Ooredoo Group 2023 Capital Markets Day Transcript

Business overview and strategy

Andreas Goldau, Head of Investor Relations

Welcome to Ooredoo's Capital Market Day 2023. We will continue with our theme from last year "Upgrade Your World, Upgrade Your Portfolio". We will discuss our strategy, outlook on growth areas, and the solid return profile of Ooredoo. My name is Andreas Goldau, and I'm in charge of investor relations. So here is what we have planned for you today. Our agenda is shaped around the strategic pillar of value focused portfolio, so we will inform you about datacenters, towers and FinTech.

Then we will move on showcasing our strong financial position, and provide you an update on our ESG journey. Finally, the CEO of IOH will update you on our Indonesian operations. All of today's presentations are available in high resolution format on our investor relations website, and you will find the bios of all speakers there as well. We do value your feedback. That's why we prepared a short survey after this webinar. When you log out of Zoom, please do answer a few questions.

I need to point out the usual disclaimer, especially with regards to forward-looking statements. The recording and transcription of the session has now started, and by attending this seminar, you consent to being included. Please do use the Q&A function in Zoom, not the chat function, to type your questions at any time.

Luelle Pillai, Senior Manager Investor Relations

Good morning everyone. My name is Luelle Pillai working with Andreas in the investor relations team. The capital markets stay is a mix between recorded and live sessions. All the Q&A sessions are live. Before I hand over to our CEO, I'll give you some background information on Aziz. I'm sure you will not meet many telco CEOs who've worked in investment banking. Aziz has worked on the buy side and the sell side. He worked in Paris, London, and in Qatar. He has been on the board of Ooredoo for more than 10 years and has been managing the group now for three years. Over to you, Aziz.

Aziz Aluthman Fakhroo, Group MD and CEO

Good morning everyone. I'm very happy and excited to be with you today for our Capital Markets Day. We're going to provide you today an update on the progress we've made in the last 12 months compared to the presentation we gave you on the same day for Capital markets last year. Here's the agenda. We're also all extremely excited to be here because probably as you're aware yesterday we've announced finally the signing of what we've been calling internally, Project Signal for nearly 18 months.

This is the establishment of the leading tower company in the region in partnership with Zain and TASC. We'll dive and spend quite a bit of time on that transaction later on in the presentation. I'll also give you an update on all the other key major structural move we've been doing, including datacenters. A new opportunity, we're looking at subsea cables.

We have also Mirko, our CEO for FinTech, which will give an in-depth view of what is the progress we've been doing on that front. And Vikram, our CEO of Indosat will give you an update on how IOH is doing. And of course, our CFO will also give you an update on our financials.

First, I'll start with a few slides. I won't spend too much time on them on what are the key industry trends and opportunities. I'm pretty sure most of you are very well versed with the industry. You've been covering it for a long time, but it's good to just give you at least our view and our read of the situation. I'm starting first with a quick recap of who is Ooredoo and what we do. Again, I'm pretty sure you're very familiar with that. Ooredoo, originally, we're a telecom operator. We operate in 10 countries, nine of which we consolidate IOH and also known as Indosat historically, is held today as a joint venture since we've merged it with CK Hutchinson.

Totally out of the 10 opcos, we cover close to 160 million subscribers. 60 are consolidated. A hundred, a bit more of a hundred come from IOH. What you see is also one of the particularities of a Ooredoo. We are all in high growth countries with usually young population and also growing economies. This is creates a very strong backbone for our general operation.

This is a slide, which you probably remember from last year, is how are we trying to position Ooredoo. On the right side, you have what we call Horizon One telecom operators. These are very focused on the core telecom operation. They stay within the core of the business. They're focused on operation and cost efficiency. On the other side, you have what we call Horizon Three or multi-core telecom operators. These are telecom operators, which have ventured into adjacent digital opportunities usually as carve out. Most of them has ventured in media content and system integration. Us as Ooredoo, we think the right value play for us is in between. It's what is called Horizon Two or Smart Telco. I like to refer to it as we want to be the leading digital infrastructure provider in the region. What we focus on is doing what is Horizon one very right. It's our core operation and being a very efficient core telco operator at our heart, but also monetizing and value enhancing our portfolio with our existing assets.

So how does that boil down to our strategy. Again, for you, for those of you that were here last year, this was the core of our presentation last year. We have five pillars. One is a value focused portfolio. This is structural changes that we're doing to our portfolio to enhance shareholder value and to enhance our capital base. Number two is strengthening the core. That is being at the core as a telco, a very strong Horizon One or telecom operator. Smart Telco or Evolving the Core is leveraging our number one asset, which is our customer base, and trying to monetize it further through digital partnerships and some very close adjacencies where we have a right to play at a competitive advantage. People, it sounds like a generic term and is usually overseen, but at the end of the day, we are a people business. We run with nearly 16,000 employees. But also telcos have evolved over the past decade and this, that change has accelerated in the last few years. Telcos have moved from being especially an engineering backbone to today an IT companies. And we are now in a space where we're competing for resources which are much bigger spectrum, of competitors and talents. We're really trying to recruit now data scientists, analysts, computer scientists, IT specialists, which are recruited by a much broader spectrum of companies.

That means we have to create a very attractive work environment to retain at work our workforce, to grow it and to recycle it. Last but not least the end telcos. We provide a commoditized product, which is basically at the core datas and minutes. There is very little differentiation within the product itself, between the different operators and between also and our competitors. The single principle of differentiation is excellence in customer experience, and this has been at the heart of Ooredoo's DNA now for nearly 18 months, and it's showing some results.

So where I sort of kicked off. These are the key trends in the industry. I'm pretty sure you're all very well versed with these key trends as you cover the industry. What we have on the supply trends, a lot of those are headwinds, but at the same time, opportunities. What we have on the supply trends, for instance, we're seeing in the emergence of non-terrestrial networks such as the stalling, the the stallings of these these words of the world, which are coming and starting to compete on our core business, providing connectivity.

It's a competitor, but it's also an opportunity because a lot of these systems still require terrestrial based infrastructure, which we can provide. Also, telcos are probably one of the largest aggregators of customer data, so we're very prone to cyber attacks. This means we have to have invested significantly in protecting our network. This also provides opportunities for us because as we protect our network, as we develop the skill. It's also a skill now we can resell to our customer at least on the layer which we control, which is the connectivity layers. There are challenges also. Some old revenue streams are maturing, typically A2P. A2P has been a backbone of revenues for telcos for the past decade. This is slowly now being replaced by OTT, and if as telcos, we don't leverage the skills and an API platform, this is a a revenue stream, which will slowly erode and disappear. On the demand side, the picture is quite positive. We see tremendous growth in data, data demand. This is double digit growth year on year. This is a great opportunity for us as telcos. At the same time, unfortunately, most telcos, I'll cover this a bit later, we're not able to enhance our yields. In terms of data as the growth expands, our yields are sort of decreasing progressively. We're also seeing inherently more and more businesses moving to the cloud. This is an opportunity for us, and this is why we're moving into the datacenter space.

On the tech technology side, we're seeing quite a few trends. Some are opportune as all, they're all opportunities and challenges. What we're seeing significantly is hyperscalers starting to extend their own footprint on the transport network. So hyperscalers, fortunately not yet in our geographies, are starting to compete with telecom operators. And it's very important, important for us as Ooredoo to front run that: that we don't give them space or we give them a more efficient alternative than them building their own networks in our own footprint. We're also seeing convergence. This is a major play and this is creates the opportunity where we can to develop to develop fiber backbones within the country.

One buzzword, which has been a reality in telco for probably a few years now, is the emergence of machine learning and artificial intelligence. I think telcos have been using it quite efficiently now for two, three years, at least us at Ooredoo to scale our networks today, to design our networks. We're now trying to ramp up these skills of AI machine learning to do more customer facing operations.

In terms of intra-industry trends, a lot of telcos have been looking at different ways also to mitigate these risks. What we've seen is very limited activities in the past three years in terms of out of footprint expansion from most telcos. Actually, in many cases, we've seen a lot of the major telcos reducing their footprints. We've been, and I'll touch on this later, we've been look seeking opportunities. We haven't seen many value accretive opportunities.

We've also seen many telcos, including ourself de layering their business, segmenting it. Historically, telcos were fully integrated verticals. Today where they're creating different layers with different business units and different capital structure. I'll spend quite a lot of time on that. Scale matters. In a world where investments are growing and growing where we need to develop more and more IT systems and IT platforms. It's very hard for smaller operation to develop independently independent solutions. It's, and this is where a group like Ooredoo Group which has a group function that can scale these developments, brings quite of, an advantage.

The last one, which is a challenge for everyone, not just for telcos, but predominantly in telcos, is inflationary pressures. The world has been talking about inflation for the past two years. We've seen interest rate spikes. We've seen a cost of labor spike, we've seen cost of fuel spike. All of this has a direct impact on telcos in general.

So what's the picture around the world in terms of telcos? Well, all these trends doesn't create such a beautiful picture. What you can see on the bubble chart, which is quite charged, is telcos are basically utilities today. They have low multiples, quite a low return on investment capital and limited growth. Actually, telcos are very defensive place. They're positioned today as utilities. One of the issues, and if you look at these bubble, I shouldn't be telling you this as a telco, CEO, even electricity utilities have higher multiples than we do. One of the reason is what you can see on the revenue trends is telcos have had a big challenge in passing through inflationary pressures to their clients. So what we've seen is erosion of revenues, not for us, but across in general, the telco world.

What have telco done to mitigate this? Well, a focused on cost to increase profitability. What we've seen is in general, very marginal or flat line for EBITDA and profitability across telcos in absolute numbers. What we've seen is margin expansion in terms of EBITDA margins. Also a big focus as return on investment capital is relatively low, a big focus on CapEx and to rationalize CapEx investments. Plus, we've passed the peak of 5G in most mature markets, and these investments are behind, and now we're focused on monetizing it. This has resulted in a compression in multiples in general across the whole telco space. The average telco multiple is 6.6 in 2019, and multiples in the telco space have compressed nearly by half a turn to six times. So this is not a very rosy picture in general for telcos.

Now I'm going to walk you through what Ooredoo has done over the past 18 months to mitigate that and what have been the results? Oh, forgot this line. , I've touched on that. This is inflationary pressure. What we see across all our markets, and when we look at most mature markets and telcos, what you see is that telcos have had a challenge to pass on a full to pass fully the inflationary pressures they're facing. A lot of these pressures are coming from: one, payroll costs are expanding, as I mentioned on the payroll side. We have to turn the type of talent, the talents we're recruiting. Data scientists are chased by many industries, and therefore their cost is much higher. Also, we've seen increase in major utilities, especially fuels, networks, et cetera. All this boils down to higher cost. Telcos have been able to pass on part of these costs to their customers, but not fully. And that is part of our role. We are at the end a commodity, a social infrastructure, and in many cases we're highly regulated and regulators don't want us to pass in fully these costs to the population.

