

OTMT: Valuation check – HOLD

FLASH NOTE • Egypt/Telecom • 23 January 2012



OTMT	
Recommendation	HOLD
Market price (EGP)	0.9
Target price range (EGP)	1.1
Upside potential (%)	22%
Free float (%)	48.3%
Market cap. (EGPm)	4,721
Market cap. (USDm)	780
Shares outstanding (m)	5,246
Reuters code	OTMT.CA
Bloomberg code	OTMT EY

Day two onwards

OTMT's shares sank 28% on their first day of trade as the price adjusted from the book-value based split from OTH to a "market" level. OTMT shares hit a low of EGP0.75/share during the session and closed at EGP0.9/share.

OTMT is essentially a proxy for Mobinil shares, as c. 70% of its fair value arises from this source. OTMT has 36.44% stake in Mobinil.

Brief of the OTMT valuations:

- ▶ NAEEM's fair value - EGP1.1/share
- ▶ Possible Weather tender offer - EGP1.22/share (NAEEM estimate)
- ▶ Based on Mobinil's share price - EGP0.89/share (yesterday close at 0.90/share)

For existing holders we recommend a HOLD on OTMT shares with fair value of USD0.9/GDR (EGP1.1/share) awaiting Weather's planned buy-back offer. For new entrants (or arbitragers) we recommend entry into OTMT at 15% discount to Implied Mobinil price at EGP0.76/share.

EMOB	
Recommendation	BUY
Market price (EGP)	79.5
Target price range (EGP)	114.7
Upside potential (%)	44%
Free float (%)	29%
Market cap. (EGPm)	7,951
Market cap. (USDm)	1,313
Shares outstanding (m)	100
Reuters code	EMOB.CA
Bloomberg code	EMOB EY



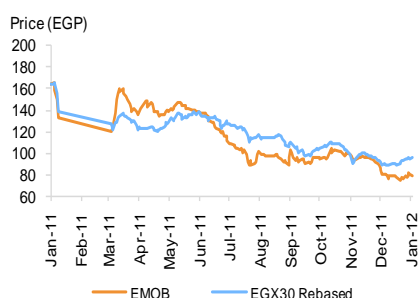
Weather plans to take OTMT private:

According to Weather Investments II (a Sawiris family investment vehicle that became a 51.7% majority owner of OTMT), it will launch a tender offer for the OTMT minorities' shares. OTMT shareholders will be offered a combination of cash plus shares in Mobinil.

Until the tender offer is made, we will not know the exact mix of cash and Mobinil shares. For now, we have assumed that the ratio will be close to '1 Mobinil share for 151 shares in OTMT and EGP0.6/per OTMT share in cash' (the ballpark numbers intimated by Weather at the time of the VIP-WIND merger). Based on Mobinil's average last six months' trading price of EGP93/share, this combination indicates that the tender offer for OTMT shares could be priced in the region of EGP1.22/share, a (8%) premium to our fair value EGP1.1/share, and indicating a 37% potential upside from OTMT's closing price yesterday.

Assuming the tender offer comes in roughly as noted above, we recommend that OTMT shareholders accept the offer. This would give them cash immediately, while offering upside potential from the impact of the exercise of the Sawiris put option over their Mobinil shares. This is preferable to ending up as small minority holders in a very illiquid stock.

EMOB vs. EGX30 Rebased



Source: Bloomberg, NAEEM Research
Closing price as of 22 January 2011

Figure 1: OTMT – SOTP valuation

	EV	OTMT stake	Value to OTMT
Mobinil (NAEEM fair value)	1,894	34.66%	657
Koryolink	307	75.00%	230
Others	85	100.00%	85
Total			972
OTMT (USD/GDR)			0.91
OTMT (EGP/share)			1.1

Source: Company data, NAEEM Research

Ahmed Adel

+202 3300 5100 Ext. 2203

ahmed.adel@naeemholding.com

OTMT trigger prices

Based on yesterday's closing price for Mobinil of EGP80/share (14% below the average last-six-month price of EGP93/share), and assuming OTMT's other assets are fairly valued, Mobinil's last price indicates an OTMT price of EGP0.89/share (EGP0.01 below OTMT's closing price of EGP0.90/share). If we apply a 15% discount to this, it gives EGP0.76/share, a price which, in our view, new investors should buy into OTMT, or Mobinil shareholders should switch to OTMT. The following ready-reckoner table shows a range of recommended entry levels into OTMT based on various Mobinil share prices.

