Transcription for OOREDOO

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Corporate Participants

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Presentation

Operator
Ladies and gentlemen, welcome to Ooredoo Group Quarter three 2018 financial results investor call. I will now hand over to Mr Andreas Goldau, Ooredoo Group Investor Relations. Sir, please go ahead.

Andreas Goldau
[Arabic greeting]

Hello and welcome to Ooredoo's financial results call. My name is Andreas Goldau and I am in charge of investor relations.

[Introductions]

As always, we start with an overview of the group results followed by the Q&A session. The presentation is available on our website at www.ooredoo.com as well as on the webcast. Please note the usual disclaimer on slide number two.

To begin, I will now hand over to Waleed.

Waleed Al-Sayed
[Arabic greeting and blessing]

Ladies and gentlemen, thank you for joining today's call.

Our nine months 2018 financial results show a continuation of the trend we have seen in this year, with declines in our top line and bottom line, our results were significantly impacted by the overall Foreign Exchange weakness in Emerging Markets, as well as the market situation in Indonesia following the new SIM card registration resolution and regulations. Group revenue was QAR 22.8 billion, and EBITDA margin stood at 41%. Indonesia remains our biggest revenue generator after our home market, Qatar.

However, I am pleased to say that we are starting to see early signs of improvement for the third quarter of 2018. Sequential top-line growth is returning in Indonesia with improvement in quarterly revenue and EBITDA. We are beginning to see the impact of the SIM registration regulation subdue and a positive shift in market dynamics. We have appointed a new CEO, Mr Chris Kanter, who has the right skills and experience to lead Indosat and return it to profitability.

Beyond the difficulties we are seeing with some of our OpCos which are operating in challenging market environments, we are also impacted by the rapidly changing consumer landscape and structural changes in the telecom industry.

Consumer and businesses are becoming increasingly digital and the telecoms sector needs to adapt faster than ever before. I am pleased to say that Ooredoo is a world pioneer in this area. During the period, we were the first telecom operator to test the world's first self-driving 5G connected aerial taxis.

5G technology is now a reality in Qatar, which was the first country in the world to launch the service commercially. We have more than 80 live 5G sites and continuing. Digital enablement is the future and we are making the right investments in our business to capture future growth and enrich our customers' digital lives. This is fully in line with our mission to support Qatar's digital transformation vision.

As such, data continues to be centric to our businesses. We have seen significant increases in demand from our customers and enterprise customers, with data revenue now accounting for 46% of total group revenue.

Operationally, we have had a number of achievements during the quarter, especially on the digital front. In Qatar 99% of Ooredoo's consumer customers migrated to e-bills, in line with our digital drive initiative to support Qatar's vision to go green. This has also benefitted us financially reducing our OpEx. In Oman, 94% of the population is now covered by Ooredoo 4G network and customers are also benefitting from the launch of Saeed, the first chat bot in Oman, to provide world class digital customer experience. Ookla, the global leader in internet testing and analysis, confirmed Ooredoo's data leadership and fastest mobile network in Qatar, Algeria, Oman, and Myanmar.

We have also received several awards which recognise Ooredoo for its leadership position in our markets of operation. I would like to highlight that in Oman, Telecom World Middle East recognised Ooredoo Oman with two distinct awards for the "Best National Network Operator" and "The Best Digital Content." In Iraq, Asiacell was awarded the CARE Award of excellence in customer service.

I would like now to hand over to Ajay to give you more details on the financial results. Thank you.

Ajay Bahri
Welcome everyone to the call today. Let's move to slide number five for more information about the Group revenue and EBITDA.

As mentioned, similar to what we saw at first half year 2018, Group revenue for the first nine months of the year was impacted by a weak performance in Algeria and Indonesia, where the regulation on SIM car registrations continued to impact our top line performance. As mentioned in the last call, in Indonesia, we have changed our strategy from a push to a pull distribution strategy. We are starting to see a positive impact from this change and, sequentially, top line growth is returning in Indonesia.

Revenue growth was generated by Kuwait, Oman, Iraq and Myanmar offset by reduction in Indonesia and Algeria. Qatar revenue was flat quarter-on-quarter.

