



## QATAR TELECOM

TELECOM

QATAR

CURRENT PRICE	<b>QAR 150.00</b>
FAIR VALUE	<b>QAR 206.53</b>
RECOMMENDATION	<b>BUY</b>

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## GROWTH STORY: YESTERDAY, TODAY, AND TOMORROW

### QATAR'S STRONG ECONOMIC PROSPECTS WILL SPUR GROWTH IN DOMESTIC REVENUES

Qatar's economy is expected to grow by 11.5% in 2009, one of the highest levels of GDP growth in the GCC region. Its broadband penetration rate is low at 8.1% of the population as of the end of 2008, according to International Telecom Union (ITU) estimates. We project that it will reach approximately 13% at the end of 2009. The strong macro-indicators of Qatar should help Qtel to keep growing domestically, despite the recent introduction of competition.

### CONTINUING TO BRANCH OUT OVERSEAS...

Qatar Telecom has gone from a one-country player to a multi-country player in just two years. In 2007, the company started expanding its operations, and now has business interests in 21 countries. It is aiming to reach its vision of becoming one of the top 20 operators by 2020. 75% of revenues are currently generated overseas. We believe that Qtel has invested in two markets with high growth potential, Iraq and Palestine, which are both underpenetrated and not overcrowded with players.

### ...SHOULD REDUCE THE IMPACT OF DOMESTIC COMPETITION

Qtel's timely foreign expansion has prepared it for the challenge posed by Vodafone Qatar and lessened the impact of the end of its monopoly on its profitability. We predict Qtel's domestic revenues to continue growing at a decreasing rate over the next few years, taking into account the effect of Vodafone Qatar's market presence.

### FINANCIAL PERFORMANCE REPORTED IN 9M09 SHOWS IMPRESSIVE GROWTH

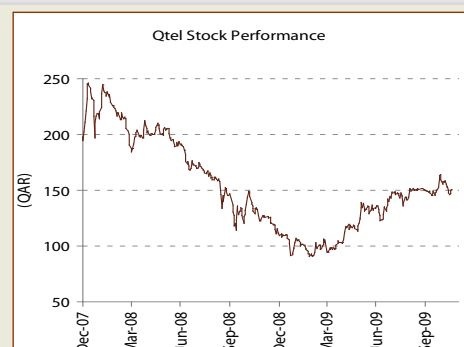
Iraq's Asiacell realized a 41% y-o-y revenue increase in the first-nine-months reaching QAR 2,865 million, while Qtel Qatar had a 9% rise in revenues y-o-y during the same period. Another boost to 9M 09 revenues came from Indosat, which Qtel acquired in June 2008. Total revenues reached QAR 17,485 million in the first nine months of 2009 compared to QAR 14,319 million last year.

### WE INITIATE COVERAGE WITH A BUY RECOMMENDATION AND A TARGET PRICE OF QAR 206.53

Qtel is currently trading at an attractive PE of 7.84, below the regional weighted-average PE of 10.53. It offers one of the highest dividend yields in the region at 6.7%. Furthermore, its subsidiaries in Algeria, Iraq, and Indonesia have large populations and mobile penetration rates below 75%. We issue a Buy recommendation with a target price of QAR 206.53, implying a 38% upside potential.

### STOCK DATA

Market Cap (QAR)	22,000,050,000
Number of Shares	146,667,000
Free Float	24%
Av. Monthly Liquidity (QAR)	119,859,747
52-week High (QAR)	163.90
52-week Low (QAR)	90.30
Trailing PE	7.84
PE 09 E	7.28
PB	1.49



	2008	2009E	2010E	2011E	2012E	2013E
Net Income (QAR million)	2,277	3,022	3,159	3,211	3,423	3,456
EPS (QAR)	17.46	20.61	21.54	21.89	23.34	23.56
DPS (QAR)	10.00	10.50	11.50	13.00	14.00	15.00

### SECTOR COVERAGE

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## INVESTMENT RATIONALE

*Qatar has the strongest rates of GDP growth in the GCC region*

According to the International Monetary Fund (IMF), Qatar has witnessed and will continue to witness the strongest rates of GDP growth in the region and in the world, reaching an estimated peak of 18.5% in 2010. This double-digit growth in real GDP is anticipated to slow to single digits starting in 2012. Qatar Telecom has subsidiaries in Kuwait, Oman, and Iraq, and the latter country is also expected to experience notable economic growth in the coming years.

*Low broadband penetration rates in several of Qtel's foreign locations*

Qtel's overseas expansions include countries with attractive characteristics, namely a high population paired with low broadband penetration rates. This is the case in particular for Indonesia, Algeria, and Tunisia, for which the ITU indicated 2008 broadband rates per population of 0.13%, 0.85%, and 2.2% respectively. The mobile penetration rates of 66%, 72%, and 90% respectively of these markets are also lower than those of peer emerging markets. We predict high broadband growth in these countries as well as in the GCC, which will have a positive impact on Qtel revenues, as it will enhance the Average Revenues Per User (ARPU) and increase the number of subscribers.

*Indonesia and Iraq present great potential for growth...*

The emerging markets of Indonesia, Algeria, Tunisia and Iraq are expected to constitute the bulk of business growth for Qatar Telecom over the coming years. On a macro level, the economies of these countries are expected to expand by 4.8%, 3.7%, 4.0%, and 5.8% respectively in 2010 according to IMF expectations.

*...while more mature markets support cash flow sustainability*

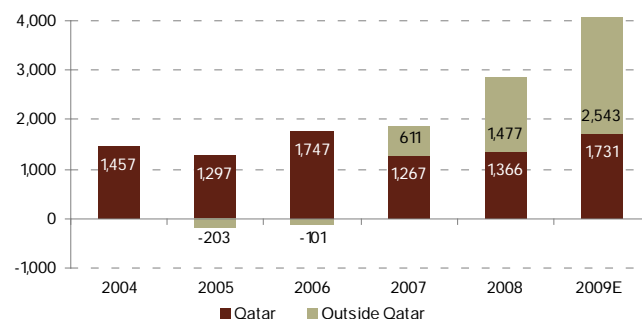
Relatively mature telecom markets in Qatar, Kuwait, and Oman provide stable positive cash flows to the Group. Despite the mobile market in Qatar having exceeded the 100% penetration mark, it will continue to grow due its correlation with Qatar's GDP, which is expected to rise by 11.5% in 2009, one of the strongest rates of growth globally this year. The Group's portfolio therefore contains a good mix of growing and mature markets.

*Diversification Pros: less dependence on one economy*

Qtel has a diverse revenue base, segmented across 21 countries with a total of 53.4 million customers as of September 2009. This diversification has two implications. First, Qtel is no longer heavily dependent on revenues and earnings from Qatar. This is an advantage as the market has become more competitive with the entry of Vodafone Qatar. Second, Qtel is more susceptible to foreign currency risk, as well as political and country risk.

*Diversification Cons: currency, political, and country risk*

**Chart 1:** Segmented Net Income (QAR million)



Source: Company financials, Audi Capital estimates



*Continued overseas expansion would increase Qtel's leverage*

Qtel's foreign acquisitions are crucial for it to reach its goal of becoming one of the world's top 20 operators. Continued expansion implies an increase in capital leverage, which is already above that of Qtel's peer players. It is to be noted that we have assumed that Qtel will maintain its current level of operations and hence will not need to increase its debt. We are aware that Qtel is likely to continue to expand its operations further. However, the impact on its debt position will depend largely on the size and the scale of expansion, which is largely unpredictable. The company's debt position as of the end of the first nine months of 2009 is relatively high at QAR 35.7 billion. While the net-debt-to-EBITDA ratio in 2008 was 2.05, we expect it to reach 2.0 and 1.8 in 2009 and 2010, respectively.

*Good prospects for Iraqi and Palestinian operations*

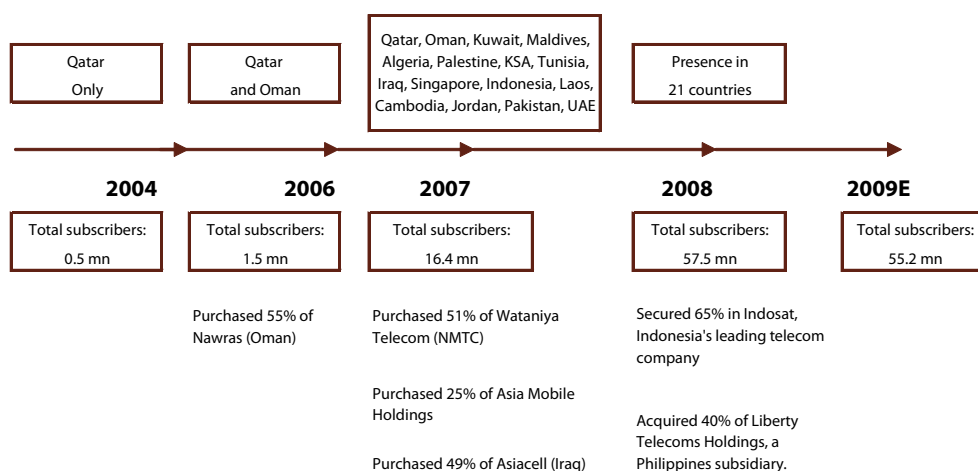
The Group has reported impressive growth in revenues for the first nine months of 2009. Iraq's Asiacell realized a 41% y-o-y revenue increase in the first-nine-months, while Qtel Qatar had a 9% rise in revenues y-o-y during the same period. Iraq will be driving top-line figures upwards, while at the same time hurting the bottom-line as it requires capital for network expansion. This will help to stimulate double-digit growth in Qtel revenues in the coming years. Another boost to 9M 09 revenues came from Indosat, which Qtel acquired in June 2008. However, over the years we also expect Iraq and Palestine to enhance the top-line figures of the Group. Wataniya Palestine commenced operations in the beginning of November 2009.

