Transcription for OOREDOO

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**Presentation**

**Operator:**

Ladies and gentlemen, welcome to Ooredoo Group’s Full Year 2019 Financial Results investor call webcast. I will now hand over to Sara Al-Sayed from Ooredoo Group. Madame, please go ahead.

**Sara Al-Sayed:**

[Arabic greeting]

Hello and welcome to Ooredoo’s financial results call. My name is Sara Al-Sayed from the Investor Relations team. As part of today’s discussion, I'm pleased to introduce Ajay Bahri, our Group Chief Financial Officer, Andreas Goldau from the Investor Relations team, and Mark Dowds from the Strategy team. We start with an overview of the group results, followed by a Q&A session. The presentation is available on our website www.ooredoo.com, as well as on the webcast. Please do note the usual disclaimer on slide number two. So to begin, I will now hand over to Ajay.

**Ajay Bahri:**

Thank you, Sara. And thanks to everyone for joining today’s call. We reported a robust set of results for the financial year 2019, driven by the careful execution of our digital transformation strategy. Our net profit for the year was QAR 1.7 billion up 10% compared to the previous year. Growth was supported by a robust EBITDA performance, a more favorable foreign exchange environment, as well as from the recognition of profit from the sale of 3,100 towers in Indonesia. Key to ensuring the sustainability of our business and the creation of long-term shareholder value, we have a state-of-the-art network, which we continue to enhance and expand. In 2019, our Capex was QAR 5.9 billion, an increase of approximately 20% from the previous year as we accelerate our 5G deployment in our mature markets and upgrade our coverage and increase capacity in our emerging markets.

In our home market in Qatar, we applied 5G technology during the FIFA Club World Cup Final in December 2019, with excellent stadium coverage and network quality. Driving efficiency and delivering seamless customer experiences formed key aspects of our digital transformation strategy. It delivered healthy EBITDA margins, while increasing our customer base by 2% to 117 million. The revenue for the year remained stable at QAR 29.9 billion, as we continue to navigate the industry shift from voice to data consumption, as well as macroeconomic and currency weaknesses in some of our markets. We also experienced a reduction in handset sales, which contributed positively to EBITDA margin during the year, which improved to 43% compared to 41% in the previous year.

Our board recommended the distribution of a cash dividend of QAR 0.25 per share. Additionally, they have approved a sustainable and progressive dividend policy for the company, aiming for a dividend payout ratio in the range of 40%-60% of normalized earnings.

Moving onto the next slide, slide number five. We maintained group revenues for the year, like I said, at a healthy QAR 29.9 billion, testament to our ability to manage the industry-wide shift from voice to data consumption. Our service revenue increased year-on-year. Our results for the year were achieved despite currency depreciation, macroeconomic instability in some of our markets, and intense price competition in other regions. Revenue for Q4 2019 increased 8% compared to the same quarter in the previous year.

We also witnessed a reduction in handset sales, which contributed to the improvement of the EBITDA margin for 2019 to 43% from 41% earlier. 2019 EBITDA margin also impacted by IFRS 16. EBITDA increased 5% and 11% respectively for both the full year and quarter four 2019, compared to the same period last year. Growth was driven by ongoing implementation of our efficiency program, changes in product mix, as well as the implementation of IFRS 16. Excluding the FX impact, revenue increased 1% and EBITDA increased 6% year-on-year.

Let’s move to slide six. Net profit rose 10% in 2019 compared to the previous year, supported by a robust EBITDA performance, favorable FX environment, in addition to the recognition of profit from the sale of 3,100 towers in Indonesia. Good performances in Qatar, Iraq, Tunisia, Kuwait, and Indonesia, and a more favorable FX environment partially offset a provision and negative impact from the implementation of the IFRS 16 on the net profit.

On slide seven, let’s take a look at Capex and free cash flow. Our Capex for the period increased by 20% to QAR 5.9 billion, as we expanded the reach of our network and deployed the latest technologies. The sale of 3,100 towers in Indonesia has enabled to accelerate our investment in the country, in line with our strategy to develop a higher value base. While in our more developed markets, we continued to rollout 5G. Capital expenditure represents an essential part of our strategy to deliver long-term growth by deploying the latest technologies in our markets. Furthermore, our global sourcing strategy enabled us to optimize Capex while taking advantage of Ooredoo Group’s scale.

