

# Omantel Group Performance 2015

EFG Hermes One –on –One Conference  
Dubai

7 – 9 March 2016

عمانتل  
Omantel

# Oman with total area of 309,500 Sq Kms is the 3rd largest country in the Arabian Peninsula.



## Strategic geo-political position

- Hormuz Strait

## Deep relationships

- West (US, UK, France..)
- GCC (Saudi, UAE, Qatar..)
- Iran

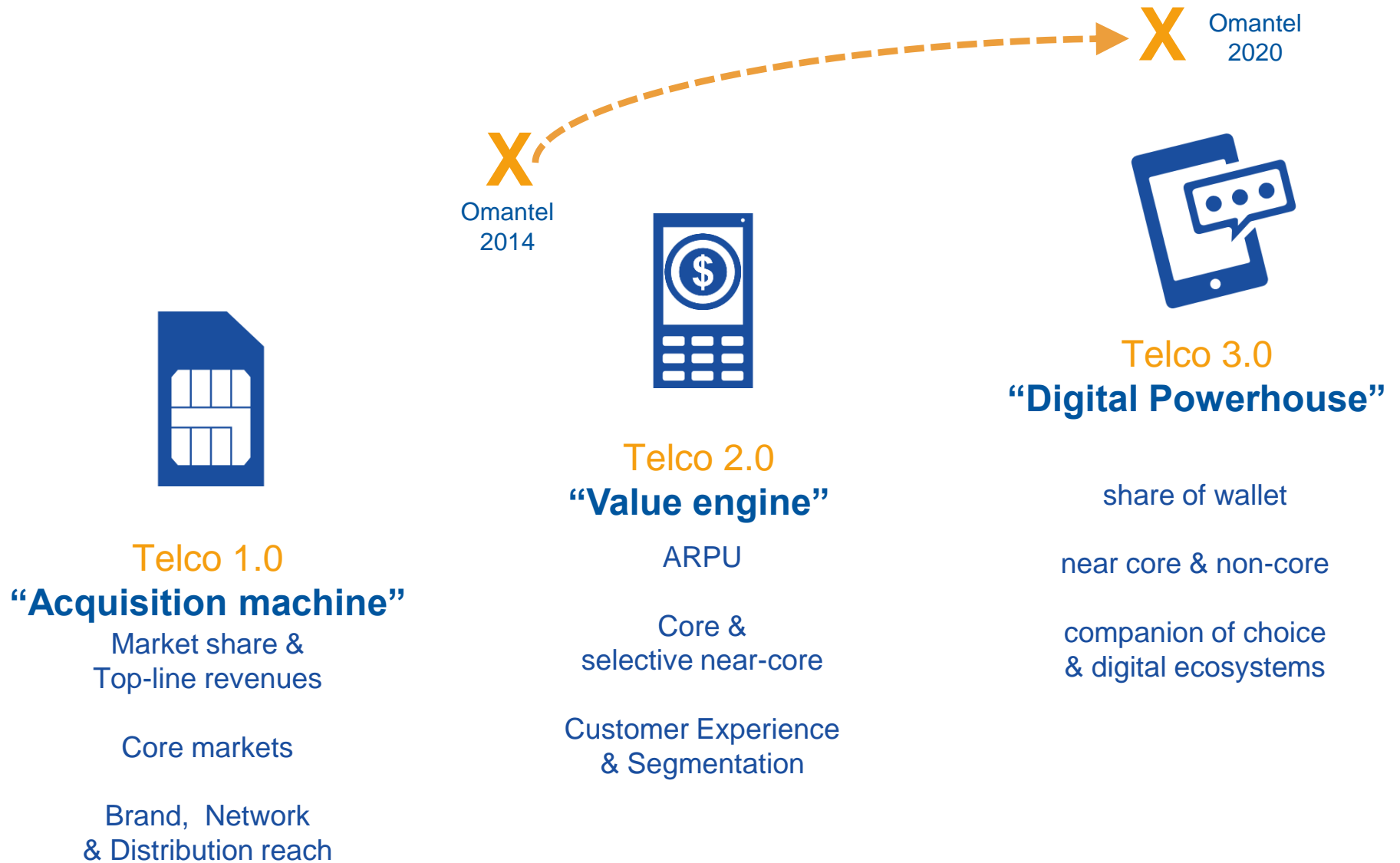
## Statistics

- Size: 309 500 km<sup>2</sup>
- Population: 4.1 Mn, 40% below 25 yrs
- GDP: \$81.1 billion (Yr 2014)
- GDP /Capita \$20,300

## Transformation

- Modernization since 1970
- Supported by Oil proceeds
- Telecom liberalized 2004

# Leapfrog to lead: Omantel 3.0



# Omantel 3.0 – leapfrog to lead: 4 strategic thrusts

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**Exceed**

customer expectations



**Lead**

Omani digitalization



**Innovate**

offering



**Transform**

to agile Omantel

# Omantel – Organization structure & Group companies

3 business units and 4 supporting units to provide integrated and customer centric solutions

## Consumer BU

Fixed & Mobile services to residential market

## Corporate BU

Fixed, Mobile & ICT services to professional market

## Wholesale BU

National and international carrier activities

## Integrated Network & Technology

Network and IT services

## Finance

Finance, Procurement, Performance Mgmt and M&A activities

## Corporate Strategy

Supports organization with regulatory, marketing strategy

## HR

Groups all employee related function

## Subsidiaries

Worldcall Telecom 57 %

- Telecom operator (Pakistan)

Oman Data Park 60 %

- Tier-3 Data Centre
- Acquired 100% shares in Omania E-commerce

Omantel France SAS 100 %

- Asia Africa Europe - 1 (AAE-1) cable in France

## Associates

Oman Fiber Optic Co 41 %

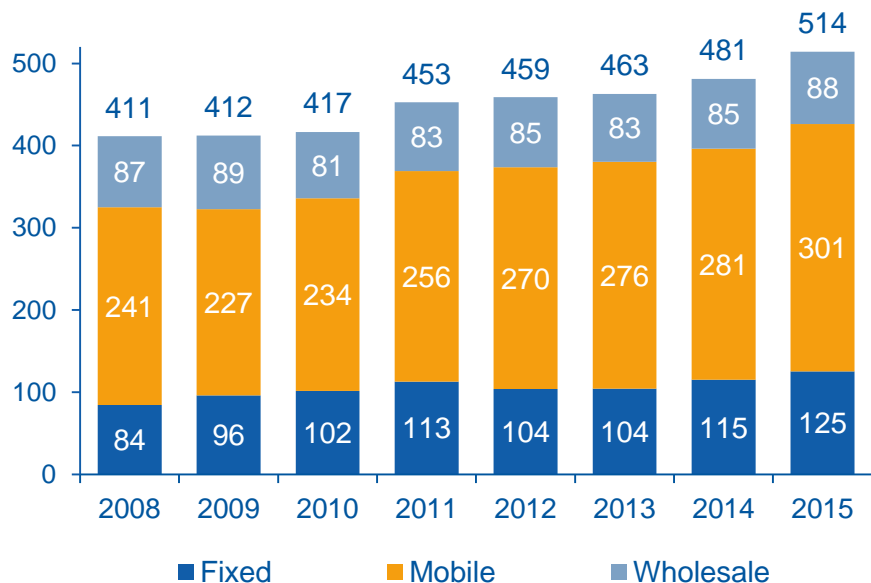
- Manufacturing of optical fiber and cables