OpEx was maintained through tight cost control and group efficiency, however, due to lower revenue, EBITDA decreased. EBITDA margin is solid at 41%. We will continue to focus on cost management and efficiencies.

Let's move to slide six.

As discussed, the decrease in group net profit was mainly caused by the market adjustment in Indonesia and the changing market conditions in Algeria, as well as by foreign exchange losses in Myanmar.

That said, it is important to note that we continue to make good progress with our efficiency programme and reported net profit attributable to shareholders of QAR 1.1 billion.

As Waleed mentioned, data revenue accounts for 46% of total group revenue. What this means is that digital growth has also helped to sustain the company's profitability.

During the quarter, net profit benefitted from certain one-off items. Let me explain this further. Under other income, foreign exchange losses of 278 million were offset by one-off other ancillary services income of around 378 million, so this income is non-core and was not included in the revenue or the EBITDA calculations, but it should be seen more as a one-off item. Share of results of associates benefited from sale of Myanmar Tower Company which we invested in, and also fair value gains from our investment in Rocket Internet totalling about 260 million. This was offset by certain impairments in our investments, including certain investments in Rocket Internet as well as certain old WiMAX CDMA investments.

The net position after these impacts is a positive impact of 190 million. This was also offset partially by provision and estimates of IFRS nine: provisions for receivables, so compared to the 13% lower net profit during the quarter, if these one-off items were not there, it would be down another 22%.

Let's move onto the next slide and look at CapEx and free cash flow.

CapEx is higher due to the investments we're making into our business to position is for future growth: mainly 4G plus Ex Java investments in Indonesia and further 4G deployment and digitisation across key markets.

Impacted by lower EBITDA and the increase in CapEx, the free cash flow also declined.

Moving onto the next slide, total customers.

Group customer numbers decreased to 120 million mainly driven by Indosat. We recorded some growth in Iraq, Kuwait, Tunisia, and Myanmar. We expect customer numbers to start stabilising as the SIM card registration process in Indonesia has now been finalised.

Next slide please, net debt.

I am pleased to report that we have a healthy and well-balanced debt profile. Net debt continues to decline, down 12% at nine months 2018.

Our net debt to EBITDA ratio is at 1.8x, which is in line with our long-term guidance of between 1.5-2.5 times.

Group debt remains mainly at a corporate level, largely in Qatar, followed by Indonesia, and then a small percentage allocated to the other OpCos.

As a reminder, debt at the OpCo level is kept primarily in local currency.

Next slide please, performance summary and 2018 guidance.

As previously discussed, 2018 has been a very challenging year for the group, with regulatory challenges, new taxes and difficult market conditions driving down revenue and EBITDA.

Excluding the foreign exchange impact, both revenue and EBITDA numbers are two percentage points better.

We are cautiously optimistic about the Indonesia market, which has a significant impact on our top line and bottom line results. We maintain a disciplined CapEx approach, a high performing efficiency programme, and strict cost management.

Please turn to slide 12 for the operational review of our OpCos, starting with Qatar, our home market.

We had a number of "firsts" in our home market in Qatar. We tested the world's first self-driving 5G connected aerial taxis. We rolled out 5G and now have more than 80+ live 5G sites as Waleed has already pointed out. We also successfully tested the first live eSIM on our world-class supernet network.

Financially, revenue was at a good level, EBITDA margin was strong at 51% due to cost efficiency. On a sequential quarterly basis, revenue was slightly up in Q3 2018 with growth coming from Ooredoo TV and higher sales of devices, which diluted margins for Q3.

Let's move to the next slide, Indonesia.

As already discussed, Indosat Ooredoo's top line performance continues to be impacted by the new regulation, however, sequentially, we are seeing top line growth of 6% in local currency.

As a reminder, we have changed our strategy to focus on pull sales activities rather than just push marketing, designed to increase revenue from bundles and packages. We expect this to lead to a more loyal customer base, lower churn rates going forward and eventually higher margins. Churn on our customer base has already stabilised and we expect to continue to see improvements in Q4 2018.

