

Earnings Release

Kuwait Telecommunications Company K.S.C.P.

First Half - 2020
For the six months Ended 30 June 2020

stc

stc's financial results

For the six months ended 30 June 2020

Kuwait Telecommunications Company (**stc**), a world-class digital leader providing innovative services and platforms to customers and enabling the digital transformation in Kuwait, announced its financial results for the six months period ended 30 June 2020; whereby **stc**'s revenue reached KD 136.4 mn, while the net profit reached KD 15.9 mn.

stc's financial results for the six months period ended 30 June 2020 reflect the flexible operating model of the company and the effectiveness in implementing the digital transformation strategy in addition to the continuous efforts and professionalism of **stc**'s staff, despite the economic challenges resulted from the COVID-19 impact. Hence, **stc** has implemented advanced plans to ensure business continuity in order to enhance its profitability through the adoption of a balanced as well as effective financial policy for the operational and capital expenditures.

stc has enhanced its position as the second largest telecom operator in Kuwait with a market share of 35% in terms of sector's market share of revenues. The company also demonstrated its ability to overcome the economic challenges to keep up with the business operations and strengthen the digital transformation strategy through launching a number of advanced products and services backed by the 5G technology. Therefore, the decline in revenues from individual sales was offset by the growth in business and enterprise sales due to the growing demand for digital services.

Key Figures & Ratios	6M-2019	6M-2020	Change
Subscribers (Mn)	2.05	1.72	-16.3%
Revenue (KD Mn)	139.6	136.4	-2.3%
EBITDA	38.6	35.9	-7.0%
EBITDA Margin (%)	27.7%	26.3%	-1.3pt.
Net Profit (KD Mn)	20.0	15.9	-20.4%
Net Profit Margin (%)	14.3%	11.7%	-2.6pt.
EPS (Fils)	40	32	-20.4%
Equity (KD Mn)	192.0	206.3	+7%
BVPS (Fils)	384	413	+7%

Key Financial Highlights

- **stc**'s revenue declined by 2.3% during the six months period ended 30 June 2020 to reach KD 136.4 mn as compared to KD 139.6 mn recorded during the six months period ended 30 June 2019.
- The negative impact of COVID-19 during the 6M-2020 on the company's revenue was approx. KD 12.3 mn.
- EBITDA declined by 7.0% to reach KD 35.9 mn during the six months period ended 30 June 2020 compared to KD 38.6 mn during same period last year, mainly due to drop in revenues and increase in some of the operating expenses.
- EBITDA Margin reached 26.3% during the six months period ended 30 June 2020 compared to 27.7% during the same period last year.
- The net profit reached KD 15.9 mn (earning per share 32 fils) during the six months period ended 30 June 2020 as compared to KD 20.0 mn (earning per share 40 fils) recorded during the same period last year.
- Shareholders' equity reached KD 206.3 mn at the end of June 2020 with a growth rate of 7% compared to KD 192.0 mn at the end of June 2019. **stc**'s customers' stood at 1.72 mn by the end of June 2020 .

CEO Statement

On this occasion, engineer Maziad Alharbi – **stc**'s Chief Executive Officer, stated: During the first half of this year, the telecommunications sector was amongst the least impacted sectors with regard to the losses and economic consequences when compared to the negative effects resulted from the current economic crisis, which have heavily affected numerous vital sectors worldwide.

Despite the negative consequences associated with the COVID-19 outbreak, which had an adverse impact on businesses and vital sectors in general, **stc** was able to achieve these results through adopting a flexible operating model, implementing its digital transformation strategy and offering integrated advanced solutions that support the Kuwaiti government's social distancing requirements for both individuals and corporates. **stc** has focused its efforts on building on the 5G network to deliver a range of services, including entertainment and digital services, meeting the growing demand for broadband high-speed networks, in addition to the corporate and institutional requirements for online institutional and educational interaction with the highest quality and efficiency.

Alharbi added: **stc** has proven its ability to overcome the economic challenges and the potential risks, while keeping up its business operations and serve its customers during such circumstances. **stc** has been located amongst the first class companies of the private sectors, due to the great efforts provided and the dedication of its employees, who demonstrated their determination to address the health risks we experienced from the spread of Corona pandemic. This was the main reason, which helped the company to continue providing services to its customers with the same quality standards despite the growing demand and the convergence of the communications with customers and customer delivery services to the digital platforms.

Being a pioneer and one of the most advanced companies in the telecommunications services industry and a digital transformation enabler in Kuwait, **stc** completed a number of projects in addition to introducing advanced services and products backed by the fifth generation technology, including the data link connection project between the International Hospital and the Ministry of Health (MOH), thermal cameras services, integrated solutions for Microsoft 365, 5G LIVEBUS and **stc** Digital Business services. In addition, launching the 5G E2E SA network with ARM based core and convergent billing services.