**Table 1:** Qtel Group's Major Acquisitions

Company	Country	Date of Acquisition	Ownership Stake	Source of Financing
Nawras	Oman	Q1 2005	55%	Cash
Wataniya Telecom	Kuwait	Q1 2007	51%	Debt
AMH	Singapore	Q1 2007	25%	Debt
Asiacell	Iraq	Q3 2007	30%	Cash
Indosat	Indonesia	Q2 2008	65% <sup>1</sup>	Cash + Rights issue

Source: Company financials

**Figure 1:** Timeline of Qtel's Operational Expansion



Source: Zawya

## FOOTNOTES

<sup>1</sup>Qtel Group acquired 40.8% of Indosat in the second quarter of 2008 and then secured additional shares to reach 65% as of Q1 2009.



*Low PE compared to the peer average*

✎ The company is trading at an attractive PE of 7.84 compared to the weighted average PE of peers of 10.53.

*High dividends attractive for risk-averse investors*

✎ For the year 2008, Qtel Group distributed a 100% cash dividend to its investors of QAR 10 per share. This presents a dividend yield of 6.7%. We expect future dividends to remain at attractive levels, an alluring feature for investors with a low tolerance for risk.

*Backed by the governments of Qatar and Abu Dhabi*

✎ Qatar Telecom is 55% owned by the Qatar Investment Authority and 10% by the Abu Dhabi Investment Authority, signifying that it is supported by financially strong parties.

*Qtel surpasses Moody's average rating for integrated global telecom service providers*

✎ Qatar Telecom has preserved its investment-grade long-term ratings issued by S&P, Fitch, and Moody's. They were A-, A+, and A1 respectively as of December 15, 2008. This is above Moody's average rating for integrated global telecom service providers of Baa1.

*Debt issue sparks interest on a local and international level*

✎ Qatar Telecom secured a debt facility worth USD 1.5 billion in June 2009 in order to pay off an existing USD 2 billion facility maturing in November 2009. The debt issue received high levels of interest with bid orders totaling more than USD 13 billion. Moreover, Qtel increased the size of its loan to USD 2 billion due to the encouraging response from banks. This has two positive implications. Firstly, Qtel is able to tap into the debt market even in adverse market conditions. Secondly, the lender consortium was composed of international as well as local banks, indicating that Qtel has instilled confidence in its operations on an international level. International banks included were The Royal Bank of Scotland, Barclays Capital, JP Morgan, and BNP Paribas.

*Currencies in Qtel's major foreign locations are appreciating against the US dollar*

✎ With 75% of revenues being generated overseas, the fluctuation of foreign currencies is critical to Qtel's income. We focus on four major foreign currencies of the Group which are the Indonesian Rupiah, the Kuwaiti Dinar, the Algerian Dinar, and the Tunisian Dinar, all of which have appreciated against the US dollar in the third quarter compared to the second quarter of 2009. All four foreign currencies have continued to appreciate in the beginning of the fourth quarter of 2009.

#### **The bottom line is:**

We like the company's high dividend payment structure, its low PE compared to peer operators, the positive foreign currency fluctuations in Q3 09 and at the beginning of Q4 09, its portfolio mix of companies in mature and emerging markets, and its vision for the future that will ensure that it takes the necessary steps over the next ten years to reach its goal of becoming one of the top 20 telecom players in the world.

We issue a Buy recommendation with a target price of QAR 206.53, implying a 38% upside potential.

## QATAR: ATTRACTIVE MACROECONOMICS ARE A MAGNET FOR TELECOMS

### MAIN DRIVERS OF THE ECONOMY ARE FAVORABLE TO TELECOM OPERATORS

#### Double-Digit Population Growth

Qatar has one of the strongest macroeconomic performance indicators in the GCC region. According to the IMF, it has high population growth with a 5-year CAGR of 11.2% till 2013, which should drive subscriber numbers upwards. The infrastructure developments in Qatar will cause the number of expats in the country to increase, thereby significantly increasing the total population in the medium-term.

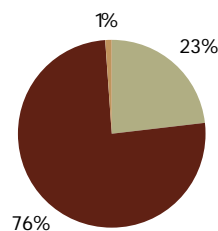
#### Expats to Expand Telecom Revenues

It is estimated that the Qatari population will reach around 1.2 million by the end of 2009. Non-Qatari citizens constitute the majority of the population. This large expatriate community is a favorable characteristic for telecom operators.

#### Significant Rise Expected in the Future Addressable Market

Around 23% of the population is below 15 years of age, indicating a large increase in demand for telecom services in years to come.

**Chart 2:** Age breakdown of the Qatari Population (2008)

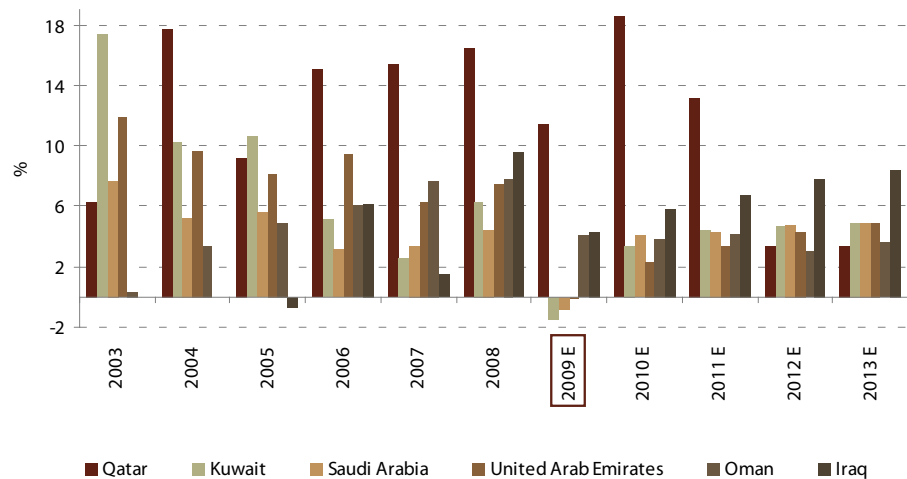


■ 0-14 years ■ 15-64 years ■ 65 years and over

Source: Population Reference Bureau

**Impressive Real GDP Growth to be Maintained for the Next Two Years**

**Chart 3:** Real GDP Growth of Selected Countries



Source: International Monetary Fund (IMF)

According to the International Monetary Fund (IMF), Qatar has witnessed and will continue to witness one of the strongest rates of GDP growth in the region and in the world, reaching an estimated peak of 18.5% in 2010. This double-digit growth in real GDP is anticipated to slow to single digits starting in 2012. Qatar Telecom has subsidiaries in Kuwait, Oman, and Iraq, and the latter country is also expected to experience notable economic growth in the coming years.

**And that is why...**

Qatar's favorable demographics and exceptional economic development make it a magnet for telecom players. Qatar is one of Qtel's key markets and being its home market we wanted to illustrate the attractiveness of Qatar on a macro-level.

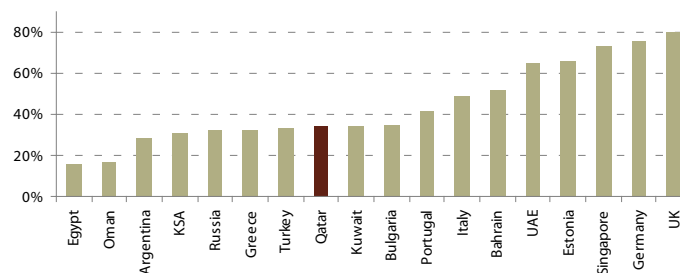
Although other GCC countries have similar favorable characteristics as Qatar, Qatar is differentiated by being one of the fastest growing countries in the world.