Free cash flow for the year decreased by 20% to QAR 4 billion as a result of higher investments in the network.

Moving onto the next slide. Our customer base increased 2% to 117 million, driven by increased customer acquisitions in Indonesia, Myanmar, Kuwait, and Tunisia, as our refreshed Indonesia strategy continues to deliver results.

Next slide please. We continue to maintain a healthy and well-balanced debt profile. Net debt decreased 12% to QAR 25 billion, impacted by the implementation of IFRS 16. Excluding the impact of IFRS 16, net debt decreased 14% while we maintained our course of deleveraging. During the year, we were able to negotiate a new banking covenant threshold with net debt to EBITDA from 4 times to 4.5 times, taking into account our IFRS 16 on our financials. Our net debt to EBITDA ratio is at 1.8 times. Without IFRS 16 impact, it would be 1.5 times, which is within our long-term guidance of between 1.5 and 2.5 times. This guidance remains unchanged.

Group debt remains mainly at a corporate level, largely in Qatar, followed by Indonesia and then a smaller percentage allocated to the other OpCos. As a reminder, debt at the OpCo level is kept primarily in local currency.

Moving onto the next slide, slide number 10, dividends. Our board recommended the distribution of a cash dividend of QAR 0.25 per share to be approved at the AGM to be held on 4th March. The Ooredoo board approved a sustainable and progressive dividend policy for the company, aiming for a dividend payout in the range of 40% to 60% of normalized earnings. The payout ratio for 2019 is around 50%, in line with our dividend policy.

Let’s move to slide 11. Revenue growth for the year was flat, so it came at the top end of our guidance range. In 2020, we expect growth in the range of -1.5% to +1.5%. EBITDA growth was at 5%. Adjusted for IFRS 16, it would be down 3%, slightly better than the full year 2019 guided range of -7% to -4%. We expect growth in 2020 to be in between -2% and +1%. Capex for the year was QAR 5.9 billion, within our guided range of QAR 5.5-6.5 billion. The range remains unchanged for the next year.

Let’s move to slide number 13 for an operational review of our OpCos. Starting with Qatar, in our home market of Qatar, we continued to pave the way for 5G adoption while enhancing our portfolio of digital services, contributing to the growth in our postpaid customers. We demonstrated the power of 5G with flawless application of 5G stadium technology during the final round of the FIFA Club World Cup held in Doha in December last year. Our innovations extended beyond our telecommunications offerings, with Ooredoo Money, our mobile payment solution being recognized as the best global mobile solution in 2019 by MoneyGram. Financially, revenue was down 6% due to reduced handset sales, and partially offset by growth in the business-to-business segment. Our EBITDA margin increased to 54% during the year, up from 52% in 2018. EBITDA growth was supported by a favorable mix between service revenue and handset sales, as well as improved efficiencies and positive impact of IFRS 16. Sequentially, the revenue increased 7%, supported by strong performance from the B2B segment. EBITDA margin was impacted partially due to revenue growth coming from lower margin projects and timing of marketing activities.

Let’s move to slide 14, Indonesia. Indosat Ooredoo delivered a robust set of results in 2019, driven by our renewed commercial strategy and accelerated network deployment. Revenue increased 14% in 2019 compared to the previous year to QAR 6.7 billion. As we target higher value customers and a lower churn rate, Indosat Ooredoo’s EBITDA margins improved to 43% from 33% a year earlier. Accordingly, EBITDA grew by 47% in 2019 compared to the previous year to QAR 2.9 billion, supported by careful cost optimization initiatives. Indosat Ooredoo’s customer base grew by 2% in 2019 compared to the previous year to 59.3 million. The sale of 3,100 towers in Indonesia will enable us to accelerate our investments in our network. The number of our 4G base transceiver stations already grew to 29,000 at the end of 2019. Quarter-on-quarter, Indosat Ooredoo’s revenue increased 11%, EBITDA margin was lower due to certain one-off reversals in Q3, and timing of year-end provisions and marketing activities in Q4. Post-period, we unveiled the next phase of the execution of Indosat’s strategy to create a more agile business with a sharper focus on its customers.