So in terms of strategy, what have we done? I'll do a bit of a refresh on what was our core strategy, what have we done and what result has it brought. So I'll start with the value focused portfolio part. This is the structural change we've we're doing to our portfolio. We've, you've heard the term asset light in the industry, I think for probably the past decade. At least us at to Ooredoo. We believe in asset, right? A lot of the asset light strategy has been driven by a lot of telcos being over levered. Therefore, they had to carve out and monetize a lot of their assets in order to de-leverage. Ooredoo has been on a strong trajectory of organically de-leveraging. Just as a refresher, four years ago we were at 2.5 times net debt to EBITDA. Today we are 0.9 times net debt to EBITDA without having sold any major asset. What we've done is segmented our assets and the one that we're ready to cede control, monetize the ones that we want to retain at least a portion and the ones that we really want to still fully consolidate and control.

So this is a chart we showed you was one little novelty in the middle last year. What are these five? What are these five axes in our portfolio? On the one side is the telecom business. On the other is the datacenter business, which we're establishing as an independent vertical. We're looking at the opportunity of creating a new vertical, and I'll touch on it. This is a new opportunity, is the sea cable business as we're seeing still a lot of growth in the requirements and international connectivity within our footprint. Tower business, very happy. We've crystallized a transaction. We've also crystallized value on our balance sheet for assets which were not recognized. I'll touch on this later. And FinTech, which is the only digital adjacency we're really chasing, and we're doing this for one reason is it's extremely close to our core business, which is telecoms. If you look at it very basically, we already have a subscriber base, which is very large, about 56 million subscribers in underpenetrated and underbanked geographies. We already provide that business in certain geographies. And last but not least, if you look at what telecom in prepaid market is, is you're loading money on your telephone. We want to just expand the use of that money from minutes and megabytes to digital currency.

So this is what we've been focusing in the last 12 months. These are really the four core pillars in terms of our portfolio. One is our telco operation. On a structural basis, we've looked across a whole footprint to see where inorganically through M&A we could consolidate our position. We couldn't really believe that in footprint transaction are the transaction that yield the highest returns for our shareholder. The major landmark transaction we've done is the merger of Ooredoo Indosat to CK Three Hutchinson in Indonesia, where we created a very strong number two. I'll touch on it and Vikram will touch on it. It's really a case study for a successful merger and in-market consolidation. We've also done some very small additional enhancing transaction in our footprint, mainly on the fiber side and ISP to enhance our network. Number two, Towers which we'll touch on, datacenters. And last but not least, is also cleaning up our minority stakes. Earlier this year Meeza, which was a minority stake we had in a local datacenter operator, IPO'd. We've monetized that. We've also had some VC investment in through Highline Capital, which we've also monetized. In aggregate, we've generated north of $60 million of proceeds just by monetizing these legacy minority position on our balance sheet.

So I won't spend much, much time, but I'll go really to the result. About 18 months ago, a bit more. Now, 20 months ago, we announced to you guys the first major landmark transaction of Ooredoo. It was the merger of CK Hutch with Ooredoo Indonesian asset Indosat. It took nearly 18 months in the making. It was a very challenging from a regulatory process, but also from an integration process. We spend a lot of time preparing with our partners at CK Hutchinson actually during the transaction, the integration roadmap, and this has paid off. Again, I don't want to steal Vikram's thunder. I'll just look at it from a group perspective. What value has that created for you as shareholders? Well, 18 months ago, Indosat and not just Ooredoo shareholders, but also for Indosat shareholders, it's created value for both sides. 18 months ago Indosat's market cap was 2.3 billion. Today it's at $5 billion. We've created organically nearly $2.6 billion of market cap. And this is through integration, rationalization of our networks. And we're on track of delivering actually north of 300 million of recurrent $300 million of recurrent synergies in terms of network integration going forward. For Ooredoo our see-through stake, that's $850 million value uplift just on our ownership in Indosat's in our see-through stake. That also exclude the dividend proceeds we've received over the past 18 months from Indosat which have been record breaking for that operation. So I think this has been one of the landmark transaction which have created significant shareholder value.

Next one, I think a transaction which has created a lot of gray hairs around this table and probably around our partners tables. First of all, I want to thank all of Ooredoo teams in the opcos, but at the Group, every function for the past 20 months have been working day and night to get this transaction done. What is it? We've merged and combined for cash and shares our portfolio of assets in towers in five countries.

This is Qatar, Qatar, Kuwait, Iraq, Tunisia and Algeria with Zain's assets in Iraq and in Jordan. So we're creating overnight the largest MENA tower platform in the region with on day one an enterprise value of north of $2.2 billion. By the way, this vehicle has zero leverage from day one. Our valuation of our assets in this exchange is $1.7 billion. These were towers which were sitting on our balance sheets, which were non yielding assets, and which you as shareholders rightfully to, so at the time ascribed zero value. We've now crystallized that value. We also believe that this platform will probably be one of the two major platform in the MENA region going forward as TowerCos. The region will probably consolidate. We see a lot of upside remaining in this play, and this is why we decided with Zain, our partner to keep prospectively close to 49%. I won't go in too much details because I don't want to take Rene's presentation away. The management TASC, which is very competent, which has originally built the backbone of this tower business remains in the transaction and incentivized were owning a bit less than 2%, a bit more than 2% of course Ooredoo given the size of its portfolio. compared to the portfolio contributed by Zain is receiving a significant cash equalization payment. So once again, we believe we've generated and crystallized a lot of value for our shareholders in this transaction.

Our next project, which we've been talking to you since last year, which is nearly two-thirds completed, is our datacenter carve-out. Slightly different business. This one we believe and we still want to consolidate. We actually want to own a major share in this business because we see a lot of growth. First, let's talk about the macro driver for those that were in their last year. The Middle East region is probably the fastest growing region in the world today in terms of datacenter expansion. And this has been driven by quite a few facts. Actually, the movement to the cloud has been late in the region due to barriers to entry. A lot of those were regulatory barriers. We have the chance or the , we view it as a chance actually, to be in highly regulated environment. Ownership of land is complicated, and this creates barriers to entry, but also security and data protections are extremely stringent in the region. This has forced the regulators to say, you can move to the cloud, but that cloud needs to be hosted within the geographic boundaries of each countries. This is now creating a wave of demand by all the hyperscalers, and you see four names here, but when we say hyperscalers, there these four names. We people tend to forget. Also the Asian hyperscalers, the ERP providers, the CVM providers. Anyone that wants to operate or sell cloud businesses in the region now needs a localized instance. This has created a tremendous opportunity in the non developed market. We're seeing nearly four X demand over the next few years in terms of capacity requirements.

So why is a Ooredoo capitalizing on this opportunity? Well, we're already due to our legacy business, the market leader in the countries we operate in, we have around 60% of installed capacity across the markets we already operate in. This is 23 active datacenters. We have three new datacenters into construction. We have five countries we're covering in our carveout. For a certain reason, we had to exclude the Algeria. We have around a bit shy of 30 megawatts of installed capacity. We are extremely well positioned for these reasons. We're also geographically, if you look at that map, we're strategically positioned along the Gulf region, and we believe we can provide the discussions we've had over the past 12 months with all the hyperscaler. We have, unique proposition in terms instead of proposing capacity in one country, we're doing, we're doing group framework agreements, giving flexibility to hyperscalers to access capacity across our whole footprint.

Now, what is our ambition? We are intending to grow at least as fast as the market. So that means actually growing our capacity to 120 megawatts in the mid-term. We're talking around three to five year horizon. We've committed in the last capital market, they took around 1 billion of investment in datacenter across our footprints. If you remember the previous map, we're already building three new datacenters in Oman. We're moving very fast. We've also said that we want to bring in a minority strategic investor. Now, we're not doing this for capital requirements. We actually, as you keep repeating on each investor call, have too much cash in certain ways. We're doing this because we've recognized that over time we're leaders in the market in terms of installed capacity, but it was a different business. We used to build datacenters for us first and then try to commercialize additional capacity to the local market. It's a new business, and we've started that for the first time 18 months ago when we announced QDC 5, which is the Microsoft Azure datacenter in Qatar. We are now building to suit datacenters and operating them for hyperscalers. It's a new business. We realized that we don't have all the skills required to be the best in class player, so we decided to go through a process and try to find a strategic player in the space that can bring expertise so we can leapfrog that learning curve. At the same time, it's very important for us that interests are aligned, so the investor we're bringing will be aligned a hundred percent, investing dollar for dollar pari passu alongside us, but will remain in a minority position.

So where are we in our process? Last year, we told you we will have fully carved out our operation by 2023. We're actually mostly on track. As of December, Qatar is carved out. By, in the next week, Iraq and Tunisia will be fully carved out. And by Q1 of next year, Oman and Kuwait will be the last, the last pieces to be carved out and integrated in this new carrier neutral vehicle we're doing. We've also been running a process to find a minority investor. We've gone to several rounds. We started with north of 25 bidders. Today, we're down to a couple of bidders. We're finalizing the last, what I would call last mile negotiation, and hopefully within the first half, ideally Q1 of next year will come out with an announcement of one crystallization and validation of the value of our portfolio and our growth strategy by an independent player, but also bring the expertise required to the table.

Now, this growth in datacenters, this growth in data has created a new opportunity for us, which we're seeing. If you see to the chart on the right, the bandwidth requirements within the Gulf region is growing exponentially. Actually, there is very limited new supplies of undersea cable and international capacity flowing through the region, and we think that this is a next frontier for us, as I told you, a digital infrastructure player for us to capitalize on.

We're ideally positioned, and I'll explain why. If you look at that chart, we've covered the datacenters. We actually already command, we, we actually already control terrestrial fiber backhaul within our jurisdiction. We also own and operate landing station. Actually, we're one of the operators with the most landing stations in the Gulf region. We have seven landing stations across the Gulf connecting many third party cables to our footprint. If you remember the map of the datacenter footprint, you saw all the cables going through. The only part of the value chain, which today we, we have a bit of skin in the game, but not much is the subsea cable segment. So this year we're going to start to look at, at the potential carve out of that value chain and further investments so that we can provide a full value chain end-to-end to the hyperscalers and control the whole infrastructure on our footprint end-to-end. As you remember when I covered the digital trends, the trends in the telco space, we're seeing progressively hyperscaler move into the connectivity layer. We want to have a first mover advantage and providing an alternative to the hyperscalers, so they become our partners, our clients, and not our competitors.

So the second part is focusing on our core operation and actually the cash machine of Ooredoo, which is our telco operation. And as we've shown you, we have inflationary challenges. Therefore, what have we, we, what have we been doing over the last 18 months and what value has that brought? Just as a reminder, this is our footprint as of today. We told you two years ago, we want to be number one or number two in any given market we operate. What you can see is we are number one or number two in seven out of nine markets. Actually in Kuwait we're number three in terms of revenue market share, but the metric we follow in times inside of a Ooredoo is EBITDA market share. We're more focused on profitability than just pure revenue growth. And for the first time in Q3 of this year actually Kuwait or Ooredoo Kuwait has become number two in terms of EBITDA market share. Myanmar touch on it a bit. We're number four out of four players, plus the country has been going through quite a lot of challenging circumstances. As you know, we've announced the exit of that geography because we don't see a path to being a number one or a number two. We've signed an agreement. We're going through a very slow regulatory process. We're hoping, still hopeful that by the end of this year we will be able to close that transaction.

