

Chief Executive Officer's message

Delivering results. Positioning for future growth.

Ali Al Hashemi
Chief Executive Officer



2022 Highlights

Revenue
US\$ 433m

Adjusted EBITDA
US\$ 258m

Normalised net income
US\$ 106m

Net income
US\$ 66m

In a year of significant disruption for the satellite industry and faced with global economic headwinds, the Group delivered strong top-line revenue growth, a superior margin and healthy cash flows, positioning it well to sustain and grow its dividend and invest in growth initiatives.

In addition to expanding our role as the preferred partner of the UAE Government to meet its growing satellite communication needs, we refocused our commercial businesses on areas of higher growth and profitability.

Strong performance validates focus on value-added solutions

In 2022 Yahsat reported an impressive 6% increase in revenues to US\$ 433 million (2021: US\$ 408 million), driven in large part by exceptional growth in the Managed Solutions business.

Adjusted EBITDA was 7% higher at US\$ 258 million (2021: US\$ 240 million), while net income was 6% lower at US\$ 66 million (2021: US\$ 70 million).

Adjusted for one-off charges, Normalised Adjusted EBITDA was 5% higher at US\$ 258 million (2021: US\$ 245 million), generating a margin of 60% (2021: 60%). After adjusting for a non-cash impairment charge of US\$ 41 million recorded in 2022 relating to our Brazil associate investment and a further US\$ 11 million in other one-off costs recorded last year, we recorded 31% growth in Normalised Net Income to reach US\$ 106 million (2021: US\$ 81 million).

Discretionary free cash flow remained strong at US\$ 225 million (2021: US\$ 180 million) and covers our proposed 2022 dividend by more than 2 times.

At 31 December 2022, the Group's net leverage (net debt to Adjusted EBITDA) was negative (2021: 0.6x), with cash and short-term deposits of US\$ 545 million, up 36% from the prior year (2021: US\$ 400 million).

Expanding core government business

Governments, in particular the UAE Government, and related entities are serviced through two operating segments – Infrastructure and Managed Solutions. In 2022, we maintained strong momentum to develop and grow both of these businesses.

Our largest segment, **Infrastructure**, continued to anchor the Group's overall business, contributing 55% of total revenue and 69% of Adjusted EBITDA in 2022 (2021: 58% and 76%, respectively). The segment provides long-term satellite capacity leases and satellite operation services, enjoying stable and predictable revenues from a single Capacity Services Agreement ('CSA') that runs until November 2026.

In 2022, we continued to move forward with the T4-NGS satellite procurement programme. With the UAE government acting as the anchor customer, the new satellite will provide capacity and services to the UAE Government through a contract worth over US\$ 700 million in future contracted revenue. This will support future revenue growth in the Infrastructure segment from 2025 onwards, when we expect the T4-NGS satellite to commence commercial operations.

Separately, the procurement process for two new potential satellites Al Yah 4 and Al Yah 5 is progressing well, with the Group in advanced discussions with the UAE Government regarding the evaluation of manufacturer responses prior to selecting a preferred satellite manufacturing partner.

The new satellites will play a critical role in Yahsat's future as they will ensure the continuity of long-term reliable satellite communications to the UAE Government beyond the end of the current CSA.

Our **Managed Solutions** business unit delivered a superb performance, with full-year revenues of US\$ 91 million (2021: US\$ 64 million), 41% higher than the prior year and contributing 21% to overall Group revenue (2021: 16%). Revenue growth was largely driven by delivery of the first year of a new five-year managed services mandate, worth US\$ 247.5 million, for full services and technology management provided to the Government, reflecting the Group's on-going focus on providing fully managed, end-to-end, solutions, enhancing its long-term cash flows and revenue visibility.

The business reinforced its strong position in the oil and gas sector, providing additional solutions to anchor customer ADNOC. We also secured deals in newly targeted sectors, such as energy and logistics and continued to expand our geographical footprint beyond the UAE.

The government business was further augmented by broadening our solutions across the SatCom value chain to provide additional revenue-generating services, such as integrated beyond-line-of-sight Satcom solutions and Information Communication Technology (ICT) systems.