## QATAR TELECOM SECTOR

Broadband internet use is relatively expensive in Qatar compared to other countries. As prices decrease, broadband internet penetration rates should soar. According to the ITU, internet user penetration is relatively weak at 34% of the population as of the end of 2008. The broadband penetration rate is also low at 8.1% of the population in 2008. This presents a window of opportunity for enhancing the company's revenues. We anticipate the demand for mobile broadband to rise in the years to come, stimulated by lower pricing and competition.

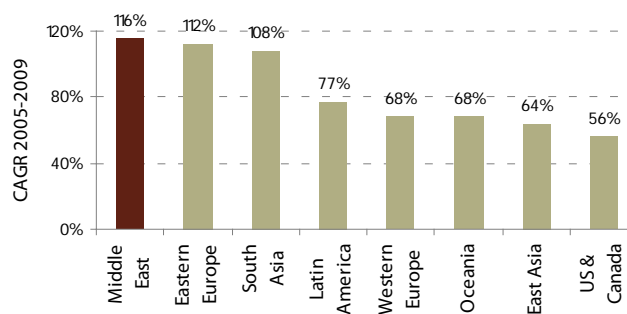
**Chart 4:** Internet User Penetration in Qatar and Other Countries (2008)



Source: ITU

The CAGR of internet traffic over the last 5 years has been the highest in the Middle East as compared to other world regions. With a four-year CAGR of 116% for internet traffic growth, internet penetration in the Middle East is expected to continue to rise, though at a slower rate, for the next three years.

**Chart 5:** Average Internet Traffic Growth by Region



Source: TeleGeography

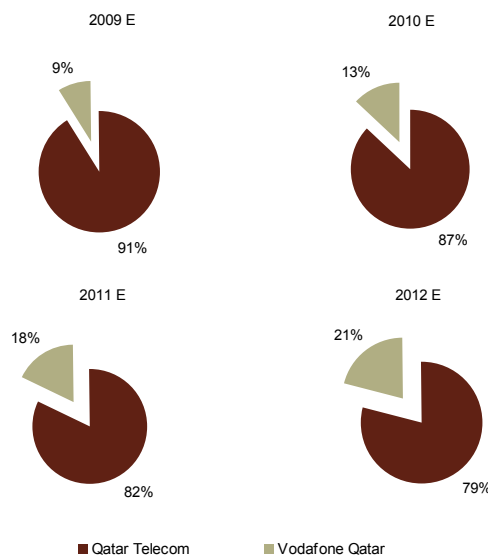


## DOMESTIC COMPETITION SLICES MARKET SHARE INTO TWO SIZABLE PORTIONS

Until 2009, the domestic telecom sector was monopolized by Qtel. Vodafone Qatar (VFQ) entered the market, creating competition for the first time. Vodafone commenced mobile operations in July 2009 and is expected to launch fixed line operations in 2010.

The liberalization of telecommunications in Qatar will impact Qtel's local market share. We expect it to maintain its leadership position in the market, with a long term share of 76% by 2013.

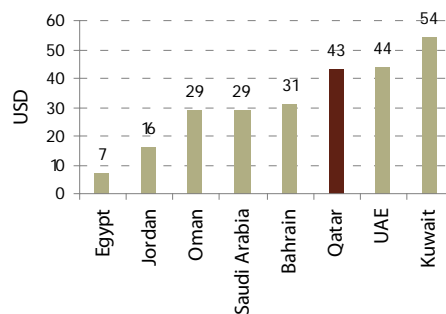
**Chart 6:** Market Share Split among Operators in Qatar



Source: Audi Capital estimates

We expect that competition will be based on the introduction of value-added services and the lowering of prices within a reasonable limit. ARPU is relatively high in Qatar compared to other countries in the region, and we believe competitors would want to keep their ARPUs at attractive levels.

**Chart 7:** 2009 Estimates for Mobile ARPUs across Countries



Sources: Regulators, Companies data, Audi Capital estimates

Whether or not new competition will enter the Qatari market is dependent on the impact that Vodafone will have. Should it be an efficient and smooth market development promoting healthy competition and an increasing subscriber base, the regulator might introduce a third operator if there is a need for one. However, given the population of Qatar which stood at 1.1 million as of 2008, we believe that two operators can provide sufficient coverage. As a comparison, in Saudi Arabia, which has a population of 24.9 million, there are currently three mobile operators and two fixed line operators, with another two fixed line providers expected to start operations in the next two years.

### COMPETITION GETS HEATED WITH NEW PROMOTIONS

In October 2009, Qatar Telecom started a new promotion for home internet. Customers who subscribe to one year of ADSL service receive free installation, a free Wi-Fi router, and two months of free subscription. Savings from this package can reach as much as QAR 1,209 a year, making it one of the most affordable offers for internet access.

In September 2009, both operators introduced competitive promotions to customers. VFQ launched its new "Red" prepaid service, giving customers 275 minutes of free local talk time. It also extended its "International Call" promotion until the end of October where customers can call anywhere in the world to any network for 50 dirhams per minute. Qtel responded by offering bonus talk time on international calls for its Hala services.

Both operators recently launched attractive packages for mobile internet services. Vodafone's offer includes giving customers 300MB of free mobile internet space (available to Red and Freedom subscribers until the end of September), while Qtel's deal includes a range of downloadable options at highly affordable prices. The competition intensifying is to the advantage of subscribers as they will benefit from on-going price discounts and promotions.

## ANSWERS TO THE FIVE 'WHATS' OF THE QATAR TELECOM MARKET

### WHAT IS VODAFONE QATAR'S IMPACT ON QTEL QATAR?

Vodafone's entry has introduced competition in Qtel's home country. We expect that ARPUs will decline slowly going forward. The key success factors will be continuously offering value-added services and maintaining quality. Players will compete on quality and customer-oriented services. Qtel's market share will shrink to not less than 70% in 2013. However, its ability to retain and increase its customer base will determinate the rate and magnitude of the loss of market share.

We expect Qtel Qatar's EBITDA margins to continue to be under pressure in the medium term, as they have been since 2008, from advertising and marketing campaigns launched to counter the new domestic competition. We expect Qtel's reported EBITDA margin to reach 47.4% in 2010 compared to 48.4% in 2008.

The Group's earnings from Qtel Qatar will continue to grow slightly at a decreasing rate, reaching a relatively stable level in 2012. Vodafone Qatar's subscriber additions are expected to outweigh Qtel Qatar's additions for the next four years.

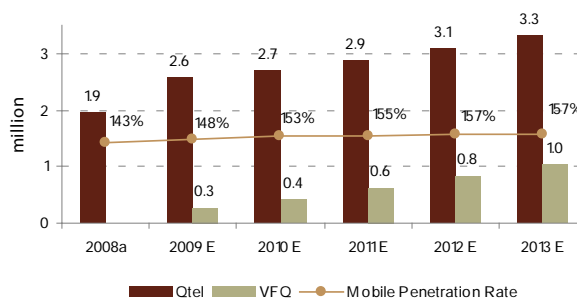


## WHAT PARAMETERS CHANGE WITH THE ALTERED MARKET DYNAMICS?

As a monopoly, Qtel paid 25% of the Group's pre-tax profits to the Qatari government. With the entrance of Vodafone Qatar (VFQ), this has changed to 12.5% of Qatari profits plus 1% of Qatari revenues.

We anticipate that ARPU will be slightly reduced over time and penetration rates will increase as the subscriber base continues to grow with the steady rise in population. However, Vodafone Qatar's goal is to maintain its ARPU within a  $\pm 10$  percent range of the ARPU levels of Qtel. This is different than in Saudi Arabia, where the second mobile operator has significantly lower ARPUs than the first mobile provider due to a high ratio of prepaid subscribers to postpaid subscribers. Vodafone is aiming to capture a significant share of the post-paid subscriber segment to keep its ARPU high. We expect VFQ's ARPUs to be slightly lower than Qtel Qatar as seen in second market entrants of neighboring countries.

**Chart 8:** Subscriber and Penetration Rate Estimates



Sources: Company data, Audi Capital estimates

With a broken monopoly, Qtel will have to improve the quality of its service and continue offering value-added services to retain its customers and to attract new ones. For example, it could improve data traffic congestion by implementing new network sites.

Penetration rates will rise with the increase in the addressable market driven by competition and high population growth in the country.

## WHAT IS THE IMPACT OF FOREIGN CURRENCIES ON QTEL'S PROFITABILITY?

The main foreign currencies used in Qtel have appreciated over the last two quarters, almost reaching their five-year average against the US dollar, to which the Qatari Riyal is pegged. This is why we don't include any foreign exchange gain in 2010 and afterwards, as we anticipate that in 2010 foreign exchange gains and losses will be minimal due to improved market conditions. In 2009, we expect Qtel to report a foreign exchange gain for the full year due to its major foreign currencies improving against the US dollar compared to the previous year.

