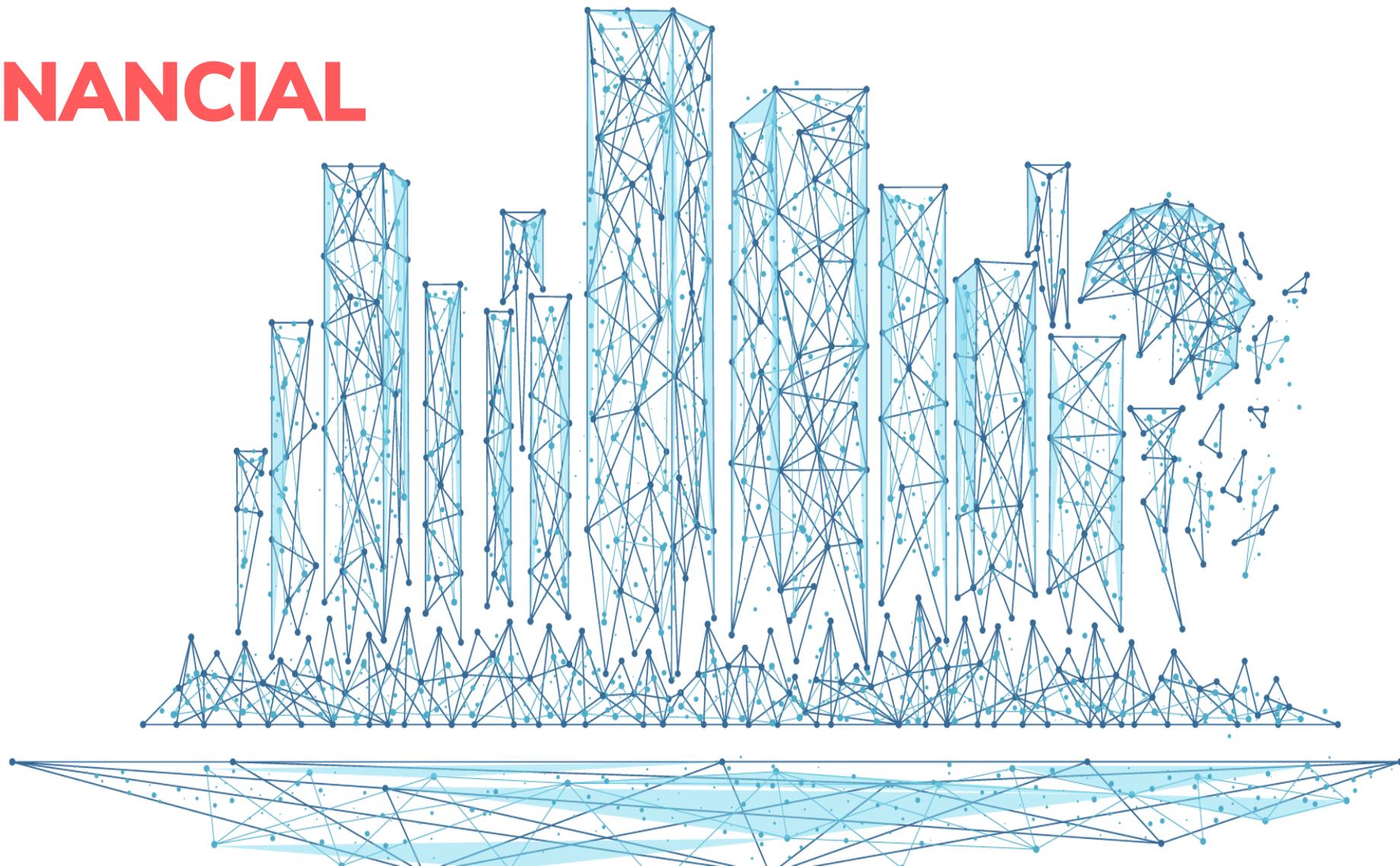
- Partnership with UNICEF**
- Child Online Safety Booklet, created with Group Sustainability and UNICEF, distributed among young gamers
 - MoU with Al-Bayan Bilingual School



- PubG summer series**
- 450+ registered teams, 1250+ registered players from across the MENA region
 - 2 Mn+ impressions on Youtube and Instagram combined