If you look at the right side is how disciplined are we on our CapEx, and that's a chart which we look at quite a lot. We try to mirror our capital investment to the revenue and the profitability of our respective operation. One of the best proxies for this is ARPU. and we try to look. So if you look at that chart, what you'll see is the very high revenue and ARPU operation benefit of the highest CapEx investments and the leaner, the smaller the mar, the, the lower the ARPU, the leaner and the more rational is our investment.

At the same time, this is the picture within markets. , I know a lot of you, and I've heard this in many investor call view Ooredoo as maybe a high risk portfolio. I actually tend to disagree with it. We think we have an exceptional value proposition. We're a combination of three high investment grade countries with limited growth, but very strong ARPU, very strong currencies. They're actually pegged, and that's Qatar, Oman, and Kuwait. And at the same time, we actually have high growth countries. If you look at all these countries metrics, what you will see is in terms of currency risk, we have very limited currency risk. We actually benefited from positive tailwinds this year from currency within our footprint. Iin terms of inflation rate, if you look across our footprint, the inflation rate are compared to the rest of the world, relatively in line except for Myanmar which we've decided to exit, and Tunisia and Algeria, which have had some strong inflation, which is partly mitigated by a currency uplift. We're also seeing strong growth in most of our markets.This is why Ooredoo has been able to grow year on year its top line, its profitability, and its bottom line. ,I you look at our pricing aggressiveness, unfortunately, as I've covered before, we're unable to pass through and to follow inflation in all of our markets. We actually usually are behind trailing inflation, and what we see is a lowering of yield on the price per gigabyte.

Also, when it comes to CapEx, we've been extremely disciplined in terms of CapEx, but if you look, we've always positioned a Ooredoo as being the data leader in every given country we operate in, and this is the case we are leading in term of peak and in term of core quality across, across different independent studies in any given market we operate in. We're all leading or at par with the leader, and this is the positioning we want to have.

Last but not least, and I'll cover it on an aggregated basis. In the last 12 months, we've put a lot of focus on operational efficiencies, and we've been able to grow the profitability nearly in all the operations we operate in except for Tunisia and Oman. Where does that position Ooredoo on an aggregated basis? Well, this is Ooredoo's profit margin. We have a 42 profit, a 42% profit margin in terms of EBITDA margin. This is the closest group of peer to which we compare ourself constantly. What we see is we're best in class in terms of profitability. We're also one of the rare operators with actually an EBITDA margin, which is trending upwards. Last year we had a slight dip. As for you that have been following us, that was mainly driven to exceptional expenses due to the World Cup. But in general, we're trending upwards and we're best in class in terms of profitability with one of the only operators, which has an EBITDA margin in the forties.

Also, another metrics we're looking is free cashflow, free cashflow generation. And how does that relate to you in terms of shareholders? Where we're number eight globally, according to the top 60 ranking from FactSet in terms of cashflow yield as a telco operator, we also in the top twenties in terms of cash asset terms. So that means we're very efficient with the use of our cash. And if you look at the right chart, which is the important one, we have actually a much higher return on investment capital that invested capital than the industry average which is at 3.8%. We're roughly at 5.6%. And if you see our trend, we've been able through that disciplined approach to significantly increase our return on investment capital and we current continuing that trend.

So you as capital markets there, you're here as investors. What does that mean for you? How have we performed and how that has that translated into value for you guys and into an opportunity probably for you? Well, in terms of share price, what you see is over the last 12 months, we've created nearly $2.4 billion of market cap. In the last, in the last in year to date, $1.3 billion. That's nearly 30 nearly well, 36.8% value uplift in terms of share price. Also, I remind you that we've been consistently increasing our dividends over the past few years. So where does that put us in terms of total shareholder return? In 2021, when we started that strategy, we were ranked 51, according to FactSet, in total shareholder returns out of the top 60 shareholders last year, we were ranked number one with the highest total shareholder return of all telcos This year, it's al it's always very hard to stay at the number one, even if it's our guided principle this year, we remain within the top 10 in terms of the highest returning telcos globally, and we're very proud of that performance.

That being said, still when you look at our multiples, we're valued still at the very low end of the multiple spectrum in terms of telco, top 60 average is around seven times. EV to EBITDA. We're still valued at anywhere this year between 4.4 to 4.8 times EV to EBITDA. Even when we compare ourselves to our regional peers, we're still also in the bottom quartile which is, I'll be very honest, I find extremely strange because we're top-in-class in terms of cashflow yield, we're top-in-class in terms of growth, we're top-in-class in terms of profitability, and we've been executing in a very disciplined manner in terms of structural portfolio. So we're actually top-in-class class in terms of return on invested capital. Despite that, we're still, in my view, significantly undervalued. I I would like to give you maybe a naive way of looking at the world. But this is a bit the way I look at it and for me, this, where the opportunity in reader resides is this chart. We have two externally validated anchored valuation. One is our Indosat stake. It's valued see-through equity to equity at $1.6 billion. I remind you for those that don't know, Indosat is listed in Indonesia. It's a highly traded share, so this is really stick in the ground in terms of value. By the way, the $1.6 billion is the value of our stake with no control premium. And we actually have joint control on that vehicle. So technically you could add some premium to that stake, but we're taking a conservative view. We've just announced yesterday the crystallization of the value of our tower portfolio. Two external investors have valued our portfolio and have signed and committed to a transaction valuing our tower portfolio at $1.7 billion. So on a combined basis you have north of $3 billion, which are in just these two assets. That means the rest of Ooredoo telco operation datacenters footprints is only valued at an enterprise value of $8.5 billion. That puts us at an even lower multiple of 3.3 times EV to EBITDA for the remainder of our operation. I personally believe this creates a significant buying opportunity. I, I'm biased of course, like anyone around the table, but I do believe that Ooredoo should be trading anywhere between five to six times multiples given our performance and the, the discipline we've shown as a management for the past three years with this.

I thank you all. I look forward to answering to your question and I'll pass on to our IR team. Thank you.

The formation of the Leading TowerCo in MENA

Andreas Goldau, Head of Investor Relations

The next presentation is about a key strategic topic: the formation of the largest TowerCo in the MENA region, presented by our chief strategy officer, René Werner. Before joining Ooredoo, René has been working for Deutsche Telecom, Axiata and eBay.

René Werner, Group Chief Strategy Officer

Good morning ladies and gentlemen. I'm very happy today to be here with you to present you the formation of the leading tower company in the MENA region. We have announced this week, Tuesday, our transaction on towers that we have already signalled to you over a couple quarterly calls. Today, it's time not only to say thank you to all of the teams involved, we've done a lot of work over the past two years also to our future partners to form the leading tower company in the MENA region.

We will be active in six markets in the MENA region and the TowerCo will serve a population of 120 million people in these markets and 20 core wireless and fixed wireless access operators. The company will be incorporated in the Netherlands and works with anchor lease agreements that are industry standard and also by the nature reflect the long-term nature of our partnership. There will be 10 plus 10 plus five plus five years.

In addition, Ooredoo commits to 1,800 additional tower builds in the next five years. If we have more demand above this, the tower company will have a right of first offer for those additional demands. In addition, this new tower company will have a substantial consolidation opportunity in the Iraqi market. We combine the previously Zain sites with the Ooredoo sites and we believe that there is a substantial consolidation opportunity with a benefit sharing that goes to both anchor tenants as well as new TASC.

To give you a size of dimension, the new company will have about half a billion of revenues, about 200 million EBITDA after leases, which constitutes a margin of 40 to 42%. You will see based on these financials already in the margin that this is a very balanced deal, which gives both the tower company a solid healthy financial operating margin as well as helps our opcos to kind of pursue further investments into their business. Beyond the healthy financial situation for the new tower company, but also for our operating companies post deal, we'll put in an effective capital structure that basically will reflect a gearing and leverage ratio that is industry standard. If we move on now. To give you an idea, the New TASC as we call it, will not only be the leading tower company in the MENA region with about 30,000 towers once all of the markets close, but will be also the number 14 to 15 globally, so is quite a sizable and scale operator in the tower industry.

In the MENA region. New TASC will be around 10% market share, which we expect also going forward to potentially further increase with the demand of its tenants. The new company will have operating scale for standardization for example. In site build in procurement, or to basically pursue energy savings initiatives that also will benefit the ESG ratings of both anchor tenants.

If we move on. From here, we think from an Ooredoo perspective, it's a good deal for us, not only because we have a nice value to share with you in one of the next charts, but also because it helps us operationally. We have very solid SLAs in place. We have a clear approach to new site delivery. We have also the ability to protect our strategic interest with a strategic site concept. In addition, we have also consumer price inflation. In some of our markets, the operating companies are protected by caps and collars on the CPI increases. In addition, there is only a partial flow-through of those CPI increases to basically Ooredoo.

Furthermore, we have a currency protection from basically fluctuations given that the service rent fees are basically paid in local currency. In addition, we have a synergy participation for us as Ooredoo if and when the tower portfolios consolidate, as I mentioned earlier in Iraq for example. Furthermore, we have also mechanisms in place to benefit from tenancy uplifts for Ooredoo. And last but not least, as a key anchor shareholder, we will remain a substantial shareholder and we'll also participate in the value creation at New TASC.

If we move on from here, I come to the value crystallization for. You see here basically a field of tower companies globally. It's quite a cash-rich business and with quite high multiples. We have separated here the mature markets as well as the emerging markets as they see very different multiples in this context. We feel that with the current transaction, we have achieved for Ooredoo a substantial value crystallization with above average transaction multiples plus also a relatively high asset value per tower. Math will tell you with the amount of assets that we have that we are looking at 1.7 billion asset value from the Ooredoo side in that transaction. We will have as a transaction multiple a three, a 13.2 times EV to EBITDA after leases, which is quite in line with what you would expect with that portfolio. And that crystallizes for us and our shareholders also a value uplift literally of 1.0 to 1.1 billion as the value of the towers has been dormant part of our portfolio.

If we move on from here, this is the classical split that you will see between New TASC as well as Ooredoo: the passive infrastructure and the management of that passive infrastructure inclusive also of security and so on will be with New TASC while the Ooredoo opcos will retain the active equipment and the active operations. So that's our job and over there is a clear job for the tower company to optimize rents, for example, to make sure our assets are protected with security and so on.

If we move from here, a very simple logic that applies to any tower deal globally. The soon you can bring on more tenants, you have a substantial operating leverage. Your profits will grow over proportionate. So as part of this transaction, there's obviously the question, are we able to grow tenancies? We'll come back to that in a second and show you comparative numbers on this. The typical value levers is for example: the rationalization of land leases and rentals. If you look at outliers in your portfolio where you pay rent, you might want to reallocate your sites. If you look at cost and investment optimization, you can basically pool demand for maintenance, for example, or you can standardize site builds. These are typical levers deployed by tower companies and as a shareholder we will benefit as well on the Ooredoo side from this. In addition, as I mentioned earlier, the onboarding of new tenants drives very favorable economics at the tower company side and makes a unyielding asset, a yielding asset with a nice growth of profits attached to this. Last but not least, also efficient financing structures come into play in the tower business where you have more like steady and reliable yields at play that allow different leverage structures and we'll use that as well in the context of the new tower company.