**Table 2:** Quarterly Currency Appreciation/Depreciation against the US dollar

Period	Q4 08/Q1 09	Q1 09/Q2 09	Q2 09/Q3 09
Kuwait	-5.55%	1.37%	0.35%
Algeria	-6.76%	2.75%	0.91%
Tunisia	-6.14%	3.84%	3.53%
Indonesia	-5.22%	12.75%	5.32%

Source: Bloomberg



**Table 3:** Yearly Currency Appreciation/Depreciation against the US dollar

Period	2006/2007	2007/2008
Kuwait	5.5%	-1.1%
Algeria	4.6%	-5.3%
Tunisia	5.7%	-7.4%
Indonesia	-4.4%	-18.4%

Source: Bloomberg

### WHAT ARE THE DOMESTIC COMPETITORS' POSITIONS IN TERMS OF NETWORK COVERAGE?

Vodafone Qatar achieved 99% coverage of the population with its new network by September 1, 2009. It intends to obtain 100% geographical network coverage by December 28, 2009 as per its license obligations. Its outdoor coverage is efficient, but it is still working on its indoor coverage where some inefficiency remains. Vodafone Qatar has signed an outdoor site sharing agreement with Qtel which allows Vodafone to share Qtel's mobile towers and Qtel Qatar to share Vodafone's mobile towers while still having separate active mobile networks.

### WHAT IS THE OUTLOOK FOR THE QATAR TELECOM SECTOR?

Even though the IMF expects Qatar's GDP to increase by 11.5% in 2009 and by 18.5% in 2010, we see the domestic telecom sector heading towards maturity in terms of mobile voice usage, with a mobile penetration rate of 145% as of the end of the third quarter of 2009. The expected population increase and the slightly higher penetration rates will boost the addressable market in Qatar. Also, with the continuous introduction of new added-value services as well as higher demand for broadband, the sector will keep expanding. These growth drivers will counterbalance Qtel's decrease in market share. As a result, its revenues will keep increasing although at a slower rate than previously, with a four-year CAGR of 4.3% till 2013.



## COMPANY OVERVIEW

### PROFILE

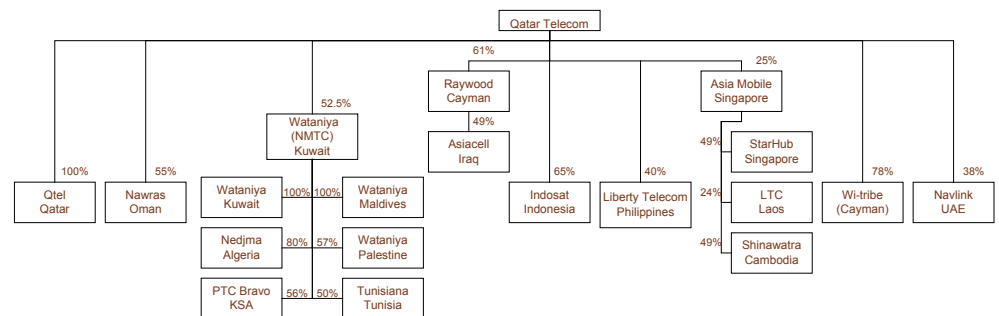
Qatar Telecom operates and manages fixed and mobile telecommunications networks, internet and cable television services across Middle East, Africa, and Asia. In 1998, the operator was privatized and floated on the Doha Securities Market (DSM) through an initial public offering. It became listed on the London Stock Exchange, Bahrain Stock Exchange, and Abu Dhabi Securities Market in 1999, 2001, and 2002 respectively.

Qtel had been Qatar's sole fixed and mobile telecom operator since 1987. On September 15, 2008, Qatar's telecom regulatory authority issued a second GSM mobile and fixed license to Vodafone Qatar. Vodafone Qatar started operations officially in early July 2009.

*Qtel's vision is to be among the top 20 telecom operators globally by 2020*

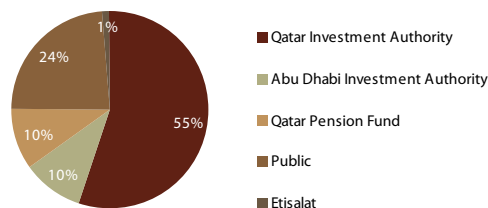
Qtel aims to be one of the top 20 telecom companies in the world in 2020 by expanding its operations regionally and internationally. In 2008, Qtel was the third largest public company on DSM with USD 6.24 billion in market capitalization.

Figure 2: Qtel's Operations



Source: Company data

Chart 9: Qtel Ownership Structure



Qatar Telecom is majority-owned by the Qatar Investment Authority, providing it with a strong backup funding source. 24% of its shares are listed to the public.

In addition, the Qatari government retains a golden share that carries a right to veto strategic decisions in order to protect national interests. The government also appoints five out of ten board members and is consulted before strategic transactions.

The rights issue in 2008 was subscribed by the Qatari government to retain its pro rata share ownership in the company, demonstrating political support of the existing strategy and the planned transactions.



## STRATEGY

Qtel operates in 21 countries today, in the MENA and Asian region, compared to only two countries in 2006.

*Qtel is among the top 40 to 50 operators globally*

The company plans to become one of the 20 largest telecom companies in the world by 2020 as measured by enterprise value. In order to reach this goal, the company should continue pursuing international acquisitions. Its recent purchases of stakes in Indosat and Liberty Telecom (a Philippine operator) in the space of less than a year are signs that Qtel is on track to fulfill its vision. It is estimated that Qtel is currently among the top 40 to 50 operators globally.

Qatar Telecom's growth strategy is similar to that of Saudi Arabia's Saudi Telecom Company and UAE's Etisalat, which also evolved from local players into major regional players. The fact that these companies are all at least partially government-owned illustrates how all three countries have been tackling the strategy of diversifying their earnings stream away from the oil and gas industries. Thus, they have been investing in telecom operators to expand regionally and pursue higher bottom-line profits in the long run.

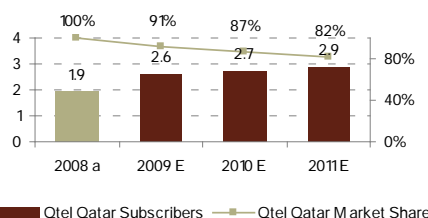
## PROFILES OF KEY ASSETS

### QTEL QATAR

Qtel Qatar has been able to keep growing its customer base despite new competition. However, in the medium-term the market dynamics will change, with ARPUs falling slightly, penetration rates increasing, and operators battling for market share in the broadband and mobile segments. We expect broadband to be one of the main growth drivers, as is the case for most operators in the MENA region.

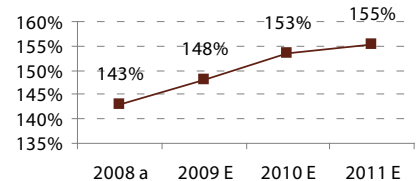
Vodafone Qatar (VFQ) reported more than 250,000 subscribers as of the end of the third quarter. This is more than we had expected and is due to the enticing promotions VFQ launched in September. However, we don't see this greatly affecting Qtel as most subscribers have more than one SIM. Existing subscribers of Qtel are likely to buy another SIM card from VFQ to benefit from the offers. The prices of Qtel are competitive and it currently offers better indoor coverage than VFQ. Qtel Qatar is likely to retain its customer base and even increase it, as it demonstrated in the third quarter when its subscriber number increased from 2.2 million to 2.4 million. Qtel's diversification away from Qatar will reduce the impact of VFQ's entry into its home market.

**Chart 10: Qtel Qatar Subscribers and Market Share (million)**



Sources: Company data, Audi Capital estimates

**Chart 11: Qatar Penetration Rates**



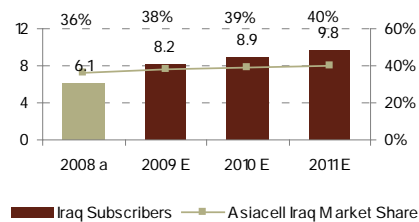
Sources: Company data, Audi Capital estimates



## ASIACELL - IRAQ

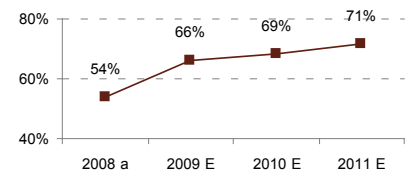
Iraq has great potential as it has a mobile penetration rate of only 64% as of Q3 09 and is still undergoing network development necessitating substantial capital expenditure. Asiacell Iraq has shown strong revenue growth of 29% y-o-y and stood at a market share of 39% as of Q3 09. Qtel's Iraqi subsidiary has gained an additional market share of 2% in the first nine months of 2009 compared to the same period last year. As of the end of September 2009, subscribers grew to 7.4 million from 5.6 million at the end of September 2008.