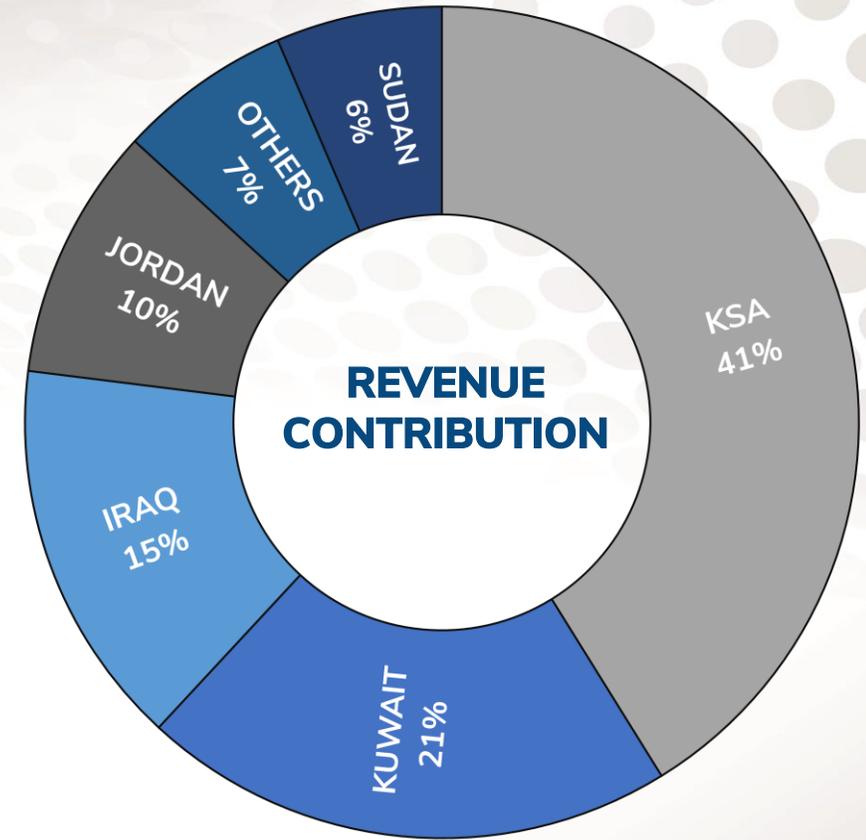
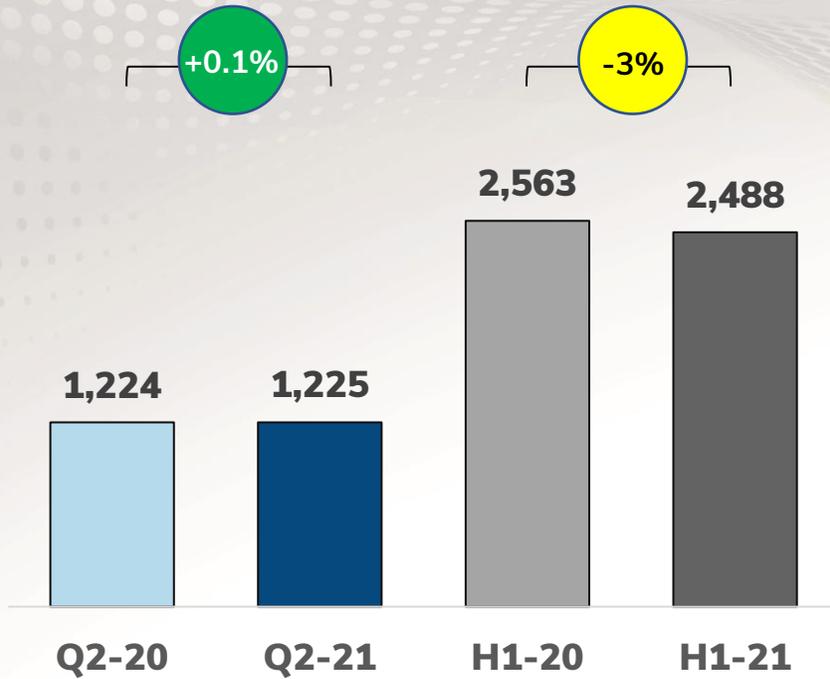


GROUP FINANCIAL REVIEW



GROUP REVENUE

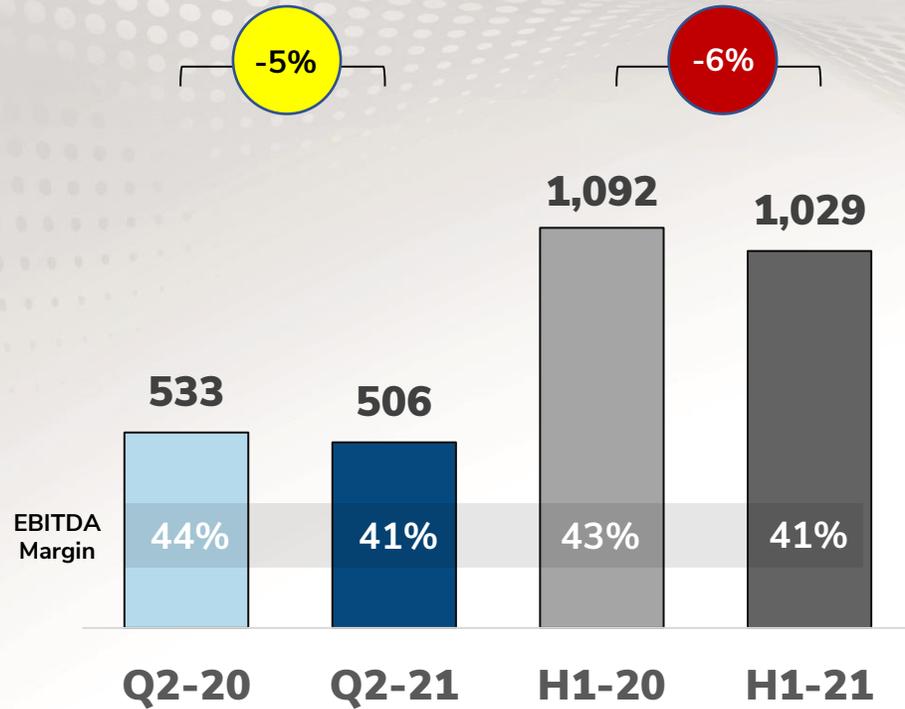
(USD m)



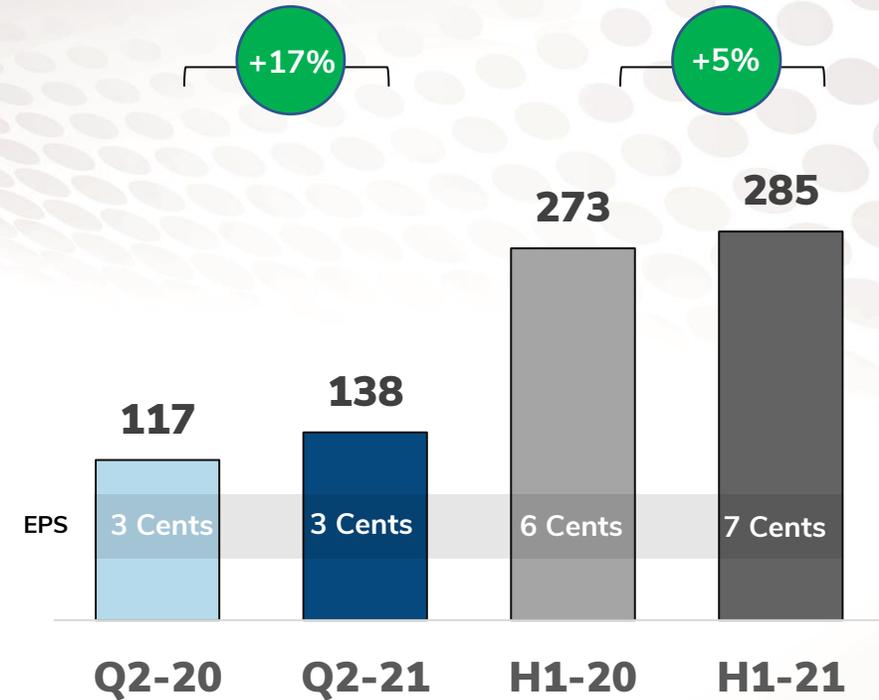
- The impact of **COVID-19** still affects the operations, coupled with the **FX rate** change impact mainly due to the currency devaluation in **Sudan** and **Iraq**
- Rate per USD moved from **SDG 55 in H1-20** to **SDG 444 in H1-21**.
- Excluding the **rate change** and **FX translation impact of USD 378 million**, the Group consolidated revenue growth would have been 12%.

