

Business

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Zain KSA: Strategic transformation opens door to new era of growth

Remaining offer of priority shares oversubscribed by 469%

RIYADH/KUWAIT: Zain Group, a leading mobile telecom innovator in seven markets across the Middle East and Africa announces the successful completion of its subsidiary Zain Saudi Arabia (Zain KSA) capital restructuring. This follows the high demand by institutional investors in the remaining priority shares that were oversubscribed by an unprecedented 469 percent.

These last steps came as part of Zain KSA's plan to restructure its capital, which included the reduction of the capital and then raising it, through the offering of priority rights shares. This contributed to extinguishing most of the telco's accumulated losses, paying part of the Murabaha financing, and capitalizing part of other dues. The transaction paves the way for the company to enter a new era of strategic transformation of its financial performance.

Bader Nasser Al-Kharafi, Vice-Chairman and CEO of Zain Group said, "The successful completion of the company's capital restructuring and the massive demand in the remaining priority rights subscription reflects the confidence of shareholders and investors in Zain KSA's operational strategy and future growth plans, reinforced by the company's return to profitability over the last three years. The transaction enhances Zain KSA's capabilities to expand its strategic investments in the Kingdom's telecommunications sector, growing its profitability and paving the way for dividends."

Zain KSA's management is targeting the further growth of its operations in



Zain Group Vice-Chairman and CEO Bader Nasser Al-Kharafi

the areas of digital innovation, cloud computing, the Internet of Things, and artificial intelligence, with the view to becoming the preferred digital service provider for individuals and businesses.

5G expansion

The operator is set to continue its expansion of 5G into new cities, as well as increasing coverage in current locations, raising the quality of services provided in a manner that ensures the superiority of the company locally and internationally. The capital restructuring process coincided with Zain KSA maintaining its profitability for the ninth consecutive quarter, after its conversion to profit three years ago. The company

recorded net profits during the first nine months of 2020 amounting to SAR 224 million, while total revenues for the third quarter of this year amounted to SAR 1,928 million, compared to SAR 1,889 million, up 2 percent from the previous quarter.

Zain KSA's accumulated losses have continued to decline based on the net profit achieved during the third quarter of 2020, with the capital restructuring having taken place during the fourth quarter of the year, and thus, most of the accumulated losses were amortized to SAR 34 million. Hence, since the capital restructuring, the company's share price has increased to reach its highest level this year with a value of over SAR 13 per

- Bader Al-Kharafi: A return to profitability over last three years enhances Zain KSA's strategic growth, profitability and future outlook

- Zain KSA: The preferred digital service for businesses and individuals

- Growth focused on digital innovation, cloud computing, IoT and AI

share, compared to just SAR 6 last year. Zain KSA recently announced its success in signing an agreement to reschedule the joint Murabaha financing with a consortium of several banks, with an estimated value of SAR 3.85 billion on preferential terms. This agreement extends for a period of five years to 2025. The funds will be drawn down according to the company's requirements, at a much lower interest than before, and with better commercial terms. In addition, this agreement includes working capital facilities worth SAR 1 billion until 2025, which will provide additional liquidity to finance the company's business growth plans.

In the last 12 months, Zain has launched one of the largest 5G networks in Europe, the Middle East, and Africa, and has since become the only operator in the Kingdom to cover all administrative regions, with its network being

judged as the best performing one in 12 of the 13 administrative regions, according to a report issued by the Kingdom's Communications and Information Technology Commission.

Zain KSA also recently announced the launch of the frequency integration feature for its 5G network, becoming the first telecom operator in the world to provide this feature to customers, enabling connection speeds of up to 2.4 gigabits per second. Recently, Zain KSA was awarded three accolades at the 14th Telecom Review Leaders' Summit, for the Best 5G Infrastructure Deployment, Best 5G User Growth, and Best Cloud Provider. Earlier in the year, Zain KSA gained international recognition by being recognized as running the fastest fixed Internet in Saudi Arabia by Ookla, owner of SpeedTest, the globally acclaimed Internet speeds measuring website.

OPEC and allies mull extending output cuts

VIENNA: The OPEC oil producers' club and its allies will hold a virtual meeting today and tomorrow to finalize an expected extension to production cuts as the coronavirus pandemic continues to weigh on global demand.

The meeting comes as the oil industry hopes to turn a page on a disastrous year which saw the cartel forced to adopt drastic cuts in response to the cratering of demand caused by the pandemic.

Member states want to avoid a repeat of the collapse in prices seen in April. According to the deal reached in that month, the current cut of 7.7 million barrels per day (bpd) is meant to be eased to 5.8 million bpd as of January 2021, but most observers expect this to be extended by between three and six months. Key players within the grouping have hinted in recent weeks that such a move may be on

the cards despite positive news on the development of vaccines against the virus by several pharmaceutical companies.

AstraZeneca, Pfizer/BioNTech and Moderna have all shared encouraging trial results from their candidate vaccines in recent weeks, providing a lifeline for the oil demand. However, while the effects of a vaccine will play out over the longer term, OPEC and its allies will be focused on supporting prices in the first and possibly the second quarter of 2021.

Tensions and price wars

While an extension of the cuts is the most likely scenario, there is always the possibility of discord arising among the 23 countries involved. The memory of the debacle of a meeting in March this year is still fresh, when Saudi Arabia and key ally Russia failed to reach agreement and spent the next month engaged in a fratricidal price war.

In mid-November the United Arab Emirates displayed reluctance at the prospect of fully applying the cuts past the end of the year. Then there is the sensitive topic of whether all members are currently sticking to the output quotas

that have already been assigned to them.

