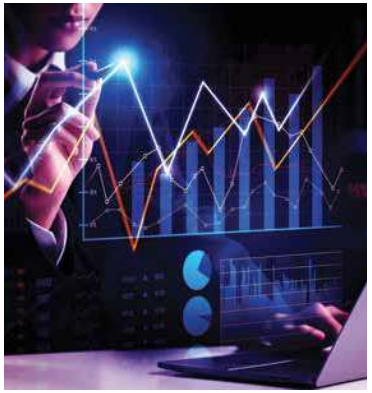
Market Review

In our ever-evolving economies, **stc** strives to keep moving forward and advance in step with the cutting-edge technologies that are reshaping people's lives, international communication, business operations, and corporate activities. Therefore, for **stc** to maintain its leadership position in the telecommunications, IT, and ICT industries, it became necessary as well as imperative to adapt to and take advantage of the most recent technological digital advancements that shall influence the areas in which our customers operate.

Since inception, **stc** has consistently taken the initiative to identify the major trends affecting its business. Accordingly, this section of the annual report gives an insight into the latest market and technological developments that have thrived over the past few years and became globally inevitable.

Industry trends

Competitive market



As part of the MENA region's fastest-growing economy, Kuwait has been at the heart of the technological developments and digitization. Whereby, like many countries, it has seen its Telecommunications industry grow and evolve to a stunning extent more than anyone would have ever even dreamed of.

The telecom industry in Kuwait has expanded to a high level, with a particular emphasis on mobile infrastructure and services, and is expected to grow in the upcoming years as the economy deliberately transitioned away from its reliance on oil and natural gas towards one that is more knowledge-based and centered on ICT and related services.

Partnerships and ICT Acquisitions

The telecom and software development companies have been successful in promoting their services in the region through partnerships and collaborations with both public and private businesses, which has made a significant contribution to the telecom industry as a whole. On the other hand, and as a result of the governments' interventions, bigger spending, and increased foreign investments, there has been a huge demand on adopting a new technology at such a rapid rate, which assisted the MENA region to earn the title of a relatively mature market. As a result, telecom operators shifted towards a new strategy to boost their revenues by acquiring ICT providers. This will, in turn, play as a great factor to progress in several areas, including, but not limed to:

- Improve decision making
- Enhance manufacturing productivity
- Improve customer services
- Better communications and virtual collaboration
- Improve financial performance and profitability

Remote working

There has been a global shift towards remote working in the corporate, business, educational, and industrial developments over the past few years. Accordingly, an increasing demand on the digital and online platforms was created and opened the door for telecom and ICT operators to realize new streams of revenue while capitalizing on the fixed high-speed broadband and mobile networks.

With the use of efficient technologies, online cloud computing, digital security and digital solutions became an integral part of not only the individuals' and corporates' daily operations but also the business continuity planning. This has made it possible for numerous industries to obtain the benefits of cost optimization programs, such as rent, utilities, building maintenance, cleaning, and equipment.

Digital and green transformation "Digital ecosystem"

A new era of transformation has begun where corporates and governments are more focused than ever before on adopting sophisticated technologies and new business strategies with the aim of maintaining their competitive position in a world that is always evolving rapidly. Driven by the significant and unanticipated problems brought on by climate change that the world has to deal with, resilient thinking became essential to lessen the risk associated with inadequate Environmental, Social, and Governance management, such as repeated harm and social stigma, which can result in a drop in market value.

The sudden rise in energy costs has accelerated the increased demand for ICT services providers and telecom operators to integrate the ESG and climate factors into their corporate strategy and develop better energy-saving methods while pursuing net-Zero emission goals. This explains why the three major aspects, environmental, social, and governance (ESG) issues are currently garnering more attention, especially from the investment community.

Furthermore, it is crucial for the telecom and ICT providers to find the most effective plans and corporate strategies that insure business continuity with a main focus on digitization and high-tech advances that would contribute to the public health, preservice of natural resources, alleviation of the environmental impacts and offering value adding services.