GROUP EBITDA & NET INCOME

EBITDA (\$ m)



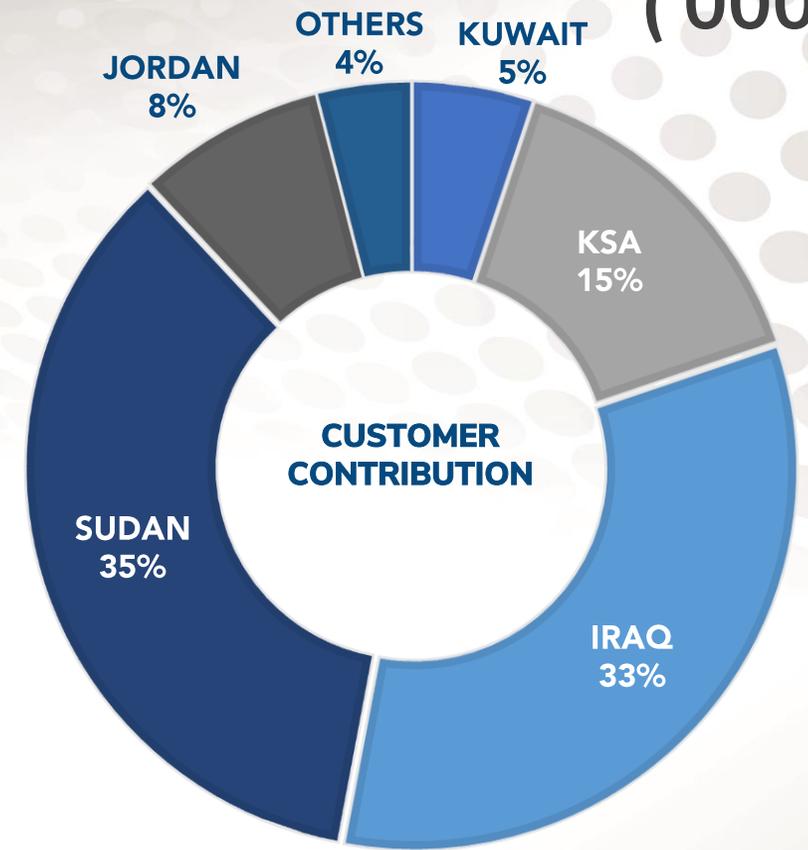
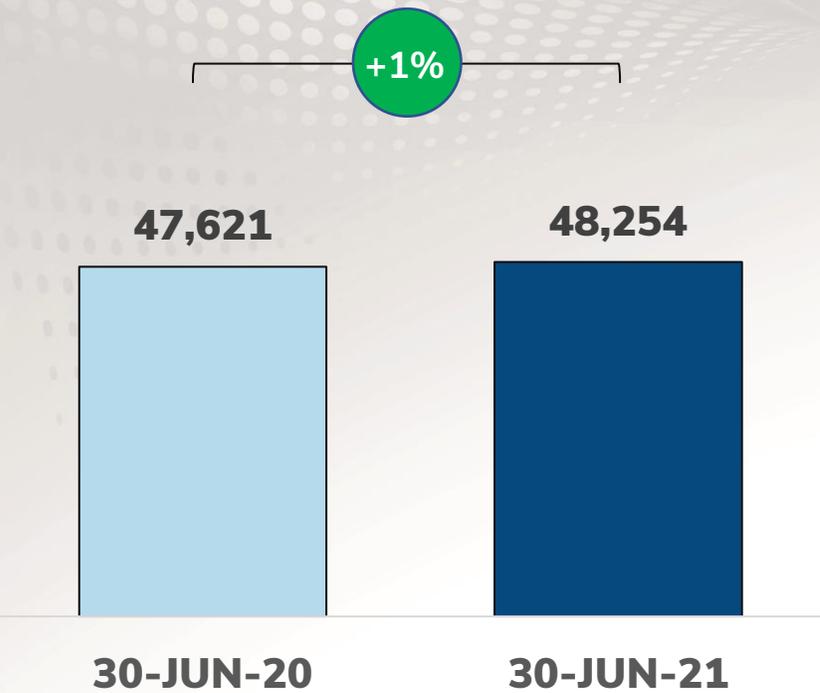
NET INCOME (\$ m)



- Conclusion of the **3-year CITC agreement** with KSA
- Rate Change and FX Translation impact in **Iraq** and **Sudan** affected EBITDA
- Excluding the FX translation impact **USD 233 million**, EBITDA would have been 16% YoY
- Decrease in Finance costs mainly from loan settlements, drop in LIBOR and margin reduction by negotiations held with lenders

