

October 25, 2009

QATAR TELECOM (QTEL@BI)

- Qtel's total revenue for 3Q2009 decreased by 4% YoY to QAR 5.9 billion; this was 9% lower than our forecast of QAR 6.5 billion. Revenue from the Indonesian operation dropped by 14%, and contributed to 28% of total revenue versus 31% in 3Q2008. Revenue from both the Algerian and Tunisian operations was affected by foreign exchange. Also, revenue from the Kuwaiti operation dropped by 21%, and contributed to 10% of total revenue versus 13% in 3Q2008. This was mainly due to the cancellation of the called party pays fee that occurred at the end of December 2008.
- As for 9M2009, total revenue increased by 22% YoY following the full consolidation of Indosat and the revenue increase of the Iraqi and Omani operations by 40% and 21%, respectively.
- During 9M2009, Qatar and Indonesia had a similar percentage of contribution to total revenue, and combined, these operations contributed to 51%, followed by Iraq and Kuwait, which contributed to around 16% and 11%, respectively.
- At the end of September 2009, total proportional subscribers reached 29.5 million, a growth of 28% compared to the same period last year. As per Qtel's management, the company continues to focus on revenue market share rather than subscriber market share.
- Consolidated Adj. EBITDA declined by 4% in 3Q2009 to QAR 2.827 billion (16% lower than our forecast) which translates into an EBITDA margin of 47.6%. As for 9M2009 results, consolidated Adj. EBITDA increased by 19% YoY and reached QAR 8.325 billion (6% lower than our forecast).
- Net profit increased by 9% YoY and reached to QAR 711 million during 3Q2009. As for 9M2009, net profit increased by 28% due to full consolidation of Indosat.
- Despite that Qtel results came in below our expectations this quarter we still feel that the 4th quarter results will boost FY2009 results. Therefore, we maintain Qtel's fair value per share at QAR 180, 19% above the share's closing price of QAR 151 on October 22, 2009 — hence, our "Accumulate" recommendation.

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