Infoline LLC 45 %

- 3rd party call center services and BPO

# Despite increasing market competition, Omantel has been able to achieve consistent good performance

Group Revenue Trend – RO Mn

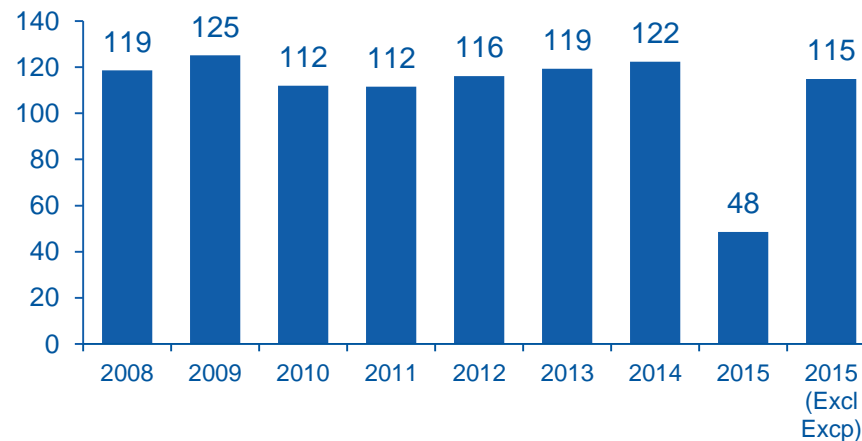


YoY Growth	2008	2009	2010	2011	2012	2013	2014	2015
YoY Growth	0.2%	1.0%	8.6%	1.4%	0.9%	4.0%	6.9%	

Omantel domestic revenue has been on the growth path since year 2009 despite increasing competition.

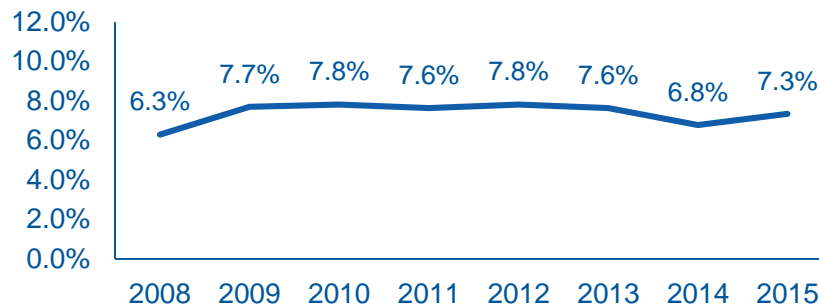
Group revenue growth has been marginally impacted by decline in subsidiary revenues (Worldcall)

Group Net Profit Trend – RO Mn



Group Net Profit has been impacted due to impairment of investment in WTL and VEOS program. Prior to these impact, the Group Net Profit has been RO 115 Mn

Dividend Yield



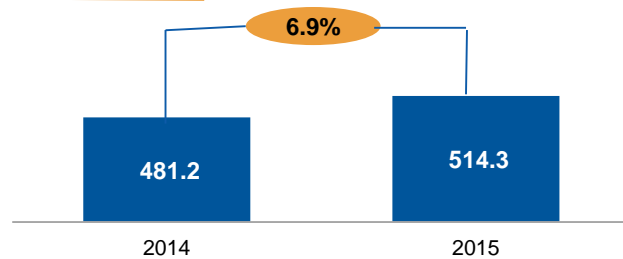
Omantel dividend yield has been around 7% since year 2009.

# Omantel Group Performance 2015

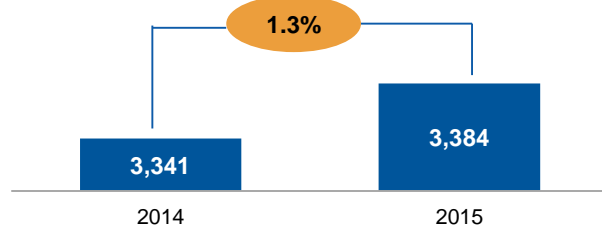
**Group Revenue** crossed RO 500 Mn mark and recorded a growth of 6.9% mainly driven by parent company's (domestic) revenue growth of 7.3%. Highest revenue growth in last 4 years. EBITDA increase by 2.3%

### Revenues & Subscribers growth

#### Revenue – RO Mn

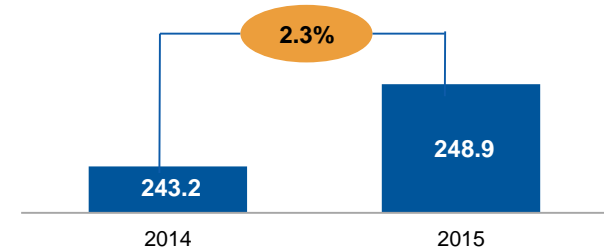


#### Domestic Subscribers'000s

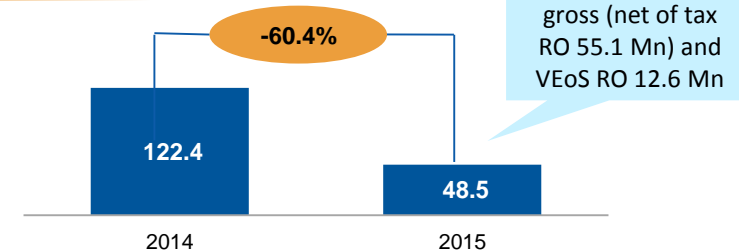


### EBITDA (Excl Royalty) & Net Margin

#### EBITDA – RO Mn



#### Net Profit – RO Mn



- Group Revenue at RO 514.5 Mn compared to RO 481.2 Mn of the corresponding period, mainly contributed by 7.3% growth in Parent company revenues.
- WTL contribution (international operation) to the total revenue stands at 1.5%.
- Domestic customer base grown by 1.3%. Including Mobile Resellers, the growth is 8.5%
- Continued growth in Mobile Subscriber acquisition. Omantel Mobile achieved growth of 7.7%.
- Growth in EBITDA (Incl Royalty) by 4.2%.
- Group Net Profit after tax is RO 48.5 million compared to RO 122.4 million of the corresponding period, a decrease of 60.4%.
- Group Net profit margin (after MI) is 9.4% compared to 25.4% of the corresponding period. Profit has been impacted due to impairment of investment in WTL and Voluntary End of Service (VEoS) program.
- Excluding the exceptional adjustments, the net profit is RO 115 Mn