GROUP CUSTOMER BASE

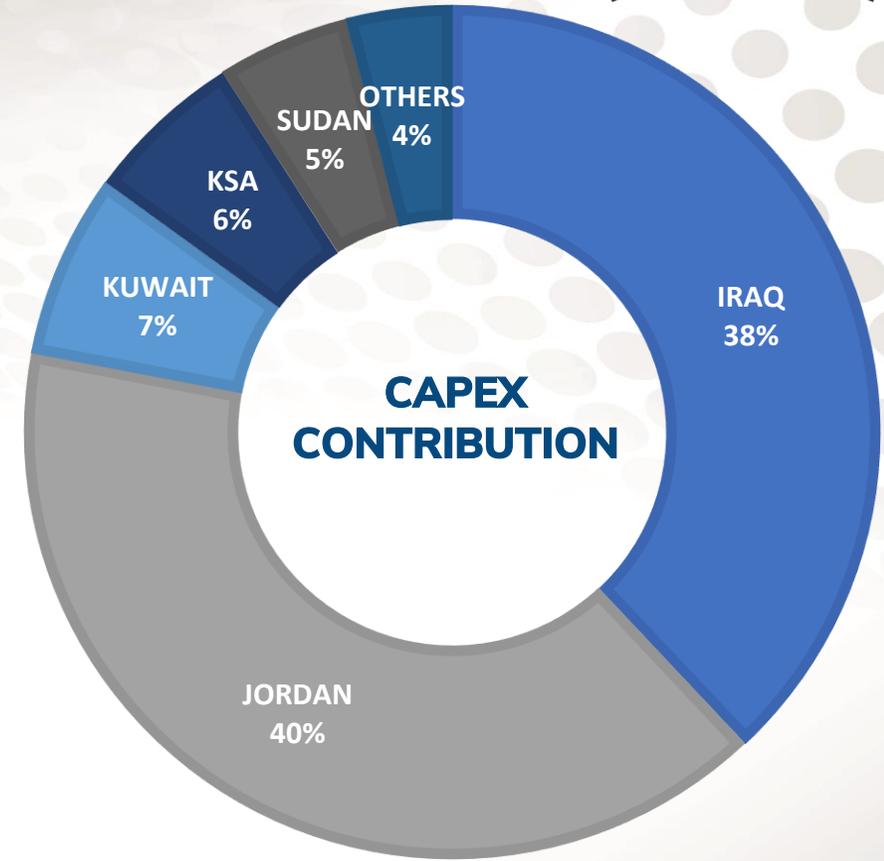
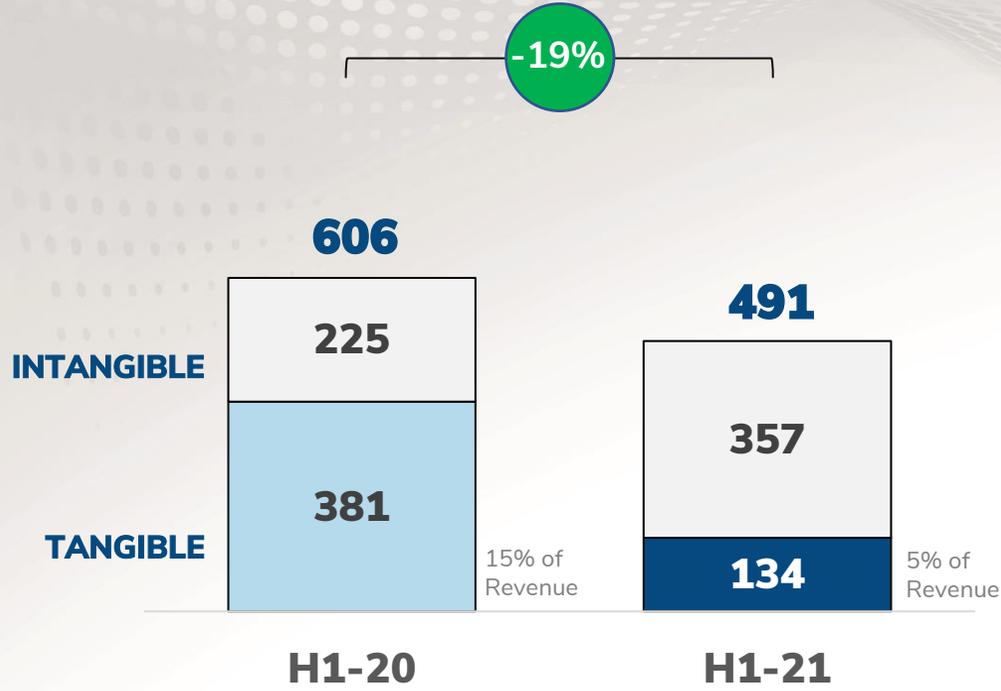
(‘000)



- Conclusion of the Management Contract with **Touch** in October 2020 results in loss of 2.3 million customers
- Customer base increased **8%** and **7%** in Sudan and Iraq respectively, adding **2.4 million** customers
- Launch of 4G services in **Iraq** and **South Sudan**

GROUP TOTAL CAPEX

(USD m)



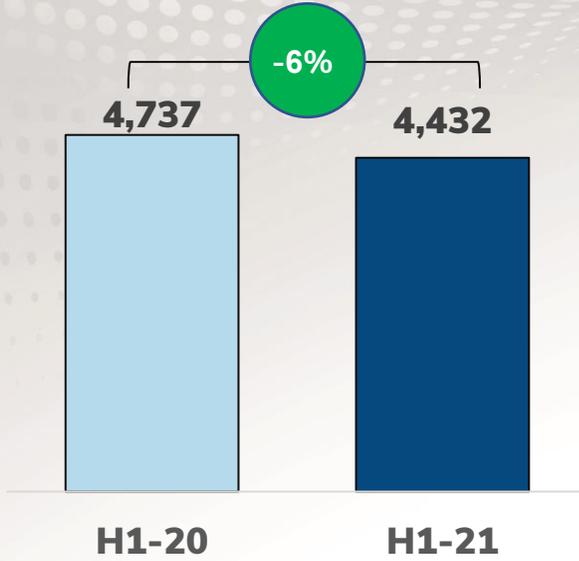
- Grant of 4G license in **Iraq** amounting to USD 148 million
- Renewal of the 900 MHz License in **Jordan** amounting to USD 183 million

- On track with our target capex spend in FY 2021

DEBT PROFILE

(USD m)

TOTAL DEBT (\$ m)



