

April 25, 2010

## WATANIYA TELECOM (NMTK.KW)

**12-Month Fair Value: KD 2.240**

**Last Close (25 April, 2010): KD 1.680**

**Recommendation: Buy - Risk Level: 4**

- Wataniya Telecom's revenue reached KD 125.9 million, a growth of around 13% YoY and 2% higher than our forecast. This growth is due to better performance in Kuwait, Algeria and Tunisia.
- Consolidated EBITDA increased by 8% YoY and expanded to KD 46.6 million which translates into an EBITDA margin of 37%. As for net profit, it increased by 6% YoY and reached KD 16.2 million.
- In Kuwait, Wataniya was able to maintain its market share position as the competitive environment was more reasonable. According to management, the company is still witnessing strong data revenue growth due to new products and services introduction as well as the growth seen in Blackberry and smart-phones. Revenue from the Kuwaiti operation increased by 6% YoY and contributed to 42% of total revenue. As for EBITDA, the company changed the methodology of reporting EBITDA:  
a- Monthly license fees as been reclassified as OPEX, previously this cost was below EBITDA line. b- The company consolidated the results of fono (Wataniya telecom acquired 100% of fono, a mobile retail chain, last year). c- New bad debt reserve methodology adopted, reserve was increased by KD 0.8 million in 1Q2010, Wataniya is being more prudent as the number of postpaid subscribers is increasing. These changes depressed EBITDA and reduced the EBITDA margin by around 3%.
- In Algeria, Wataniya is still benefiting from the "window of opportunity" related to the Orascom Telecom debacle that started in 4Q2009: revenue and EBITDA grew by 15% and 30% YoY respectively during 1Q2010. The company is still focusing on higher-end mobile subscribers and the youth segment.
- We view this set of results as positive. We maintain our "Buy" recommendation with a 12-month target value of KD 2.240 per share. Our fair value target is 33% above Wataniya's latest market price of KD 1.680.

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### Related Research

- Wataniya Update - 31 March 2010

**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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