**Chart 12: Asiacell Iraq Subscribers (million) and Market Share**



Sources: Company data, Audi Capital estimates

**Chart 13: Iraq Penetration Rates**

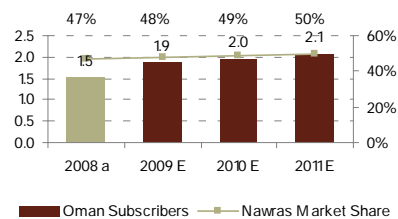


Sources: Company data, Audi Capital estimates

## NAWRAS - OMAN

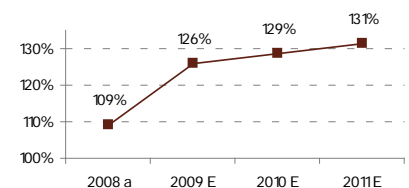
A fixed license and international gateway was awarded to Nawras in June. Plans to spend on capex are in progress. The Oman subsidiary recorded a blended ARPU of QAR 73 in the third quarter of 2009. The country's mobile penetration rate was 125%, with subscribers numbering 1.79 million for the period ending in September 2009.

**Chart 14: Nawras Oman Subscribers (million) and Market Share**



Sources: Company data, Audi Capital estimates

**Chart 15: Oman Penetration Rates**



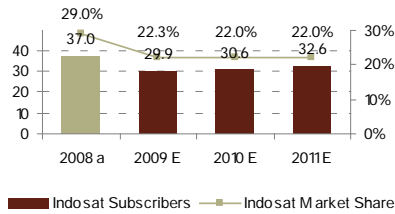
Sources: Company data, Audi Capital estimates

## INDOSAT - INDONESIA

Subscribers decreased from 36.4 million in 9M 08 to 29.3 million in 9M 09 due to stricter regulations imposed by telecom regulators on all domestic operators for reporting subscribers. Indosat has removed about seven million subscribers of lower-value calling card-type behavior from its network since the beginning of 2009. However, ARPUs increased to QAR 15.2 in Q3 09 from QAR 13.3 in Q2 09 as a result of focusing on value for its subscribers. We expect the mobile penetration rate to reach 70% and the subscriber base to be almost 30 million in 2009.

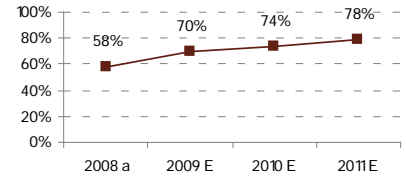


**Chart 16: Indosat Subscribers (million) and Market Share**



Sources: Company data, Audi Capital estimates

**Chart 17: Indonesian Penetration Rates**

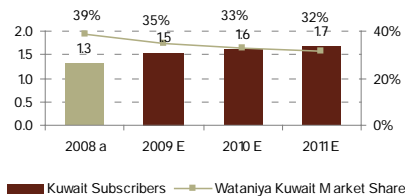


Sources: Company data, Audi Capital estimates

## WATANIYA – KUWAIT

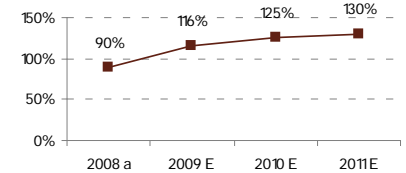
Wataniya's customer count increased despite the third market entrant, Viva by STC, commencing operations in August 2008. The elimination of the fees for incoming calls from the fixed line and international network at the end of 2008 continue to have a negative impact on the company's results. Net income was hurt q-o-q, while revenues in the third quarter were relatively stable compared to last quarter. Wataniya Kuwait has one of the highest blended mobile ARPUs in the Group at QAR 143 as of Q3 09. It captures 37% of the market share, lower than last's year 42% in the first nine months of 2008. Subscribers increased from 1.28 million to 1.46 million in the first nine months of 2009, a 14.1% increase y-o-y.

**Chart 18: Wataniya Kuwait Subscribers (million) and Market Share**



Sources: Company data, Audi Capital estimates

**Chart 19: Kuwait Penetration Rates**

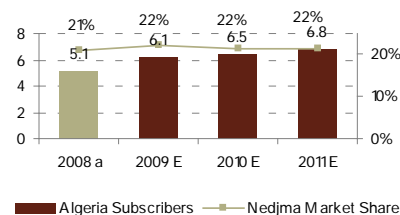


Sources: Company data, Audi Capital estimates

## NEDJMA – ALGERIA

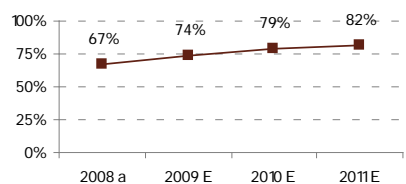
Nedjma has been increasing its market presence when compared to the previous nine-month period. With a market share of 23%, it is the second largest operator in Algeria out of a total of three. Its subscriber count rose to 5.9 million at the end of the third quarter of 2009. The Algerian currency has appreciated by 0.9% against the US dollar in the third quarter compared to the second quarter. With a mobile penetration rate of 72% as of Q3 09 and a population that should reach 35.8 million by 2010 according to IMF estimates, there is still room for further increases in the number of customers.

**Chart 20: Nedjma Subscribers (million) and Market Share**



Sources: Company data, Audi Capital estimates

**Chart 21: Algeria Penetration Rates**



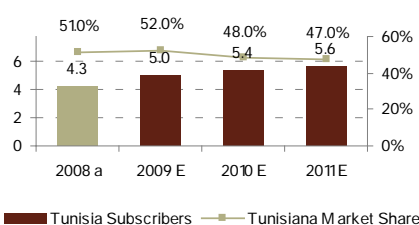
Sources: Company data, Audi Capital estimates



## TUNISIANA – TUNISIA

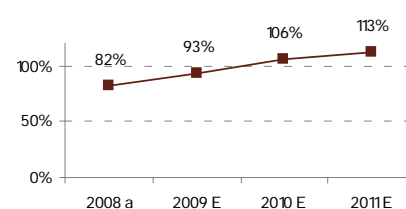
A third license was awarded to a consortium composed of France Telecom and Tunisian Divona Telecom, which is expected to start operations in January 2010. Mobile penetration is anticipated to be 93% at the end of 2009. Tunisiana's blended ARPU for 9M 09 is recorded to be QAR 47. Market share captured at the end of the third quarter is 53% with subscribers reaching 4.8 million. The Tunisian currency has appreciated by 3.5% against the US dollar in the third quarter compared to the second quarter, but it depreciated by 2.5% on a y-o-y basis. Therefore, quarterly revenues have increased by 13.1% q-o-q, but decreased 5.2% y-o-y to QAR 362 million.

**Chart 22:** Tunisiana Subscribers (million) and Market Share



Sources: Company data, Audi Capital estimates

**Chart 23:** Tunisian Penetration Rates



Sources: Company data, Audi Capital estimates

## WATANIYA – PALESTINE

The Palestinian market is a good market to enter, given that there is only one other operator called Jawwal. Wataniya Palestine commenced operations in the beginning of November 2009. It could bring significant growth to the Group since the Palestinian market has high growth potential. Palestine had a mobile penetration rate of only 33% as of H1 09.

## OTHER ASSETS

Qtel Group has investments in Jordan and Pakistan's Wi-tribe, Maldives's Wataniya, and Saudi Arabia's Bravo. They make a minimal contribution to the Group's top-line performance. Therefore, they have not been taken into account in our valuation.

**Table 4:** Qtel Main Operations

Country	Name	Mobile Market Share	Market Position Out of Total Operators	Subscribers (Million)	Blended ARPU (QAR)	Mobile Penetration Rate	As of	Broadband Penetration Rate (2008)
Indonesia	PT Indosat	22.5%	2/6	29.3	15.2	66%	9M 09	0.13%
Qatar	Qatar Telecom	92.0%	1/2	2.4	132.9	145%	9M 09	8.07%
Iraq	Asiacell	39.0%	2/3	7.4	47.1	64%	9M 09	-
Kuwait	Wataniya	37.0%	2/3	1.5	143.3	111%	9M 09	0.93%
Algeria	Nedjma	23.0%	2/3	5.9	24.6	72%	9M 09	0.85%
Oman	Nawras	47.0%	2/2	1.8	73.3	125%	9M 09	1.15%
Tunisia	Tunisiana	53.0%	1/2	4.8	47.4	90%	9M 09	2.24%

Sources: Company data, ITU, Audi Capital estimates



## FINANCIAL ANALYSIS

### 9M 09 AT A GLANCE

On June 6, 2008, the Group acquired 40.8% of Indosat. It bought additional shares until it reached a 65% stake of Indosat during the first quarter of 2009.

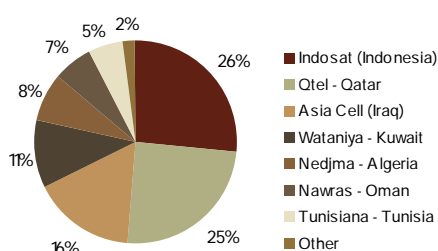
Due to this purchase, the y-o-y comparison of revenues and earnings is not very indicative of the Group's performance. The Group posted revenues of QAR 17,485 million in 9M 09 versus QAR 14,319 million in 9M 08. This 22.1% rise is largely attributed to the Indosat acquisition.