2.5x

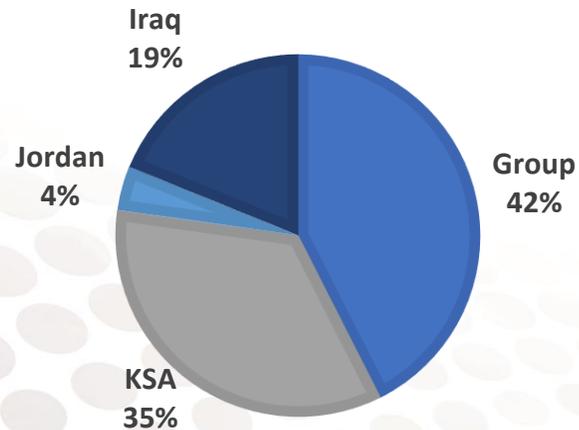
Total Net Debt / EBITDA
Among the lowest in the region

Effective Interest Rate

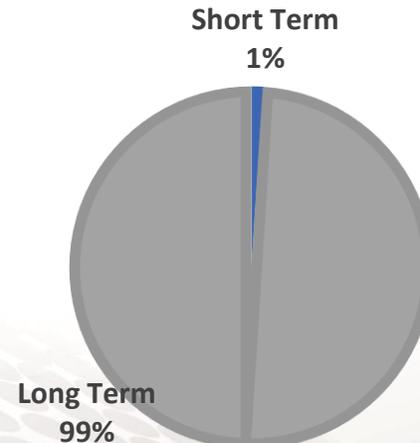
0.8% - 2.4%

As at 30th June 2021

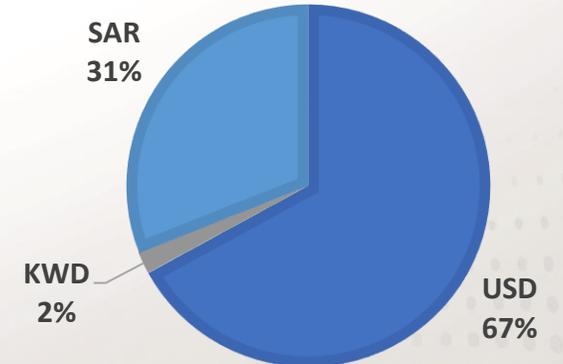
DEBT BY OPCO



DEBT BY MATURITY



DEBT BY CURRENCY



GROUP FINANCIAL KPIs

Income Statement (KWD m)	H1 2021	H1 2020
Revenue	750	787
EBITDA	310	336
Net Income	86	84

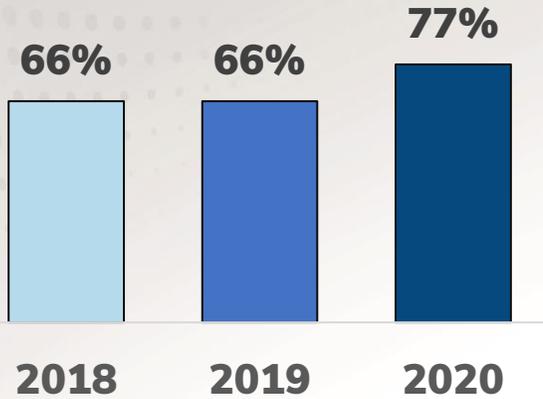
Balance Sheet (KWD m)	30 Jun 2021	30 Jun 2020
Cash and Cash Equivalents	281	375
Total Assets	4,732	4,900
Total Debt	1,334	1,456
Total Equity	1,770	1,619

Cash Flow (KWD m)	H1 2021	H1 2020
Operating	171	337
Investing	(172)	(101)
FCF	(0.7)	236
Financing	(57)	(155)
Effect of FX impact	(25)	0.4
Ending Cash Balance	281	363

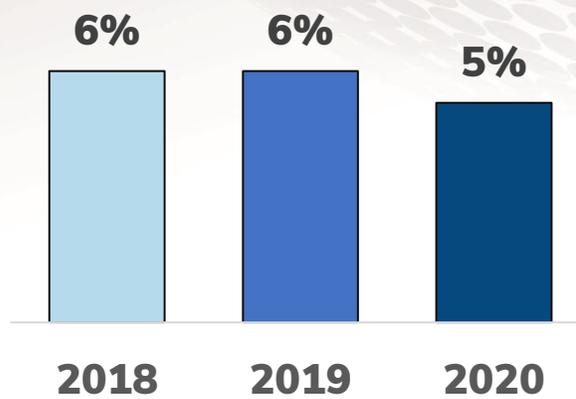
- Investing in Spectrum and network expansion for sustained growth momentum
- Debt reduction and deleveraging plan on track along with reduction in finance cost
- Impact from Currency Devaluation in Sudan and Iraq