# Income Statement for the Year ended 31 Dec 2015 (Audited)

Omantel Group			
In RO Mn	For the Period Jan-Dec		
	2015	2014	In %
<b>Revenue</b>	514.3	481.2	6.9%
<b>Cost of Sales</b>	(100.6)	(88.8)	(13.3%)
<b>Gross Margin</b>	413.7	392.4	5.4%
<i>Gross Margin % of Revenue</i>	<i>80.4%</i>	<i>81.5%</i>	
<b>Operating Expenses</b>	(164.8)	(149.2)	(10.5%)
<b>EBITDA</b>	248.9	243.2	2.3%
<i>EBITDA %</i>	<i>48.4%</i>	<i>50.5%</i>	
<b>Depreciation &amp; Amortization</b>	(93.2)	(81.2)	(14.8%)
<b>EBIT</b>	155.6	162.0	(3.9%)
<b>Finance &amp; Other Income/ Expense</b>	3.7	4.3	(11.9%)
<b>Impairment of investment in Subsidiary</b>	(72.3)	0.0	n/a
<b>Foreign currency losses arising on impairment of investment in subsidiary</b>	(19.4)	0.0	n/a
<b>Voluntary End Of Service (VEoS)</b>	(12.6)	0.0	n/a
<b>Profit Before Royalty &amp; Taxation</b>	55.1	166.3	(66.9%)
<b>Royalty</b>	(33.6)	(31.5)	(6.5%)
<b>Taxation</b>	(8.1)	(19.2)	57.6%
<b>Profit After Tax (Before Minority Interest)</b>	13.3	115.6	(88.5%)
<b>Non-Controlling Interest</b>	35.2	6.8	414.1%
<b>Net Profit</b>	48.5	122.4	(60.4%)
<i>Net Profit %</i>	<i>9.4%</i>	<i>25.4%</i>	

# Total P&L impact of RO 91.4 Mn, Omantel share is RO 66.3 Mn, which reflects our exposure. Impact net off tax in group accounts is RO 55.1 Mn

Impairment charge-Group financial statements	RO'000
Goodwill	13,925
Property, plant and equipment of subsidiary	40,137
Other Assets (Intangible, deferred tax etc.,)	17,926
<b>Gross impairment charge</b>	<b>71,988</b>
Foreign currency translation reserve reclassified to Income statement	19,434
<b>Total</b>	<b>91,422</b>
Less: Non-controlling Interest	(25,083)
Impairment charge attributable to Omantel	66,339
Less: Tax Impact	(11,252)
Net Impact to P&L	55,087

Group has performed the impairment based on the following factors;

- Our evaluation has indicated that given the financial situation of WTL, coupled with market challenges, it is not likely that turnaround can materialize without significant capital injection. Having taken all possible measures, it has decided to provide full exposure in Year 2015 accounts as prudent measures
- This will avoid any future significant impact on Omantel financials and allow Omantel mobilize resources to other projects.
- Accordingly, the investment has been impaired in the group accounts.

# Strong balance sheet with impressive market fundamentals.

## Strong Balance Sheet

- Debt Ratio is 36.3%
- Group total assets at RO 793 Mn.
- Net worth of RO 540 Mn.
- Net Asset per share is RO 0.721

## Impressive Market Fundamentals

- Dividend Yield 7.3% (Dividend at 115 Bz / share based on 31 Dec 2015 Closing Price of RO 1.565) & 7.8% Yield based on Jan'16 average price of RO 1.480
- Market Capitalization at RO 1.17 Bn (Dec'15)
- Price Earning Ratio {P/E 24.2}
- EV / EBITDA 5.45
- Price to Book Value 2.17

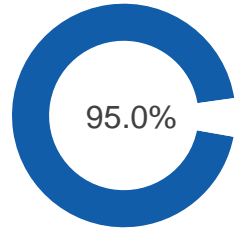
## Achievements

- Omantel has been voted for Leading Corporate for Investor Relations and Best Investor Relations Professional in Oman for the year 2015, at the seventh Annual Middle East Investor Relations Society (ME-IRS) award ceremony held in Dubai.
- Omantel has been Voted as the Most Trusted Brand in the Telecom Sector in the Sultanate by Oman Economic Review. Also, maintained its position as Oman's Most Valuable Brand, according to a study published by Brand Finance, one of the world's leading intangible assets and brand valuation independent consultancies.
- Omantel has won the Best Performing company in Muscat Securities Market (MSM) by Oman Economic Review for the 10<sup>th</sup> consecutive year.
- Omantel puts Oman as 13<sup>th</sup> fastest 4G LTE in the world in a recent report from Open Signal, a leading source of insight into the coverage and performance of Mobile Operators worldwide.

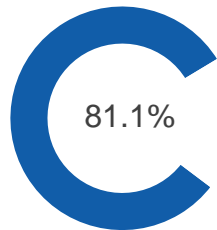
# Continuous improvement in network coverage and initiatives to improve customer experience

## Coverage

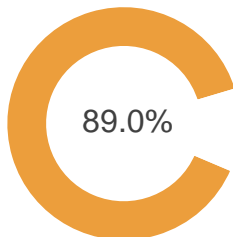
3G (Population)



4G (Population)



Fixed Broadband  
(Household)



## Q4'2015 Focus area

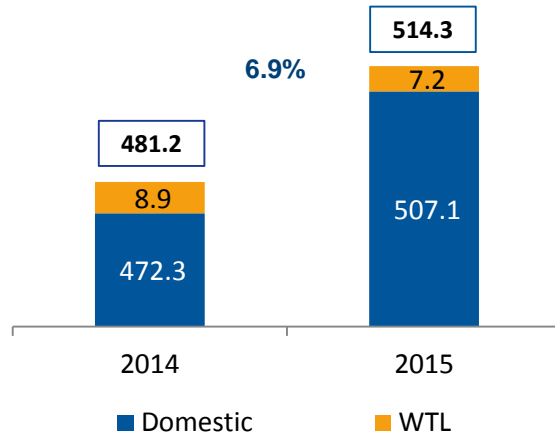
- Maintain broadband leadership
- Sustain revenue market share
- Improve relevance to customers by enhancing the customer's experience.

