

stc achieved resilient performance in FY-2021, enabling the sustainable growth through capturing potential business opportunities aimed at supporting the Company's long term goals.



Chief Financial Officer statement

Mr. Mohammed Mubarak Al Faran

Dear shareholders,

stc delivered excellent results throughout the FY2021 due to our commitment to continuously provide a wide range of new products and services enabled **stc** to overcome the economic distortions caused by COVID-19 crisis and all the subsequent consequences. With the persistent fear resulted from uncertain economic and health crises as well as increasing demand on digital products and services, **stc** ensured implementing an appropriate pricing system to maintain good levels of profitability margins. This will allow **stc** to obtain a competitive edge and sustain its dominance in the Kuwaiti Telecommunications market.

Driven by **stc's** commitment to exceed customers' expectations during critical situations as well as harsh economic and market conditions, we strive to invest in our key areas to maintain a high-level cash flows and strong solvency position, optimize our operational performance, better allocate our capital investments and strengthen company's position in the enterprise segment. **stc** has also updated its financial strategy during 2021 in line with its corporate strategy besides taking the necessary actions in order to stand ready for any unprecedented events that would occur in the future, which may have a negative impact on the operational and financial performance of the telecommunications sector.

Throughout the continuous global fear of fluctuating market and economic conditions, many companies are still suffering the repercussions of the COVID-19 crisis. This crisis has been a turning point for many

companies to move more towards digital solutions than ever before, to keep pace with the global trend towards digitization and to prepare for unprecedented events without impeding their operations. In this regard, **stc** has found an opportunity in allocating its investment decisions in providing ultimate innovative B2B solutions, backed by the 5G network, to achieve the highest levels of operational efficiency that would allow the company to realize good financial indicators and meet shareholders' expectations.

With the fierce competition in the telecommunications and ICT sectors that created the need for integrating ICT services in business solutions with the traditional telecommunication services provided for the B2B segment, the telecom sector witnessed a trend towards mergers, acquisitions and/or partnerships between telecom operators as well as digital solutions and ICT services providers, on a global level. Consequently, since the onset of COVID-19 pandemic, **stc** has been exploring and seizing potential opportunities to support its financial performance through adopting a successful business model which has been implemented in our subsidiary **solutions by stc**. This was mainly driven by **stc's** corporate strategy which focuses on digitization, harnessing business opportunities and enabling the digital transformation in Kuwait. Accordingly, **stc** signed a binding offer to fully acquire the share capital of e-portal, one of the prominent ICT players in Kuwait with a reputable image and solid customer base of the enterprise segment. Additionally, followed by the significant impact on company's financial and operational performance, **stc** strives to uphold on

its cost optimization program to better distribute its capital expenditures and direct its investment decisions towards new areas of sustainable growth.

With an aim to achieve company's 2021 corporate strategy, which has been updated to keep pace with the latest developments in the ICT and Telecommunications market, **stc** has not only considered incorporating the industry's best practices, but it also ensured maintaining the highest level of transparency with the current and potential investors, in addition to applying the corporate governance principles across all company activities. **stc**'s ranking as the 1st Leading Corporate for Investor Relations in Kuwait and amongst the top 5 companies in the Middle East, demonstrates its great efforts in fulfilling the needs of the investment community in an efficient, transparent and timely manner to meet the global best practices in this field.

Solid financial performance

stc witnessed various events impacting **stc**'s operational and financial performance. The increased demand for the traditional communication and digital services enabled **stc** to sustain the revenue growth by leveraging on its 5G network's capabilities and efficiency. Despite the Omicron virus outbreak during the fourth quarter of the FY2021 which forced the government to re-impose additional restrictions and regulations on the local community, **stc** was able to maintain both its strong financial position and performance during 2021 which were reflected in achieving good levels in its revenue, EBITDA, EBITDA margin and net profit.