DIVIDENDS

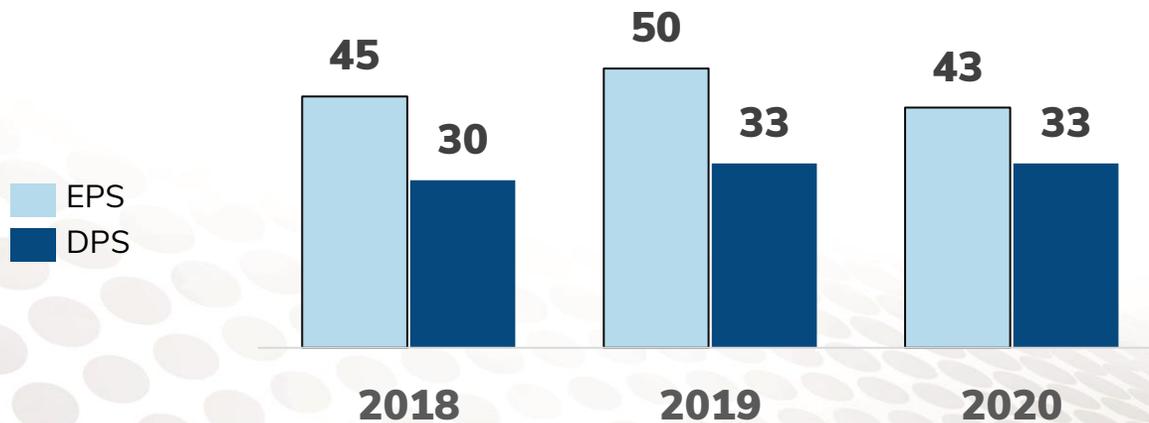
DIVIDEND PAY-OUT RATIO



DIVIDEND YIELD

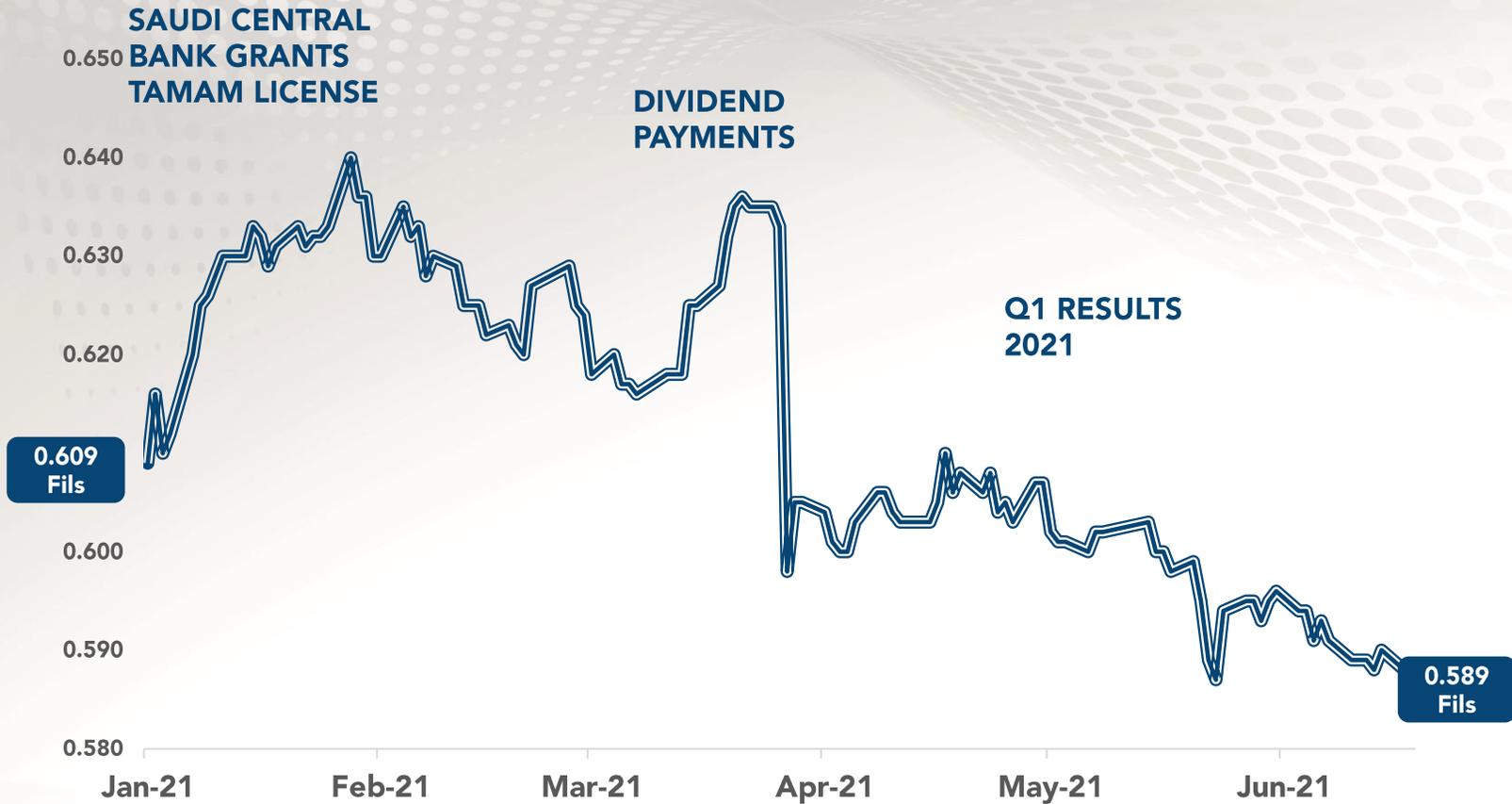


EPS & DPS (Fils)



- Average dividend payout ratio in the high **70% range**
- Dividend of USD 470m (**33 fils**) for 2020 compared to USD 471m (**33 fils**) for 2019
- First company in Kuwait to implement a minimum cash dividend policy (**33 fils/year for 3 years starting 2019**)
- Board meeting held on 14th July 2021, recommends an interim dividend of **10 Fils** per share **for first six months of 2021** as part of the minimum 33 Fils annual dividend policy, subject to Regulatory approvals.

ZAIN SHARE PRICE



TOTAL SHARES

4,327,058,909

P/E

~14 TIMES

MARKET CAP

USD 8.5 BILLION

DIVIDEND YIELD

5.47 %

THE SUSTAINED TRUST AND CONFIDENCE OF OUR SHAREHOLDERS ENABLED US TO REMAIN FOCUSED ON ACHIEVING OUR STRATEGIC OBJECTIVES AND MAXIMIZING OUR RETURNS IN THESE CHALLENGING TIMES

OPERATIONAL REVIEW



*The Market share % and the Value share % are as of Q1 2021

MARKET PLAYERS



100%



OWNERSHIP

1983



OPERATIONS

- Zain Kuwait remains the **most profitable company** within the Group and maintains its market lead in terms of both value share and customer base
- Revenue increased 4% due to growth in **5G segment** partially offset by decrease in roaming revenue due to extended **air travel restrictions**
- Zain and Boubyan Bank engagement with Central Bank of Kuwait to seek approval to jointly offer **digital banking services**.
- Lower doubtful debt provision due to improvement in **collection** rates
- Data revenue** grew **5%** and formed **40%** of total revenue
- Excluding the **\$15m gain on sale and leaseback of towers**, net income would have grown by **+13%**