Commenting on these financial results, Alharbi stated: **stc**'s total revenues stood at KD 136.4 mn for the six-month period ended 30 June 2020 in comparison to KD 139.6 mn for the same period last year. The decrease in revenue is attributed to the full and partial lockdown implemented in Kuwait due to the COVID-19 outbreak, which resulted in a decline in the revenues from the consumer segment, in addition to the significant decline in revenues derived from roaming services due to the shutdown and suspension of flights in most airports around the world.



Eng. Maziad Al Harbi
Chief Executive Officer

Revenue (KD Mn)



EBITDA (KD Mn)



EBITDA Margin (%)



CEO Statement...Cont'd

Moreover, **stc** provided its customers with free unlimited local calls to all operators, as well as free 5GB daily data usage, which started on 22 March 2020 until 20 April 2020 in collaboration with the Communication and Information Technology Regulatory Authority (CITRA) during the COVID-19 crisis. Meanwhile, the business and enterprise sector witnessed a growth in revenues, due to the growing need and demand for digital and information services.

On the other hand, EBITDA reached KD 35.9 mn during the first six-month period of 2020 compared to KD 38.6 mn during the same period in 2019. **stc**'s EBITDA margin reached 26.3% during the period compared to 27.7% in 2019. As a result, stc recorded a net profit KD 15.9 mn (earnings per share of 32 fils) with a profit margin of 11.7% for the first half of the financial year 2020.

The company has also been able to structure its capital expenditure, especially after the negative effects of the current economic crisis, in order to ensure liquidity of cash flows under the current circumstances. **stc** successfully achieved these results despite the economic challenges the world has witnessed following COVID-19. **stc** has managed to achieve good levels of revenues and enhance its operational efficiency to add value to its customers and achieve better returns for its shareholders.

Alharbi Added: **stc**'s financial results for the first six-month period of 2020 demonstrated the company's ability to compete and enhance its position as the second largest telecom operator in the Kuwaiti telecom market with a revenue market share of 35%. With the ongoing repercussions and challenges we are facing due to the COVID-19 crisis, we at **stc** are implementing a cost optimization program in order to achieve the best results and enhance profitability through adopting a balanced and effective financial policy in relation to the operational and capital expenditure.

Considering the Company's financial position as of 30 June 2020, total assets reached KD 403.7 mn, while total shareholders' equity reached KD 206.3 mn, with a book value of 413 Kuwaiti fils per share. Furthermore, stc boasts a strong financial solvency position, considered to be amongst the best in comparison to telecom companies in the Middle East. Furthermore, **stc**'s customer base stood at 1.72 mn customer at the end of June 2020.

Corporate Social Responsibility

Alharbi added, The first half of 2020 witnessed launching a number of corporate social responsibility initiatives, including the "Far yet close" campaign in support of the preventive measures taken by the government concerning the Kuwaiti society's health, safety and awareness.

stc has also worked with some government agencies and medical companies to prevent the infectious diseases through distributing facemasks, sanitizers and awareness leaflets to all the airport's staff as well as departing and returning passengers.

Net Profit (KD Mn)



Net Profit Margin (%)



EPS (Fils)



CEO Statement...cont'd

In one of its most important initiatives, **stc** collaborated with the Communication & Information Technology Regulatory Authority (CITRA) in a series of programs that aimed to alleviate the Kuwaiti society during the crisis, in line the company's corporate social responsibility (CSR) framework. The initiatives were embodied with providing customers with free unlimited local calls to all operators, in addition to free 5GB daily data usage for a one-month period. **stc** also collaborated with Kuwait Airways and the Ministry of Health, to greet the returning citizens, where it distributed 25,000 free prepaid lines with internet bundles and free local calls.

Safety measures and procedures

Alharbi concluded: At the onset of the crisis, the company established a Commission to deal with the crisis through activating the Business Continuity Plan and adopting new initiatives as imposed by the pandemic crisis and the national measures taken to combat the virus outbreak. Through this Commission, the company is mandated by all its sectors to carry out detailed plans for its continuity and to monitor the logistics required to ensure the business as well as services continuity in addition to minimizing the economic impact of the economic crisis on stc's business while ensuring the safety of its employees and customers.

stc also undertakes preventive precautionary measures and procedures to avoid outbreaks of contagious diseases, in accordance with the health guidelines and instructions provided by the Ministry of Health, in addition to sanitizing all facilities within the company and branches as well as installing sanitizing stations in the company's departments and elevators. stc also distributes face masks, gloves and sanitizers to all employees within the Company's while distributing awareness leaflets and sending emails to its employees pertaining the health and safety precautions.