Moving onto the next slide, Iraq. In Iraq, we upgraded our entire network to support our 3G customers. During the year, we added more than 500 new sites. Asiacell reported revenue growth of 3% to QAR 4.6 billion in 2019, while EBITDA was down slightly to QAR 2 billion due to network expansions. Q4 revenue was impacted by the internet shutdown in October and November, which negatively affected data revenues, while contributing positively to our total revenue through voice revenue. Consequently, and also benefitting from seasonality, on a quarter-on-quarter basis, revenue rose 10%. As a result, EBITDA was higher, partly offset by higher year-end provisions and timing of marketing spend. Asiacell’s customer base remains stable at 14.2 million. We have completed preparations for the launch of 4G in the anticipation of the LTE license award, though no official timeline has been finalized yet.

Onto slide 16, Oman. Our operations in Oman remain stable. Revenue for 2019 was up 1% at QAR 2.7 billion, while EBITDA increased by 2% to QAR 1.5 billion. During the year, we invested in expanding the reach of our network. Our broadband network now covers all Wilayahs across the Sultanate, and our Supernet network reaches over 98% of Oman’s population. Ooredoo Oman’s customer base was stable at 2.9 million. Quarter-on-quarter, Ooredoo Oman’s revenue rose to 3%, primarily due to device sales, which has also resulted in lower overall EBITDA margin.

Let’s move to slide 17, Kuwait. Kuwait remains a saturated market with strong price competition. However, we are beginning to see some early signs of market stabilization. Our focus has been on differentiation through experience and network quality as we continue to deploy 5G. EBITDA during the year increased 31%, supported by an improved product mix, efficiency initiative and a positive impact from the implementation of the accounting standard, IFRS 16. Full year revenue was down 5% to 2.8 billion in 2018 compared to previous year, partially due to a reduction in handset sales and competitive market dynamics. Our focus on experience earned us the recognition of “Best Digital Service” at the Telecoms World Middle East Awards 2019 for ANA, our brand new fully digital mobile experience. Consequently, Ooredoo Kuwait’s customer base increased to 2.6 million in 2019, up 12% compared to the previous year. Sequentially, revenue increased 11% due to higher equipment sales. Supported with cost efficiency in the quarter, EBITDA increased 13%.

Slide 18, Algeria. You will see that the situation in Algeria continues to be challenging with difficult economic conditions and political instability, a persistent price war, and an overall shrinkage in the market. As a result, Ooredoo Algeria’s revenue declined 9% in 2019 compared to the previous year to QAR 2.5 billion. Ooredoo Algeria’s customer base was 12.6 million at the end of 2019. Throughout the year, we continued to strengthen and expand our 4G network. We installed 1,400 new technical sites across the country, and became the first operator in the country to cover all 48 Wilayahs with 4G. Our 3G and 4G network leadership was confirmed by Ookla during the year. At the same time, the development of our digital ecosystem to drive 4G adoption continues to gain traction with our Haya Music application becoming the leading music streaming service in Algeria in 2019. The service gained international recognition with a Bronze Stevie Award. Quarter-on-quarter, we saw relatively stable revenue and EBITDA.

Slide 19, Tunisia. Tunisia delivered another robust set of results despite challenging market conditions and currency depreciation. We grew EBITDA by 15% to QAR 682 million in 2019 compared to last year, due to improved operational efficiencies, careful cost management, digitization and positive impact of IFRS 16. Revenues increased by 7% in local currency terms, supported by our push to drive data usage and convert prepaid customers to higher value postpaid customers. In Qatari riyals, revenues decreased 3% due to a 10% year-on-year depreciation of the Tunisian dinar. Our customer base grew by 1% to 9.2 million, affirming our position as the number one telecom player by customer market share. Sequentially, revenue declined due to seasonality and, consequently, EBITDA was also lower.

Moving to slide 20, Myanmar. In Myanmar we continued to execute on our digital transformation strategy to streamline operations and improve customer experience. As a result, our customer base grew 20% during 2019 compared to the previous year, reaching a total of 11.5 million customers. Revenue for 2019 was QAR 1.1 billion, down 16% compared to previous year, partly due to a 6% depreciation of the Myanmar kyat in 2019 and the entrance of a fourth player, which led to aggressive price competition in the market. EBITDA increased by 42% mainly due to the positive impact from the implementation of the new accounting standard IFRS 16. Quarter-on-quarter, the aggressive pricing competition continued impacting revenues and margins. Our digital initiatives maintain positive momentum with the My Ooredoo App having monthly active users growing to 1.7 million users from 1.3 million in the previous quarter.