We move on from here. For the tower company, as such, I think we have, we look at very attractive economics going forward. Once is for us the continued search in mobile data demand industry observers, one being for example, Ericsson expect that the traffic per user grows 2.3 times in 2008 to what we have in 23. This additional data demand requires more towers being built or being occupied basically via tenancies. So there is, at hand, already tenancy growth that you would normally expect in this context. In addition, a lot of the countries that we look at, I mentioned six countries we operate, four of them had no 5G launch yet or only a very recent launch, for example, also of 4G. So the densification of these networks for the search and data traffic is a very clear tenancy growth opportunity.

In addition, the tower company will operate as an independent tower company. The management team will be independent despite two key anchor shareholders and act as such on the market. All of the relationships are at arm's length and hence we see here also opportunity to attract other tenants to these towers, which has been shown already, for example, by TASC in Jordan.

In addition, number four, you have Ooredoo as well as Zain as really reliable anchor tenant. We are investment grade on both sides, so the income stream from the committed tower tendencies is there and probably not to be doubted going forward for the tower company. Plus you have operating leverage also being the largest tower company in the region with a lot of opportunities for synergies, for efficiencies that are basically there to basically leverage in this transaction and also operating this deal.

If we move on, I think we are, we are known to you since we're together today here. Ooredoo will have a 49.3% ownership in the new joint venture. Zain will have another 49.3% ownership and that means also the total enterprise value of the combined entity is 2.2 billion. I mentioned earlier our assets 1.7 billion. There is a cash payment to equalize the value on both sides to Ooredoo on this. Fast, this is a strategic partnership. It's long term. As I said in the beginning, we are looking at 10 plus 10 plus five plus five years. That's 30 years in total. If it gets renewed at every point in time, and that is something you entertain a marriage, that's why the New TASC will be basically our primary provider for passive infrastructure as well as that will be most likely for Zain in this context. And in addition, the interesting piece to this is the New TASC will factually be a first mover in most of its footprint markets and by this, establish basically the seeds for a completely new tower industry in the region.

If we move from here, you see what I mentioned earlier with data growing. You see on the one axis here data usage per SIM, which is in the process of going further up. You see how many SIMs as the customers per site you can support and there's a clear tendency correlation. The more data you have, the less SIMs per site you can have, meaning the more towers you have to build, which is good for the tower company as it's indicating a growing business.

This, if we move on from here, comes with a very low tenancy baseline of the New TASC. You see here, the comparative ratios at other tower companies. At the very extreme you see Crown Castle with 2.5 tenancies per tower while the new TASC starts with 1.05. In between, there's a lot of growth possible and we hope also that this opportunity is used for example to drive ESG ratings and have the right activities there also for all of the wireless operators to be really, how to say, environmentally friendly, safe energy on basically coming together on a co-location on one of the sites. The towers per se are mostly in the majority in number one market position countries. So that means the tower company has as its anchor customer a number one operator. So as as such, this is a very, how do you say, safe position. If you look at also the relevance of Iraq in this context is quite huge. And I mentioned earlier the consolidation opportunities in context of Iraq. That should give you a flavor on the actual investment opportunity that is there with New TASC.

If we move over to the next chart, New TASC will operate as well in quite solid economic environments, macroeconomic environments. There is economic growth in literally every market. In Kuwait, we have a special situation here, given that we had a very strong 2022. You have very limited currency risk because of pegged currencies and even in those countries where the currency was not pegged, you see limited exposure to basically currency fluctuations. With that being said, the New TASC operates in a very solid and attractive macroeconomic environment.

And if we move from here, the next step in this transaction after being in an attractive environment is how do we get this done now? We are looking at a carve-out approach in eight dimensions. All of them are prepared, are ready to be executed. We are moving along these streams half basically prepared as much as you can prepare prior to assigning already the steps that are required to move out the operations, and that is what we do next. In addition, there is basically completion as a next step. We expect the first countries to complete and close in the first half of 2024.

The completion of all countries. As of now, we expect by Q2’25 subject that all of these regulatory approvals are being available in several of the countries. As I mentioned, New TASC is the first mover. So there is an emerging regulatory framework that is basically growing with us into this transaction to a certain degree. As such we still expect that to be completed and available by Q2 2025.

If we move on. Maybe a few words to how does that transaction show on our financials,. First of all, I mentioned we are 49.3% shareholder in nNew TASC. It will be an independent tower company run by an independent management team. This ownership becomes basically effective after the first close. Afterwards at each closing, it's a staggered closing. Basically, the relevant Ooredoo towers will be contributed to the tower company and there is respective value exchange for the towers that we inject.

The TowerCo financials will not be consolidated into Ooredoo Group. And New TASC will be treated as a joint venture company. Ooredoo will not consolidate the tower company debt and the TowerCo is expected to raise its own financing to the industry standards of leverage in this context, but has obviously the support of two anchor shareholders. So with this being said, I want to express a big thank you to the teams that have been involved getting us today to this point, both on our partner side as well as on the Ooredoo side.

It has been an amazing journey over more than two years. It is a complex transaction. Hence, we're very happy today to be at this point. Stay tuned. We hope we can close these countries very soon as to our timeline and stay with us in this context. Thank you very much for your attention.

Fintech

Luelle Pillai, Senior Manager Investor Relations

The FinTech presentation comes from Michelangelo Giacco. Mirko will explain how we executed on FinTech so far and our plans going forward. He'll also provide an introduction on himself.

Mirko Giacco, CEO FinTech

Good morning and good afternoon everyone. My name is Michelangelo Mirko Giacco and I'm the CEO of Ooredoo Financial Technology International. My intent is to build a business that differentiates Ooredoo and creates value for shareholders. Before I start, just let me say a few words about myself. So I started my career at McKinsey, then I went into financial services at Barclays. The highlight is a couple of years ago I set up my own FinTech, a consumer FinTech startup in the UK which was working on open banking. At the end of last year we exited. We sold this consumer startup to Tandem Bank, a UK PE owned bank backed by top tier PE fund Poland Street and Qatar Investment Authority. So I've got a track record in the industry and I've decided to take forward Ooredoo FinTech and build a remarkable business.

So last year, my colleagues have described the concept of Ooredoo entering FinTech and creating a bespoke business as part of the Smart Telco strategy. So today I'm here to report the progress we've made and I'm pleased to say the following. First Ooredoo is definitely on track in executing its mission of becoming a Smart Telco. The Ooredoo FinTech business has been established. A new team has been brought in place, and I'll talk about that in a second. We are in the process of applying for license in countries where we don't have a presence, but we start from a very good starting point. We already have 370,000 active users in two markets, Qatar and Maldives, where we are definitely market leader. I'll show you our plans today and you will see that this business has strong potential aims for valuation between two and 400 million US dollars and also as credible upside potential.

So let's go for this presentation. In the next 20 minutes, I'll show you an update and I'll show you our direction of travel, our strategy, and most importantly how we are executing. For Ooredoo FinTech, 2023 was the year of execution, execution and execution. Fundamentally, we have built the whole business from scratch. We set up the holding company. We set up the local entities and we started to build the tech and product. I'll describe very briefly what we've done.

So on the product and technology side, we have combined our product, our new tech stack from Huawei with all our partners. We've made great progress on this. And in October we have started the user exception testing. So fundamentally, there is a stack, there is a product that exists and is being tested. On the legal and regulatory side, we have created the FinTech holding company, and then we have created all the legal entities that will operate in the market and will hold the license. We have applied for license already in Iraq and Oman. In Iraq, we've already received approval in principle. And in Oman, we are already in stage of testing. Plus we have carved out Ooredoo Money from the Qatar telecom business and allocated it under the FinTech operation. On the business side, we have fundamentally defined how we want to enter the markets. And we are executing our entry strategy, which is a mix of greenfield markets where we apply for the license from scratch and carve-outs, particularly Qatar and Maldives, where we are extracting the business out of the telco operation and allocating it to into the FinTech.

In addition, in every market we have explored and we are still exploring acquisition options to buy existing PSP, payment service provider, with an active license. Once we have defined our entry strategy, we then moved to building the team that can execute this strategy. I'll talk about the team in a second. So in a nutshell, the message here is a lot of work has been done in 2023. And we definitely moved from strategy into execution. So our immediate task was to build a credible and strong team. I'm pleased to say that now we have a great group of strong senior executives. They all have a track record in the industry and they have joined to lead and build this business from the ground up. These are the new hires, those that you see on the slide, and they augment and complement the existing teams that have established our businesses in Qatar and Maldives. The new hires have a couple of things in common. First they've all worked in FinTech and second, they all have formidable tech expertise. I want to draw your attention to a few of them. Ankit, he was my chief technology and product officer in, and my co-founder in the startup, he has a great track-record. Together we will build the most dynamic and innovative proposition in the region. I want to draw your attention to Maria who has an enormous formidable digital marketing skills and people like Kasey and Alistair who bring order and help us on the regulatory, compliance and risk part. And they come from names like a Curve or GoCardless. And finally Simon, Ahmed, Tim or Petr, who are the team that fundamentally have built the product and the proposition that will soon go live in Oman as soon as we completed the process with Central Bank. So the message is I'm very confident that with this team and the existing team already in place in Qatar, in Maldives. We're extremely well equipped to capture the opportunity that exists in FinTech.

So the opportunity is indeed the significant. So before I go into the detail of our strategy and how we are executing, I'll just recap why at Ooredoo we believe that building a business, an independent business dedicated to FinTech is the right thing to do. Fundamentally, this is an attractive area with potential for significant shareholder value creation for three reasons. First of all, the market is large, is large and growing. According to GSMA, mobile money is a significant business whose growth is driven by the emergent of a digital payment ecosystem, the drive to a cashless economy, the growth in remittance. So the statistics speak for themselves. In terms of mobile money, in the MENA region, there are 31 live services, nearly 60 million registered account, 357 million transactions, and already 21 billion US dollar of transaction value. So the market is big, is significant, and it's growing for this move to a digital and cashless economy.

Not only the market is big. Ooredoo, that's the second point, is uniquely positioned to win in this market. A few reasons. We already have a large Telco subscriber base in our footprint, in our target footprint markets. We already have 32 million subscribers, plus we have a great brand, a brand that is credible, that carries trust and that will drive users to use to trust the application, to trust the product. And that will drive loyalty and repeat usage. Ooredoo is a group with the credibility, the muscles to invest and to attract great people and a great team. And finally, we're not starting from scratch. We have already a great starting point with our leading market presence in two markets like Qatar and Maldives. Finally, not only this is a big and growing market, not only we have the assets and the capabilities to win, but also this is a proven business models. Some of our competitors, those that have moved that have moved before Ooredoo already at started to monetize some of their investments with significant attractive valuation. And some of the case studies are well known: from Airtel to MTN to STC, and recently the Jio IPO in India.

Let me talk now about the markets in our footprint and I want to emphasize that it is, this is what we call our phase one. So in phase one to start off, we're focusing on the Ooredoo footprint: six markets. And our objective is to achieve significant penetration and good success in those six markets. And then we will look at other markets where Ooredoo doesn't have a majority presence, like for example, Indonesia or where Ooredoo does not play, for example Saudi.

So we segment our current footprint fundamentally using two lenses. So the first lens is the degree of penetration of digital financial services. So four markets are already digitally established with high degree of banking penetration and good digital adoption in general in the country. Two other markets, Iraq and Tunisia instead are in what we call digital transformation phase. They have a higher proportion of underbanked population and a smaller digital infrastructure in the financial service sector. The other lens on which we segment our markets is our presence. As I said earlier, in two markets where already live in four, we are in the process of applying for license.