We are also seeing increases in prices supported by our peers in the industry, which is also expected to lead to a better market environment. Increases in our data prices have led to better data monetisation for the period.

Operationally, 2018, ex-Java network expansion is on schedule. The upgrading and improving of the 4G+ network experience has been completed in three provinces. This new network expansion of the new 4G+ network and upgrades from 3G to 4G in Lampung, South Kalimantan and South Sulawesi regions have advantages in network speed and stability so that customers can enjoy a faster and more stable internet.

Our outlook on Indonesia is cautiously optimistic.

Moving onto the next slide, Iraq.

In Iraq, we continue to see the benefits of the improved security situation with quarter-on-quarter growth in revenue, EBITDA, and customer numbers. However, we remain mindful of the fact that we are operating in a difficult market with an unstable political situation and hence, we exercise prudent management and continue to have stringent cost control approach.

EBITDA was up 8% ahead of the 3% growth in revenue which shows good efficiency management.

We continue to restore connectivity in the liberated areas, and by doing so, we contribute to the economic growth of the people of Iraq. Asiacell received the prestigious CARE Award for its excellence in customer care service.

Moving onto Oman.

Ooredoo Oman continues to report robust financial results with growth across the board.

Growth was supported by our focus on digital enablement as we cater to the changing need of both business and consumer customers across Oman. To maintain our digital competitiveness, we launched new services and products designed to elevate customers' digital experience.

Ooredoo Oman relaunched its award-winning app with a new look and feel, we launched the country's first chat bot, Saeed, and provided digital training to customer service representatives, all of which cater to the increasingly digital requirements of consumers and business in a Sultanate.

We have now extended our 4G coverage and well over 90% of the population can experience our fast-reliable network.

Moving onto slide 16, Kuwait.

In Kuwait, we reported a strong increase year-on-year in revenue, mainly driven by handset sales, which also impacted the margins.

Quarter two to quarter three-revenue decline was due to lower handset sales, whereas EBITDA margin was improved, and absolute EBITDA was flat.

The market continues to be very competitive, but I am pleased to report a 2% increase in customer numbers, indicating good demand for our products and services. During this period, we ran various promotional campaigns and offers to maintain our competitiveness in the market.

We also continue to make advances on the digital front with data revenue increasing further.

Next slide please, Algeria.

You will see that the situation in Algeria continues to be challenging with difficult economic conditions including the devaluation of the Algerian dinar, and a persistent price war. Having said that, we are seeing improvement quarter-on-quarter with a 6% growth in revenue in local currency supported by promotional and marketing activities.

Operationally, we have done well, we maintain our mobile data leadership and 4G users have increased 56% quarter-on-quarter driving record usage.

During the period, Ookla confirmed Ooredoo Algeria's data network leadership for its 3G and 4G networks for second half of 2018.

Next slide please, Tunisia.

Tunisia delivered another robust set of results this quarter. We maintained our leadership in the mobile market and grew customer numbers by 5%.

Growth was driven by mobile data and VAS revenues as well as fixed revenues and handset sales.

As a reminder, Ooredoo Tunisia is building its business model, by rebalancing revenue mostly to data and VAS instead of voice, and SMS to ensue margin protection.

Quarter-on-quarter revenue was up 7.2% in local currency, as Q3 is seasonally better in Tunisia. Margin improved by almost 10% due to revenue increase, lower handset sales and lower marketing spend in the quarter.

The handset sales benefit to the margin is about 6%, so you can talk about 4-5% improved margin in quarter three. If you look at quarter three of last year as well, you will see quarter two to quarter three improvement in absolute EBITDA and EBITDA margin due to seasonality.

Moving onto slide 25, Myanmar.

Ooredoo Myanmar increased its customer base by 23% year-on-year and reported another strong set of results with growth across the board.

Quarter-on-quarter, however, revenue declined by 6.6% due to price competition from the fourth player, Mytel.

Year-on-year revenue was up almost 10% with growth generated from service revenue, wholesale revenue, fibre to the home and digital revenue. OpEx optimisation initiatives have benefitted EBITDA, which is up more than 90% for the nine months 2018 period.

Operationally, 4G coverage was extended resulting in almost 86% LTE penetration on addressable devices.

