

February 16, 2010

## OMANTEL (OTL.OM)

**12-Month Fair Value: OMR 1.930**

**Last Close (15 February, 2010): OMR 1.300**

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

- Omantel Group announced its FY2009 results; total revenue reached OMR 412.3 million, a growth of just 0.2% over FY2008. It is important to note that starting the third quarter of 2009, Omantel fully consolidated Worldcall Telecom (WTL)'s financials after resolving the legal issues that prevented Omantel from attaining effective control over WTL. During 4Q2009, revenue from WTL's operation accounted for around 8% of total group revenue and the group revenue increased by around 4% compared to 4Q2008.
- As for the domestic operation, during 2009 revenue declined by 4% compared to 2008. Since we did not incorporate WTL into our forecast, we only compared the revenue generated from Omantel's domestic operation, which was 3% below our forecast for FY2009.
- Looking at Omantel's revenue by segment, we noticed that revenue from mobile witnessed a decline of 6% during 2009, as for the fixed-line and wholesale, it increased by 14% and 4%, respectively.
- According to management, the decline in revenue is attributed mainly to: a) slowdown in economic activities, b) changes in consumer behavior due to the slowdown in the economy, c) the Omani market witnessed an increase in the illegal usage of VOIP which affected International calls, d) the entry of mobile resellers increased further competition levels, e) discount on international calls to the Indian subcontinent.
- Total Omantel's subscribers reached 3.05 million with WTL's subscribers accounting for 26%.
- The group EBITDA did not witness any growth during 2009 and reached OMR 212.6 million. The EBITDA margin remained at 52%. According to management, the increase in OPEX is mainly due to the consolidation of WTL's financials, and an increase in depreciation expenses (due to the introduction of 3.5G services).
- As for the domestic operation, EBITDA declined by around 1.4% in 2009 and reached OMR 209.6 million; 7% below our forecast.
- On the net profit front, Omantel group achieved OMR 125.2 million in 2009, a growth of 5.5% compared to 2008 (according to management, this amount includes a one-off item not disclosed yet).
- CAPEX increased from 11% of sales in 2008 to 25% in 2009 and reached OMR 109.7 million in 2009. According to management, this was mainly for the NGN and 3.5G network. The company is still planning on investing in its network in anticipation of increased competition, especially in the broadband segment.
- We plan on issuing an update on Omantel once we receive the full financial results for 2009. Our fair value (OMR 1.930) is 48% above the latest closing price (OMR 1.300), hence, our recommendation on the stock is a "Buy".

### Diala Hoteit

T. +971 4365 2855

E. diala.hoteit@nbkcapital.com

### Related Research

- Omantel Update - 07 June 2009
- Omantel Update - 20 November 2008

**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

**DISCLAIMER:**

The information, opinions, tools, and materials contained in this report (the "Content") are not addressed to, or intended for publication, distribution to, or use by, any individual or legal entity who is a citizen or resident of or domiciled in any jurisdiction where such distribution, publication, availability, or use would constitute a breach of the laws or regulations of such jurisdiction or that would require Watani Investment Company KSCC ("NBK Capital") or its subsidiaries or its affiliates to obtain licenses, approvals, or permissions from the regulatory bodies or authorities of such jurisdiction. The Content, unless expressly mentioned otherwise, is under copyright to NBK Capital. Neither the Content nor any copy of it may be in any way reproduced, amended, transmitted to, copied, or distributed to any other party without the prior express written consent of NBK Capital. All trademarks, service marks, and logos used in this report are trademarks or service marks or registered trademarks or registered service marks of NBK Capital.

The Content is provided to you for information purposes only and is not to be used, construed, or considered as an offer or the solicitation of an offer to sell or to buy or to subscribe for any investment (including but not limited to securities or other financial instruments). No representation or warranty, express or implied, is given by NBK Capital or any of its respective directors, partners, officers, affiliates, employees, advisors, or representatives that the investment referred to in this report is suitable for you or for any particular investor. Receiving this report shall not mean or be interpreted that NBK Capital will treat you as its customer. If you are in doubt about such investment, we recommend that you consult an independent investment advisor since the investment contained or referred to in this report may not be suitable for you and NBK Capital makes no representation or warranty in this respect.

The Content shall not be considered investment, legal, accounting, or tax advice or a representation that any investment or strategy is suitable or appropriate for your individual circumstances or otherwise constitutes a personal recommendation to you. NBK Capital does not offer advice on the tax consequences of investments, and you are advised to contact an independent tax adviser.

The information and opinions contained in this report have been obtained or derived from sources that NBK Capital believes are reliable without being independently verified as to their accuracy or completeness. NBK Capital believes the information and opinions expressed in this report are accurate and complete; however, NBK Capital gives no representations or warranty, express or implied, as to the accuracy or completeness of the Content. Additional information may be available upon request. NBK Capital accepts no liability for any direct, indirect, or consequential loss arising from the use of the Content. This report is not to be relied upon as a substitution for the exercise of independent judgment. In addition, NBK Capital may have issued, and may in the future issue, other reports that are inconsistent with and reach different conclusions from the information presented in this report. Those reports reflect the different assumptions, views, and analytical methods of the analysts who prepared the reports, and NBK Capital is under no obligation to ensure that such other reports are brought to your attention. NBK Capital may be involved in many businesses that relate to companies mentioned in this report and may engage with them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions, and estimates contained in this report reflect a judgment at the report's original date of publication by NBK Capital and are subject to change without notice.

The value of any investment or income may fall as well as rise, and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price, or income of that investment. In the case of investments for which there is no recognized market, it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

NBK Capital has not reviewed the addresses of, the hyperlinks to, or the websites referred to in the report and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to NBK Capital's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such websites or following such links through this report or NBK Capital's website shall be at your own risk.