## Launches / Achievements

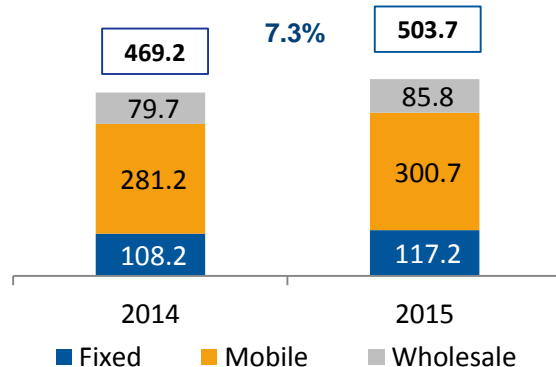
- Highest customer growth ever achieved for Fixed Broadband Service (40.5 K net additions in Year 2015)
- Crossed 1 million Lines in Makasib loyalty program
- Increased customer acceptance of Makasib resulted highest Redemption rate in Year 2015
- Launched Churn management program for Prepaid Customers
- Launch of IPTV to enhance the broadband offerings.
- Successful continuation of device bundled (mobile, play station and TV)

# Impressive Parent (domestic) revenue performance with all 3 key segments (Consumer, Corporate and Wholesale) achieved revenue growth

Group Revenue RO Mn



Parent (Domestic) Revenue RO Mn



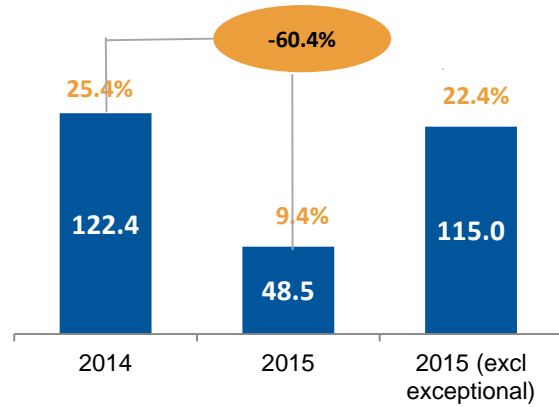
## Domestic Highlights

Parent has achieved **7.3% growth** in a highly penetrated market, mainly contributed by growth in;

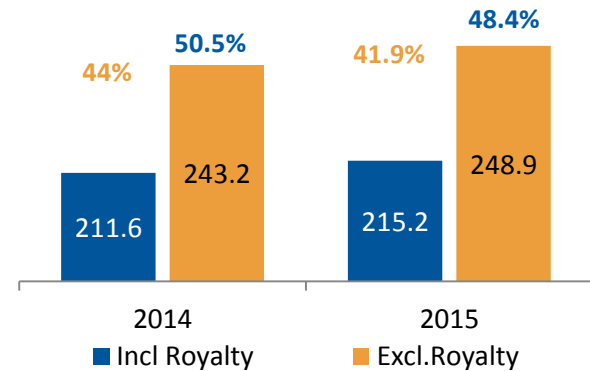
- **7.5%** from Fixed Line Business Retail Revenues (include internet & data).
- **24.8%** increase in Fixed Broadband revenue.
- **23.5%** increase in Mobile Broadband revenue.
- Increase in revenues from all 3 segments;
  - **Consumer by 7.9%.**
  - **Corporate by 4.8%.**
  - **Wholesale by 8.7%.**
- Total Fixed Broadband subscriber growth of 32.6%.
- 20% growth in international call revenue compared to 1<sup>st</sup> half of Yr 2015.
- Growth in mobile broadband subscribers by 9.9%
- 63.8% Smartphone penetration in Omantel Mobile Network

# Group EBITDA achieved a growth of 2.3% (increase of RO 5.7 Mn). Group profit has been impacted by impairment of investment in WTL and VEOS.