Common earnings advanced by 27.8% from QAR 1,839 million to QAR 2,349 million during the same period. This is due to strong performance by Qtel Qatar, Indonesia's Indosat and Iraq's Asiacell.

Revenues from Qtel Qatar grew from QAR 3.97 billion to QAR 4.32 billion, an 8.7% rise y-o-y, despite the introduction of competition. This rise is due to i) Qtel's first Reward Program (Nojoom) attracting 13,000 subscribers in the first weeks of its launch, ii) Qtel's competitively-priced offers introduced in the third quarter, and iii) Qtel's ongoing investment aimed at improving Qatar's broadband internet infrastructure, which have resulted in broadband speeds doubling. In addition, the high demand for Qtel's Triple-Play products, which grew by 61% during the first six months of 2009, and Qtel being the first to market the iPhone 3GS also enhanced its revenue.

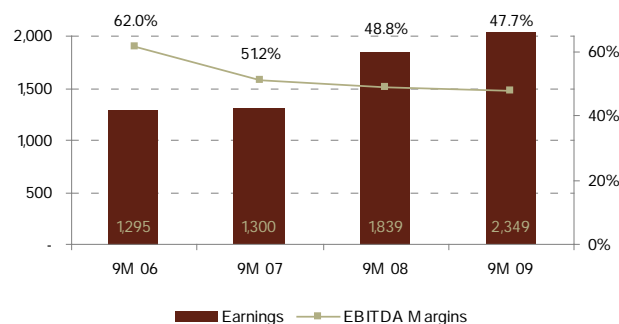
Indosat delivered revenues of QAR 4.6 billion in the first nine months of 2009, compared to QAR 2.5 billion in the first nine months of 2008. The revenue of Iraq's Asiacell increased by 40.9% from QAR 2,034 million in the first nine months of 2008 to QAR 2,865 million in the same period this year. Asiacell subscribers on record were 7.4 million as of the end of the third quarter, up from 5.6 million in the same period last year.

**Chart 24:** Revenue Segmentation by Subsidiary



Source: Company 9M09 Press Release

As seen below, reported EBITDA margins for the first nine months of the year have been deteriorating over the years due to the continuous expansion of the company and the increase in operating expenses. The increase in operating expenses has been greater than the increase in revenues, thus resulting in lower EBITDA margins.


**Chart 25: Earnings (QAR million) vs. EBITDA Margins**


Source: Company Press Releases

## A GLIMPSE OF 2008

Qtel's lump sum revenues increased by 92.7% y-o-y, to QAR 20,319 million from QAR 10,543 million. Revenue is segmented into Wireless Services and Wireline services. 87.5% of revenues came from wireless services.

**Table 5: Revenue Segmentation by Type**

(QAR million)	2007	% of total	2008	% of total
Wireline Revenues	1,319	12.5%	2,550	12.5%
Wireless Revenues	9,224	87.5%	17,769	87.5%
Total Revenues	10,543	100.0%	20,319	100.0%

Source: Company financials

The rise in revenues was mainly due to the Indosat acquisition in 2008 and sustained growth in Qatar, Kuwait, and Iraq. As seen below, Iraq has contributed significantly to the Group's top-line performance in 2008. Had the Qtel Group not acquired Indosat in 2008, then Iraq's contribution to total revenue would have been 18% instead of 14% for the year ended 2008. The Indosat acquisition strongly contributed to the leap in earnings in 2008. The full-year effect of the Indosat acquisition will be clearly seen in 2009 yearly results, where bottom-line and top-line performance will be enhanced y-o-y. We expect that Indosat will contribute QAR 6,018 million to revenues for the full year 2009, not comparable to its 2008 yearly revenues since it was acquired in June 2008.

**Table 6: Revenue and EBITDA Contribution by Geography**

	Revenues		EBITDA	
	2007	2008	2007	2008
Qatar	42.9%	26.8%	56.6%	34.6%
Oman	8.6%	6.5%	4.7%	5.2%
Kuwait	21.4%	15.1%	22.0%	16.6%
Algeria	10.3%	8.7%	4.2%	5.2%
Tunisia	8.2%	6.6%	8.2%	7.1%
Iraq	7.1%	14.0%	7.2%	14.5%
Indonesia	-	20.5%	-	21.1%
Others	1.5%	1.8%	-2.9%	-4.3%
Total	100.0%	100.0%	100.0%	100.0%

Source: Company data



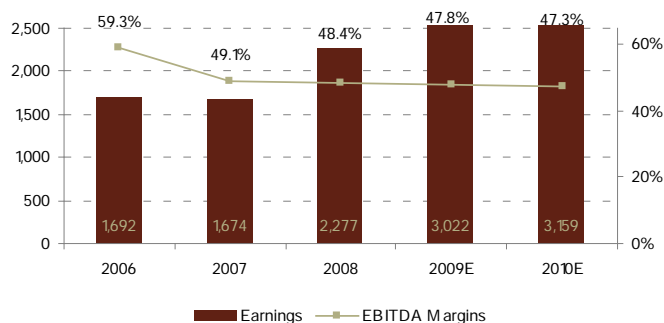
General and administrative expenses increased to QAR 9,278 million in 2008 from QAR 4,535 million in 2007, a 105% jump. This is due to the increase in employee salaries and associated costs from Qtel's acquisitions throughout the year, a rise in marketing expenses incurred, and higher depreciation and amortization expenses.

Qtel recognized a foreign exchange loss of QAR 444 million in 2008, compared to a gain of QAR 30 million in 2007. This was due to the depreciation of the Kuwaiti, Algerian, Tunisian, and Indonesian currencies against the US dollar in 2008, by 1.1%, 5.3%, 7.4%, and 18.4% respectively on a yearly basis.

Common earnings rose by 36.0% y-o-y to QAR 2,277 million in 2008 from QAR 1,674 million. Qtel started diversifying its earnings away from Qatar in 2007, and this trend has gained momentum over the last two years. In 2007, earnings from outside Qatar comprised 32% of total earnings, while in 2008, 52.0% of total net income was from outside Qatar.

EBITDA margins are expected to decrease slightly in the medium term due to the increase in costs given Qtel Qatar's new domestic competition. However, earnings have been increasing despite lower EBITDA margins.

**Chart 26:** Yearly Earnings (QAR million) vs. EBITDA Margins

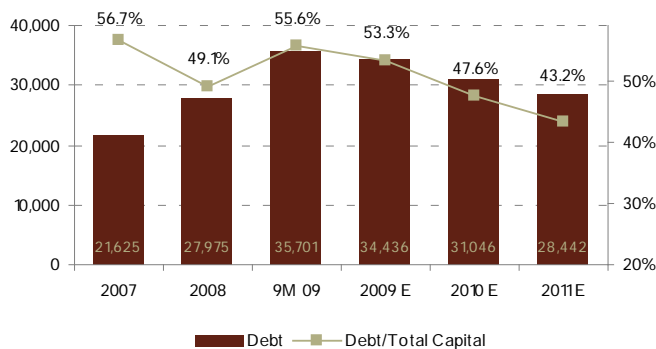


Source: Company financials, Audi Capital estimates



## CAPITAL STRUCTURE

**Chart 27:** Leverage Position of Qtel Group (QAR million)



Source: Company financials, Audi Capital estimates

Qtel's debt increased from QAR 28.0 billion as of the end of December 2008 to QAR 35.7 billion in the first nine months of 2009, a 27.6% jump. The continuous overseas expansion of Qtel Group has led to an increase in the debt-to-total capital ratio from 49% in 2008 to 56% as of the first nine months of 2009. This is one of our concerns with Qtel. As it will continue to expand internationally to become one of the top 20 global operators by 2020, we believe there could be a risk for its leverage to increase even more. However, this will depend largely on the size and the scale of the expansion, which is largely unpredictable. In our analysis, we assumed that Qtel will maintain its current level of operations and that its debt will be paid off gradually over the years. It can also opt for another rights issue in the future to support its acquisition plans.



