

October 25, 2009

WATANIYA TELECOM (NMTC.KW)

- Wataniya announced its results for 3Q2009, which came in line with our expectations. Total revenue for 3Q2009 decreased by 5% YoY and reached KD 119 million; this was in line with our forecast of KD 119.6 million. Revenue from the Kuwaiti operation dropped by 16%, and contributed to 41% of total revenue versus 46% in 3Q2008. This was mainly due to the cancellation of the called party pays fee that occurred at the end of December 2008. As for 9M2009 results, total revenue decreased by just 1% YoY.
- At the end of September 2009, total active subscribers reached 12.5 million, a growth of 17% compared to the same period last year. Both the Algerian and Tunisian operations were the main contributors to total subscribers; 47.5% and 38% respectively.
- Consolidated EBITDA declined by 6% in 3Q2009 to KD 49.4 million (5% lower than our forecast) which translates into an EBITDA margin of 41.5%. This decline is mainly due to the slowdown in the Kuwaiti operation. The EBITDA of Kuwait, which constitutes around 44% of the group EBITDA, dropped by 22% in 3Q2009 compared to the same period last year. As for 9M2009 results, consolidated EBITDA decreased by 5% YoY and reached KD 142 million.
- Net profit decreased to KD 18.5 million during 3Q2009 compared to KD 25.6 million in 3Q2008 due to decrease in other operating income. As for 9M2009, net profit increased by 43% due to the cancellation of the Kuwaiti MOC license charges after Wataniya won a court ruling against the ministry in June 2009.
- Our estimate of Wataniya Telecom's fair value per share stands at KD 2.240, 45% above the share's closing price of KD 1.540 on October 22, 2009 — hence, our “Buy” recommendation.

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