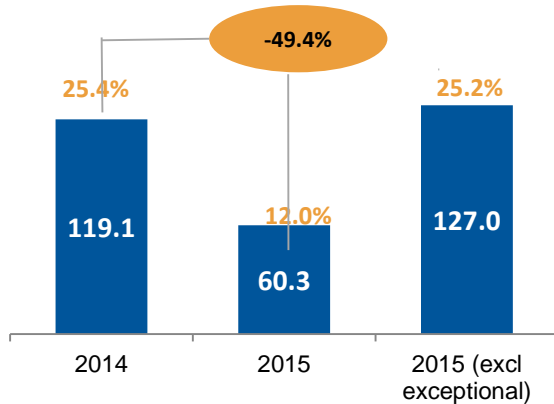
Group Net Profit RO Mn



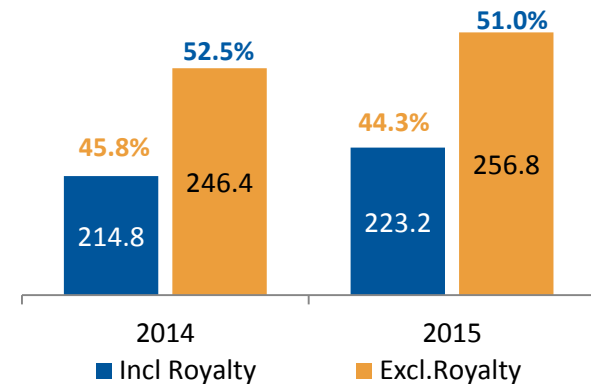
Group EBITDA RO Mn & %



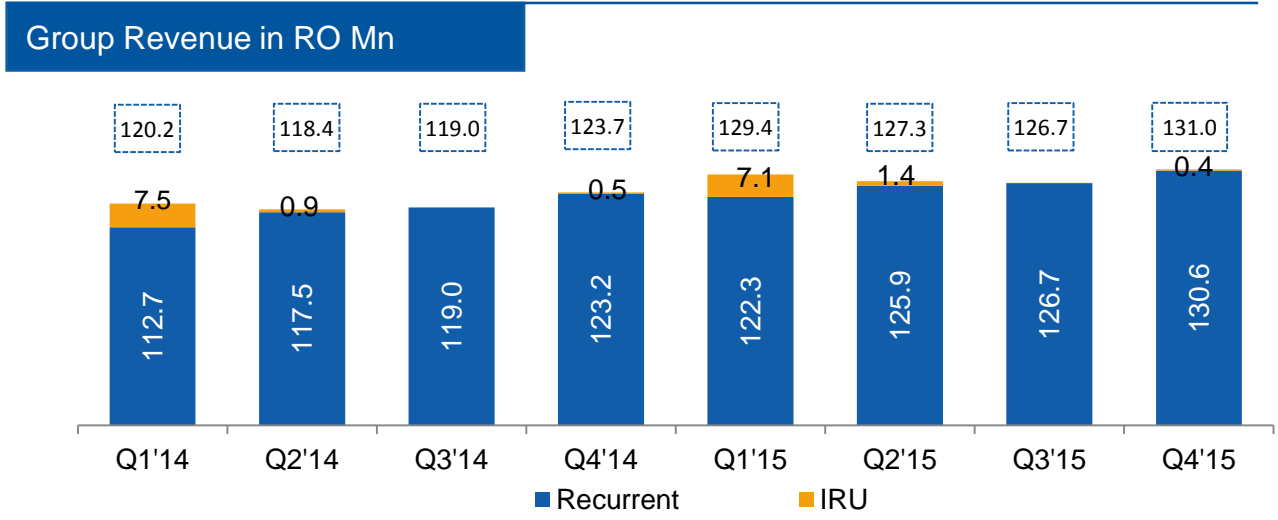
Parent (domestic) Net Profit RO Mn



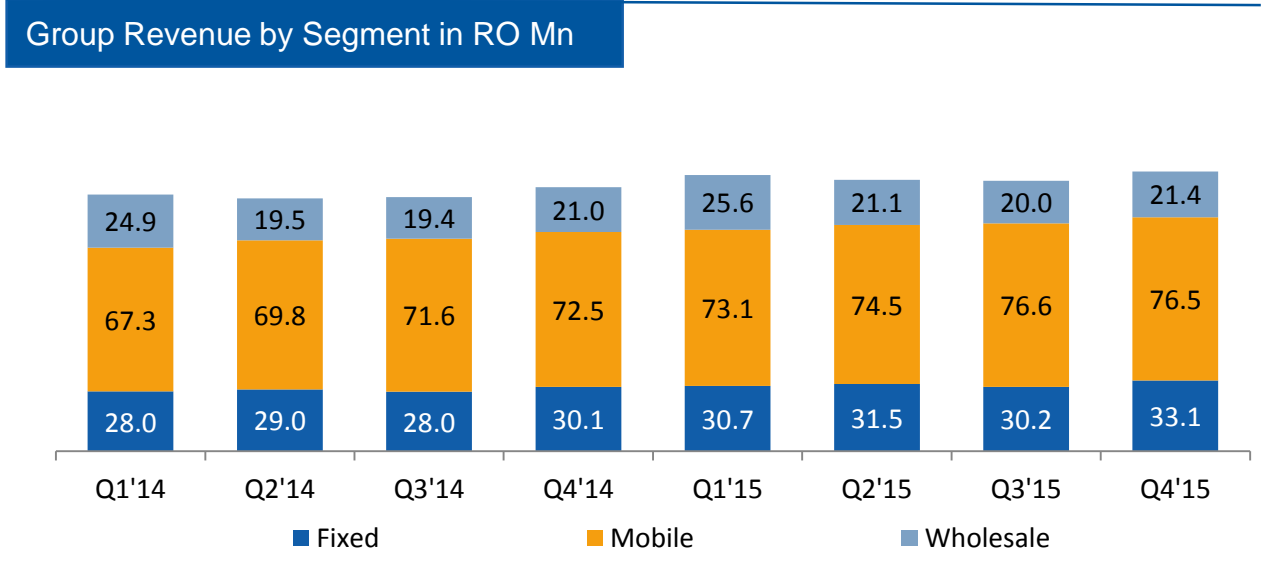
Parent (Domestic) EBITDA RO Mn & %



# Group Revenue - Quarterly Analysis shows overall revenues is highest compared to last 7 quarters.



Overall Group Revenue highest in Q4'15  
**RO 131 Mn**

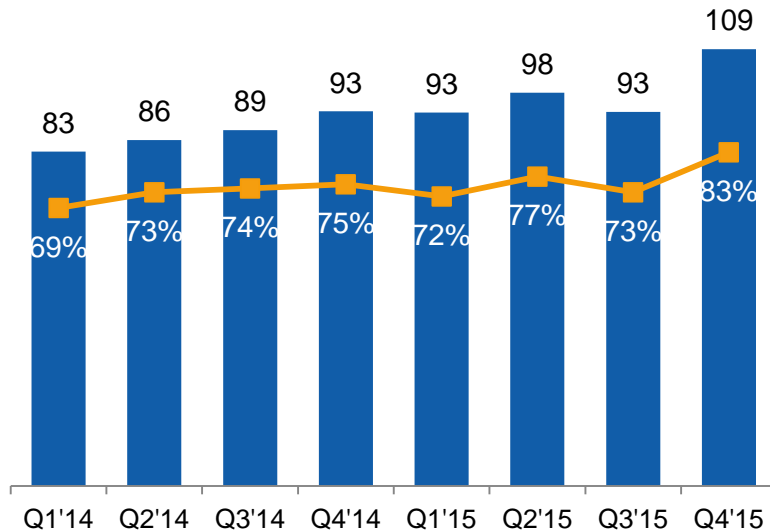


Mobile Q3'15 highest at  
**RO 76.6 Mn**  
& Fixed Q4'15 is highest with  
**RO 33.1 Mn** with consistent growth trend



**OPEX ratio for Q4'15 is 83% which higher than other quarters driven by increase in depreciation and non-recurrent expenses. Capex to revenue ratio is at 23.8%, which is lower than Yr 2014**

**Total Opex (incl Depreciation) by Qtr – RO Mn & Opex Ratio- % to Revenue**



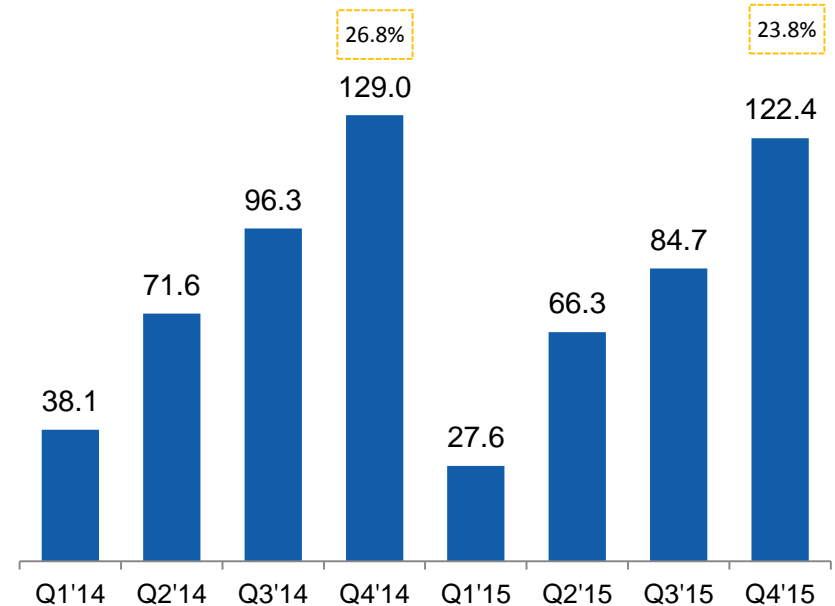
Parent (Domestic) Opex to Revenue ratio for Q4'15 is 77%

Opex to Revenue ratio for the Year for Group is 75.3% and for Parent is 73.1%.