2.4M

CUSTOMER BASE



37%

MARKET SHARE



40%

VALUE SHARE



\$26

BLENDED ARPU



57%

PREPAID BASE



5G

NETWORK TECHNOLOGY



100%

POPULATION COVERAGE %



159%

MARKET PENETRATION



MARKET PLAYERS



37%



OWNERSHIP

2008



OPERATIONS

- For the first time ever, Zain KSA **achieves retained earnings** after extinguishing all accumulated losses
- H1'21 revenue impacted by 2% YoY, mainly due to challenging market environment
- Decrease in airtime revenue & **reduction in MTR** (SAR0.055 to SAR0.022) starting 10th June 2020
- Lack of Visitors and Pilgrims due to **Omra closure** and flights restrictions
- CITC disconnections continue to impact the customer base in addition to the new governmental requirement (**Tawakalna** application required for customers mobility)
- Strong growth in **Yaqoot** and **Tamam** during Q2'21
- Healthy growth in the **FTTH** revenue and customer base
- Savings in finance cost due to **settlement of Shareholder loan** and **Murabaha refinancing**
- Data revenue** formed 50% of total revenue



7.4M

CUSTOMER BASE



\$20

BLENDED ARPU



65%

PREPAID BASE



5G

NETWORK TECHNOLOGY



99%

POPULATION COVERAGE %



114%

MARKET PENETRATION

ZAIN IRAQ



MARKET PLAYERS



76%



OWNERSHIP

2003



OPERATIONS

- Customer base grew by 7% to reach 16.1m customers driven by the launch of 4G
- YoY revenue impacted due to **currency devaluation** impact and continues lockdown restrictions
- Digital operator “oodi” was successfully launched on May 27th
- Currency Devaluation by 19% from IQD/USD 1,190 to 1,470
- Drop in **Network Opex** on account of cost optimization Initiatives



16.1M

CUSTOMER BASE



53%

MARKET SHARE



44%

VALUE SHARE



\$4

BLENDED ARPU



94%

PREPAID BASE



4G

NETWORK TECHNOLOGY



99%

POPULATION COVERAGE %



100%

MARKET PENETRATION

MARKET PLAYERS



96.5%



OWNERSHIP

2003



OPERATIONS

- Top line grew by +5% YoY, mainly due to increase in data revenue
- Data revenue grew by +13% YoY, and formed 49% of total revenue
- Healthy growth in the FTTH revenue and customer base
- Growth in Zain Cash revenue due to increase in service uptake
- New reduced electricity rates **not implemented yet** by the Govt as planned for the year 2021
- Further reduction in local **interconnection rates** (from 5.2 fils to 2.0 fils)
- Zain Cash Jordan agreement with Western Union on international remittances
- Zain Jordan TowerCo transaction close to finalization, expected **H2 2021**



3.5M

CUSTOMER BASE



35%

MARKET SHARE



49%

VALUE SHARE



\$10

BLENDED ARPU



68%

PREPAID BASE



4G

NETWORK TECHNOLOGY



99%

POPULATION COVERAGE %



79%

MARKET PENETRATION

MARKET PLAYERS



100%



OWNERSHIP

2006



OPERATIONS

- Customer base grew by 8%, to reach 17 million with a leading customer market share of 49%
- Currency Devaluation in Feb 2021 from SDG 55 to SDG 444 vs. USD
- Fuel expenses has increased due to frequent power cuts leading to higher consumption coupled with shortage of supply in market leading to increase in prices
- Increase of VAT from 35% to 40%
- Tax on telecom services increased from 7% to 10%
- Data revenue grew 4% YoY, and formed 28% of total revenue
- Plan to launch Financial Services in 2021



17.0M

CUSTOMER BASE



49%

MARKET SHARE



60%

VALUE SHARE



\$2

BLENDED ARPU



98%

PREPAID BASE



4G

NETWORK TECHNOLOGY



90%

POPULATION COVERAGE %



80%

MARKET PENETRATION

MARKET PLAYERS



65%



OWNERSHIP

2003



OPERATIONS

- YoY revenue growth mainly **due to increase in data and trading revenue**
- Data revenue** formed 45% of total revenue and grew 5% YoY
- Focused on the continued expansion of **4G** and **5G** infrastructure
- Zain Bahrain **became the first provider** to enhance services in more newly-developed housing areas
- Upgraded broadband connectivity speeds **by up to 6 times**



\$19

BLENDED
ARPU



5G

NETWORK
TECHNOLOGY



100%

POPULATION
COVERAGE %



101%

MARKET
PENETRATION

2021 GUIDANCE

DATA REVENUE

Monetize 5G & 4G Opportunities in our Key Markets with best in-class network

DIGITAL TRANSFORMATION

Focus on digital channels and online services such as digital marketing campaigns, app sales, online payments and social media care

CAPEX

Disciplined capital allocation for long term growth with focus on operational efficiencies

NETWORK RELIABILITY

Ensure preparedness for increase in traffic and improved network performances owing to curfew and lockdown in our markets with potential for further monetization

WINNING CULTURE, TALENT, ASSET AND CUSTOMER PERCEPTION

REGULATORY AFFAIRS



KUWAIT

MVNO : CITRA to issue MVNO license to **Connect Arabia** which the STC network will host



SUDAN

Taxes: VAT on telecom services has now increased from 35% to 40% as a percentage of gross revenue effective from 1 Jan 2021



JORDAN

Regulatory Negotiation : Settlement Agreement with Govt expected to be signed in H2 2021



SOUTH SUDAN

LTE authorization and spectrum enabling the operation to launch LTE services in Q2 2021

International Termination Rate : Effective from 1 March 2021, the Inbound International termination rate reduced from 12 cents to 10 cents



CORPORATE SUSTAINABILITY



CLIMATE CHANGE

- Assessment of water security and consumption across all operations
- Assessing energy measurement solutions and embedded it in OpCo roadmaps
- Investing in Carbon Offsetting programs such as planting trees (done in Jordan, Iraq and Sudan) and invest in carbon sinks and clean energy projects



SIGNED GLOBAL MOU WITH UNICEF TO ACHIEVE THE RIGHTS OF CHILDREN

- Zain Jordan leveraged on all communication channels and provided safety tips and precautions of COVID-19 including promoting the vaccine.
- Zain Iraq provided 500 MBs free of charge on a daily base to support students in Kurdistan study online through the e-Education platform eParwarda.
- Developed the Poverty Report with UNICEF Iraq that assesses the status of marginalized communities in Iraq through data collected by Zain.