## SWOT ANALYSIS

### STRENGTHS

- High dividend yield
- Backed by the governments of Qatar and Abu Dhabi
- Dominant domestic market share
- International presence in 21 countries leads to a diversified revenue stream
- Financial flexibility due to multiple stock exchange listings and some of its holdings being listed as well, such as Wataniya Kuwait and Indosat
- Strong credit ratings
- Ability to access the capital markets even in adverse market conditions as evidenced by it recently securing a USD 2 billion debt financing facility

### WEAKNESSES

- The company's leverage has increased steadily, with a total debt of QAR 35.7 billion as of the first nine months of 2009
- Intense competition in overseas operations: the number of mobile players is six in Indonesia, three in Kuwait, and three in Algeria
- Earnings are subject to the volatility of foreign currencies, especially the Indonesian, Tunisian, Algerian, and Kuwaiti currencies
- Qtel is expected to lose mobile and fixed line market share over the next few years due to Vodafone Qatar commencing operations in early July 2009

### OPPORTUNITIES

- Continued expansion of its operations with the aim of becoming one of the world's top 20 operators by 2020
- Investments in companies with high ARPUs, such as Wataniya Kuwait and Qtel Qatar
- Low broadband penetration in Qatar which stood at 8.1% in 2008
- Constant effort to offer added-value services to expand ARPUs and increase subscriber count

### THREATS

- Exposure to political and country risk in its foreign subsidiaries
- Exposure to foreign currency risk mainly in Indonesia, Algeria, Tunisia, and Kuwait
- Greater than expected competition on the domestic front
- Mobile number portability in Qatar



## VALUATION

Our valuation is based on the following main assumptions:

- ▢ We anticipate that domestic competition with Vodafone Qatar will be rational and that the two companies will compete on value-added services rather than on price. This is because lowering prices below a certain level will not be strategic to either player as the ARPU declines. Instead, we see ARPUs holding steady, with a slight decrease during the next couple of years.
- ▢ We predict that Vodafone Qatar will gradually build up its market share to reach 24% in 2013.
- ▢ We expect a third market player to enter the Tunisian market in 2010 and to impinge on the Tunisian subsidiaries' profitability and market share.
- ▢ In our Free Cash Flow to the Firm (FCFF) valuation model, we used the company's most recent net debt position as of the first nine months of 2009.
- ▢ When preparing our financial projections, we assumed that Qtel will maintain its current level of operations and hence will not need to increase its debt or leverage. Continued expansion would imply increased leverage. However, this will depend largely on the size and scale of the expansion, which is largely unpredictable.

### FREE CASH FLOW MODEL

Using the Free Cash Flow to the Firm model, we have arrived at an intrinsic value of QAR 204.72 for Qtel. The assumptions of the model were based on a five-year forecast period, a required return on equity of 11.32% and a WACC of 8.88%.

We assumed a perpetual growth rate of 1.5%. This is based on the company's expected return on assets (ROA) in 2013 of 3.96% compared to its expected return on equity (ROE) in 2013 of 7.97%.

**Table 7:** Free Cash Flow to the Firm Model

(QAR million)	2009 E	2010 E	2011 E	2012 E	2013 E
Net Income	3,022	3,159	3,211	3,423	3,456
Change in Working Capital	-1,801	-485	-316	-587	-375
Non-Cash Charges	4,978	5,623	6,111	6,587	7,136
Capex	8,533	7,421	6,972	7,269	8,038
Interest Expense	1,985	1,928	1,744	1,564	1,383
Free Cash Flow to the Firm	3,253	3,774	4,410	4,892	4,311
Present Value of Free Cash Flow to the Firm	2,988	3,183	3,416	3,480	2,817
Present Value of Terminal Value					38,676
Intrinsic Value of the Firm					54,560
Net Debt					24,534
Intrinsic Value of Equity					30,026
WACC					8.88%
Terminal Growth Rate					1.5%
Shares Outstanding (million)					146.67
NAV (QAR)					204.72

Sources: Company data, Audi Capital estimates

## DIVIDEND DISCOUNT MODEL

Using the Dividend Discount model, we have arrived at an intrinsic value of QAR 206.20 for Qtel. The assumptions of the model were similar to the assumptions used for the Free Cash Flow model above. A terminal growth rate of 3% was used based on the company's ROE.

**Table 8:** Dividend Discount Model

	2009 E	2010 E	2011 E	2012 E	2013 E
Net Income (QAR million)	3,022	3,159	3,211	3,423	3,456
Earnings per Share (QAR)	20.61	21.54	21.89	23.34	23.56
Dividends per Share (QAR)	10.50	11.50	13.00	14.00	15.00
Present Value of Dividends per Share (QAR)	9.43	9.28	9.42	9.12	8.77
Present Value of Terminal Value (QAR)					160.18
Cost of Equity					11.3%
Terminal Growth Rate					3.0%
Number of Shares Outstanding (million)					146.67
Fair Value (QAR)					206.20

Source: Audi Capital estimates

## PEER VALUATION

Using the peer-weighted average forward PE of 10.23, a fair value of QAR 210.80 was derived for Qtel based on our 2009 EPS estimate of QAR 20.61.

**Table 9:** Peer Valuation

Company Name	Country	PE	Forward PE	PB
Qatar Telecom	Qatar	7.84	7.28	1.49
Saudi Telecom Co.	Saudi Arabia	10.53	9.52	2.34
Etihad Etisalat (Mobily)	Saudi Arabia	11.11	10.83	2.72
MTC Zain	Kuwait	13.15	13.92	1.74
Wataniya Telecom	Kuwait	6.47	6.34	1.63
Orascom Telecom	Egypt	9.93	11.03	3.63
Emirates Tele. Co. (Etisalat)	UAE	9.83	9.37	2.38
Arithmetic Average		9.84	9.76	2.28
Weighted Average		10.53	10.23	2.27

Sources: Audi Capital estimates, Bloomberg, Reuters (prices as of November 19, 2009)

## FAIR VALUE

Combining the FCFF Valuation, DDM Valuation and the Peer Valuation, we arrive at a fair value of QAR 206.53. We allocate 40% of the valuation weight to the FCFF Valuation, 40% to the DDM methodology and 20% to the Peer Valuation.

**Table 10:** Valuation Combination

Methodology	Fair Value (QAR)	Valuation Weight	Weighted Fair Value
FCFF Valuation	204.72	40%	QAR 206.53
DDM Valuation	206.20	40%	
Peer Valuation	210.80	20%	

Source: Audi Capital estimates



## PRO FORMA FINANCIALS

Table 11: Consolidated Balance Sheet

(QAR million)	2007	2008	2009 E	2010 E	2011 E	2012 E	2013 E
Property, Plant, & Equipment	9,011	23,480	29,061	32,828	35,672	38,456	41,659
Intangible Assets	27,009	32,671	33,291	31,929	30,644	29,434	28,292
Investments in Associates	2,524	1,874	2,001	2,136	2,281	2,435	2,600
Investments available for sale	2,333	1,917	2,006	2,098	2,196	2,297	2,403
Other Assets	524	1,228	1,480	1,480	1,480	1,480	1,480
<b>Total Long Term Assets</b>	<b>41,402</b>	<b>61,170</b>	<b>67,838</b>	<b>70,471</b>	<b>72,273</b>	<b>74,102</b>	<b>76,435</b>
Inventory	128	272	296	319	335	349	358
Accounts Receivable and Prepayments	2,105	3,862	4,591	4,957	5,194	5,416	5,561
Amounts due from Liquidator	390	-	-	-	-	-	-
Bank Balances & Cash	3,250	7,845	11,813	9,163	8,200	7,153	4,840
<b>Total Current Assets</b>	<b>5,873</b>	<b>11,980</b>	<b>16,700</b>	<b>14,439</b>	<b>13,729</b>	<b>12,918</b>	<b>10,759</b>
<b>Total Assets</b>	<b>47,275</b>	<b>73,150</b>	<b>84,538</b>	<b>84,911</b>	<b>86,002</b>	<b>87,020</b>	<b>87,194</b>
Interest Bearing Loans and Borrowings	20,904	20,155	25,546	22,942	20,124	17,075	13,773
Employee Benefits	191	502	585	621	646	674	698
Deferred Tax Liability	0	1,334	1,511	1,511	1,511	1,511	1,511
Other Non-Current Liabilities	66	3,446	2,287	1,141	1,126	802	771
<b>Total Non-Current Liabilities</b>	<b>21,162</b>	<b>25,437</b>	<b>29,930</b>	<b>26,214</b>	<b>23,408</b>	<b>20,061</b>	<b>16,753</b>
Accounts Payable and Accruals	7,162	9,709	11,540	12,235	12,735	13,279	13,765
Current Account with State of Qatar	1,135	1,906	2,530	2,644	2,688	2,865	2,892
Deferred Income	359	747	872	911	926	987	997
Interest Bearing Loans and Borrowings	721	7,820	8,890	8,104	8,317	8,749	8,802
Income Tax Payable	220	592	567	593	602	642	648
<b>Total Current Liabilities</b>	<b>9,596</b>	<b>20,774</b>	<b>24,398</b>	<b>24,486</b>	<b>25,268</b>	<b>26,523</b>	<b>27,105</b>
<b>Total Liabilities</b>	<b>30,758</b>	<b>46,212</b>	<b>54,328</b>	<b>50,701</b>	<b>48,676</b>	<b>46,584</b>	<b>43,858</b>
Share Capital	1,000	1,467	1,467	1,467	1,467	1,467	1,467
Legal Reserve	1,000	6,494	6,494	6,494	6,494	6,494	6,494
Fair Value Reserve	601	-459	0	462	559	661	767
Translation Reserve	744	-364	664	664	664	664	664
Retained Earnings	3,555	5,562	7,095	8,714	10,238	11,755	13,157
<b>Total Common Shareholders' Equity</b>	<b>6,900</b>	<b>12,700</b>	<b>15,720</b>	<b>17,801</b>	<b>19,422</b>	<b>21,041</b>	<b>22,549</b>
Minority Interest	9,617	14,238	14,491	16,409	17,904	19,396	20,787
<b>Total Shareholders' Equity</b>	<b>16,517</b>	<b>26,938</b>	<b>30,210</b>	<b>34,210</b>	<b>37,326</b>	<b>40,436</b>	<b>43,336</b>
<b>Total Liabilities &amp; Equity</b>	<b>47,275</b>	<b>73,150</b>	<b>84,538</b>	<b>84,911</b>	<b>86,002</b>	<b>87,020</b>	<b>87,194</b>