A few words very briefly about each market. So in Qatar, we're ready market leader with a significant play in global remittances and corporate salary payments. Oman and Kuwait, these are markets with a larger population that is really not well served by banks but there is a high degree of digital adoption and penetration. In this market, remittances, our strategy will be remittance led and that will be our first focus. In Maldives, we're live with a super app that allows peer to peer payments, utility payments, checkout at merchants. Iraq and Tunisia are a bit different from the others. There is still a large underbanked or unbanked population. And our objective is to financially empower this dynamic population in what we call their everyday money moments. We want to become an engine of empowerment and we want to give consumers and merchant the tools to pay, send, receive, request money, digitally, securely, and at low cost.

So a few words on how we're building the businesses and what principles we are following. I'll mention to Ooredoo two. Fundamentally we're building a tech business that means a product and technology led organization which builds a strategic partnership so fundamentally creates an ecosystem where we can attract other players to participate and that keeps our CapEx low. We will build the product once. It's what we call a universal harmonized product. We will build it once and deploy it many times across our footprint. Obviously we will adjust it where, where needed, where regulation requires that. But fundamentally it's one product stack deployed multiple times. We'll operate with the one single brand across the footprint and we will use AI to deliver a great experience and to build in a way that is cost effective. We are already deploying AI tools in areas like user discovery and user feedback, and we will continue to use AI in areas like engineering and customer support. So a product led, a tech led business.

Second part, important is what I call what we call an investor ready business. That means creating a business that operates from day one in a mature way, a business that is very quickly attractive for potential investor. What I mean a mature way. I mean a business that is user-centric. So demonstrates very clearly that we don't burn cash in acquiring users that then don't use the app. We will be very focused on acquiring users that use the app and we will spend our marketing money very prudently. A business that is execution oriented, meaning has a reputation of saying what it wants to do and doing what it said it would do. A business that operates with a very, very solid governance. So fundamentally it's zero tolerance for regulatory violations, a board with independent directors that applies a proper oversight and scrutiny, audited financials, et cetera. So a business that can stand up to scrutiny and be ready for a due diligence when it happens. And finally, a business that operates very closely with the Ooredoo mothership.

We recognize that we have a lot to gain from the association with the Ooredoo and with the Ooredoo brand particularly in terms of a lower customer acquisition cost compared to any other scale-up that would operate in this space,. But also Ooredoo as a telco business. We'll have something to gain from the association with a fast, dynamic and innovative FinTech business. I'm very excited now to show you what we're building. So I hope you will enjoy this video, which brings to life the proposition we are building.

So let's recap what you've just seen. So fundamentally, we're building two things and one ecosystem. So we're building a B2C proposition that will allow users and consumer to make peer-to-peer payments, international remittance, domestic and international bill payment and top-ups. Micro remittances, for example, that means allowing a user in Qatar to pay for the utility bill in their home country. And this use case can be absolutely disruptive and increase the frequency of cross border payments. Users will be able to receive their salary. And our plan, it's in our roadmap, to move into salary advances and micro loans. And all of these will be supported by a top class digital experience with value as a service like a personal finance coach.

The second asset that we're building is a B2B proposition. This will allow merchants and businesses in every country to receive payments, make payments, collect cash, and create and customize offers for our user base. So when you put these two things together, a B2C app and a merchant app, what we're building is an ecosystem, an integrated marketplace that brings together users and merchants in the country. The focus on execution that has been a key ingredient of 2023 will continue in 2024.

Our plan, I'll go through the three areas, in product and tech is fundamentally to complete the creation of the minimum viable product and launch it. We will deploy the minimum viable product multiple times. We will build it once and reuse it in all the markets. With the team, we look at one ratio, the reusability ratio, how much we can build ones and redeploy in other markets. We aim for something like 65-70% of each component to be reused. So the focus of on execution that has been a key feature of 2023 will continue next year. Our execution plan will continue to be structured around the same three areas. So when it comes to product and tech, we will continue to build the minimum viable product, then we will launch it and then we will enhance it. This product, our intent is to build it once and deploy it many times. One of the metric that we keep a very close eye on is our reusability ratio, meaning how many, how much of what we build in one country we can reuse in other countries and we are targeting for something like 65-70% reusability. Once we build a product that is sufficient, stable, and solid, we will move into our other interesting areas of exploration areas like Web3 or Central Bank digital currencies. And I'm pleased to say that some regulators are starting to engage with us on those topics.

When it comes to legal and regulation, we are already live in Qatar, Maldives as I said. In the first half of next year, we will complete our application processes in Iraq and Oman. And then in the second half of next year, we will complete the same process in Tunisia and Kuwait. So when I then look at the business, fundamentally, you can imagine a business that from January 1st operates in two countries: Qatar and Maldives. From middle of next year, we'll start to operate in four markets because we will add Iraq and Oman. And from January 1st, 2025, we will be live in six markets. This business, it becomes quite unique far-reaching and will be a leader in the region. So having clarified the work we've done on execution, the team that we've built, our proposition and our execution plan for next year, let me close with our value creation story and I'll do this in the next four and final slides.

But the first point is we already have a business that is live and successful. I'll talk about that because the message is we want to replicate the success that we have in Qatar in the other markets. So let me share with you some metrics specifically about Qatar. So when I look at the usage of the product in Qatar, we already have 350,000 active users, more than 500,000 registered. To put it in context, Qatar is a country with 3 million population. So in a nutshell, this business is already a sizable business, is an integral part of the financial ecosystem and provides a useful, extremely useful service to a large part of the population. When it comes to some metrics and some results, we deliver, we process more than 6 billion transaction per year - that's in US dollar - two and a half billion in remittances. And we already command something like 11%, 11% of global mobile money remittances, or 30% of mobile money transaction in the MENA region where there are 31 mobile money wallet in the region.

Finally, extremely important from a financial point of view, this business is already profitable as roughly $10 million EBITDA and it generates cash every year. Thirdly, this business has already achieved a lot. We have a 4.8 rating on a Play store, on Apple store. We have more than 90,000 reviews. We keep winning award in the areas where we play, particularly with Moneygram, which is our long established partner in the remittance business. So having a strong foundation in in Qatar with Ooredoo Money, our objective is to replicate this success across the rest of the footprint with the product and proposition that we've described until now. Our path to value creation obviously differentiates between established markets and new markets. In the established markets, the name of the game is very simple. We will re-platform to bring them on the same tech stack that we will use in the new markets. We will expand the offer with, with the significant announcements in things like , debit cards, we will enter areas like salary advances and micro loans and we will extract synergies because we will create an operating model where a central team and a local team will generate economies of scale. From a financial point of view, financial return is that over the next three to four years we will double the EBITDA generated in the established markets.

When it comes to the new markets and the greenfield markets, the playbook is a little bit different. We operate on three phases. Phase one, we apply for the license. That means writing the application, engaging with the central bank testing. That process usually takes between six and nine months based on our experience. Phase two, we enter the market, we launch with what we call a minimum viable product. We validate the proposition, we then iterate on top. And then phase three, where we do a large scale commercial launch, leveraging the affiliation with the Ooredoo brand.

From a financial point of view for the new markets, our plan is based on two metric. First, the time to recover the investment in customer acquisition cost. Depending on the market, that will be between 12 and 18 months. That means that after 12 to 18 months, each user will start to contribute positively. The second metric is the long-term EBITDA margin. And our plan is 35% EBITDA margin.

So how far can we grow and what could this business be worth? So there are two metrics that are very important. So the first metric is what is the penetration that we can achieve versus the telco subscriber base. So our experience, based on our experience in Qatar and based on what our competitors have done, is that a good number to target is 18%. That would mean that for every 100 telco subscriber 18 would be using the mobile, the mobile money service. And to put it in context, in those markets, in our target markets, we have roughly 32 million telco subscribers. When it comes to the valuation, as I said earlier, a few of our competitors have started to monetize. There are transactions happen and are happening. On average, the valuation that these companies obtain, which by the way is in the billions. On average, they command the valuation of roughly $105 per user.

So let's fast forward to 2027. We assume that our business is operating in six markets. In these markets, Ooredoo telecom has roughly 32 million subscriber. We assume we can achieve a penetration on the telco user base between 12 and 15%. Therefore, we are aiming for around three to 4 million users. If I take a conservative valuation of 70 to $100 per user, this business could be worth two to 400 million. This is what we call our base plan. On top of this, there are at least two areas that can expand and provide upside. First is tapping into the non-Ooredoo telco user base. For clarity, our application will be telco agnostic and so available for everyone in the country from day one. Strategically, we will prioritize the telco, the Ooredoo telco users to keep our acquisition cost low. But once we expand, once we penetrate the market and we prove the value of the proposition, we can expand into users that utilize other telco players. So expanding into the non-Ooredoo user base is the first upside. The second upside is to enter countries that are not in our current footprint. I've mentioned that this plan covers six countries, but we're not including countries like Indonesia or other countries that are outside of the Ooredoo footprint where we could reasonably enter once we have won and conquered our own markets and demonstrated that we can be a positive disruptor and an enabler of a digital economy in those countries. So I'm pleased to close with this page because it reinforces my commitment and my team's commitment to create a shareholder value.

Value creation: Strong financial position and Sustainable business

Andreas Goldau, Head of Investor Relations

Thank you very much. Now we are coming to the financial presentation and our ESG journey, presented by our Group CFO Abdullah Al Zaman. Before taking his current role, he has also been the CFO of Ooredoo Qatar and he has been with the company since 2013.

Abdulla Al Zaman, Group Chief Financial Officer:

Good morning ladies and gentlemen. Thank you for joining me as I discuss Ooredoo's solid financial positions and the progress of our sustainability and transformation journey. A growing group revenue is my first slides to recover, to cover in this presentation. In this slide, we are looking at the growth trajectory of our group revenue. Revenue has shown strong and sustainable performance since 2020. Good to know that we marked a 4% increase from a 2020- 2022, a 2% increase year on year on the first nine months of 2023. The growth in revenue is driven by our operational companies, strong performance in local currency term. Also, the growth is underpinned by market position, exceptional customer experience, diverse product offering, superior network quality and smart CapEx deployment strategy. In addition, 2023 the revenue growth was a primary led by our operation in Iraq, Algeria, and Kuwait and Maldives.

My next slide will be covering group EBITDA and EBITDA margin. This slide show our consistent focus on efficiency and operation and excellent over the years. Our EBITDA margin has been consistently north of 40%. Happy to report positive a trend for the nine months of 2023. Our EBITDA growth story is strong, supported by revenue expansion and cost optimization efforts. Initiatives such as our, our Braveheart transformational project, which was launched in 2020, have played an important role in enhancing operational efficiency as we are aiming to further optimize costs and further strengthen operational efficiency. Our next, our next step, including the introduction of global cost benchmark program.

Next slide. Under the Braveheart transformation project, we introduce more than 700 initiative across our operational aimed at enhancing profitability and efficiency in our core telecom business. These efforts brought positive result with a noticeable +1% point improvement in both a bit the margin percentage and opex over service revenue ratio compared to 2020 level across our opco. Our revenue initiative and cost initiative are listed on the slides.