Those exceeding their allotted output-foremost among them Iraq and Nigeria-regularly come in for a scolding from Prince Abdelaziz bin Salman, energy minister of OPEC kingpin Saudi Arabia.

Falling US output

The cartel's main focus is on crude oil prices, which have returned to roughly their pre-pandemic levels of between 45 and 50 dollars per barrel for both the US benchmark, West Texas Intermediate (WTI), and Europe's Brent North Sea contracts. But members also have to keep a keen eye on production figures outside the bloc as well as how much oil is currently being stored at any one time.

Output from the world's biggest producer, non-OPEC member the US, has fallen from the historic highs at the beginning of the year to around 11 million bpd now. The trend is unlikely to be reversed as victorious Democratic presidential candidate Joe Biden has committed to modest curbs on fracking. Within its ranks, OPEC will also have to pay attention to developments in the three members which have been granted



exemptions from quotas-Libya, Iran and Venezuela.

Libya's production had been almost wiped out by civil conflict but spiked since October and now stands at over a million bpd, according to the country's National Oil Corporation (NOC). In the longer term,

Iran's offer on the oil market may also increase if the incoming US administration pursues a policy of detente with Tehran and relaxes sanctions. That would lead hundreds of thousands of barrels coming on to market, exerting a fresh downward pressure on prices. — AFP

Sudan's inflation soars amid fears of hyperinflation

CAIRO: Inflation in Sudan has risen to one of the highest levels in the world, and the country risks slipping into hyperinflation unless it gets its budget deficit and money supply under control, economists say. The runaway prices have worsened an economic crisis for millions of ordinary Sudanese and imperiled a political transition under a military-civilian power sharing deal.

The government has run up enormous budget deficits by subsidizing the cost of fuel, then financed the deficits by printing money. This has debased the currency, weakening it against other currencies and driving inflation up to annual 230 percent in October, according to the state statistics bureau.

The skyrocketing prices have led many consumers to spend their salaries quickly, particularly on durable items that hold their value. Idrees Abdelmoniem, who works in marketing at an engineering company in Khartoum, said he had snapped up car spare parts and furniture, but was not as quick with food and drink, whose prices were not increasing as fast.

"If I have something I want to buy outside of the monthly house supplies, I buy it as soon as I get money, and I won't even try to haggle because tomorrow it could be double the price," he said.

Central bank figures show the scale of money printing by the authorities with the M2 money supply measure increasing by over 50 percent in the year to end-



Inflation in Sudan jumped to 99 percent because of rising food prices, official figures showed Saturday. — AFP

September. In September alone M2 rose by 7.13 percent. Steve Hanke, a hyperinflation specialist at Johns Hopkins University, calculated that on a monthly basis, the inflation rate has accelerated to about 24 percent a month, dangerously high, but still below hyperinflation, generally defined as 50 percent a month.

He placed Sudan among the five countries with the highest inflation.

"It's pretty scary," he said, adding that it was hard to predict what direction inflation would go from here.

Subsidies

A US decision to remove Sudan from its list of state sponsors of terrorism has provided little immediate relief from the economic crisis and the country has turned to the International Monetary Fund for help. Sudan is counting on a reform program drawn up with the lender to help get control of the deficit, exacerbated by decades of US economic sanctions and by economic mismanagement under President Omar al-Bashir, who was ousted in a popular uprising in April of last year. — Reuters

Cyprus olive farmer vows change to face climate challenge

AKAKI, Cyprus: Standing in her olive grove in Cyprus, Elena Sampson sighs at the sight of hundreds of barren trees and vows to tackle climate change after another scorching year. The first of several heatwaves in 2020 descended in May, the flowering season for her 2,500 olive and citrus trees in Akaki, about 20 kilometers (12 miles) outside the Mediterranean island's capital Nicosia.

"This year the heatwave struck at the exact time that the olive trees were flowering, and it was not just a heatwave of a couple of days," said the 38-year-old Greek Cypriot. "We were watering, watering, but we didn't manage to save the blossoms," Sampson said. "This year, maybe 40 (of her 1,200 olive) trees had olives-Nothing! Nothing!" Harvested for millennia on Cyprus, olives are at the heart of the local culture and trees now cover 11,000 hectares (27,000 acres) of its land, according to the UN's Food and Agriculture Organization.

More than 19,000 tons of olive oil were produced in 2018. But olive oil and other sectors of Cypriot agriculture face the threat of climate change, Adriana Bruggeman, an associate professor at the Cyprus Institute, told AFP. "Not only droughts, but also increasing temperatures and heatwaves affect the flowering, fruit set and ripening of crops," she said. Although olive trees are generally resistant to drought, they do need water during the flowering season in the



Elena Sampson, an owner of an olive grove and farm, sits by an olive tree with a fungus growing nearby, as she gives an interview at her premises in the village of Akaki in central Cyprus. — AFP

spring. But Bruggeman warned that some semi-arid areas of Cyprus now face the threat of becoming fully arid by 2050 because of global warming.

Official figures show average annual rainfall has fallen to 470 millimeters (18.5 inches) since 1971, down from 540 mm (21 inches) between 1902 and 1970. On top of that, heatwaves are growing more common and have squeezed the duration of springtime. This year alone, the mercury soared above 42 Celsius (104 Fahrenheit) on May 17 and the island experienced its highest ever recorded average daily temperatures for July, August and September. "We know that climate change will make the region hotter and drier... We need to adapt to this change and make our agricultural and semi-natural ecosystems more resilient," said Bruggeman. — AFP