CHILD ONLINE SAFETY

- Launched Child Online Safety Booklet in partnership with UNICEF for children to educate them on internet risks
- Launched Internet Monsters Campaign –focused on raising further awareness on child online safety
- Zain assessed the current blocking mechanisms in each operation for Child Sexual Abuse Material (CSAM)



PEOPLE WITH DISABILITIES

- 43 persons with disabilities in Kuwait were trained with professional career development by the Human Construction Institute.
- Zain Iraq provided priority cards for people with disabilities and the elderly community to be promptly served in all Zain retail stores.
- Zain Bahrain is in process of creating a dedicated hotline for People with Disabilities and identified inclusive-friendly branches by installing signages.

INDICES &
REPORTING



WHY ZAIN?

GROWTH PROFILE

Investing for sustainable growth momentum and creating the basis for future growth

4SIGHT ... CLEAR STRATEGY

Clearly defined strategy with a strong focus on digital and enterprise moving away from traditional telco approach

PROFITABILITY ACROSS OPERATIONS

Highly profitable operations across our footprint with a strong focus on unlocking potential for further growth and increase our shareholders value

SAUDI TURNAROUND

12 consecutive quarters of profitability and achievement of retained earnings and extinguishing accumulated losses, enhanced the Group's financial performance. Debt leveraging strategy for KSA to further improve Group's balance sheet

5G LEADERSHIP

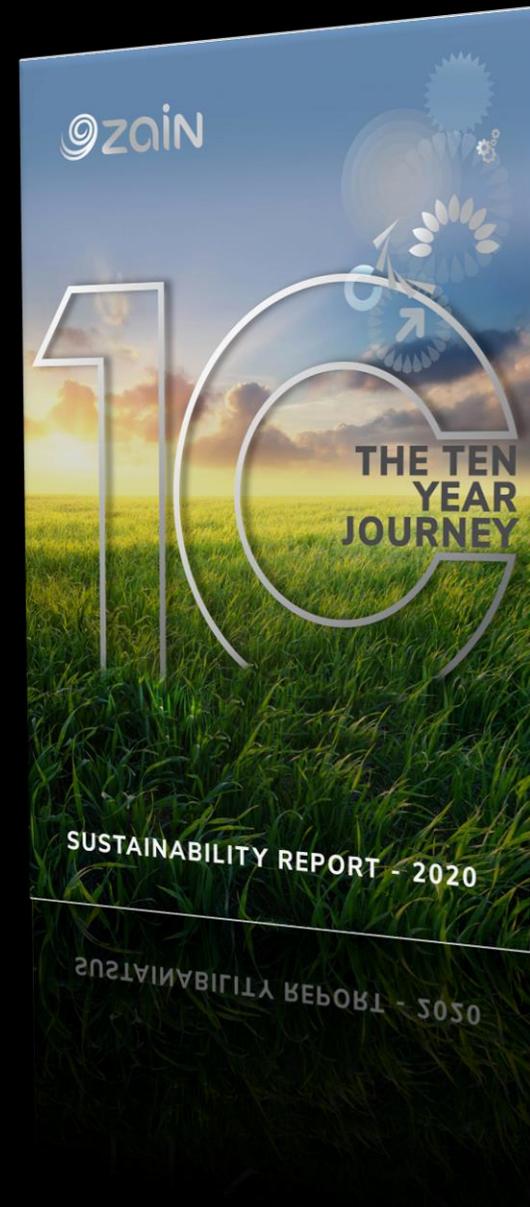
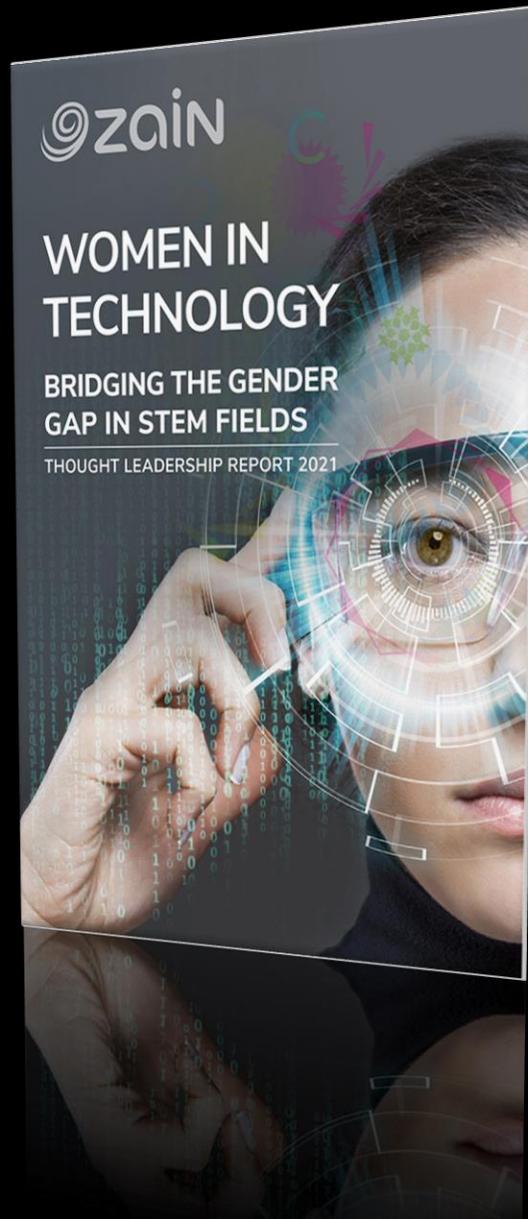
Strategic investments in technology and innovation to maintain leadership position in 5G and IoT

THREE YEARS DIVIDENDS POLICY

First telecom in the region to commit a dividend of 33 fils, for three years starting from 2019



ZAIN REPORTS



<https://zain.com/reports/>



 zain

THANK YOU

ZAIN GROUP INVESTOR RELATIONS

 : IR@zain.com

www.zain.com/en/investor-relations/