Slide number six. We continue to focus on CapEx efficiency and are guided by strict and centralized management process that target securing higher return and top notches assets. In the year from 2020 and 2021, our CapEx number told the story of solid upfront investment that have been made as a foundation to have best-in- class network so that majority of our network, all outs have been successfully executed reflecting on the ongoing decline in overall CapEx and CapEx intensity. This instructed strategy is reinforced by the smart CapEx program, which enable us to assess OpCo CapEx portfolio profiles and expected return. Despite the focus on efficiency, we remain committed to selective strategy investment in areas like FinTech and IOT. These initiative aim to diversify revenue stream and create synergy that strengthen the core business and help us our journey to become smart telco.

This slide shows accumulative benefits of our business transformation. Our free cash flow margin have moved up more than 4% points since 2020. Free cash flow growth is a major focus for us. Our focus on operational efficiency and overall CapEx discipline enable us to invest and still deliver solid free cash flows. We are delivering in our targets for 2023.

Our result for total nine months of 2023 reflect our focus on executions. Revenue growth for the nine months of 2023 is ahead of guidance. Our wide range of transformation efforts have resulted in 43% EBITDA margin for the nine months of 2023. As we close the year, we expect our EBITDA margin would fall in line with our guidance. We have 3 billion riyal of CapEx, with most of the spend expected in the last quarter of 2023 in line with our historical quarterly trend. Building in this momentum, our outlook is positive. We expected continued revenue growth and are dedicated to improvement our CapEx efficiency on the medium term.

As you can see from this slide, we have significant de-leveraged and de-risked our balance sheet, we are now 0.9 x leverage ratio, which is below our Board guidance. We have got here thanks to our sharp focus on cash generation. However, this active managing our portfolio of opcos has also played a part on the de leverage. The Board guidance range of 1.5 x to 2.5 x is expected to be maintained for now as the company execute on tower and datacenter plans.

Turning to our debt profile and to put some contexts on our funding strategy. Some key point to note, we are rated investment grade. We have a strong liquidity profile. We have been actively managing our repayment schedule. We are structurally hedge against further rate hikes as 95% of our debt is on a fixed rate. Including undrawn borrowing, we have 14.6 billion riyals as liquidity. This is more than enough to cover our repayment schedule on the next five years. We will remain watchful and take advantage of any funding opportunity that makes sense to Ooredoo.

Okay, next, let's talk about risk management and the hedge policy. Our approach to manage transactional FX risk remain steadfast. Opco will continue to hedge locally using available and instrument while keeping costs within the limit. Ooredoo is a long-term emerging market players and we have decided to maintain our strategy of not hedging a translation exposure at the Group level. Looking at the broader picture, Ooredoo maintains substantial 95% fixed rate debts. This significantly limits our exposure to interest rate risk.

The next chart shows a Ooredoo commitment to return excess cash to our shareholder. Over a period of three years, we have increased our dividend by 72%. I want to highlight that the dividend pay-out for 2022 was at the top-end of our guidance. Looking ahead, our dividend outlook remain robust. We are aiming for a pay-out ratio on the range of 40 to 60% normalized earning this approach ensure balance between rewarding our shareholders and retain capital for strategic investments. It is a testament to our commitment to sustain growth.

This slides show a view of how we think about the proceed we will receive from some of the projects. We will invest in our infrastructure. We want to have leading digital network across our various markets. We will maintain an optimal capital structure that give us the flexibility to pursue value accretive opportunity. And last but not least, returning cash to our shareholders.

Next is the ESG coverage. We made some progress with our ESG initiative. In 2022, some of the key sustainable highlight were: increase of 1.3% in female across total workforce; we invested more than 46 million US dollars in the communities.; we record zero number of sustainable complaint concerning breach of customer privacy. And in 2023 we have issue new policy, one of which being the human right policy. We released our third ESG report. During 2023, ESG KPI were set in a place across our opco for the first time. In addition, an internal assessment has been conducted at each Opco level on their available policy and disclosure. And the new set of policy, the disclosure will be publicly available and disclosed by year-end 2023.

For the year 2023, Opco will have their own locally ESG report. Other collaboration project include joining the GCC Innovation Hub and the Nokia ESG Customer Advisory Council for MENA region, which we both announced during COP 28. Looking ahead, we are updating our ESG report in 2024 in line with the global IFRS and ISSB reporting standards. We will put sustainable strategy and framework in place and establish committees to oversee all opco ESG activity. We aim to be at the forefront of the industry and region and ESG benchmark reporting and disclosure.

This is the end of my presentation. Let me conclude with the following point. I want to emphasize in our goal to position ourself as the best-in-class organization for the long term. Our recent performance has been solid. Our financials strong with a healthy revenue EBITDA and a free cash flow growth. These indicators show our current success, but lay the foundation for sustainable excellence. Together with our cost management efforts, we are exercising strict and centralized CapEx management. Building capacity for the future growth is key. In summary, we are not just aiming for short term success. We are sharpening based in a class organization for long term. Our financial strength, operational efficiency, strategic investment, and commitment to sustainable will help us along our path to be a Smart Telco. Thank you very much.

Indosat Ooredoo Hutchison

Luelle Pillai, Senior Manager Investor Relations

The last presentation for today comes from Vikram Sinha. Vikram is currently the president and CEO of IOH in Indonesia. Before that, he has been running operations in Ooredoo Myanmar as well as Maldives. Before joining the Ooredoo Group in 2013, he worked with Bharti Airtel and Coca-Cola.

Vikram Sinha, CEO IOH

Hi everyone. Good afternoon and welcome to Ooredoo Group Capital market date 2023 in Doha. My name is Vikram and I'm the CEO of Indosat Ooredoo Hutchison. Today, my presentation will be in three parts. The first part I'll introduce you to Indonesia and its digital economy. In the second part, I will talk about our merger progress and what we have done so far. And finally, on third part, I'll talk about our future focus plans and how we intend to drive the business going forward.

Let me start with the first. It's important to be in the right place, at right time. And why I say so? Let me bring to you Indonesia, Southeast Asia biggest nation with a population of more than 278 million people. And today, it is the 16th biggest economy in the world. And by 2030, it is supposed to be among the top 10. The country is rapidly growing with the GDP growth of 5% and forecasted for 2023, 2024. But the important thing is consistently 5% is given. And, and this is what we are seeing going forward for next five year. Importantly, Indonesia is blessed with a young population where around 49% of the people are below the age of 30, making it really ripe for consumption as young people look for opportunity to improve and grow. The digital economy will be a massive contributor to the growth of the nation going forward as it is forecasted to grow from 8% of GDP in 2022 to 14% of GDP by 2027. Or let me break this into number approximately 19 billion now to 205 billion US dollar by 2027. This will be driven by rising internet penetration, in addition of almost 22 million new internet user in next three to four years. This will have positive benefit for cellular spending where Indonesia remains below the benchmark versus other nation in the region.

Let me now get to my second point. Indosat Ooredoo Hutchison, we call it IOH, was born on 4th of January 2022, with a single-minded purpose: to deliver a world-class digital experience and to connect and more importantly, to empower every innovation. On the onset of the merger we had, I have to say this many doubters. Historically speaking, telecom merger of large companies have been difficult and many have faced execution challenges, especially on the first two year. Rating agencies were cautious on our outlook, given some uncertainties that we would face. However, we managed to navigate through these challenges and are on a journey towards one of the most successful merger and integration stories globally. We managed to complete our network integration well ahead of the schedule with improving customer experience and also growing our customer base.

We are also seeing better business profitability and revenue growth with synergy realization. If you remember, in my presentation in September 2021, before the merger, we gave a range of 300 to 400 million US dollar annualized synergy value in three to five year. I'm extremely happy to announce that we'll deliver it on the higher- end of that range crossing 400 million. And we will do that in a quicker time. We will do it in three years. As you can see, our results speak for itself. We are seeing a strong growth across both financial and operational matrix. We are focused on delivering even better results going forward. And as a result, the market is recognizing and rewarding us for our progress with close to 4.3x improvement on our share price.

This is also translating internally as our employees are also seeing higher satisfaction scores. This is very close to my heart. We are in a people business and when we see employees fully engage, results follow. Now that we have seen the updates on our past 22, 23 months, I'll take you through the final part of our presentation, which is our future focuses. Timing is important with our current scale with Indonesia growth opportunity, our focus number one is to double down on the growth in our core business. As there is still significant revenue opportunity for us in mobile. We are further expanding into more regions in

Indonesia and improve our coverage. This will be key to driving double, close to double digit growth in the next few years. There is also further upside from maximizing the value to our customer through marvelous experience, digital services, contributing to drive ARPU going forward, we are very confident that we'll continue to grow our ARPU and we see a clear opportunity there.

Finally, through both revenue growth and realizing we will continue to grow EBITDA faster than revenue and continue our EBITDA margin expansion. We are all set with our scale to move what we call it as telco to TechCo. We have also embarked into our journey of what does TechCo means to us, building our own technology platform where we can look at adding adjacent revenue to be more than just an infrastructure provider, and look to build our ecosystem through partnership to solidify our business potential for the future.

We have clear five pillars and I'll quickly take you through the number one. And this is very, very important to us: our purpose. Everything revolves around our purpose of empowering every Indonesia. Number two, creating marvelous experience to our customer. We have a hundred million customer and we want to make sure we give marvelous experience, personalized to each and everyone. Partners and employees. We want to make money with our partner. We want to get the best to Indonesia, to give marvelous experience to our customer. Building our innovation engine. This is very important. We have created our marvelous experience center where we want to innovate, co-create and build our innovation engine. And last but not the least, driving digital leadership. Finally through our principle of Gotong Royong, which means partnering for growth and also building the leaders of digital native for us, AI will be crucial driver for our growth going forward. We want IOH to be the AI native TechCo. AI will be the bedrock of our objective, where we'll stage wireless experience, grow revenue, strengthen our return on capital employed. And this is where we will really invest on our people. Every dollar invest on technology will be supported with a dollar spent on our people development. That conclude my presentation. In summary, it is a very exciting time for us at IOH and the best is yet to come.

Questions and Answers

Andreas Goldau, Head of Investor Relations

The best is yet to come. That's a great intro, Vikram, thank you very much. So now we are coming to the, probably, most interesting part for you, the Q&A panel. I'm happy to have all our presenters here live in the room with us. And Vikram is joining us remotely and we also have Amer Sunna joining us from Iraq. You're familiar with all the bios already. One new addition to the panel is our Head of M&A, merger and acquisition. Thomas Chevanne has more than 20 years experience in the industry. More than half of that was in the Ooredoo Group. He previously has had senior commercial positions here in Doha, but also has been the Head of Strategy in Indonesia and the last, last few years heading up our M&A activities for the group. Thanks for the questions received so far. We're going to do a mix of audio and chat questions. And let me start with the first questions that we got in the Q&A section here in Zoom. If you're free to type anymore. I'm just going to read this one out. Regarding the new transaction of the tower company what is the impacted cash flow Immediately or as soon as the transaction materializes? And we get questions, when does the transaction materialize as well. And also looking forward, what's the net impact on the recurring EBITDA on consolidated level of Ooredoo and the expected impact on the net leverage for 2024 based on the tower transaction?