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

**Sara Al-Sayed:**

Thank you, Ajay. Before we go into the Q&A session, the Ooredoo IR team, Andreas and myself would like to thank you for supporting us in the Qatar Exchange IR Excellence Awards. We really do appreciate your votes, which helped us to become the most awarded company in Qatar. Your constructive feedback helps us to improve further. A very successful event last year was our capital markets day. We hope to host you again this year and we have tentatively scheduled it for the 21st of September in Doha. Details to be confirmed closer to the date.

Now we can start the Q&A part. Questions can be asked on the webcast or over the phone. Operator, will you now please explain to the participants how to ask questions.

**Question and Answer Session**

**Operator:**

[Operator instructions]

The first question comes from Jonathan Milan from Waha Capital. Please go ahead.

**Jonathan Milan:**

My question is on the free cash flow, net debt, and dividends. I understand that you want to keep within that dividend bracket, but why is it so low. The dividend seems very disappointing, especially when your net debt to EBITDA is even less than 1.5 times EBITDA, your net debt, given your net debt is only 15 billion. Why are you keeping it so low? Are you preparing for an acquisition? Because even if you have a surge in Capex because of 5G or what have you, you have more than a strong enough cash flow and a very low leverage to do so.

My second question is around the cash levels. Why would you keep 30 billion in debt, paying 1.7-1.8 billion a year in interest expense, while also keeping 14.5-15 billion in cash making barely 1% interest? You are paying 11-12% interest on your net debt. Wouldn’t it be in your interest, in our best interest as shareholders for you to at least pay down a bit more of that debt, reduce your interest bill and not have $4 billion sitting on the balance sheet earning barely 1%?

**Ajay Bahri:**

As far as the dividend question is concerned, I think the payout ratio is based on normalized earnings and you will see that this year we had a couple of large one-off income coming into the company. The biggest one being the sale of 3,100 towers in Indonesia. You can see the other income schedules in the financials, the total net profit coming from that on a total basis of QAR 668 million. A lot of that money is to be invested back by Indosat and reduce their debt and then use it when investing back in the network in Indonesia. So when a dividend decision is taken, I think, a lot of factors are looked into, including leverage like you pointed out, but also the investment plans for different operations. Also, we normalize the net profit to take out some one-off items.

We acknowledge the leverage has gone down and the dividend payout ratios of 40-60% ratio take that into account. In the past, sometimes we've been on the lower end of that when the leverage was higher, if you see historical payout ratios. So in this range, as we’re more comfortable with the leverage and if the profits normalized on an increasing trend, then the payout ratio would be on the higher end of the range.

The range, basically, gives flexibility, taking into account the needs of the company and that’s the way I think one should look at that.

As far as the cash levels are concerned, the excess cash, which is on our balance sheet is earning more than the cost of debt, that’s why it is sitting as cash. Some of the interest rates that you get in the region here are higher than the cost that we paid. If that reverses, of course, a lot of our cash is related to RCFs, which can be repaid at short notice.

Some of the other cash which sits in some other countries outside of Qatar, is either operationally required or in a place like Iraq, it has limited ability to earn interest until it’s upstreamed to us. We've had some good upstreaming of dividends from Iraq last year. So, historically, if you followed us, we've had some issues of upstreaming cash from Iraq, which has changed since 2019, and we can see now slowly cash being upstreamed.

Apart from the cash sitting in Iraq, I think the other places it’s either operationally required or in Qatar it earns more than some of the interest that we pay.

**Jonathan Milan:**

It also probably earns less than some of the interest that you pay as well, or else your whole debt is twice the cash, whereas your interest expense is eight times your interest income. It just seems that you could optimize it…

**Ajay Bahri:**

Yes, if we could optimize it, we would do it. The thing is if you have cash sitting, you cannot repay a bond which is due which has got a higher cost, the option is to pay down a revolving credit facility. You have to not, theoretically, look at the highest cost that you can repay it off. What you can use with the cash is what you have seen and a decision is taken. If a debt which is more expensive can be repaid, obviously, that will be prioritized.