Major increase in opex for Q4 is due to increase in depreciation, which include impairment of mobile network amounting to RO 1.5 Mn due to modernization, non-recurrent expenses related to consultancy on spend optimization.

Approx RO 6 Mn increase in WTL Opex for the Q4 related to Interconnection and O&M

**Capex Additions (Cumulative) RO Mn**



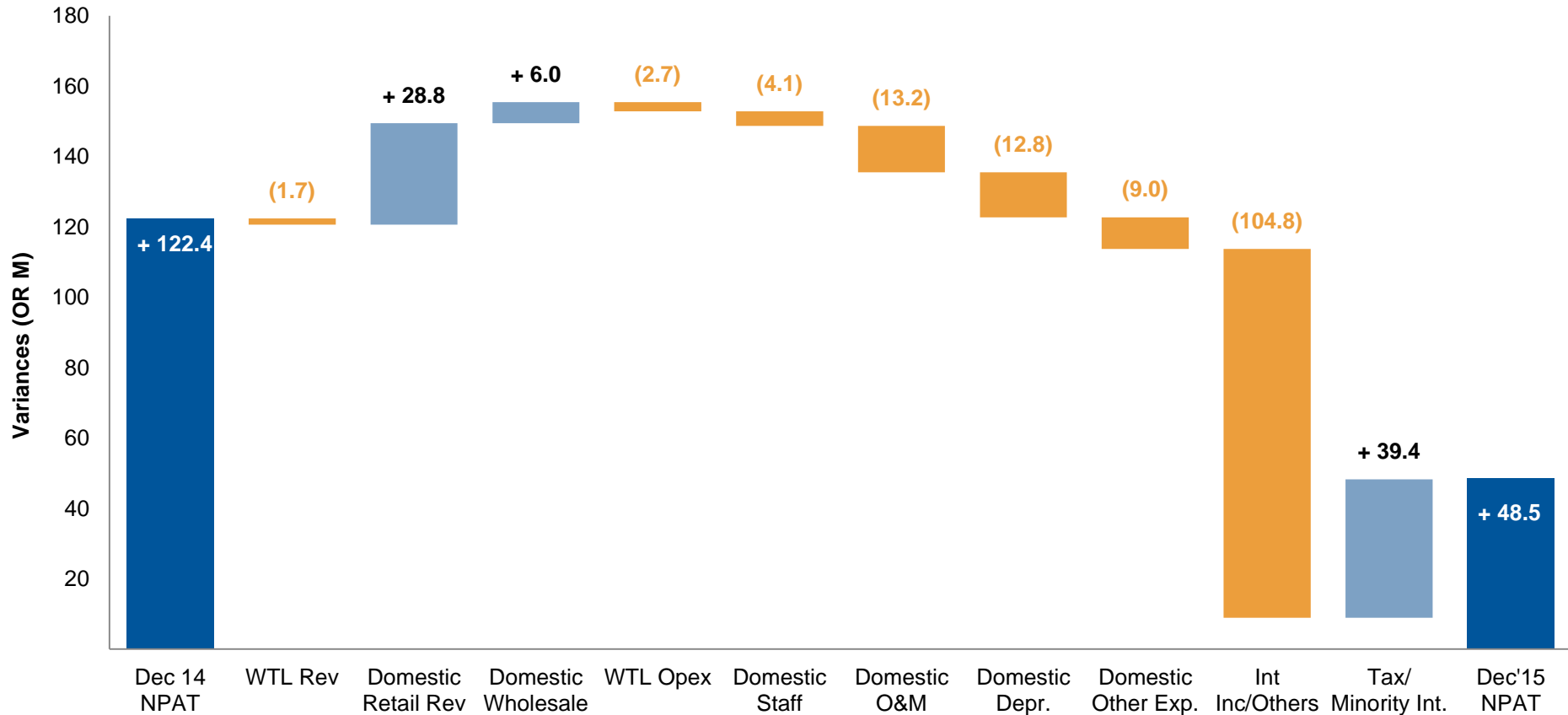
Capex to Revenue ratio is at 23.8%

Omantel acquired additional spectrum in 800 and 2600 Mhz to enhance its mobile Broadband service offerings for RO 7.7 Mn. This is expected to boost the deployment of LTE and enable to have wide coverage of LTE services and improved quality of broadband services.



# Net profit is lower by RO 73.9 Mn compared to last year mainly on account of impairment of investment in WTL and VEOS program.

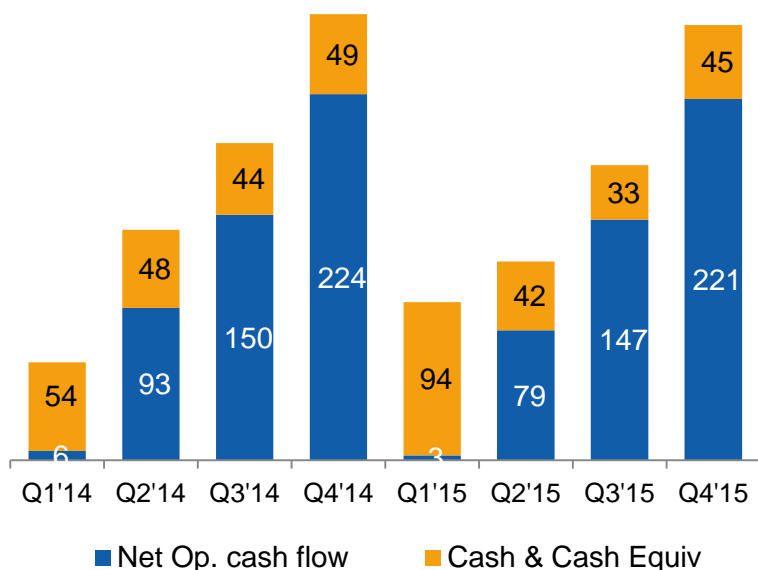
NPAT Actual Variance Including WorldCall (Dec'15 Vs Dec'14) OR **-73.9 Mn**