Aziz Aluthman Fakhroo, Group MD and CEO

That's a lot of questions in one go. but we'll try to take them. First, let's talk about when is the impact and when does the transaction close? We will have zero impact as long as the transaction is not closed. As explained in release presentation, it's a staggered close. So we will close market after market. Our priorities is to close Qatar first in combination with Zain Iraq and Jordan, then our Iraq footprint, and then try to close the remaining market. Our ambition is to close all markets within the next 12 to 18 months. Again, there is no immediate impact as long as we don't close markets.

On EBITDA, assuming all markets are closed, the impact on the group's EBITDA is very marginal. The impact on leverage actually we will still be post transaction and if you take into account all operating leases, we will still be below or at the very, very low end of our guidance of 1.5 times Net debt to EBITDA. We will, just as a reminder, we're 0.9 times right now. As we gradually close the markets, we will probably ramp up progressively between 1.2 to 1.5 times net debt to EBITDA. Free cash flows different. There is first as we close transaction. Initially, this equalization with assets and shares from Zain and TASC as the value of our portfolio is significantly larger than the value of Zain, just not, not only in terms of towers. Then we will have cash equalization payments. As these market close, we will then get the proceeds from these cash equalization payments. We'll of course have to pay off tax friction costs and the some minority interest we have in each operations. On the recurrent basis, there will be a free cashflow impact in terms of leases paid to the TowerCo. But to remind you, we will own, on the other side, close to 49.3% of the TowerCo. So we will benefit from 50% of these Cash flows of these cash flows on our footprint, but also on the footprint added by Zain and TASC.

Andreas Goldau, Head of Investor Relations

Great, thank you very much. Let's take an audio question. , the next question comes from Bahrain from Nishit Lakhotia, from the SICO Securities.

Nishit Lakhotia, SICO

Yes. , can you hear me?

Andreas Goldau, Head of Investor Relations

Yes, we can hear you.

Nishit Lakotia, SICO

Okay. Thanks. Again it's a very detailed presentation, but my question again is on the most important transaction that's going on. So what I understand, I mean, from what, what what's been said is that so from for 12 to 18 months, this transaction will not fully close. So till then, this JV will not be showing on your say 18 months it takes, so for 18 months there won't be any TowerCo, JV accounting?,

Aziz Aluthman Fakhroo, Group MD and CEO

No, No. So from the first close, we have to close every single market independently. We rather close them all at once. But we have different regulatory process. And it's the complexity of doing a multi-footprint transaction all in one go. We have to get regulatory approval in each of the markets we operate in. We're hoping to close the first market within the first half, first couple of markets within the first half of next year. The moment the first market closed, the JV is materialized on our, on our balance sheets, on our books. And it is substantiated progressively as we close every market one after that.

Nishit Lakotia, SICO

Okay. So carrying on from that, if, if we look at the entire transaction, now your valuation is 1.7 billion. The entire entity evaluation is 2.2 billion. 50% is 1.1 billion approximately. So we, you in net-net you are assuming a cash equalization between 550 to 600 million, leaving the minority part aside? Is that how I, I I should look at the number over the next 18 months?

Aziz Aluthman Fakhroo, Group MD and CEO

That's very accurate math. There will be some slight variation to these numbers. As you can imagine whether us in each of our opcos, also our partners in Zain, we don't stop rolling out networks. So these numbers are currently based on the plan rollout. If either we roll out slightly slower, slightly faster, there's some marginal and I really stress, some very marginal adjustments at each closing to balance the number of existing assets, et cetera, et cetera. But your maths are correct.

Nishit Lakotia, SICO

Okay, so in terms of the profitability book I mean, your carrying value was hardly anything of these I mean tower versus. Now there is a JV accounting. There, there would be some gain that would be booked once these TowerCos starts moving out as a transaction in each country close. So what would be the overall profits that would be booked over 18 months in P&L?

Aziz Aluthman Fakhroo, Group MD and CEO

Eyas, you want to take this one?

Eyas Assaf, Deputy CFO

I think as we said before, this is, will be announced, hit a market by market and we'll disclose it only when we close that market, too early to assess this number now.

Nishit Lakotia, SICO

Okay, fine. I'll come back in the queue. That's it for now. Thank you so much.

Andreas Goldau, Head of Investor Relations

Okay. Thank you very much, Nishit. And then we got a, a typed question here from Alexei Filippov FinTech question. Oh, sorry, next question. Yeah, it's with regards to our FinTech operations, what would be the primary source of revenue earnings? Is it mostly driven by money, remittance fees and B2B charges? Are you considering to expand it to lending business? Mirko, maybe that's a question for you?

Mirko Giacco, CEO FinTech

Yeah, excellent. Thanks, Andreas. So our revenue sources will be varied across a number of products and services that we will provide. In some markets, we are a greenfield operator, so we will start with the minimum viable products in those markets. Yes, remittances will be the first services we will provide. But we'll very soon complement it with other services like bill payment, utility payment, cards. And then later on we will enter into areas like salary disbursement, as well as lending. We will start with the micro lending. Imagine use cases like salary advances, so somebody receives on a monthly basis the salary paid on the, on the app, we can provide an advance when we know there is a regular payment coming for, for that particular user. So in a nutshell, we'll start with remittances. We will then expand. So the revenue sources will be varied. I think a very important point when we talk about areas like lending, we are, one of the principle I mentioned in the presentation is, we are an ecosystem. So we will not carry loans in our balance sheet. We will partner with the providers that will provide the capital and will take the risk the, the, the risk of default. So in a nutshell, yes, there will be lending, it'll be a capital light model on our side. And I'm pleased also to report that some discussions regarding the partnerships in this area have already started.

Andreas Goldau, Head of Investor Relations

Great. Thank you very much. Thank you. Let's take another live question and let's go to Egypt. The next question comes from Omar Maher from EFG. Omar.

Omar Maher, EFG Hermes

Hi everyone. Thank you very much on the detailed presentation. From my end on, on the tower transaction again. So first one is, is what, what kind of tenancy ratio do you aim to reach in the next five years? And the second one is, is perhaps if you could talk a little bit more about what the long term game years for the, for the tower transaction. So I guess this, this is probably the first step to basically merge the towers, sort of like create the, the separate entity, the JV. And then what, what would the next step be, or the long term, are you looking at perhaps listing this as a, as a separate entity or maybe you know, spin it off and bring in a, a, a large strategic investor to further monetize that business? Or even, you know, would you look at expanding that business, maybe merging or acquiring other similar businesses in, in the Middle East and Africa?

Aziz Aluthman Fakhroo, Group MD and CEO

I'll start with the latter part of the questions. I'll start with the latter part of the question is what's the plan? What's the focus for the next 18 to 24 months? For the next 18 to 24 months, our main focus is first closing and integrating our businesses. There is a lot of value still trapped within the tower businesses. I'll give you an example. This is part of our selection of Zain. First, we know

Zain very well. They are competitor, they are respected competitor we, but we overlap in a number of footprints. They're contributing their Iraqi assets. We're contributing our Iraqi assets. We also have overlap footprints in Kuwait by the subsequent step. There is a lot of trapped value. As you know, for a TowerCo, the number one costs are actually the land leases. For a telco, if we respectively look at our Telcos, the number one cost is operating cost, which are divided by the number of tenants. So a personalization of our tower portfolio, which now would be unlocked because there it's independent management, it is dually owned, it's neutral. We'll be able to unlock this. This will increase significantly the yield per assets for the towers reduce actually the operating cost for the opcos and technically results in a higher tenancy. Today we're starting with a very low tenancy base, I think 1.05, and we're looking to go up within the medium term to industry average, which is I think 1.78 or something like this?

René Werner, Group Chief Strategy Officer

Around, around that.

Aziz Aluthman Fakhroo, Group MD and CEO

This is the first step. The second step, you clearly, and I've shared on it on my presentation, René as well. This is a clean vehicle. There is no leverage from day one. It's annuity business. It's a very healthy vehicle and it is from inception when all markets are closed already, the market leading TowerCo in the MENA region. I personally believe, and I think everyone around this table and our partners that holistically in the region over the next three to five year horizon, the market will consolidate with probably two players at most, two major players at most. We will be one of those. We hope to be the leading one. We want to first extract the synergies, then we have a clean balance sheet we can leverage up, we can do further acquisition. This leverage can also help us fund CapEx expansion for these towers. And over time, of course if you look at our strategy portfolio strategy, these are part of the assets here. We want to remain as a minority stake. Once we believe that we've unlocked significant value in synergies and in growth at that time, we'll probably monetize partially the remainder of our stakes. But that's down the line.

Omar Maher, EFG Hermes

That's so very clear. Thank you. Thank you, Aziz. And maybe just one follow up question. Going back to the comment that you made about, I guess the, the break-up valuation. I think what you mentioned is that once you sort of like crystallize the value of all those verticals that are being carved out, then you're left with an entity that's trading at like three times EBITDA as opposed to something in the range of, or closer to six times for, for a telco ex all of these business. But my question is, is don't you think perhaps the market once you strip out all these growth verticals and you're left with the core telco business, which is a very mature business, that the market would essentially assign a significantly lower valuation multiple to that entity as opposed to the five, six times that that you mentioned?

Aziz Aluthman Fakhroo, Group MD and CEO

No, well actually I would beg to differ because we're not stripping out, first of all. We're carving out again, we're 49% shareholder in the TowerCo for the foreseeable future. Datacenter Co, we will be a majority shareholder and a consolidator. FinTech, we're a consolidator. And subsea cable also, we will be a majority shareholder and consolidator. So we are just separating the balance sheets because I think we can more, have a better efficient capital structure leveraging each of these segment on their independent business model annuity and stable yields perspective. And at the same time their own merits than just leveraging at the HoldCo. At the same time, maybe benefiting from the HoldCo effect in a very strong credit rating. But look at European, we are still in high growth markets. Most of our markets, if you look at our subscriber base, are still very young population prepaid markets very slowly merging to postpaid, underpenetrated in terms of mobile financial services, credit cards, fiber. So there's still a lot of growth left in the engine. At the same time, if you look at all the mature operators in Europe, in parts of Asia, they've already stripped out everything. You're even seeing operators in Europe right now in southern Europe, they're selling their active network, they're selling their fiber back backbone, they're doing NetCos and they're still valued at five or six times. So whichever way you want to cut it, we're significantly undervalued. Did I convince you on that one?

Omar Maher, EFG Hermes

To a certain extent, <laugh>, but thank you. Appreciate the comments. Very insightful. Thanks.

Andreas Goldau, Head of Investor Relations

Thank you very much, Omar. Then we got another question here in the Q&A section with regards to the datacenter business that's going to be one of the verticals that you're planning to spinoff and establish. How is the cooperation with Meeza going forward? Will you cooperate with them? What's the outlook there?

Aziz Aluthman Fakhroo, Group MD and CEO

So with Meeza this year, we participated and supported them in their IPO. We have monetized half of our share. We're now just a financial investor. It is healthy for any given market to have at least two providers of datacenters. You need redundant facilities. Hyperscalers clients require diversification in their supply. So it is important for us to have another player in the market. But between a commercial cooperation between the Ooredoo and Meeza is completely as arm length. We see them more as a competitor. We retain a 10% stake, which is a small minority. We have a lock-up. Once our lock-up expires and depending on the market performance, et cetera, then we'll review our options.