As for the branches, **stc** enforced various preventive measures during working hours throughout the full and partial lockdown periods in accordance with the Government's plan to gradually return to the normal life in Kuwait. Hence, the Company adopted the highest safety standards and instilled it into the culture of performance among **stc**'s staff to continue offering high quality services while protecting its customers and employees. Installing thermal cameras, putting preventive intervals, distributing sanitizers, gloves and facemasks in all **stc**'s branches in addition adhering to the social distancing protocols and health regulations were the key measures taken by the company to combat the pandemic. To ensure consistent safety measures, contracts were signed with specialized companies to ensure the continuous sterilization of all branches, machines, and workplaces, coupled with awareness posters and ongoing training for employees to maintain effective preventive measures.

Equity (KD Mn)

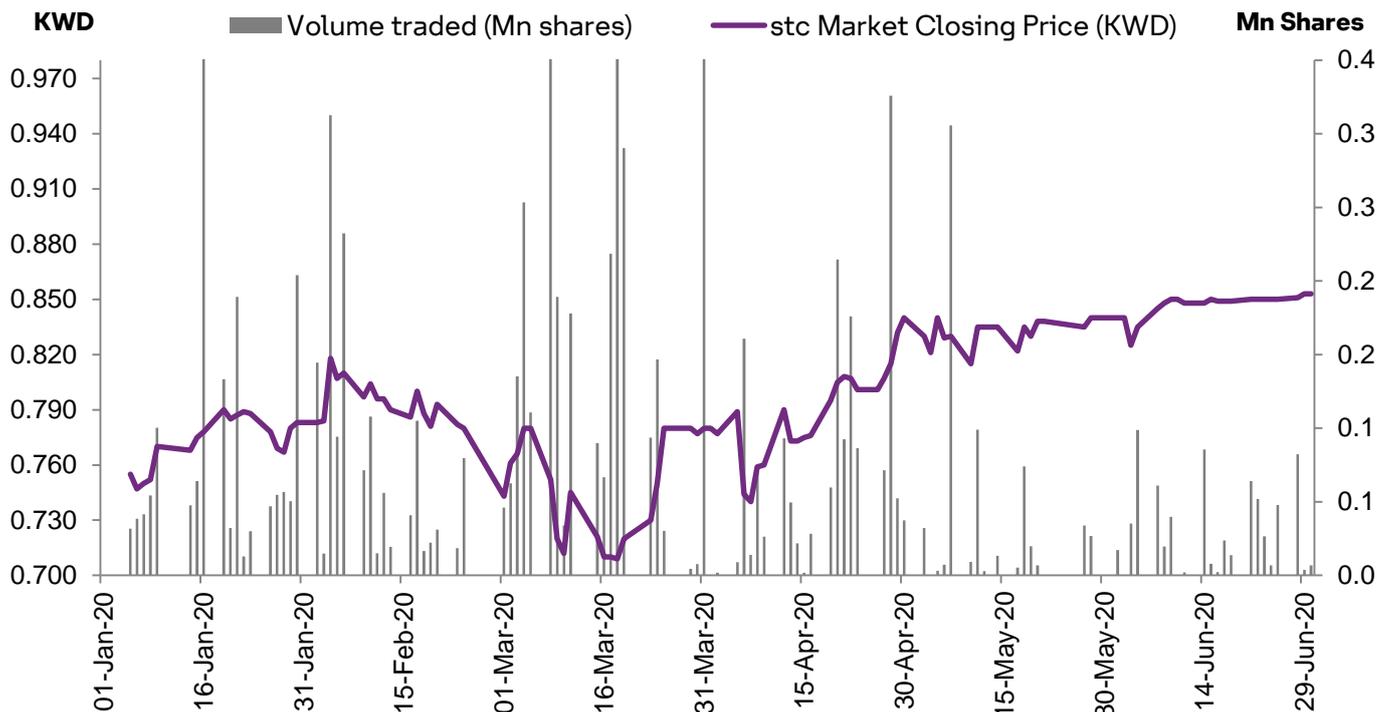


BVPS (Fils)



YTD-2020 Stock

Performance and Indicators



Closing Price (KD)	High Price (KD)	Low Price (KD)	Volume Traded (Mn Shares)	Value Traded (KD Mn)	Number of Deals	Share Turnover (%)	YTD-2020 Return (%)
0.853	0.853	0.680	9.24	7.2	2,989	1.85%	8.2%

Source: Boursa Kuwait,

Note: Data provided in the above table as of 30 June 2020.

About stc

Kuwait Telecommunications Company (**stc**), is a leading brand in the telecommunications industry established in December 2008 as a subsidiary of **stc** Group, the world-class digital leader, providing innovative services and platforms, and enabling the digital transformation of the region. With a share capital of KD 50 million, **stc** was listed on the Boursa Kuwait in December 2014. In 2019, **stc** has acquired 100% of the share capital of Qualitynet General Trading and Contracting Company - the leading Internet Service Provider in Kuwait.

stc strives to provide its customers, both consumers and enterprise (**stc** business), with a unique pool of products and services that satisfy their aspirations and cater to their needs. **stc** offers numerous opportunities in the fields of telecommunications, entertainment, information, digital and data transfer services, and delivers the best customer experience around the clock.

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