Sources: Company data, Audi Capital estimates


**Table 12: Consolidated Income Statement**

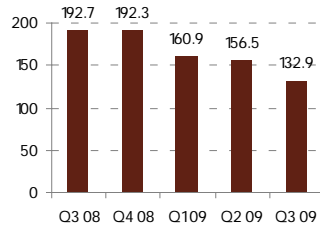
(QAR million)	2007	2008	2009 E	2010 E	2011 E	2012 E	2013 E
<i>Revenues</i>							
Qtel Qatar	4,477	5,477	5,842	6,153	6,380	6,676	6,925
Nawras			1,514	1,586	1,688	1,775	1,813
Wataniya			5,846	6,292	6,522	6,663	6,793
Iraq Asiacell			4,031	4,850	5,280	5,692	5,892
Indosat			6,018	6,245	6,459	6,646	6,763
Other			452	465	487	508	522
<b>Total Revenues</b>	<b>10,543</b>	<b>20,319</b>	<b>23,703</b>	<b>25,590</b>	<b>26,816</b>	<b>27,959</b>	<b>28,708</b>
Other Income	171	541	1,637	1,040	535	403	294
General and Administrative Expenses	(2,690)	(5,256)	(7,109)	(7,297)	(7,294)	(7,250)	(7,218)
Other Operating Expenses	(2,928)	(5,429)	(5,892)	(6,142)	(6,436)	(6,850)	(7,091)
Royalties and Fees	(608)	(826)	(499)	(530)	(559)	(594)	(625)
Share of Results of Associates	92	(51)	19	28	42	62	92
<b>Calculated EBITDA</b>	<b>4,581</b>	<b>9,298</b>	<b>11,860</b>	<b>12,691</b>	<b>13,103</b>	<b>13,730</b>	<b>14,161</b>
Calculated EBITDA Margins	43.45%	45.76%	50.03%	49.59%	48.86%	49.11%	49.33%
<b>Reported EBITDA</b>	<b>5,172</b>	<b>9,825</b>	<b>11,324</b>	<b>12,117</b>	<b>12,511</b>	<b>13,109</b>	<b>13,521</b>
Reported EBITDA Margins	49.06%	48.35%	47.77%	47.35%	46.65%	46.89%	47.10%
Depreciation and Amortization	(1,845)	(4,022)	(4,978)	(5,623)	(6,111)	(6,587)	(7,136)
<b>Operating Profit</b>	<b>2,736</b>	<b>5,276</b>	<b>6,882</b>	<b>7,067</b>	<b>6,993</b>	<b>7,143</b>	<b>7,025</b>
(Loss) Gain on Foreign currency exchange	30	(444)	460	-	-	-	-
(Loss) Profit on disposal of available-for-sale investments	51	(6)	-	-	-	-	-
Impairment Loss on available-for-sale Investments and on Intangibles	-	(131)	(479)	-	-	-	-
Finance Costs	(994)	(1,596)	(1,985)	(1,928)	(1,744)	(1,564)	(1,383)
<b>Profit Before Tax (PBT)</b>	<b>1,824</b>	<b>3,099</b>	<b>4,879</b>	<b>5,139</b>	<b>5,249</b>	<b>5,579</b>	<b>5,642</b>
Income Tax	54	(256)	(604)	(672)	(708)	(737)	(755)
<b>Net Profit for the Period</b>	<b>1,878</b>	<b>2,842</b>	<b>4,274</b>	<b>4,467</b>	<b>4,541</b>	<b>4,841</b>	<b>4,887</b>
Non-controlling Interests	204	565	1,252	1,308	1,330	1,418	1,431
<b>Common Earnings</b>	<b>1,674</b>	<b>2,277</b>	<b>3,022</b>	<b>3,159</b>	<b>3,211</b>	<b>3,423</b>	<b>3,456</b>
Earnings per Share (QAR)	14.64	17.46	20.61	21.54	21.89	23.34	23.56
Dividends per Share (QAR)	2.00	10.00	10.50	11.50	13.00	14.00	15.00

Sources: Company data, Audi Capital estimates

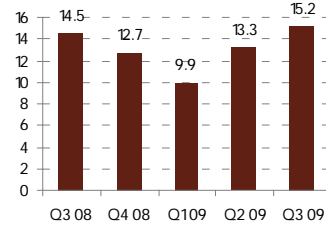


## APPENDIX A: HISTORICAL ARPU VALUES ACROSS SUBSIDIARIES (QAR)

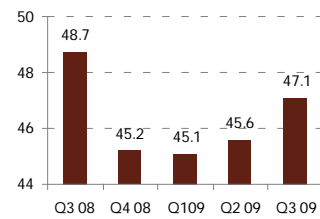
**Chart 28: Qtel – Qatar**



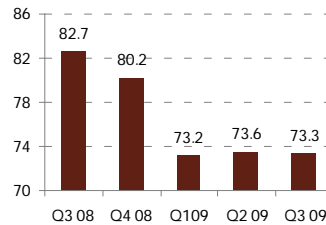
**Chart 29: Indosat - Indonesia**



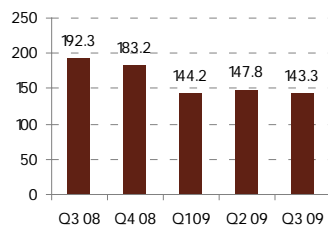
**Chart 30: Asiacell – Iraq**



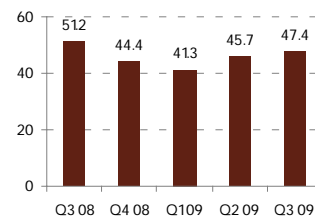
**Chart 31: Nawras - Oman**



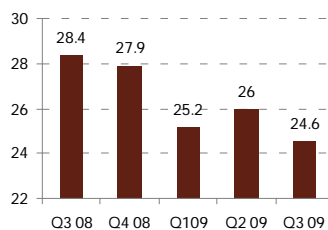
**Chart 32: Wataniya – Kuwait**



**Chart 33: Tunisiانا - Tunisia**



**Chart 34: Nedjma – Algeria**

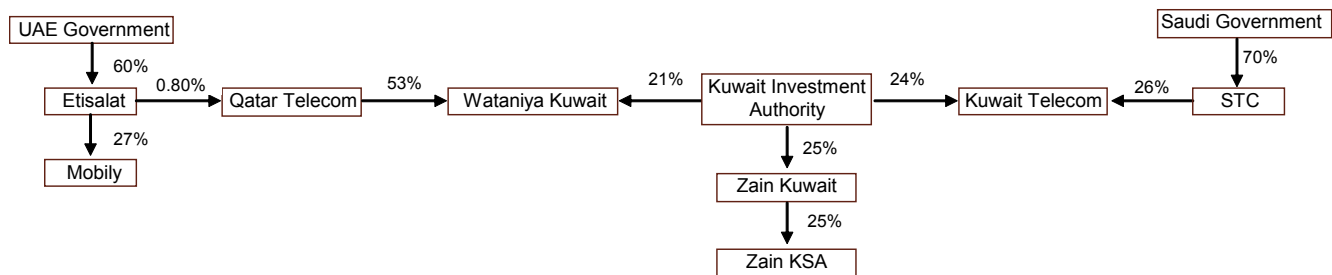


Source: Company Q3 09 Presentation



## APPENDIX B: OWNERSHIP STRUCTURE OF REGIONAL TELECOM PLAYERS

Figure 3: Ownership Structure





## FAIR VALUE DEFINITION

It is an unbiased estimate of the 12-month potential market price of the stock

## RECOMMENDATION GUIDE



**BUY:** Upside potential in share price is more than 30%

**ACCUMULATE:** Upside potential in share price is between 10 and 30%

**HOLD:** Upside or downside potential in share price less than 10%

**REDUCE:** Downside potential in share price is between 10 and 30%

**SELL:** Downside potential in share price is more than 30%

## ADDRESS

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