

Our unique and smart strategy was the main driver of **stc**'s outstanding operational and financial performance supported by the continuous progress and strategic growth in the ICT market and B2B segment.



Chief Executive Officer statement

Eng. Maziad Alharbi

Dear shareholders,

2021 was a year full of extraordinary operational and financial achievements for **stc**, in spite of the challenging working environment imposed by the COVID-19 crisis on the Kuwaiti telecommunications market, which in turn demonstrated its resilience and flexibility in addressing economic risks. **stc** has also updated its business model and strategy to meet the continuous and massive growth in the digital communications services. Accordingly, **stc** is committed to provide integrated technical solutions and corporate database solutions that would enable as well as support the economic and social recovery process of the COVID-19 crisis. This would, in turn, enhance **stc**'s operational and financial performance, with the aspiration to achieving an outstanding performance in the coming periods.

The recent amplified trend and global shift towards digital transformation have increased the reliance on digital products and services while maintaining open communication channels across various business sectors worldwide. These significant events have led to a strategic shift in **stc**'s operating model and highlighted the importance of sustaining a strong telecom infrastructure capable of delivering vast digital solutions that enable businesses to maintain their operations remotely and cater to their customers' needs. Since then and with the spread of COVID-19 pandemic, telecom services and digital solutions have become a critical component of the gradual road to normalcy with the initiatives taken by the Kuwaiti government, local society and businesses to adopt the digital technology.

Driven by the enormous need for adopting a digital culture, **stc** found itself at the brim of a rapidly changing world and was quick to realize the necessity of implementing its business continuity plan to continue providing pioneering digital solutions and telecom services to its customers. **stc**'s digital transformation strategy that has been developed and implemented over the past few years was a key success factor that aided the company in its numerous contributions to the local economy and government initiatives adopted throughout and post COVID-19 crisis.

Recovery strategy

Throughout the COVID-19 pandemic, the strategic steps we took to preserve **stc**'s competitive and empowering working culture were essential in getting us to where we are today. One of the main functions executed by **stc** to maintain its communication and operation lines was implementing our three-level business continuity plan. This was based on adhering to three scenarios that would facilitate controlling the tough operating environment, protect **stc**'s customers and employees through enforcing social distancing and maintain all Company's operations during the lockdown period via remote working.

In response to the gradual return to normal life plan executed by the Kuwaiti government, **stc** was keen to refresh its corporate strategy to cope with the sudden economic and societal changes in addition to expediting the recovery process. In this regard, **stc** have embraced the necessary developments within its own digital transformation journey to instill a performance driven culture that is built on efficiency. Hence, we have

automated all the internal and external processes, which have proven to be resilient during the most difficult times.

stc has found an opportunity to enhance its operations, reputation and market position in the recovery period of COVID-19; whereby, it paved the way towards implementing an internal and external transformation aimed at supporting the local society, economy and environment. Shaping **stc**'s recovery process by utilizing the optimization resources consumption, mobility in operations and environmental impact reduction has helped the Company to build a resilient financial and operational recovery. This, in turn, has helped **stc** to exploit the arising business and economic opportunities to best execute its digital transformation strategy, enrich the customer experience and achieve its short, medium and long-term strategic goals.

The digital future and beyond

The recovery period is witnessing an upward shift towards digitization aimed at immunizing enterprises against future catastrophic events. As a result, digitizing businesses has now become a critical aspect in this digital age, especially after the transition that most companies are experiencing to keep pace with the latest technological innovations. This, in turn, represents a promising future for telecom operators to capitalize on their advanced infrastructure to provide the next generation with a range of sophisticated, finest and latest comprehensive digital services and products that will strengthen the customer experience.

In view of that, **stc** continuously strives to accelerate vertical transformation by constructing advanced Business Support Systems tailored to fulfil a wide range of industry transformations and business model requirements. This reflects our commitment to fulfill the needs of startups, SMEs, and larger enterprises by offering flexible, scalable, guaranteed, and reliable solutions that showcase the strength of our 5G network and ICT integrated solutions. In 2021, **stc** was able to provide a wealth of solutions and services to corporate and individual customers through the use of its 5G network. This was supported by the ease of access and fast speeds the technology possesses, which opens the doors for the company to a

wide range potential opportunities in terms of accessibility, innovation, and expanded network services. Hence, the 5G revolution has redefined the way we connect to the world and has contributed in enhancing the level of services and solutions we can offer our customers.

In line with the digital transformation that shall play a great role in the future of **stc**, the Company has been focused on investing in its digital marketing arena since the onset of COVID-19 pandemic, being one of the most critical aspects of uplifting Company's leadership and distinguishing it from its competitors. Accordingly, **stc** has set up a huge transformation journey to cater customer needs and enrich their experience, which was highlighted in company's Corporate Strategy 'AHEAD'. By leveraging on our experience and expertise, we will continue to set our sights moving forward on meeting the needs of our individual customers in a way that empowers and enriches their lifestyle, while assisting our corporate customers in achieving the diverse objectives under their unique digital transformation strategies.