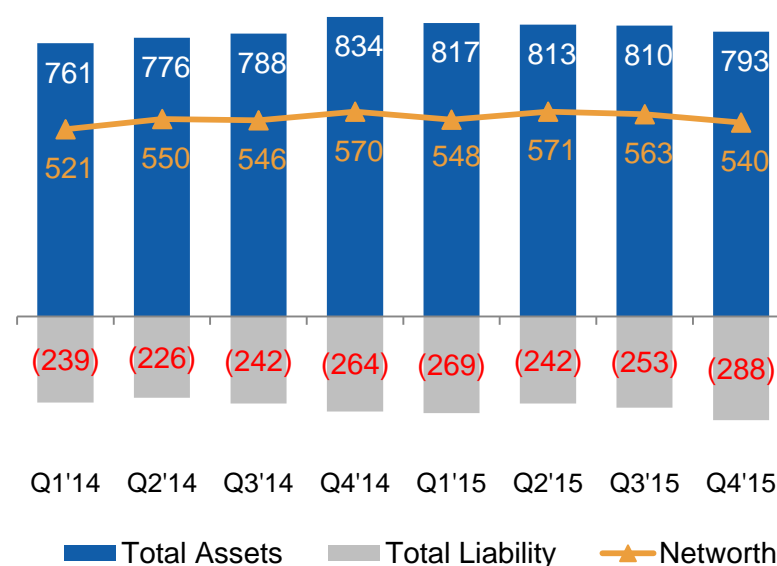
Note: Int/ Others include WTL Impairment and VEOS

# Continued healthy Cash flow and strong Balance sheet

## Cash Flow (Cumulative) RO Mn



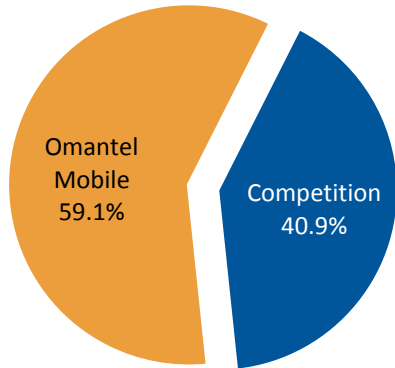
## Assets, Liability & Net worth RO Mn



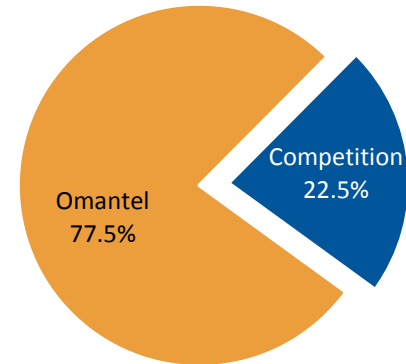
- 1) Cash generated from operations is RO 236 Mn which is 46.0% of revenue.
- 2) Cash & Cash equivalent excludes Fixed deposit with banks amounting to RO 52.5 Mn

# Both Mobile & Fixed Market Share have been mostly stable during the period

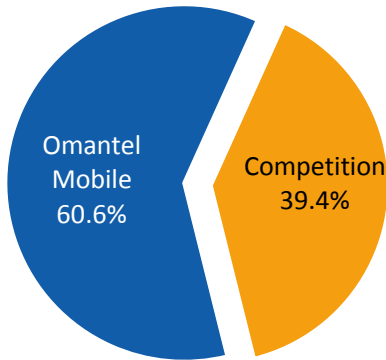
**Mobile Subscriber Market Share - (incl. Mobile Resellers)**



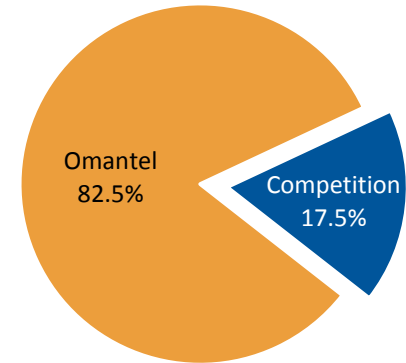
**Fixed Line Subscriber Market Share**



**Mobile Revenue Market Share - (incl. Mobile Resellers)**



**Fixed Line Revenue Market Share**

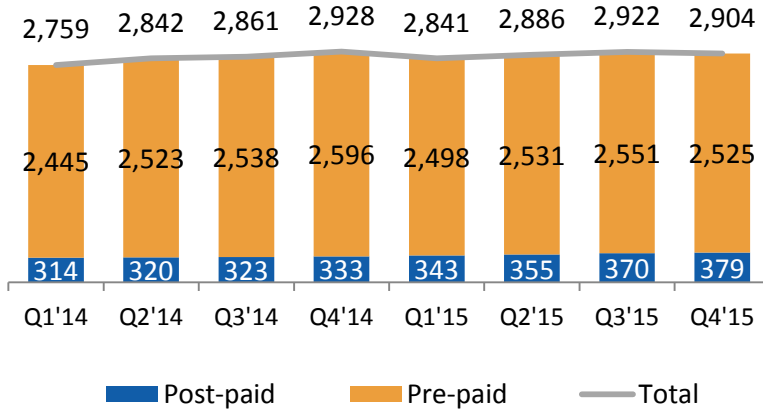


Omantel Mobile (incl Mobile Resellers) achieved a growth rate of 7.7%, net addition is around 279 K.

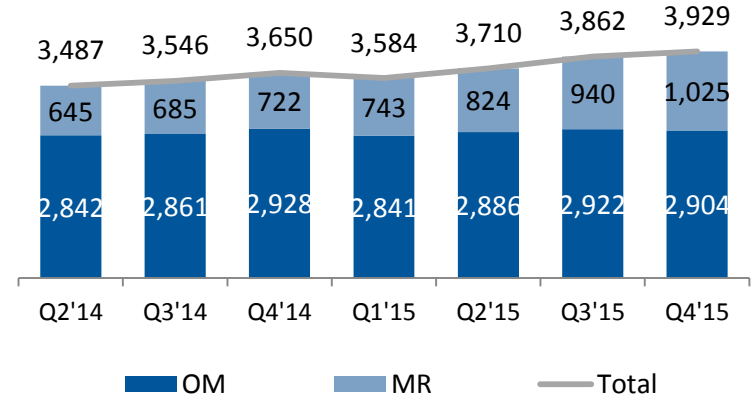
Omantel fixed line subscriber base achieved a growth rate of 9%, net addition is around 26 K.

# Mobile subscriber base – Overall subscriber base including mobile resellers grown by 7.7%. Post paid achieved 13.9% growth YoY

Oman Mobile Subscribers – In '000s



With Mobile Resellers – In '000s

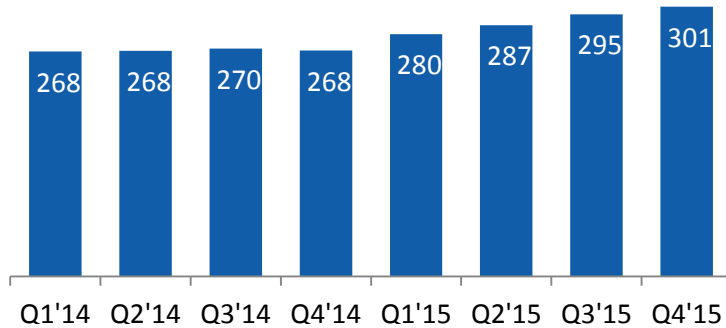


Growth in postpaid Omantel mobile subscriber base by 13.9% compared to Q4'14.