This concludes the presentation. I now hand you back to the IR team.

Andreas Goldau
Thank you very much, Ajay. Now, we can start the Q&A part.

Question and Answer Session

Operator
Our first question comes from Talal AlKhamis, NBK Capital. Please go ahead.

Talal AlKhamis
I just have a couple of questions, is there any potential new licenses in any of the markets that you are operating in, like Oman, Iraq, anything that you have heard of that is imminent. Second, in Indonesia, if we look at the Q4 of 2017, you had around 108 million customers in prepaid, and Q3 you have around 62. What is the clean customer base that you think – a lot of these might have been just people that signed up for SIMs and not a real user. so what are you expecting in terms of the actual users where things will go back to.

Ajay Bahri
As far as the new licenses are concerned, the talk has only been in Oman and Iraq so far and in Oman, we don't have any latest update after what happened last year, so we're still waiting for any official update on the third license in Oman. Similarly, in Iraq as well, there have been talks of a fourth license, but no new developments since the last quarter this quarter.

As far as the Indonesian customer numbers are concerned, like we have explained in the previous quarters as well, that is a combination of clean out of base and the SIM registration requirements which were stringently enforced in the previous quarter. As a result of that, a lot of inactive customers and customers with no proper registration documents were cleaned up. I would say we are probably almost done with that process. Sometimes the customer clean-up happens after a suspension period, so that is why you see a delay and see some churn happening in Q3 as well, but going forward, we believe the customer base is already in a much cleaner and stable basis now in Q3 2018.

Talal AlKhamis
So, in Q3, the 62 million you think there isn't more churn to be expected at least, like this is the clean customer base, anything from there will be growth in market share?

Ajay Bahri
That is what the expectation is. Of course, the market itself, as you know, has high churn, which is a different thing from the clean base, so the base clean-up is more or less behind us now.

Operator
Our next question comes from Dilya Ibragimova, Citi. Please go ahead.

Dilya Ibragimova
I have three questions please, if I may. The first is one normalised numbers. It appears there are a couple of one-offs in this set of results. First, is the gain on sale of associates which seems like it is below EBITDA and also one-off compensation for some projects in Qatar? I just wanted to confirm if it is around QAR 380 million. If you can confirm which ones are included in EBITDA, if any, and whether Qatar reported EBITDA has any of these one-offs included.

A second question is on Indonesia please. What is your current view on the market, considering the decline in the revenues for the whole of the market? Presumably the synergies from market consolidation could be more valuable now. In the past you said that

Ooredoo is supportive of market consolidation, rather get the benefit of that via no participation in the process. Has that changed, possibly because the value of synergies is now-or could now be higher?

And also, maybe you could clarify on the plans, investment plans, in Indonesia. There were press comments suggesting that the new management is planning some transformational investments into the network, which imply a higher spend that what has been spent by the company historically. Maybe you could comment on those plans as well.

And thirdly, on Algeria, you mentioned that there is a price competition ongoing. Could you please clarify on the price wars that you mentioned? Is it a new cycle that you're seeing going into second half, and when do you think it would, in your view, the revenue trends are likely to turn for the better?

Ajay Bahri
Okay, so let me take the first question on the EBITDA calculation. So as far as EBITDA is concerned, anything under the other income line item is not included in EBITDA, so the one-off income that we talked about is not in the EBITDA for Qatar operations. On the overall group EBITDA, we go by definitions that we have that our loan documents, so EBITDA includes these results of the associates. So other income is not included in EBITDA, and that's why the one-off income was not included, and the results of associates need to be added to the EBITDA, but not for Qatar operations. The results of associates come more at the corporate level in the EBITDA side.

As far as Indonesia is concerned, you're right; the market has changed over the last one year, and our view of consolidation has not changed. We've actively looked at the possibility of consolidation in the past, including looking at network company as well, with some of the competitors. However, the regulatory approval was not forthcoming in the past, we are always open minded to look at ways to improve the industrial performance, and if there are practical and workable options, we'll definitely look at them going forward.