Sustainability Program & Reporting

The adoption of sustainability principles in all the corporate activities became the heartbeat of the telecom industry; whereby, creating a quality, resilient and sustainable ecosystem is crucial to help companies in creating positive social and business impacts. There has been a magnifying trend towards sustainability, where consumers as well as investors became more likely to support sustainable businesses.

Virtual reality (VR)

Virtual reality has gone above and beyond entertainment to the extent of being included in the healthcare, tourism, education, institutions industries. In this regard, employees can use virtual reality when executing their tasks to experience life-like circumstances that improves business operations. On the contrary, the technology is still in its early stages of development as many organizations around the globe are hesitant to completely commit to the virtual reality technology due to various concerns related to costs, accessibility, and safety.

Economic Uncertainty

Economic instability is still a major concern for strategic planners due to the pressure faced in the budgeting planning process, especially, with the increased inflation in personal costs, energy costs as well as external spending on services, leases, and capital expenditures. This has created a global need for most sectors to improve their operating margins, enhance their infrastructure and build a solid business continuity plans to survive during any unprecedented economic event that may arise and avoid the negative repercussions.

Companies should, therefor, concentrate on their profitability and develop a sustainable revenue growth plan in order to escape the upcoming margin squeeze. From which, companies would also find a window of opportunity to reset the cost base, accelerate strategic initiatives, and exit this inflationary phase to shape a better economy. For that reason, the readiness around having proper business models, governance, business systems and processes, in addition to the accurate financial reporting processes are the key for more diligence by investors and more regulatory tightening around listed companies.

ICT Integration

Mobile operators have recently shifted from providing solely traditional telecom products and services to start offering a wide range of end-to-end hardware and software integrated solutions to the B2B and B2C sectors. Where the demand for Data, Cloud, IoT and Cyber security services is steadily growing, Telecom operators found new opportunities arising from extending their services to include ICT solutions in addition to enhancing their ICT infrastructure to obtain an easier access to data and enrich customer experience. This is more likely to create opportunities for telecom operators to expand their presence in the market, target new segments and enhance their market share in competitive markets.

Business Intelligence (BI)

BI plays a crucial role in the rapidly evolving landscape for most sectors. It involves the process of collecting, analyzing, and presenting data to help organizations make informed decisions. In the context of the telecommunications industry, BI has become increasingly important for several reasons:

- Data-Driven Decision-Making: Enable companies to turn the vast amounts of data such as customer usage patterns, network performance, and market trends helping them make informed decisions about network upgrades, service offerings, and customer experiences.
- Revenue Generation: BI helps boosting revenue by analyzing customer data to create personalized offers, leading to increased sales and higher customer satisfaction through cross-selling and upselling strategies.
- Competitive Advantage: BI helps operators analyzing market trends and consumer preferences to launch innovative services that meet customer demands, which is crucial for maintaining market leadership.

Augmented Reality (AR)

With the recent technological advancements, there has been a merge between our real word and the enhanced digital content (virtual world), demonstrating the homogeneity of operations between the two worlds. This is intended to establish a real time interaction that allows users to interact with both the physical and digital worlds simultaneously. The main aspect of this revolutionizing trend across different fields is the significant impact it has on the Telecommunications industry, including but not limited to:

Enhanced customer experience

Visualization of the products and services before making a purchase decision.

Efficient network maintenance

Support telecom technicians to maintain and manage the network infrastructure by wearing AR glasses or using AR applications. Technicians can also access real time data to visualize network components and identify faults in the most efficient manner.

Improved technical support

Telecom companies can leverage AR by using AR enabled devices or apps. Whereby, technicians can help customers remotely when facing technical issues and guide them through the efficient problem solving process.