**Jonathan Milan:**

So when the bonds are due, whenever a bond is due in 2021/2023, you’ll pay it down and you won’t issue bonds in lieu of this one, so you won’t replace it with new bonds.

**Ajay Bahri:**

I can’t just give an open-ended answer like this. I think depending when we have to repay a bond – we have nothing due this year, we have something due next year, and very often we optimize what is available in the market. We don’t have to issue a bond to repay a bond. We look at various options that we have, including cash available with us versus the pricing we may get from the bank market and the bond market, we may look at a Sukuk or the standard bonds. So we optimize after looking at all these options and only then decide which is the most optimal way to refinance or repay debt.

**Jonathan Milan:**

Just one last thing, if I may, on the dividend, again you make 12 billion in EBITDA, less the Capex, you're still left with a decent 6 billion, less taxes, 5 billion, less interest expense, less dividends, you're still left with a decent 3 billion free cash flow even after paying dividends, or 2.5 billion. Should we expect you to just maintain a cap of, say, almost a billion on the dividend and continue to repay debt until your net debt drops to less than one times EBITDA, or are you saving some firepower for an acquisition?

**Ajay Bahri:**

I think the way to look at this is not looking at consolidated EBITDA and consolidated Capex. The net profit available to Ooredoo shareholders is after excluding the minority interests. So the right way to look at it is look at net profit attributable to Ooredoo shareholders.

Let me make the point and then maybe I’ll give you a chance to ask a further question. Looking at gross EBITDA will not give you the implication of what's available at Qatar level for the Ooredoo shareholders. So that’s one factor in your analysis maybe you can look at. If you have all the data, you know what our ownership percentages are, you can look at the EBITDA based on proportionate EBITDA and the number becomes smaller than the number that you’ve quoted.

**Jonathan Milan:**

I have done that. I have looked at proportional EBITDA or attributable EBITDA less minorities, and attributable Capex less the minority share of Capex, and you guys still generate an FCFE yield of 15, 16, or 18%, which is one of the highest in the telecoms space, at least in the Middle East that I know of, and yet you pay a dividend of 3.5%, while attributable free cash flow to equity after minorities, also attributing the minorities’ Capex is in the mid to high teens, and yet you have one of the lowest dividend yields and that will maybe tie into why Ooredoo Group, despite having very robust operations across the globe, despite having one of the best presentations across all the other telecom operators, the best communication, is still trading at a massive discount to all the other incumbent operators, be it in, for example, Saudi or UAE, or even secondary operators in UAE or Saudi, such as Mobily or Du, which don’t generate nearly half as a decent cash as Ooredoo Group. Your FCFE yield is in the mid-teens.

**Ajay Bahri:**

So let me tell you how we do this analysis. We look at the actual cash flow generated on upstream at Qatar level for the benefit of Ooredoo shareholders, and that cash flow is then adjusted for the expenses at a group level. And then what's available is available for the dividends or repayment of debt.

So the proxy that you are looking at, at EBITDA minus Capex doesn’t reflect everything in the right way. Not all cash sitting in the OpCos is upstreamable. I've given an example to you of Iraq already. And even the other cash, which is not yet upstreamed… for example, if you're looking at Indosat you will get $450 million by the end of this year, which is coming from the sale of towers, for example. So all these things are to be adjusted and then, of course, we have to balance the repayment of debt versus the dividend payment.

So we are prudent. Now, you have a dividend policy, which we didn’t have earlier. That clearly shows you the intention of the board to give some commitment, so I think this should be seen more as a positive trend. Historically, we didn’t have that guidance for the investors. So, clearly, with this commitment, we've clearly said it’s a sustainable and progressive, it should give you comfort that going forward, the policy will be implemented.

**Jonathan Milan:**

Fair enough. Just one last thing, any acquisitions or any entries into new countries in the medium-term or short-term?

**Ajay Bahri:**

We talked about this in the past, and we are not actively looking for M&A right now, and regional expansion is not on our cards. What we've talked about is that in-country consolidation, where it makes sense, will be definitely something we might look at, but not actively looking to go out.

**Operator:**

The next question comes from Dalal Darwich from Arqaam Capital. Please go ahead.

**Dalal Darwich:**

I have just one quick question. What was the impairment in Q4, the 350 million about?

