

July 07, 2009

WATANIYA TELECOM (NMTK.KW)

- Wataniya Telecom CEO Scott Gegenheimer has stated that the company has one acquisition in the pipeline and is considering others as its main shareholder Qatar Telecom continues to pursue growth outside its home market. The CEO also stated that although the prevailing cheap prices in the market present a good opportunity for buyers, sellers are reluctant because prices are too low.
- A possible acquisition will not come as a surprise to us; as mentioned in our Initiation of Coverage on Wataniya Telecom dated July 2nd 2009, we believe that the company has the capacity to do so, considering its strong balance sheet and relatively low level of debt (at the end of 1Q2009, net debt/equity ratio stood at 0.05x).
- In addition, in June 2009, Wataniya Telecom won a court ruling against the Ministry of Communication in Kuwait. Hence, the company will reverse its provisions of KD 58.4 million in 2Q2009. We forecast that the company might distribute this amount, or part of it, as special dividends for shareholders. However, in light of this announcement by the CEO, there is a possibility that the company may use/keep this amount to pursue its acquisition plan, as opposed to paying its shareholders special dividends.

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