Andreas Goldau, Head of Investor Relations

Great. Thank you very much. Let's take another live question. Usman Akram, if you could ask your question please. You need to unmute. Okay, If the question's not there, let me take another one from the Q&A here. Praguma Mishra is asking about Ooredoo’s growth outlook. Can you get back into a high single-digit scenario on a revenue level? And what would need to happen to get there?

Aziz Aluthman Fakhroo, Group MD and CEO

So look, we've always been relatively conservative on our outlooks. We are in the low single-digit. I personally, we have some markets which are growing in the high single-digits, namely currently Iraq and Algeria. On a combined basis, they represent, I think, something close to 30% of our EBITDA. So we have pools of growth. We also have Indosat which is growing very fast. Again, to my previous comment during the presentation is: The value proposition of Ooredoo is a combined portfolio between mature high investment grade with very stable political currency and economic risk which represent basically roughly 50% of the EBITDA contribution, a bit more. And then a pool of related markets, which are emerging market markets with a much higher growth profile, but also slightly more volatility in terms of currency and economic situation. Even if these markets are growing in a high single digit factor, our mature markets are the on their side growing at very, very low single-digit. That gives a blended growth, usually in low to mid single digit growth. I would love to grow at nine, 10%. But maybe just one point. We are here extremely focused on EBITDA growth more than revenue growth. Growing revenues is very easy. If these revenues translate in very low margin businesses then we actually deteriorate the profitability of the business. So we've always keep that, kept that very strong focus on good revenues versus revenues at all cost.

Andreas Goldau, Head of Investor Relations

And then from the same investor: question the how are these split in terms of currencies? What's the split between USD and local currencies?

Aziz Aluthman Fakhroo, Group MD and CEO

Yeah. So part of this transaction was at the same time, again, we're not trying to create a TowerCo because we needed to maximize value of day one and to deleverage or generate a maximum amount of cash. We're trying to build a sustainable leader in the infrastructure place. At the same time try to get a very balanced view for both our telco operation and the TowerCo. We're trying really both. All, and we shared, this was one of the reason we selected the Zain and TASC is we shared the same optics on that. So all of our leases are actually in local currency. That being said, majority of the operation have pegged currency, therefore there's limited currency risks.

Andreas Goldau, Head of Investor Relations

And his last question is, what other M&A plans do we have M&A question.

Aziz Aluthman Fakhroo, Group MD and CEO

So I get this question all the time. Same answer I probably gave in the last few calls. We remain extremely opportunistic. We've done very small M&A acquisitions in each of our footprints because we believe that in-footprint acquisitions actually generate the most value. These are small transaction. Typically we bought a small ISP in Iraq. We're looking at different things. These are auxillary value accretive for independent operation. As a group, we've been very disciplined. We're reviewing constantly all the opportunities. The strong benefit we have today versus 18 to 24 months ago, 24 months ago, our core M&A targets were telcos. We could only look at out of footprint telcos as a vertical stark because Ooredoo was a pure telco player. Today going forward, you have telco, datacenter, TowerCo, subsea maybe eventually and MFS. For each of these verticals, we now have optionality to acquire independently out of footprint in these independent verticals. So technically we might remain a telco within our existing footprint, but expand our datacenters. For instance, in some of the neighboring countries or North African countries, someone even me mentioned Sub-Saharan countries. Similarly towers, they might have a footprint in five years, which is mostly decorrelated from our own existing footprint. Our existing footprint serve to incept this vehicle with initial structure, substance and capital. But then each of these vertical will chase growth, inorganic growth in where we see the most value and where is the most relevant. So now we have a much broader view of optionality in terms of M&A.

Andreas Goldau, Head of Investor Relations

Excellent, thank you very much. Then there's one more question with regards to our net debt to EBITDA ratio. Why are you going to increase from 0.9 to 1.5 in the future?

Aziz Aluthman Fakhroo, Group MD and CEO

So that's just pure accounting treatment. We're, we're not borrowing more in the moment you do a TowerCo, you actually have long-term leases, which from IFRS perspective are treated, as these are long-term commitments, in a similar manner as debt. So we're not borrowing more. It is just that as we close the markets, we sell our towers, we lease them back, and these leases will be captured as operating leases and therefore calculated in the net debt. So it's just an accounting metrics.

Andreas Goldau, Head of Investor Relations

Alright. All right. Then we got a question on the Indonesian market. I'm going to try to open up the microphone for Vikram. The question is, what has been the key for the integration happening faster than expectations?

Vikram Sinha, CEO IOH

I am here, can you hear me?

Andreas Goldau, Head of Investor Relations

Excellent. We can hear you. Vikram, go ahead please.

Vikram Sinha, CEO IOH

I think thanks for this question. Let me, Let me say that our purpose, you know , was to ensure that every site level we ensure better experience because customer don't care merger, no merger. What they care is how their experience is improving. So I think that was the principle we started and the way we approached in our combined business plan. This whole integration was supposed to be completed in 26 months, but our approach was to get all the partner in the war room. First time in the history we had all our three partners and team: Nokia, Huawei, Ericsson working together with objective delivering. And that led to 26 month plan getting completed in 12 months,

Aziz Aluthman Fakhroo, Group MD and CEO

Maybe add, really Vikram and his team has done a tremendous exceptional job in terms of integrating and delivering the value for the shareholders, which we are, on this transaction. Maybe another little recipe is, if you remember when we were doing these capital markets, you were kept asking, what are you announcing where you're announcing? And we said we're, we're delaying slightly. We've agreed on terms, but we spent a lot of time with Vikram, with his team, with the CK Hutchinson team at that time before closing the transaction. Clearly mapping out integration plans so it wasn't close the transaction and then try and figure out how to integrate. At least Vikram had a broad roadmap already laid out, which he was part, his team was part, the whole management of both entities were completely bought in at the moment we announce a transaction. And again, it's the work done by the team in those Indosat really is tremendous.

Andreas Goldau, Head of Investor Relations

Alright, Terima kasih to Indonesia. Thank you very much. We have one more question on the screen here, but let's take one more live question. Nishit has another question. Nishit, if you could unmute your phone, please.

Nishit Lakotia, SICO

Yes. Thank you for the opportunity. I have a question on the new TowerCo. Would it be open to possible acquisitions ASAP once is formed, for example, you have an opportunity in Kuwait on the towers which was Zain Towers sold to IHS. So are you open to possibly leveraging that company to acquire those and expanding the portfolio and bringing in efficiencies? That's the first question. And the second is one that even our clients keep asking, is that the money that you make on from the TowerCo, any sort of special dividends or anything to be considered next year when you get that? Because I know you were going to maintain the pay-out. You've been very clear in this presentation. The pay-out won't change 40 to 60%, but what about some sweetener for the shareholders from this deal? Thank you.

Aziz Aluthman Fakhroo, Group MD and CEO

So two parts. I think the first part that touch on it already the first focus is integrating and closing all our markets. This tower platform has a purpose to become the leading platform in the region at least in the MENA region in the near future. It's a clean vehicle with no debt, so that gives us quite a few optionality and one we can draw on that to substantiate CapEx in-market. We can also draw on that for further acquisitions. I think the rationale that stays true for our telco operations stays true also for the TowerCo is that in-footprint acquisition generates more value than out of footprint transaction. So an obvious place to look at are consolidation within the markets where the TowerCo will already operate. Again, our focus for the foreseeable future is first closing the market. We don't want to get ahead of ourselves. It's extremely complex transaction and you can't imagine that amount of man-hours that have been spent at the group level. Again, I know it's not the forum. I want to thank the teams, but also at each opcos, which are carrying the loads, it's tremendous job.

Going back to your favorite questions, I was surprised that we didn't get it yet. Regarding the dividends , I need to record this sentence and just have a button to play. Management has a recommendation to the board in terms of dividends. It is then a matter at the board, which is the discussed by the board members, which are the representative of you guys, the shareholders, and then approved at the AGM. So it's well within the remit of the Board to decides dividends. We, we can't share management recommendation to <inaudible> , to the Board with the broader spectrum it’s the role of the board and the directors on the Board today. We have a guidance. , we've systematically increased our dividends significantly year on year. The fact that we were not paying at full portion of the guidance. Now we're paying at full ratio of the guidance. Plus our net profit has jumped from 800 million to probably north of 3 billion at the end of this year. So that gives a sense of just organic growth in terms of the dividends.

Nishit Lakotia, SICO

Okay, wonderful. Thank you.

Andreas Goldau, Head of Investor Relations

Great. So should, and I don't see any more audio questions at the moment. We have a last question in the Q&A section. If there's any more, please type or raise your hand now. The question that we have here is how can the impact on Ooredoo’s EBITDA from leaseback fees be limited? If the joint venture is expected to generate 500 million in revenues while tenancy ratio is one times and Ooredoo is a bigger tenant compared to Zain should it be close to negative 10% on EBITDA? Yes. You want to <laugh>?

Eyas Assaf, Deputy CFO

No, I I think we're, we're still accurate on our EBITDA calculation that it'll have minimal impact. Actually it's positive, but minor amount, what we're talking about here is EBITDA after lease, and this will be disclosed country by country at the closing the impact on the EBITDA after lease. But the, the regular EBITDA will have positive impact.

Thomas Chevanne, Head of M&A

And maybe if, if I may, if I can add something on this without talking to the numbers, just on your calculation obviously something that is missing that there are also savings. So there are costs that are put <inaudible> by the opcos such as ground lease and security amendment, which are passed on to the TowerCo. So you can simply add the revenue of the TowerCo to reduce the cost to the to the opco.

Aziz Aluthman Fakhroo, Group MD and CEO

Great. Yeah. Going to say also on added benefit of a TowerCo is going forward, the CapEx for the towers for the passive is no more borne by the opcos. It is borne by the ToweCo. So this is off our balance sheet now. So that's an added free capital benefit. We've spent 20 months on this transaction. We didn't need to do this transaction in every way, shape or form. We weren't under the pressure. We're really doing it because we strongly, it's not believe, we're convinced that this will be significantly value accretive in the medium and long term and even in the short term.

Andreas Goldau, Head of Investor Relations

Okay. There's one last question. With regard to the accounting treatment, will the joint venture net income be integrated into the Ooredoo group EBITDA? Yes. So, okay. Great. That covers all the questions. Thank you very much for to everybody for joining and to the panelists for investor relations. Our next event will be the full year results sometime mid of February. If you have any questions in the meantime to reach out to the IR team. Thank you very much for your continued interest. Any last remarks?

Aziz Aluthman Fakhroo, Group MD and CEO

Thank you for joining. Thank you for your questions. As Andrea has mentioned especially in preparation, the lead of Next capital markets today, if there's area of focus you want us to focus, if you can set it in advance. So we're happy to cover this area. We're trying to, to be as transparent and forthcoming with our investors as, as possible. And again, I want to thank everyone around this table and everyone outside of this table that has spent a long time closing this transaction, we're all very excited. Thank you.

Andreas Goldau, Head of Investor Relations

And before we log-out, we also appreciate your feedback in the survey that we have, right? When you look out of this webinar and the last comment there in the chat, I see “Give us dividends” <laugh> thank you very much everyone.