**Ajay Bahri:**

The impairments done in Q4 is a combination of a few things, and you’ll see that the three, four notes referred to in the financial statements, 12, 13, 16, 17, and 23, I think, which covers partly investment in associates, also covers financial assets, also covers intangibles, including goodwill and licenses. So it’s a combination of various different types of assets, which have been reviewed and based on this, the year-end impairment has been put in place.

**Dalal Darwich:**

If I may, just one quick other question. I missed a small part of the presentation. What was the reason behind the erosion in the Q4 margin in Qatar operations?

**Ajay Bahri:**

In Qatar operations, the percentage has gone down primarily because of certain sales which were low margin sales. We see the revenue is up, actually, because of B2B sales, but some of the B2B and ICT business sales margins are lower, so as a percentage, you see a lower margin despite higher revenue.

**Operator:**

[Operator instructions]

The next question comes from Dilya Ibragimova from Citibank U.K. please go ahead.

**Dilya Ibragimova:**

I have three questions. One is actually a follow-up on Qatar EBITDA. You mentioned that the margin erosion is driven by low margin B2B sales. So if we’re looking at the top line performance, it’s improving in the fourth quarter, if we’re looking at the service revenue. So if I was to make… if I take into account your comment on B2B sales, it seems like the improvement is driven by B2B low margin business and it appears that… am I right in thinking that the underlying consumer is continuing to decline and what are your expectations on the consumer side going forward. And maybe what has driven the weakness so far in 2019, and how much of that do you think is likely to continue, could improve or could get worse on the consumer side in Qatar.

The second question is on Iraq, you mentioned in the presentation that there has been change in the revenue mix because of the restrictions on internet access. And I just wanted to clarify whether it has driven any change in revenue and EBITDA for the quarter, year-on-year trends if I'm just looking at the fourth quarter versus the first nine months of the year, the fourth quarter is really strong both in revenue and EBITDA. So I'm just wondering how much of that is related to this regulatory request to limit access and how much of that is underlying growth in demand, maybe consumption.

And last is a technical question, just to clarify, how do you defined normalized earnings for the dividend. Thank you.

**Ajay Bahri:**

I think on the Qatar performance in Q4, one of the main reasons is B2B, but in my script I talked about also marketing activities timing. So it’s a combination of two things there in Q4, so the margins are down due to the mix of product as well as some higher Opex, but if the underlying dynamics are talked about, which you correctly picked up, is that the mobile consumer business has not been growing. The growth is actually coming more from the B2B and ICT side. That’s been the factor in the competition we get from Vodafone, historically, as well. And that has not changed, if at all it’s been a little more intense during the year. So that trend, I think, which we see in 2019 is expected to continue in 2020 as well, so pressure on consumer, but potentially growth in B2B coming partly also with the advent of the 2022 World Cup and the impact of that on business growth.

In the case of Iraq, the change of revenue, basically, for two months of October and November was a decline in data revenue offset by increase in voice revenue, so it was only for those two months when there was an internet shutdown. However, the big increase that you see in Q4 is also driven by seasonality. Normally, it’s the time when there's the festival season called [inaudible] in Iraq, and as a result of which the revenue generally goes up. It’s a combination of these two things that you see Q4 revenues is going up. So both of these are one-off and should be seen more seasonal rather than repetitive in Q1 2020.

And your last question was one normalized profits for the purpose of dividend. So the idea there really is to make sure any large one-off positive or negative is adjusted when we look at the profit. So we’re not talking about small adjustments, small one-off adjustments, anything which is significant like in the case of 2019 profits. We've highlighted that there was a large profit coming from sale of towers in Indonesia, which is also clarified and detailed in the notes to the accounts. So if you look at other income notes, something significant would normally be clarified in the financial statements as well. We don’t intend to make large adjustments, which are not visible to the public. It will be things like this which will be adjusted.

**Dilya Ibragimova:**

Can I just follow-up on Qatar? Going forward, if we’re looking at the EBITDA margin performance, where do you think the sustainable level is? Is it low 50s, is it sustainable?

**Ajay Bahri:**

I think Qatar has been performing… I think if you look at this quarter, there were some timing issues as far as the expense is concerned, so there were some one-off year-end expenses as well, so I think we should not look at Q4 2019 as a sustainable level, rather than – if you look at the full year performance, I think that would be a more sustainable level because of the seasonality and timing, so I think 50 and above is definitely something, which we expect to sustain in Qatar.