As far as the investment plans are concerned, we are focused on improving our network quality and part of what you hear from the new management team in Indonesia is indicating that. So, how this will be as to rolled out on each year will really depend on how things progress, but I think on the big-picture basis, you can see that we did get a lot efficiencies in CapEx [lower] pricing, benefits we did by having group tenders run from end of 2016 onwards, and we want to leverage the benefit of that going forward now.

On the Algeria question, I think it's difficult to forecast how the market will develop. We haven't seen any abatement of price competition yet. Having said that, we have our own strategy, commercial strategy, to focus on our strengths and have value propositions in the market, but how that plays out really depends how competition also reacts. So, we are not in a position to predict how the market will evolve in Algeria.

Operator
Our next question comes from Madhvendra Singh, Morgan Stanley.

Madhvendra Singh
A couple of questions from my side. Firstly, in Qatar, the performance was actually quite strong, so just wondering what drove that and whether the one-off or ancillary service revenues you mentioned was included in the revenues or EBITDA there in the OpCo level performance. Then secondly, just wondering on dividends, is there any way we could actually forecast dividend for the next years, because I don't really think we have, like, a dividend policy linked to free cash flow or net income or leverage, as such. So, I'm just wondering, how should we actually think about dividends for 2019, '20, '21?

Ajay Bahri
I just talked about this. Other income is not included in the Qatar performance when you see OpCo performance individually. So, what you see is the actual revenue, not the ancillary one-off items. On strong performance, maybe Waleed, you want to pick up?

Waleed Al-Sayed
Ooredoo Qatar for the past years, and even before the competition started, has always aimed to satisfy customer needs and to bring the latest technology. This year we launched-the first in the world to launch 5G, and even though we know handsets are not available, we started to test all the use cases available. We have three use cases so far. One is with cameras to, broadcast live sporting and other activities. The second was virtual reality, where we have allowed analysts to sit in their studio and watch the match in 360 degrees as if from the stadium, and the last one was the flying taxi, in which we have surprised the world by having the first flying taxi over the skies of Qatar.

So, I think our performance is driven by the customer confidence in us and we have maintained our revenue market share and customer market share for a long time. We continue to gain more respect and more confidence of the customer.

Ajay Bahri
From the dividend forecast question, unfortunately, I can't give you a forecast for that. However, I think what we've said in the past is we do look at the performance of the company, its leverage lever, the free cash flow generation. Maybe, looking at P&L ratios and dividend yield can give you some indication of how dividend would look going forward as well.

Madhvendra Singh

Just on this, you know, 5G use cases you talked about, how many of these services are actually live and available commercially? Is it still in a trial state?

Waleed Al-Sayed
Yes, the 5G network is completely live, but you know, maybe the service that we can provide so far are CPEs, which basically provides, Wi-Fi, but on mobile itself, it is waiting, and the whole world is waiting for handsets to be available to use the frequency of 5G. For the use cases, we are doing it specifically for the upcoming events that Qatar will have, and in particular the 2022 FIFA World Cup. Particularly to discover what services we can provide to build the amazing experience.

Madhvendra Singh
And, you know, the air taxi you talked about, is that something which is live, or it was just a test flight you did?

Waleed Al-Sayed
No, it was a test flight, but we are ready once, we can understand that how we can use it, because it needs some preparation of from where to where it has to fly and to deliver a customer. The service is ready, we are just waiting for the right time for the government to work with us to launch this service.

Andreas Goldau
Just to clarify, so we tested the service. We had the taxi up in the air. It's working on our 5G network. We've documented that, and videos are available. So maybe, when we hold our next capital market, say next year, we are able to pick you up in a flying taxi from the airport.

Madhvendra Singh
That's amazing.

Operator
Our next question comes from Dalal Darwich, Arqaam Capital.

Dalal Darwich
I have a couple of questions on Qatar. Can you please quantify how much the 23% MTR cut in July impacted your revenues and EBITDA in Q3, and if there is any updates on getting a license extension, as Vodafone Qatar did, and if you can tell us how much spectrum you got in the 3.5 gigahertz, and if you can please give us any guidance on the CapEx associated with your 5G network rollout and expansion?