**© COPYRIGHT NOTICE**

This is a publication of NBK Capital. No part of this publication may be reproduced or duplicated without the prior consent of NBK Capital.

**NBK CAPITAL****Kuwait****Head Office**

38th Floor, Arraya II  
Al Shuhada Street, Block 6, Sharq  
P.O.Box 4950, Safat 13050  
Kuwait  
T. +965 2224 6900  
F. +965 2224 6905

**MENA Research**

35th Floor, Arraya II  
Al Shuhada Street, Block 6, Sharq  
P.O.Box 4950, Safat 13050, Kuwait  
T. +965 2224 6663  
F. +965 2224 6905  
E. menaresearch@nbkcapital.com.kw

**Brokerage**

37th Floor, Arraya II  
Al Shuhada Street, Block 6, Sharq  
P.O.Box 4950, Safat 13050, Kuwait  
T. +965 2224 6964  
F. +965 2224 6978  
E. brokerage@nbkcapital.com

**United Arab Emirates****NBK Capital Limited**

Precinct Building 3, Office 404  
Dubai International Financial Center  
P.O.Box 506506  
Dubai, UAE  
T. +971 4 365 2800  
F. +971 4 365 2805

**Turkey****NBK Capital**

Arastima ve Musavirlik AS,  
Sun Plaza, 30th Floor,  
Dereboyu Sk. No.24  
Maslak 34398, Istanbul, Turkey  
T. +90 212 276 5400  
F. +90 212 276 5401

**NATIONAL BANK OF KUWAIT****Kuwait****National Bank of Kuwait SAK**

Abdullah Al-Ahmed Street  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
T. +965 2242 2011  
F. +965 2243 1888  
Telex: 22043-22451 NATBANK

**Jordan****National Bank of Kuwait SAK**

**Head Office**  
Al Hajj Mohd Abdul Rahim Street  
Hijazi Plaza, Building # 70  
P.O.Box 941297,  
Amman -11194, Jordan  
T. +962 6 580 0400  
F. +962 6 580 0441

**United States of America****National Bank of Kuwait SAK**

**New York Branch**  
299 Park Avenue, 17th Floor  
New York, NY 10171, USA  
T. +1 212 303 9800  
F. +1 212 319 8269

**United Kingdom****National Bank of Kuwait (Intl.) Plc**

**Head Office**  
13 George Street,  
London W1U 3QJ, UK  
T. +44 20 7224 2277  
F. +44 20 7224 2101

**NBK Investment Management Limited**

13 George Street  
London W1U 3QJ, UK  
T. +44 20 7224 2288  
F. +44 20 7224 2102

**France****National Bank of Kuwait (Intl.) Plc**

**Paris Branch**  
90 Avenue des Champs-Elysees  
75008 Paris, France  
T. +33 1 5659 8600  
F. +33 1 5659 8623

**Singapore****National Bank of Kuwait SAK**

**Singapore Branch**  
9 Raffles Place #51-01/02  
Republic Plaza, Singapore 048619  
T. +65 6222 5348  
F. +65 6224 5438

**Vietnam****National Bank of Kuwait SAK**

**Vietnam Representative Office**  
Room 2006, Sun Wah Tower  
115 Nguyen Hue Blvd, District 1  
Ho Chi Minh City, Vietnam  
T. +84 8 3827 8008  
F. +84 8 3827 8009

**China****National Bank of Kuwait SAK**

**Shanghai Representative Office**  
Suite 1003, 10th Floor,  
Azia Center, 1233 Lujiazui Ring Rd.  
Shanghai 200120, China  
T. +86 21 6888 1092  
F. +86 21 5047 1011

**ASSOCIATES****Qatar****International Bank of Qatar (QSC)**

Suhaim bin Hamad Street  
P.O.Box 2001  
Doha, Qatar  
T. +974 447 3700  
F. +974 447 3710

**Turkey****Turkish Bank**

**Head Office**  
Valikonagl Avenue No. 1  
P.O.Box 34371 Nisantasi,  
Istanbul, Turkey  
T. +90 212 373 6373  
F. +90 212 225 0353

**INTERNATIONAL NETWORK****Bahrain****National Bank of Kuwait SAK**

**Bahrain Branch**  
Seef Tower, Al-Seef District  
P.O. Box 5290, Manama, Bahrain  
T. +973 17 583 333  
F. +973 17 587 111

**Saudi Arabia****National Bank of Kuwait SAK**

**Jeddah Branch**  
Al-Andalus Street, Red Sea Plaza  
P.O. Box 15385  
Jeddah 21444, Saudi Arabia  
T. +966 2 653 8600  
F. +966 2 653 8653

**United Arab Emirates****National Bank of Kuwait SAK**

**Dubai Branch**  
Sheikh Rashed Road, Port Saeed  
Area, ACICO Business Park  
P.O. Box 88867, Dubai  
United Arab Emirates  
T. +971 4 2929 222  
F. +971 4 2943 337

**Lebanon****National Bank of Kuwait**

**(Lebanon) SAL**  
Sanayeh Head Office  
BAC Building, Justinian Street  
P.O. Box 11-5727, Riyad El Solh  
1107 2200 Beirut, Lebanon  
T. +961 1 759 700  
F. +961 1 747 866

**Iraq****Credit Bank of Iraq**

Street 9, Building 187  
Sadoon Street, District 102  
P.O.Box 3420, Baghdad, Iraq  
T. +964 1 7182198/7191944  
+964 1 7188406/7171673  
F. +964 1 7170156

**Egypt****Al Watany Bank of Egypt**

13 Al Themar Street  
Gameat Al Dowal AlArabia  
Fouad Mohie El Din Square  
Mohandessin, Giza, Egypt  
T. +202 333 888 16/17  
F. +202 333 79302