

January 20, 2010

## QATAR TELECOM (QTEL.QA)

- In line with its flagship status in Qatar, Qtel held its first Analyst day which was not only re-assuring ahead of the full year results but was an opportunity to show off the quality and depth of management. Qtel's senior executive team presented the company's corporate and operational strategies.
- "Vision 2020" was reconfirmed and management acknowledged that it can only be fully achieved through an acquisition(s). This brought up the funding issue, which management confirmed that it was one of their top priorities along with share liquidity. Qtel reiterated the full support of the government of Qatar towards the company.
- Qtel's main focus areas are Indonesia, data growth in fully penetrated markets, basic services growth in underpenetrated markets, and cost efficiencies.
- Management stressed that group CAPEX as a percentage of total revenue should drop beyond 2010, which is in line with our expectations. This assumption could be at risk if the company decides to expand outside the Java region in Indonesia.
- The first major re-financing needs start towards the end of 2011 with QAR 7.3 billion maturing and a further QAR 10.9 billion maturing in 2012.
- Qtel's main strategy in Qatar is to grow through broadband, entertainment and managed services, to be lean through cost cutting and building on customer loyalty by continuing to provide quality services. Qtel confirmed ARPUs are coming under pressure but expects value protection should kick-in in 2010.
- For the Indonesian operation, Qtel's management stressed that 2010 will be a very important year. Indosat's new management and the new partnership are expected to add value to the Indonesian operation.
- Asiacell in Iraq is recognized as a local player which is helping the operation to grow further. Ring tones and value added services are boosting ARPU level upward. With the lack of 3G licenses in Iraq, Asiacell will introduce new services based on EDGE technology.
- Qtel's management is expecting a telecom regulator in Kuwait during 2H2010. The main focus in Kuwait will be on value added services, data and high end customers.
- In Oman, Nawras is expecting to launch its fixed-line services in 1H2010, the main focus will be on WIMAX and broadband services. The company is expanding its backbone across the country to reach out to key customers and to reduce cost. License required IPO is on track for 2010.
- Qtel benefited from sponsoring the football team in Algeria and the woes that its main rival faced in Q4 2009.

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### Related Research

- Initiation of Coverage - 15 October 2009

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