Waleed Al-Sayed
Okay, I'll start with the last question. On the frequency, we got exactly what we needed on 3.4 to 3.6 band, and this is 200 megahertz that we received. The future requirement, we have been promised by the regulator that they are doing the complete study to allocate us more frequencies that we needed for the nationwide launch.

As for License extension, we are still in the negotiation period. We have seen a very positive sign from the regulators, but still continuing to negotiate. I think during the first quarter of next year, we should reach a conclusion.

Ajay Bahri
On your question on the MTR reduction by 23%, the impact to us is based on a net basis, which means incoming and outgoing, which is not material for us at all because the net settlement is not a material number. As far as the CapEx forecast is concerned for 5G or otherwise, normally what we give is the guidance and the CapEx for the whole group, and as we get into next-year guidance, we will include the 5G requirements in that guidance as well.

Operator
Our next question comes from Herve Drouet, HSBC.

Herve Drouet
Two question as well on my side. The first one is, with your guidance, I was wondering, in light with the Q3 numbers and we start to be in Q4, how confident you are in reaching, you know, your full-year guidance, and especially on the EBITDA. Do you think, you know, that that will be in the sequential improvement momentum, you know, to reach that EBITDA guidance in particular?

The second question is, if you can, give us a little bit more colour on the strategy in Indonesia, and especially you were mentioning the shift of strategy from push to pull. I was wondering, you know, for-in your view, what will be the key performance indicator you will look at on Indonesia to track success of the turnaround? Thank you.

Ajay Bahri
Okay, so as far as the guidance is concerned, really, the guidance for Q4, to meet the guidance, we need Indonesia to perform better, and like we said, we are cautiously optimistic about quarter four for Indonesia, and also, it also depends on how foreign exchange evolves, because the guidance is based on riyal terms. So right now, where we see if there is not much deterioration in FX rate and the trend that we today see in Indonesia continue where prices also went up in the market, I think we should be within the range that

we've given you. However, there are a lot of variables here, so we'll have to see how that goes.

As far as the strategy in Indonesia is concerned, push and pull is only one piece of that, which is basically how we distribute our products to our customers. So there was an extreme push strategy in the country for a long time. The new regulation of SIM card registration necessitated the change which is taking place right now. Having said that, the whole impact in Indonesia is not just because of that voice and SMS decline has been steep in the market. The incumbent also is suffering from that now. So the whole industry is in a transition phase right now.

The KPI which we are looking at for success would obviously include operational KPIs, as well as financial KPIs, like we normally do in all operations. It's not going to be anything unusual for Indonesia. It will be the standard KPIs you would use in any market to track operational performance.

Herve Drouet
And just on the follow-up, I mean, for you in Indonesia, what you think is most important for the companies, I mean, is it you stabilize, you know, revenue, or starting to increase revenue? So is it more on the revenue side, or is it more on the margin side, or the return on invested capital side?

Ajay Bahri
Well, we would like all of them to improve, to give a simple answer, but having said that, I think the immediate focus, given that the revenue decline was intense, I think stabilizing revenue and getting back to growth is a key focus in the company, at the same time maintaining EBITDA margin, cost optimization, and CapEx efficiency. So, the balance is really making sure you invest at the right places and at the right time and monetize your investments. With the dynamics in the market, with competition, you have to balance it well. So like I said, not really different from what you would do in any other company. The KPIs are really very similar, but the targets set for management really change based on the timing and evolution of the company.

Operator
Our next question comes from Omar Maher, EFG Hermes.

Omar Maher
My question is on the miscellaneous income that was booked below the line this year on the 78 million. I understand most of it is due to this one-off ancillary service in Qatar, but I was wondering if you could just clarify the nature of this one-off item and maybe explain to us why is it that it was not booked on the revenue line? I mean, at the end of the day, it's an

income that was received for performing services, even if it was a one-off, you know, type of service. But, you know, I imagine it could have been booked on the revenue line. So if you could just clarify why it wasn't booked at the top end, was rather below the EBITDA line, and then explaining the nature of it as well would be really helpful.