In addition, it established an Advanced Program Management unit to develop its own satellite modems in partnership with Tawazun and capture higher margins by vertically integrating across the value-chain. This will be an important focus area for us in addition to exploring opportunities in Earth Observation (EO) and remote sensing to support the UAE Space Agency's ambitions.

The **Mobility Solutions** business unit, which comprises our 90% shareholding in Thuraya, delivered a solid performance. Despite the challenging trading conditions, we recorded an increase in revenues at US\$ 81 million (2021: US\$ 80 million) and positioned the business well to capitalise on high growth areas in 2023 and beyond, including IoT, government and maritime.

We broadened the footprint of our maritime business across the broader South-East Asia and Africa regions. We also developed and launched a variety of new and innovative products to cater to and anticipate our customers' needs. These included: (i) Thuraya Push-to-Talk (PTT), allowing users across a wide spectrum of industries to extend the range of their voice communications

beyond line of sight (BLOS); (ii) Go Silent, providing government clients with an encryption solution for using commercial systems that do not, on their own, meet stringent security requirements; (iii) the SatTrack application enabling web-based tracking, monitoring, and geo-fencing capabilities using Thuraya's T2M-Dual product; and (iv) the SM-3700 core module enabling new product development for the M2M segment and for specific use cases such as container tracking.

In line with our strategic focus on IoT sector, we acquired a minority stake in eSAT Global, with whom we also signed a commercial agreement, to develop a next-generation platform to cater for fast-growing low-cost, low power and low-data-rate IoT sub-segment, which remains significantly under-penetrated.

At the same time, we continued to make excellent progress on building capacity and developing new products for T4-NGS which we anticipate will allow us to sell new advanced mobile satellite services to commercial customers in addition to the Government as anchor customer.

Our **Data Solutions** business, branded as YahClick, reported gross revenue of US\$ 23 million (2021: US\$ 27 million), while Adjusted EBITDA of US\$ 1 million (2021: US\$ 4 million loss) was positive for the first time.

The business continued a trend of strong growth in broadband subscribers, posting a 21% increase versus 2021. This growth was driven by continued expansion in key markets across Africa, especially in Zimbabwe. YahClick leveraged on our extensive network and portfolio of solutions to partner with ZARNet, Zimbabwe's statutory ICT authority, to roll out broadband internet services to the country's education, healthcare and government sectors.

In the enterprise sector, YahClick continued to offer tailor-made solutions to greatly enhance productivity with new wholesale and virtual network operator (VNO) capacity contracts, including the provision of cellular backhaul services to mobile network operators across Africa.

During the year we appointed a new Chief Commercial Officer, Sulaiman Al Ali, to drive commercial synergies across our Mobility and Data Solutions businesses and leverage complimentary offerings with our service partner network to meet our customers' diverse SatCom needs. We started to realise operational efficiencies in 2022 with both our commercial businesses, Mobility Solutions and Data Solutions, achieving cost optimisation and improved margins.

Investing in our people

Our business relies on our people, which is why we continually look to enhance our working culture by providing the best benefits and development opportunities. In 2022, benefits included a new gender equity policy and introduction of a long-term incentive plan. Yahsat continued to prioritise the development of the knowledge and skills of all our employees during 2022 and built on previous successful engagement with the UAE space agency by collaborating to provide opportunities for our engineers to be seconded to the Venus probe programme.

Our commitment to attracting, developing and creating rewarding careers for UAE nationals has never been stronger. During 2022, we increased our Emiratisation rate to 52.5%, provided a unique experience for a number of our talented Emirati engineers to gain deeper industry expertise and global exposure by working at one of our international project sites, and finalised plans to launch the third cohort of our successful 'Train to Work' programme next year, which provides on-the-job training leading to full-time work opportunities for Emirati graduates.

As a responsible employer, we listen to our employees and strive to continuously improve our employee value proposition. Our successful employee engagement was clearly reflected in our highest-ever response rate of 97% in our latest Employee Satisfaction Survey. We are proud to have achieved an 82-point engagement score that is above regional benchmarks, as well as an Employee Net Promoter Score (eNPS) of 48. While there is still much work to be done, including implementing a range of programs and initiatives launched to address areas identified through the survey process, these outstanding results show how much our people love being part of the Yahsat family.

