

OMANTEL (OTL.OM)

- Omantel Group announced its 3Q2009 results, where total revenue reached OMR 105.4 million, a decline of around 5% over 3Q2008 results. During this quarter, Omantel consolidated Worldcall Telecom (WTL) after resolving the legal issues that prevented Omantel from attaining effective control over WTL. This brings 9M2009 revenues to OMR 303.9 million, a 1.2% decline compared to the same period last year.
- According to management, the decline in the group's revenue is attributed to three reasons: a) a general slowdown in the economy, b) a major promotion "super off-peak rates" to India, Pakistan and Bangladesh, c) the Omani market witnessed an increase in the illegal usage of VoIP which affected International calls.
- During 3Q2009, revenue from WTL's operation in Pakistan and Sri Lanka accounted for around 8% of total group revenue. As for Omantel's home operation, the company's revenue declined by 12% YoY and 3% QoQ. Since we did not incorporate WTL into our forecasts, we only compared the revenue generated from Omantel's domestic operation, which was 13% below our forecast for 3Q2009.
- Further analysis of Omantel's domestic revenue reveals that at the end of 3Q2009, mobile revenue, which accounts for 58% of total domestic revenue, declined by 9% YoY. During the same period, fixed-line revenue grew by 9% YoY; however, it declined by 3% QoQ. As for wholesale revenue, it witnessed a decline of 35% YoY during 3Q2009 and a decline of 9% QoQ; this decline is mainly due to the lower interconnection rate set by the TRA, as well as an adjustment in the retail agreement with Nawras for using the incumbent's network.
- Total Omantel's subscribers grew by 44% compared to the same period last year, and reached around 2.99 million at the end of September 2009. WTL's subscribers contributed to 26% of the total.
- The group's EBITDA increased by 3% YoY at the end of the third quarter of 2009 to reach OMR 52.8 million. At the end of 9M2009, EBITDA reached OMR 161.8 million, pushing EBITDA margin down from 54% in 9M2008 to 53% in 9M2009. Operating expenses increased by 3.7%, mainly due to the increase in roaming operator expenses, operations & maintenance, marketing & advertising, and depreciation expenses (due to the introduction of 3.5G services).
- Compared to our forecast, EBITDA from the domestic operation during 3Q2009 was 16% below our forecast of OMR 61 million.
- As for net profit, Omantel Group achieved a net profit of OMR 32.8 million at the end of 3Q2009, an increase of 12% YoY. As for Omantel's domestic operation, the company's achieved a net profit of around OMR 33 million during the same period.
- We will be issuing an update on Omantel to incorporate the recent financial performance and to consolidate WTL.

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