Throughout the current crisis, **stc** reported excellent consolidated financial results for the year ended 2021. Driven by the high demand on data services and digital platforms especially from the enterprise segment, **stc**'s revenues grew by 4.6% to reach KD 296.3 million at the year ended 31 December 2021. This increase is mainly attributed to the Company's outstanding performance and its flexible strategy. On the

other hand, despite the high marketing and sales costs due to stiff market competition, the exceptional efforts of company's working teams significantly contributed in driving **stc**'s business efficiency which was demonstrated in its good EBITDA results which grew by 8.5% to reach KD 79.6 million in 2021 compared to KD 73.4 million in 2020. Whereby, **stc**'s EBITDA margin reached 27% in 2021 compared to 26% in the previous year. Thus, the net income reached KD 44.9 million (earnings per share 90 fils) in 2021 compared to KD 32.1 million (earnings per share 64 fils) in 2020, as the financial impact of litigation had a significant impact on this growth in 2021.

Driven by the extensive demand on digital and ICT services, **stc** was keen on maintaining a well-developed and upgraded 5G infrastructure to provide better products and services for its customers. Whereby, company's total capex spending reached KD 274 million over the year, representing 9% of **stc**'s total revenue in 2021, compared to KD 26.2 million representing 9% of **stc**'s total revenues in 2020. On the other hand, **stc**'s total assets reached KD 393.8 million. In addition, company's total shareholders' equity grew by 7% reaching KD 237.2 million, with a book value of 475 Kuwaiti fils per share. It is worth highlighting that one of **stc**'s competitive advantage is having a strong solvency position among its peers in the MENA region, where the debt to equity ratio reached 0.02x by the end of 2021, which is considered low compared to the industry average.

Financial strategy

Since inception, **stc** has been always keen on directing its financial resources by all means that would cater customers' needs, exceed their expectations and create value to its shareholders. Therefore, **stc** ensures investing in its human capital, being the infrastructure of company's operations and outstanding performance. **stc** has also invested heavily in its strategic business units and internal capabilities to provide a wide range of products and services while maintaining its cost optimization framework

to increase Company's efficiency. In this regard, **stc** is currently keen on enhancing its IT infrastructure further by hiring the top expertise in the ICT sector besides harnessing the business, professional, service delivery and project management capabilities in order to develop new business models that will aid the company to enhance, produce and provide comprehensive enterprise database solutions.

Driven by the outstanding performance of **solutions by stc** - Company's specialized arm in providing digital solutions to the enterprise sector - **stc** was determined to refresh its financial strategy and align it with the overall corporate strategy around smart investments in potential market opportunities. This is aimed at expanding **stc**'s operations and elevating its performance in the ICT sector following the current excessive demand on IT systems and solutions, IoT, cloud computing, big data, storage as well as security services which amplified the competition in the telecommunication and ICT industries.

For that reason, the acquisition of e-portal would enable **stc** to provide the most advanced integrated technical solutions in addition to serving the latest corporate and individual needs for the digital tools. Besides the operational outlook of expanding its presence in the Kuwaiti Market, this is likely to positively impact **stc**'s financial performance and market share through providing innovative, scalable and diversified technological and IT communications solutions to support the global growing demand for the ICT services. **stc** is delighted to own a specialized arm in providing ICT digital solutions under the umbrella of four well-established subsidiaries. Proudly stated, this is considered the first step taken towards achieving **stc**'s main objective of leading the ICT market in Kuwait.

Moving forward

stc is committed to provide its valued customers with the best in-class products and services. We seek to harness potential

opportunities to offer a large basket of ICT products and services to the enterprise sector. In the current worldwide stressful economic conditions, **stc** will continue to expand its products offerings to support its enterprise arms and deliver a better value to its customers and shareholders. In line with our AHEAD strategy and driven by our healthy cash position at the FY2021 of KD 65.2 million, hunting similar strategic potential value-creating digital opportunities in the near future represents an integral part of our outlook and daily operations. With an aim to sustain our leadership position in the Kuwaiti telecom market and align the recent M&A activities with our organizational structure, **stc** will hold onto investing in its human capital, internal processed and the latest technological advances as means of lifting up company's efficiency and strengthening its core activities.

Throughout the pandemic, **stc**'s proved its resiliency which was reflected by its efficient supply chain and inventory management processes. From a future perspective, **stc** looks forwards to maintain a healthy cash flow position while investing in the digital platforms, creating strategic partnerships with digital providers and spending on its R&D function to provide the best-in-class services to its customers, individuals and enterprises.