

Chief Financial Officer Statement

Mr. Mohammed Mubarak Al Faran

“ The outstanding financial performance with new revenue streams and sustainable growth enabled **stc** to achieve its strategic objectives and maintain its strong financial solvency in the telecom market ”



Debt/Equity

0.10x

EBITDA Margin

24%

Net Profit Margin

10%

Overview,

The strong financial results of Kuwait Telecommunications Company (**stc**) for the FY2022 demonstrated Company's resiliency and efficiency in achieving its corporate strategic objectives in addition to the strong financial plans designed to support its operations. This has been also achieved along with the robust financial results in terms of revenue, profits, and solid cash flows. Therefore, **stc** was keen to implement its corporate strategy focusing on the digital transformation, capturing business opportunities and expanding Company's activities in the enterprise sector. Accordingly, in April 2022, **stc** completed its acquisition on the entire share capital of E-Portal Holding Company and its subsidiaries - a leader in the ICT field with a value added customer base from both the private and government sectors. This acquisition was mainly driven by **stc**'s objective to expand its operating model, offer comprehensive services and provide integrated solutions in the field of information technology as well as advanced technical and digital solutions for the enterprise sector. In addition to strengthening **stc**'s internal ICT capabilities in line with the recent rapid global developments, we believe that this acquisition is also considered an integral opportunity to expand **stc**'s business scope of work in Kuwait, and share the expertise and experiences between the working teams of our subsidiaries.

stc's internal policies and financial plans that have been implemented in 2022 are based on several programs, such as cost optimization, reaching operational efficiency at the lowest costs to achieve higher profitability whilst ensuring the same quality of services. This was also accompanied with the continuous

investment in its infrastructure to upgrade its digital services as a key factor in guiding **stc** towards sustaining its leading position in the telecom and ICT field. Driven by **stc**'s commitment to create value to shareholders, exceed customers' expectations, and meet the investment community's outlook, we always strive to build the Company's financial strategy in a way that serves the best interest of **stc**'s strategic expansions. The harmony in implementing the Company's operational policies, corporate strategy and financial strategy allowed **stc** to stand out among its rivals in the telecom market in terms of its operational performance, and maintaining a strong level of cash flow. The latter has, in turn, preserved **stc**'s strong solvency position and provided the opportunity to achieve new streams of revenue through targeting new opportunities in the enterprise sector.

In 2022 **stc** was keen to implement the industry's international best practices and adhere to the highest level of transparency with the current and potential investors. **stc** also ensures the application of corporate governance laws in all of the Company's activities driven by the full transparency principle and preserving the equality between Company's shareholders and the investment community. Accordingly, for the third consecutive year in a row, **stc** was ranked the 1st as Kuwait's Leading Corporate for Investor Relations and amongst the top 5 companies in the Middle East, demonstrating 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

I am pleased to announce that **stc** succeeded in reaching the desired results and strengthening its financial position during 2022, which was reflected in achieving good levels of revenue, EBITDA, EBITDA margin, and net profit throughout the challenging market conditions and strong competition. Whereby, **stc**'s perseverance to expand its services and strengthen its position in the ICT field in addition to leveraging on its specialized arms to provide the best integrated communications information solutions and cutting-edge technical solutions have also significantly contributed to its solid financial results for the FY2022. Additionally, **stc**'s determination to implement its digital transformation strategy, leverage on its 5G network capabilities and offer a wide range of the smart packages, designed to serve the consumer sector, was critical in rising the demand for its traditional communications and digital services. As a result, **stc** was able to achieve a notable growth in revenue during 2022.

For the fiscal year ended in 2022, **stc** generated good consolidated financial achievements driven by the intense demand for the digital platforms and data services, particularly from the enterprise segment and the integrated business solutions. Whereby, **stc** reported the highest total revenue since inception which grew by 13.5% reaching KD 336.4 million at the year ended 31 December 2022. **stc** also achieved good levels of EBITDA reaching KWD 82.0 million in 2022, despite the high marketing and sales charges brought on by the market. Accordingly, **stc**'s EBITDA margin reached 24% in 2022, with a net profit of KD 33.2 million (earnings per share 33 fils) in 2022 compared to KD 44.9 million (earnings per share 45 fils) in 2021, in which the decline in net profit is due to the nonrecurring and extraordinary gains from legal claims in 2021.

stc's robust financial strategy is reflected by the Company's clear and accurate investment capital decisions that have been taken since launching the 5G network in 2019. Whereby, **stc**'s

total capex spending reached KD 18.5 million, representing 5.5% of **stc**'s total revenues in 2022, compared to KD 274 million representing 9% of **stc**'s total revenues in 2021. On the other hand, **stc**'s total assets reached KD 424.4 million in 2022. In addition, Company's total shareholders' equity grew by 2% to reach KD 241.4 million, with a book value of 242 Kuwaiti fils per share. Furthermore, **stc**'s low debt to equity ratio of 0.10 as of 31 December 2022 compared to its peers in the telecom industry demonstrates the Company's strong solvency position within the telecom industry in MENA region.

Financial Strategy

Driven by the global and regional economic conditions, market competition and industrial outlook, **stc** ensures the continuous review and update of its financial strategy to help the Company cater customers' needs and create value to its shareholders. Over the past few years, the consistency of **stc**'s strategic and financial decisions were reflected in the Company's diligence to invest in its human capital, strategic business units and internal capabilities to offer a huge basket of products and services to the consumer and enterprise sectors.

In this regard, **stc** completed several strategic projects that are backed up by the digital solutions in line with the Company's strategic and financial objectives to enhance its efficiency and control over its operations in addition to reaching excellence in the treasury management processes. **stc** has also successfully integrated the financial systems with its subsidiary Solutions by **stc**, which has contributed to reducing operational costs, and providing more opportunities to enhance its financial efficiency. Moreover, the flexible operating model of the group (**stc** and its subsidiaries) also contributed to boost profitability and improve the Company's internal capabilities in the most effective way in terms of cost restructuring and optimization.

Furthermore, the ERP integration of solutions by **stc**, the establishment of the automated dashboard designed to monitor

the operational performance of each unit at **stc** and its subsidiaries, the implementation of the automated CPM tool and the strategic business analysis of the payment mechanism are considered the key achievements of **stc** that significantly contributed to enhancing its profitability. Not to mention the restructuring of its internal procedures and adopting the best digitization processes to control **stc**'s expenses and detailed financial performance prior to the preparation of Company's consolidated results.

Moving forward

After the significant achievements resulted from the implementation of **stc**'s 2020 "AHEAD" strategy over the three past years, which focused on expanding Company's product offerings and services, **stc** is eager to launch its 2023 "LEAD" strategy for the next three years focusing on market leadership through expanding its digital services and utilizing its efficient and digital operating model. **stc** ensured that its "LEAD" strategy and business plans are developed based on the Company's healthy cash position reaching KD 63 million at the end of 2022. Subsequently, **stc** will keep on screening and hunting developed strategic potential value-creating digital prospects aimed at elevating Company's market position in the telecom and ICT market, contribute to the Kuwaiti outlook of building up a new digital economy and aid the Company in implementing the digital agenda within its daily operations.