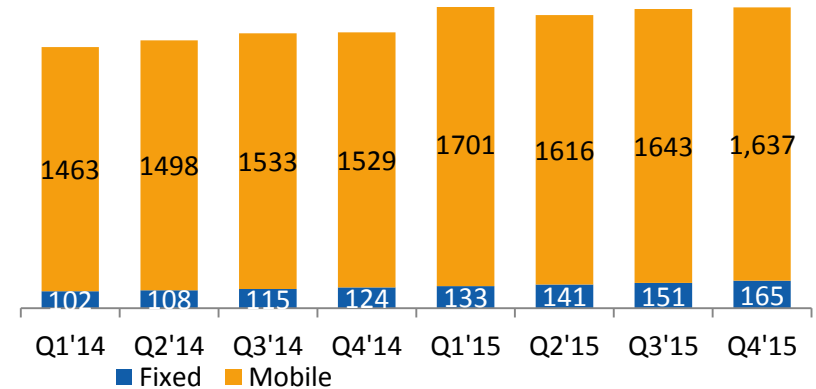
Overall Omantel mobile market grew by 7.7%.

# Fixed line and Broadband Subscriber base both fixed and mobile continues its impressive growth

Fixed Line Subscribers – In '000s



Fixed & Mobile Broadband – In '000s

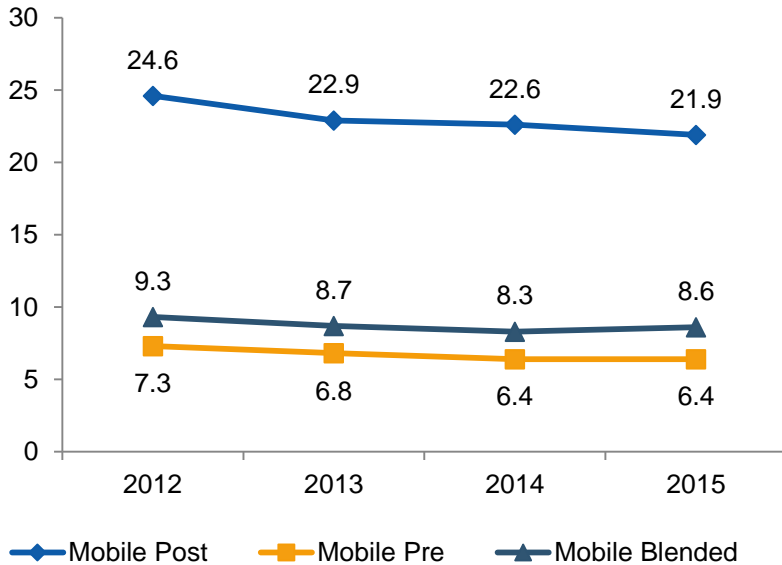


- 1) Fixed line subscribers include postpaid, pre-paid and payphone. Including ISDN primary, the total fixed line reported is 336,858
- 2) Fixed Line subscribers recorded a growth of 9.5% compared to Q4'14.

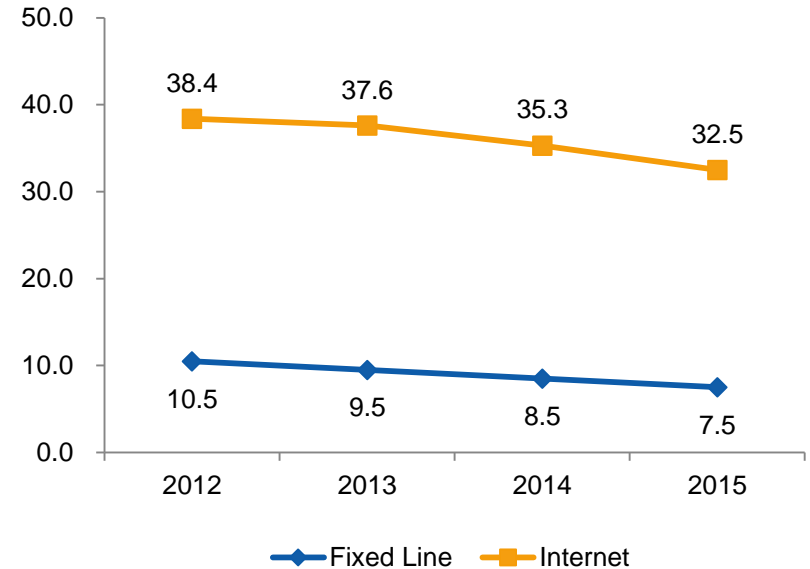
- 1) Mobile Broadband subscribers includes Pay As You Go (PAYG).
- 2) Mobile Broadband grown by 7.1% while Fixed broadband increased by 32.6% compared to Q3'14. Combined Broadband Subscribers recorded a growth of 9%.
- 3) Mobile Broadband unique subscribers subscribed to any one of the packages including Blackberry service is around 954 K as of Dec'15 compared to 868 K, an increase of 9.9%.

# ARPU / month for major products shown marginal variation compared to previous year

## Mobile Services



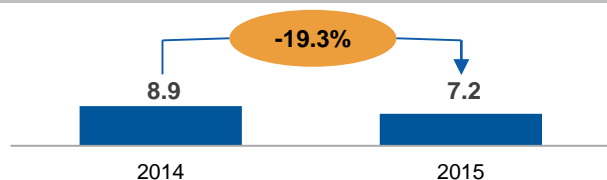
## Fixed Line Services



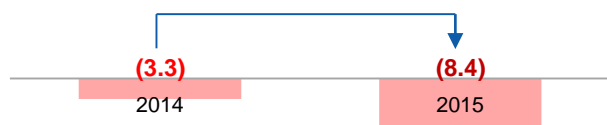
- 1) Fixed line include post & pre-paid and payphone.
- 2) Internet include Broadband and all internet services (dialup post & prepaid, dedicated)

# Worldcall Performance

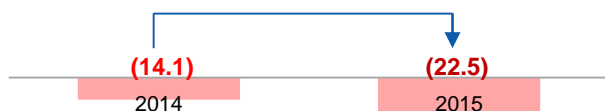
## Revenue In Mn RO



## EBITDA In Mn RO



## Net Profit In Mn RO



## Highlights

- YTD revenues for 2015 posted RO 7.2 Mn (-19.3%) {-15.0% in PKR} lower than YTD revenues for 2014.
- EBITDA 2015 has increased to RO -5.1 Mn compared to the corresponding period of year 2014. EBITDA margin decreased from -36.6% in 2014 to -116.7% in 2015.
- The YTD bottom line posted a net loss of RO 22.5 Mn as against a loss of RO 14.1 Mn in 2014.
- In view of the continued losses despite the turnaround strategies, the management is exploring alternative strategies.

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