

January 22, 2012

VODAFONE QATAR (VFQS.QA)

12-Month Fair Value: QAR 8.47

Recommendation: Accumulate – Risk Rating: 4

Last Close (19 January 2012): QAR 7.52

- **Vodafone Qatar (VQ) results in-line with expectations.** VQ's 3Q2012 (fiscal year ends March) revenues grew by 18% year-over-year (YoY) to QAR 316 million (1% below our forecast and 2% above consensus estimates). EBITDA came in at QAR 37 million (versus QAR 1 million in 3Q2011), 3% above our forecast and consensus estimates. As a result, EBITDA margin for the quarter increased to 11.7% versus 0.4% in 3Q2011. Net loss declined by 15% YoY to QAR 122 million.
- **Revenue growth supported by mobile subscriber growth.** The mobile subscriber base grew by 12% YoY; however, adjusted 9M2012 ARPU remained stable YoY at QAR 113 (due to adjustment to the total subscriber base following a technical systems upgrade). The operator has been working on improving coverage and quality of its mobile and data network. However, the company maintains its immediate focus on improving outdoor and indoor network coverage and increasing data download speeds. The company is also preparing for the launch of postpaid services (expected by the middle of 2012) and expects to venture into the corporate segment around the same time. Management also expects mobile number portability (MNP) in Qatar around the middle of 2012.
- **Fixed-line plans on track with license obligations.** The company's fixed-line roll-out plans are progressing as planned and VQ hopes to have nation-wide access via QNBN's fixed-line infrastructure towards the end of 2012.
- **CAPEX geared towards mobile network expansion.** VQ's 9M2012 CAPEX grew by 8% YoY to QAR 253 million (28% of revenues), 76% of which relates to CAPEX for the mobile segment. FY2012 CAPEX guidance stands at QAR 396 million (similar to our forecast for the year).
- **Positive on 3Q2012 performance, near term developments critical to growth profile, and valuation maintained.** We view positively the company's performance during 3Q2012, and will be closely monitoring the progress of the company with regards to the launch of postpaid, corporate, and fixed-line services in the near future. Given that the results are in-line with our expectations we maintain our valuation on the stock at QAR 8.47 per share (13% upside) and our "Accumulate" recommendation.

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Related Research

- Analyst Comment - 03 November 2011
- Telecom Strategy Report - 02 October 2011

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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