Figure 2: OTMT – Recommended entry prices

Mobinil share price (EGP/share)	70	75	80	85	90	95	100
Implied OTMT value (EGP/share)	0.83	0.86	0.89	0.93	0.96	0.99	1.02
OTMT entry price at 15% discount	0.70	0.73	0.76	0.79	0.81	0.84	0.87

Source: Company data, NAEEM Research

EMOB...When will it come under the influence of the put?

Mobinil continues to face a difficult operating environment. Although 4Q11 results may recover from a seasonally weak and Twitter-incident-impacted 3Q11 results, we see strong competition hampering Mobinil's strategy of focusing on customer profitability rather than additions. In 3Q11, Mobinil was forced to sacrifice its ARPU and margins to defend market share (down 4.3pps YoY by end-September). We expect further market share loss in early 2012 and ARPU to remain pressured.

Despite this gloomy backdrop, investors should recognize the potential influence that the Sawiris put option should have on Mobinil's shares in 2012. Now that the OTH/OTMT demerger is done, the scene is set for Mobinil's share price to arbitrage towards the put strike price of EGP239.6/share on the first exercise date (15 September 2012).

We acknowledge that even if the put is in the money at the exercise date, there is no guarantee that the Sawiris family would exercise the option. Nevertheless, as we move further into 2012, we believe the looming exercise date should still positively influence Mobinil's share price. The exercise of the put (according to EFSA rules) would trigger a mandatory tender offer by France Telecom at the exercise price. With Mobinil shares price currently trading around only EGP80/share, there is significant potential upside.

We believe that the arbitrage should gather momentum around April. 2011's weak full-year results are expected in February 2012, this could be a further drag short term. However, 1Q12 results (expected in April 2012) will benefit from the base-year effect showing a material increase YoY from the revolution impacted 1Q11.

Therefore, by April Mobinil shares should benefit from: a) optically better 1Q12 results, due to base year effect, b) an improving political situation with signs that Egypt will be able to hold a Presidential election in June as scheduled, and c) the looming put option exercise date

Recommend re-entry post 1Q12 results. We conclude that the poor near-term operating environment is discounted and that Mobinil shares are oversold. Nevertheless, we believe that investors should time a re-entry immediately post 1Q12 results.

Disclosure Appendix

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Rating	Upside/Downside potential	Rating distribution as of 23 January 2012
BUY	>20%	65%
ACCUMULATE	>10% to 20%	23%
HOLD	+10% to -10%	12%
REDUCE	<-10% to -20%	0%
SELL	< -20%	0%

Research Contacts

Mike Millar, CA	Regional Head of Research	+202 3300 5100 ext. 2215	mike.millar@naeemholding.com
May El Hagggar	Deputy Head of Research	+202 3300 5100 ext. 2220	may.elhagggar@naeemholding.com
Hisham Halaldeen	Sales Research	+202 3300 5100 ext. 2221	hisham.halaldeen@naeemholding.com

Sales and Trading Contacts

Sherine Ezzat	Regional Director, MENA Trading, Foreign Markets & GDRs	+202 33042263	sherine.ezzat@naeemholding.com
Teymour El Derini	Director of MENA Sales & Trading	+202 33005107	teymour.elderini@naeemholding.com
Tarek Abaza	Head of Trading Desk - Egypt	+202 33037766/677	tarek.abaza@naeemholding.com
Mohamed Shoula	Head of Trading Desk - UAE	+971 43824778	mohamed.shoula@naeemholding.com