My second question is if you could clarify as well what kind of loss was incurred in Indosat. Seems that there's something exceptional this quarter. I'm looking at EBITDA, seems fairly stable Q on Q, but then on the bottom line of Indosat, there seems to be a much bigger loss than you had last quarter. So, if you could, also clarify the reason behind that.

Ajay Bahri
Okay, as far as the booking of that one-off item is concerned, we obviously have aligned that with our auditors as well. The nature of the income is not telecom services directly; it's ancillary, and it's a one-off related to non-core business, so conceptually, it was not appropriate to record it as a revenue increase, an EBITDA increase. We did have questions from some of the other analysts wanting to understand that, so we want the EBITDA to be directly operational in nature, which is recurring in nature as well. So that's why this booking has been done in this manner, and we don't expect this to repeat in the coming quarters either.

As far as Indosat's concerned, you saw some better performance in previous quarters because of a one-off benefit they got when one of their investments in a subsidiary was fair-valued when it became an associate. I think the details of that is available in previous quarter for Indosat. In note 25, I think, of our financials, also you get details of that.

Omar Maher
Thank you, Ajay, and just one follow-up, if I may. So, is this ancillary one-off related maybe to regional submarine cable systems? Is that what it is?

Waleed Al-Sayed
It's not related to regional submarine cable systems. In fact, if it was income from submarine cable systems as an IRU, it would actually go into revenue.

Omar Maher
Is there any way that you could clarify what it is, exactly?

Ajay Bahri
Since it's not a regular operating income, I think we needn't get into details of that. Like I said, it's a one-off opportunity we had in terms of projects not related to core revenue and it's not going to repeat, so it doesn't have relevance going forward also.

Operator
We have a follow-up question from Dilya Ibragimova, Citi.

Dilya Ibragimova
Just a question on short-term maturities that are coming up in December. Now that we're approaching the time, perhaps you have better visibility on the plans, whether you would like to repay the upcoming maturities, or would you rather roll them over? I guess our view was-is that by repayment, you would release some of the finance-some of the cash that is being paid as finance costs.

Ajay Bahri
I think the upcoming maturities for a Sukuk, which we are not intending to refinance in the bond market. So, we have several standby facilities, and we're sitting on cash right now, and we already have some facilities in place which we will use for doing the refinancing. We're not expecting the bond market to refinance the Sukuk.

Dilya Ibragimova
Sorry, maybe just to clarify. The plans are to repay rather than refinance?

Ajay Bahri
That's right, but what we repay, we use our existing cash funds as well as a certain standby facility which is already in place as we speak today. After today, we don't need to put any more facility in place for that.

Operator
We have a follow-up question from Dalal Darwich, Arqaam Capital.

Dalal Darwich
I have a couple more questions, one on Indonesia about the q-on-q recovery in prepaid ARPU and local currency and what drove that, and if you find that recovery sustainable, and a question about the Tunisian market, so what is the reason behind the 24% q-on-q jump in EBITDA, in spite of the foreign exchange devaluation. So, are there any one-offs, or is it strictly on cost initiatives? If you can, clarify that, also.

Ajay Bahri

The ARPU recovery in Indonesia is a function of the clean-up of the customer base, to a large extent. A lot of customers were inactive or not doing much usage, or we're double-SIMmers. As a result of the new regulation, they're either cleaned out of the documentation or not there, or they've chosen to have one SIM. So, a lot of clean-up had happened with the base. So that, mathematically, is driving a higher ARPU number. There is some minor benefit coming from increases in prices as well, but largely, this is driven by clean-up of the customers who were not initially contributing much ARPU.

As far as Tunisia is concerned, Q3 generally is a good quarter in Tunisia every year. It's a seasonally better quarter with incoming roaming increasing with tourism increasing, and some holiday season there as well. So, if you look at last year's quarter three, the EBITDA increase was in excess of 25% actually. So, every year, quarter three, we see a jump-up in revenues without corresponding increase in cost.

Andreas Goldau
Thank you very much, Operator, and thank you all for joining today's call. Please refer to the Ooredoo Investor Relations website for additional updates, or feel free to contact the Investor Relations team if you need further information. We look forward to your future participation in our next update, probably around middle of February 2019. Thank you very much for your continued interest in Ooredoo.