

August 09, 2009

OMANTEL (OTL.OM)

- Omantel's total revenue reached OMR 99.7 million for 2Q2009, a decline of 3% over 2Q2008 results. This was slightly below our forecast of OMR 104 million (4% difference).
- At the end of 2Q2009, mobile revenue, which accounts for 56% of total revenue, declined by 6% YoY. During the same period, fixed-line revenue grew by 7% YoY and 10% QoQ, while wholesale revenue witnessed a decline of 3% YoY and 4% QoQ.
- Total mobile subscribers grew by 2% compared to March 2009, and reached around 1.8 million at the end of June 2009. As for fixed-lines, it declined by 2% QoQ, and reached around 281,000 at the end of June 2009.
- During 2Q2009, EBITDA grew by 1% YoY to OMR 55.2 million; this was 6% above our forecasted EBITDA of OMR 51.2 million. At the end of 1H2009, EBITDA margin inched up from 54% at the end of 1H2008 to 55%, versus our forecasted EBITDA margin of 52%. According to management, despite the decline in revenue, the company managed to improve margins due to its cost optimization strategy.
- Omantel's net profit after tax declined by 3% YoY in 2Q009 to reach OMR 35 million; this was in line with our bottom line forecast of OMR 35 million.
- CAPEX in 2Q2009 amounted to OMR 46.6 million. According to management, the company was selective in its CAPEX expenditure, which included roll-out of 3G network and broadband infrastructure.
- Since our latest update on Omantel (7th June, 2009), the stock price has risen by 7% from AED 1.305 to OMR 1.399 (as of August 9th, 2009); Since the stock is currently 28% below our fair value of OMR 1.930, our recommendation on the stock is "Buy."

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