Financial performance of 2021

Despite the competition in the Kuwaiti telecom market post the recovery period of COVID-19 crisis, **stc** was able to achieve good financial results that meet the aspirations of the company's shareholders during the current circumstances and intense competition. Whereby, **stc**'s total revenue grew by 4.6% to reach KD 296.3 mn in 2021, compared to KD 283.2 mn last year. This increase is mainly attributed to the services and smart packages that are created to meet most of the individual sector's needs, in addition to the growth in the enterprise sector through the implementation of the digital transformation strategy and providing integrated technical solutions to the private and government sectors. **stc** also ensured pushing its business into new areas of sustainable growth through a series of innovative initiatives aimed at upgrading the operational efficiency and delivering the best in-class services and products that cater to customers' needs and meet their anticipations in light with COVID-19 crisis

and its consequences. This was accompanied with **stc**'s support to business operations through its advanced infrastructure with the best and widest coverage of the 5G network.

These outcomes resulted in the growth of EBITDA by 8.5% in 2021 compared to 2020. Whereby, EBITDA margin reached 27% during the year ended in 2021. As a result, the company's net profit during the FY2021 recorded a growth of 40% to reach KD 44.9 million (earnings per share 90 fils) with a net profit margin of 15%. **stc**'s customer base reached approx. 2.0 million customers at the end of December 2021.

At **stc**, we are working on implementing a balanced cost-efficiency policy to achieve the best results and enhance profitability through adopting effective financial plans to direct our operational and capital expenditures. Whereby, **stc** was able to structure its capital expenditures, especially after the negative impact of the current economic crisis, to ensure liquidity of its cash flows under the current circumstances. **stc**'s financial results throughout FY2021 also reflected its competitiveness and strengthened its position as the second largest telecommunications company in terms of its market share of revenue in the Kuwait telecommunications sector with a market share of approx. 36%.

Capturing business opportunities

In addition to having several successful milestones that reflected our position as a pioneering telecom and digital solutions provider, this year, **stc** achieved a great achievement embodied in receiving the approval from the Communication and Information Technology Regulatory Authority's (CITRA) to launch the first-of-its-kind mobile virtual network operator (MNVO) license to launch Virgin Mobile Kuwait in partnership with Virgin Mobile Middle East & Africa. The license will permit Virgin Mobile Kuwait to operate using **stc**'s network, with **stc** acting as a Host Facilities Based Provider 'FBP' with Virgin Mobile Kuwait, offering prepaid plans to users, and making it the first virtual telecom service in the country.

ICT expansion

In alignment with its corporate strategy of expanding its activities to shift from providing traditional telecommunication services to a variety of digital services as well as advanced integrated communications information solutions and advanced technical solutions, **stc** announced signing a binding offer to acquire 100% of the share capital of e-portal Holding Company and its subsidiaries. The acquisition of e-portal, one of the most prominent companies in the ICT field, is aimed at strengthening **stc**'s internal ICT capabilities in line with the recent rapid global developments.

Driven by the key pillars of **stc**'s corporate strategy which focuses on harnessing the Company's expertise to provide the most advanced digital solutions, merging the ICT division of **stc** with e-portal is considered an integral opportunity for both companies to expand their scope of work and share expertise between their teams. This would allow **stc** to exploit the potential growth opportunities arising in the enterprise sector, develop its scope and share the required expertise necessary to support the digital transformation process in the State of Kuwait.

Accordingly, this acquisition will be the corner stone that would support **stc** to provide the necessary infrastructure in order to develop its ICT portfolio backed by our current capabilities. Whereby, **stc** will continue to provide the best services, products and solutions to exceed the expectations and requirements of our enterprise and corporate customers.

Human capital development

At **stc**, we continue to invest in our people, the cornerstone of our operational excellence and solid financial performance. **stc** ensures taking the necessary steps to develop the capabilities of its employees, empower them and support their determination to do their best at diverse working environments and under different circumstances. Throughout 2021, and in line with Company's corporate strategy, **stc** was committed to offer its employees with a flexible working environment throughout

the recovery period of COVID-19, to maintain their wellbeing, safety and dedication. This was manifested in implementing the structured rotation between employees within each department across all Company's sectors while providing them with the latest training courses for a better progress. Devoting the performance culture across employees reflect **stc**'s keenness to take a proactive position in leading the way to build a robust and effective workforce that would contribute to the future generation. As part of **stc**'s commitment to support the Kuwaiti employment program 'Kuwaitization' aimed at increasing the indigenous participation rate in the private sector, we have placed the Kuwaiti employment replacement program as one of the main pillars of our human resources strategy. Whereby, the Kuwaiti employees at **stc** reached 63% of company's total employees by the end of 2021.

Appreciation and gratitude

In conclusion, I am pleased to express my gratitude and thank our valued customers for their loyalty and confidence in **stc**, which has enabled us to achieve these results despite the difficult times we faced due to the COVID-19 crisis. Furthermore, I would like to thank the Board of Directors, Executive Management, **stc** family members and partners for their contributions in achieving this remarkable operational performance through their outstanding teamwork. I would also like to shed the light on their contributions to company's success during these difficult and unprecedented times through their cooperation, enthusiasm, dedication and continued support. This, in turn, has paid off with the fact that **stc** is now at the forefront of the most innovative digital communications services providers. Through your support and our productivity in implementing company's new strategy, transformation plan and investment activities, we are confident that **stc** will be able to move forward in achieving its future goals.