**Operator:**

The next question comes from Karim Sherif from EFG Hermes. Please go ahead.

**Karim Sherif:**

… one is on the competitive environment in Iraq, can you please shed some light on that.

Two is on the turnaround in Indosat, how is that going and what's the plan for using the proceeds from the tower sales. That’s it. Thank you.

**Ajay Bahri:**

The Iraq competitive dynamics is business as usual there. The change which is happening there really is the possibility of 4G coming there and also the timing of the license has not still been officially announced. There's an expectation that could be imminent. I think that is what will change the competitive dynamic there. We are ready in terms of our deployment of the network to be 4G ready. We've been working on that. But nothing unusual in terms of the Iraq dynamics in quarter four. In fact, the unusual thing really were the two things we talked about, the shutdown of the network where voice went up and data went down, and the seasonality from the [inaudible] festival.

Indosat turnaround is going as per planned and, as you can see in the results, EBITDA is up 47% compared to last year. So everything is, in terms of direction positive, but still a lot needs to be done there. And you probably heard about the recent reorganization as well, which you’ll get more details from Indosat in due course, which is part of the digitization strategy to be agile and nimble, and also look at efficiencies where we can work with partners, for example, managed services. That’s all going as per planned, but 2020 is also a critical year for us to continue the turnaround trajectory as we've done in 2019.

The proceeds from the tower sales will be basically used to deleverage and also to invest back in the network. So these will be the two main areas of the use of proceeds.

**Operator:**

[Operator instructions]

There are no further questions in the conference call. I now give back the floor to the speakers for the webcast questions.

**Sara Al-Sayed:**

We have a couple of questions from the webcast. From Shabbir Kagalwala from Al Rayan Investment.

The first question is, “Leverage is the low end of guidance, so why was dividend payout ratio cut. What does progressive dividend mean? Qatar riyal payout increase each year or just no cuts?”

**Ajay Bahri:**

I think, like I explained in one of the earlier questions, that the normalized profit is what one needs to look at. In this case, we had a large one-off profit coming from sale of towers in Indonesia, which positively impacts the net profit, but the proceeds for that are not meant for dividend payout, but rather to deleverage in Indonesia and invest back in the network there. So these are the types of adjustments which will be done when we look at the payout ratio. So the net profit we look at will be a lower number than the reported net profit.

And I explained in the question from Dilya that the best way to get a sense of that is to look at our financial statements, especially notes to accounts, especially on other income, where if anything is significant, we will be explaining that. In those notes, we give you an indication of what type of adjustments might be possible in normalizations.

As far as “sustainable” and “progressive”, the terms in the dividend policy are concerned, it basically means the intention is to maintain dividends, the sustainability path, and progressive is an indication that we intend to grow. So sustainable means we don’t intend to cut dividends, but we want to sustain and grow within the bounds of the dividend payout ratio that we've given.

**Sara Al-Sayed:**

The other question is, “Key factors squeezing Qatar margins, the outlook, details on Indonesia restructuring and strategy. What is end 2020 leverage targets?”

**Ajay Bahri:**

I think the Qatar margins point I had covered earlier on Q4 and also clarified that 50% and above is sustainable, is the expectation from us. That covers the first two points, I think.

Indosat restructuring, I alluded to it in my comment that that’s been announced recently and that is part of the overall turnaround strategy. As the company becomes more digital and becomes more agile, the restructuring that you heard about will happen, and their focus will be more to get into better customer experience, a more digital experience, the right skillset in the organization to be digital, work with partners, for example, outsourcing and managing some network services. So efficiency, digitization, revenue growth are the cornerstones of the strategy for Indosat.

Leverage targets normally we don’t give in our guidance. The guidance is limited to revenue, EBITDA, and Capex.

**Sara Al-Sayed:**

That’s all for webcast questions.

**Operator:**

There are no further questions.

**Sara Al-Sayed:**

Thank you operator and thank you all for joining today’s call. Please refer to the Ooredoo Investor Relations website for additional updates. Follow us on Twitter @OoredooIR or feel free to contact the Investor Relations team if you need any further information. We look forward to your future participation in our next update probably around 29th April 2020.

Meanwhile, thank you again for your continued interest in Ooredoo.