Our ambitions for the future

Our impressive financial performance in 2022 together with our strong balance sheet positions Yahsat well to invest in growth initiatives in areas such as government services (Al Yah 4 and Al Yah 5 satellites and associated managed solutions), direct-to-device (D2D) technology, end-to-end SatCom solutions and the Internet of Things (IoT).

We see promising growth opportunities that play to our many strengths, including our strong balance sheet, high quality infrastructure, large geographic footprint, valuable spectrum rights and the knowledge and skills of our people. During 2022 we undertook a strategic exercise to review emerging trends and identify growth opportunities, reflecting our ambition to expand

our satellite operatorship role toward becoming a 'spacetechnology' player, with a particular focus on the following areas:

- Direct-to-Device – our L-band spectrum rights put us in a unique position to pioneer the direct-to-device opportunity (D2D) by developing partnerships with leading global players;
- SatCom value-added solutions – we will strengthen our data solutions with an accelerated transition into becoming a high value-added SatCom solutions provider whilst seeking to maintain strong growth in our broadband business;
- IoT – our focus will be to deliver end-to-end IoT solutions that require satellite connectivity to connect billions of devices across the globe in multiple verticals;
- UAE Space Economy – our role as a sovereign satellite operator has national strategic importance, and therefore we plan to further expand our government offering including the development of Earth Observation (EO) and remote sensing capabilities, and by creating advanced manufacturing capabilities in the UAE.

Acknowledgements

In closing, we have recorded a strong set of financial results in 2022 and firmly believe that there are a number of significant growth opportunities across our four segments. I am confident that with the continued support and input of the Board, the senior leadership team, Yahsat's employees and partners, we will be able to capitalise on these opportunities and create further shareholder value in the future.

Ali Al Hashemi

Group Chief Executive Officer

Key differentiators

Global connectivity enabler providing critical solutions

Covering >150 countries and potential to reach >2/3 of world's population¹.

Differentiated mobile and fixed satellite services in emerging and high-growth markets.

Deep, long-standing relationships with UAE Government and key partners across GCC, Africa, Asia and Brazil.

The UAE Government's preferred partner

Provider of secure, mission critical connectivity services and solutions to the UAE Government.

Strong relationship dating back more than a decade and underpinned by significant long-term contracts that provide visibility and security of future cash flows.

Uniquely positioned to capitalise on upcoming growth opportunities and to further deepen the relationship.

Pursuing sizeable and well-identified areas of growth

Significant growth opportunities across our Government and Commercial businesses.

Potential to deepen participation across value chain and deliver integrated Satcom solutions.

New partnerships, channels and products under development ahead of Thuraya-4 NGS' launch.

High-quality, well-invested asset base

Fleet of five active geostationary satellites and sixth expected to begin operations in 1H 2025.

Incorporating a wide range of technologies, including valuable Ka and L-band frequency bands.

Best-in-class ground infrastructure based in the UAE and internationally.

Industry pioneer in fast-growing emerging markets

Differentiated offering in high-growth, underserved markets, underpinned by pioneering technology.

Hybrid go-to-market model in the Middle East, Africa, Asia and Australasia, leveraging partnerships and direct-to-market channels.

Flexible and scalable capacity model with opportunity to leverage in-market differentiation for new technologies.

Proven senior leadership and supportive shareholder

Highly experienced management team with deep industry expertise and a strong track record of delivering results.

Board of Directors with diverse industry and functional expertise.

Strong backing from our majority shareholder Mubadala.

Highly attractive financial profile

~73%² of revenue driven by highly-rated UAE Government contracts under long-term commitments.

High-margin business, strong cash flow, well-funded balance sheet and low net debt/EBITDA leverage.

Robust growth profile and growing dividend capacity with a commitment to dividend growth of at least 2% per year.

¹ For mobility solutions (MSS).

² For year 2022, from UAE Government & Government-related entities.