Technology Trends

Internet of things (IoT)

The individual and enterprise sectors are nowadays relying heavily on the use of internet of things market (IoT) more than ever before. The benefits of the artificial intelligence (AI) employed in the IoT surpass that of data share and collection to affect the bottom line of telecom operators through increasing corporate efficiency, raising and the level of automation and helping those companies to deliver better customer service. The potential for IoT technology and AI-based solutions to be used in nearly all daily operations and decrease companies' operational costs, has contributed to the global trend towards utilizing these services. Following are examples of the innovative IoT applications in various domains:

Consumer

- IoT and connected devices are increasingly finding their way into consumer applications such as smart watches, home automation, connected health, connected transportations and other wearable devices.

Manufacturing

- IoT opens up a completely new world of possibilities for the manufacturing industry with the ability to integrate seamlessly with various devices and processes in the industry domain.

Transport and Logistics

- IoT applications touch a variety of aspects of this rapidly expanding business like vehicle tracking, driver information system, navigation, safety and roadside support,... etc.

Healthcare

- IoT offers a wide range of medical and healthcare applications as it enables hospitals and medical institutions to run more efficiently. It also simplifies the way in which patients can receive better treatment. Hence, the IoT has been recently integrated with a variety of medical devices, resulting in a higher quality and more effective medical services.

Cloud technology

There is an increased demand for the use of cloud technology and data storage due to the fundamental role it has in accessing data and connecting to enterprises from anywhere at any time, in addition to the vital role it plays in facilitating the below areas which contribute to the success of major telecom and ICT solutions providers:

Diminished IT costs:
- Cost of managing and maintaining IT systems
- Reduce the need of purchasing expensive systems and equipment.
- Reduce operating costs (cost of system upgrades, eliminate wages for additional staff and reduce energy consumption costs).

Business continuity & disaster recovery:
- Having the data stored in a secure and safe location helps organizations to manage businesses more effectively in case of power failure, natural disaster, security issues or other crises. Cloud technology also enables consumers and enterprises to leverage on the shared hardware through the use of fast as well as secure connectivity with lower latency.

Participation efficiency & increase collaboration
- Communication and shared services is executed with the use of modern and faster methods instead of the old and traditional methods.
- Additional benefits including, but not limited to, automatically access updates, scalability and loss prevention.

Connectivity and digitalization

The telecom sector is witnessing drastic changes in terms of enhancing the digital services and business solutions for the consumer and enterprise sectors; embodied with creating partnerships with mobile virtual network operators (MVNO)'s. Digitization has become an essential part of our daily activities and business operations where it has been taking into many shapes to reach digital payments throughout the use of IoT, Cloud solutions and connected devices. On the other hand, MVNO's are designed to cater customers' needs via customized plans designed for the consumer and enterprise sectors with lower than usual prices.

5G network

Telecom operators are heavily relying on 5G networks to build their infrastructure with the purpose of supporting their services to handle the accelerating demand on more connected devices, higher speed and data usage, Cloud solutions as well as ICT and IoT services. This would also enable telecom operators to better execute their business continuity plans to survive and reach effectiveness and efficiency in terms of operations, resiliency, agility as well as performance throughout the most critical economic and operational conditions.

Cyber security

With the increased reliance on connectivity and the new technologies here comes a need for stronger and more dependable cyber security that allows high-tech operators to open up for new growth opportunities. Thereafter, the growing demand on digitization, Cloud services and IoT creates a vital need for Cyber security to provide consumers with solutions in cyber security and protection "Shield" services.

Artificial Intelligence (AI)

AI has become a point of interest for companies in all sectors, particularly the telecom, IT, and ICT industries. AI utilization is essential for enhancing and delivering efficient services to customers in a rapidly evolving market which, in turn, contributes to the development of the following areas:

Network Optimization:
- predicting network congestion, proactively allocate resources, and troubleshoot errors.

Enhances customer service:
- chatbots and virtual assistants can handle routine customer queries, free up human agents to focus on more complex issues, and providing faster response times.

Predicts equipment failures and maintenance needs:
- scheduling repairs and maintenance proactively, reducing downtime and service disruptions.

Improves security:
- detecting and responding to threats in real-time, protecting sensitive data and ensuring network integrity.

Network Management:
- Automating and optimizing network management tasks, such as signal routing, and load balancing.