

March 10, 2010

WATANIYA TELECOM (NMTC.KW)

12-Month Fair Value: KD 2.240

Last Close (9 March, 2010): KD 1.600

Recommendation: Buy - Risk Level: 4

- The financial results posted by Wataniya Telecom for FY2009 were in line with our expectations. The company achieved revenue of KD 475.5 million, compared to our forecast of KD 480.5 million. The small decline in revenue (0.1%) is due mainly to increased competition in Kuwait.
- Revenue from the Kuwait operation dropped by 11%, and contributed to 42% of total revenue for FY2009 versus a 48% in FY2008. This is mainly due to the cancellation of the called party pays charge that occurred at the end of December 2008.
- As for Wataniya's operation in Tunisia, Wataniya is focusing on defending its market position ahead of the entry of the third operator. According to management, Wataniya's market share increased from 51% in 2008 to 53% in 2009. Total revenue for FY2009 increased by 3% compared to FY2008.
- In Algeria, the strategy of the company to sponsor the Algerian football team paid off. Wataniya's market share increased from 21% in 2008 to 29% in 2009. Total revenue increased by 8% YoY and reached KD 141 million.
- At the end of 2009, total active subscribers reached 15.2 million, a growth of 39% YoY.
- Consolidated EBITDA declined by 5% YoY and reached KD 190.2 million (3% lower than our forecast) which translates into an EBITDA margin of 40%. As said earlier, the decline is mainly due to the slowdown in the Kuwaiti operation. The EBITDA (in KD) of Kuwait for FY2009 dropped by 21% YoY and constituted 50% of group EBITDA versus 60% in FY2008.
- Net profit increased by 31% YoY and reached KD 108.3 million, mainly due to the cancellation of the Kuwaiti MOC license charges after Wataniya won a court ruling against the ministry in June 2009.
- We will be issuing an update on Wataniya to incorporate the latest financial performance. We maintain our "Buy" recommendation with a 12-month target value of KD 2.240 per share. Our fair value target is 40% above Wataniya's latest market price of KD 1.600.

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Related Research

- Wataniya Analyst Comment - 25 October 2009
- Wataniya Analyst Comment - 15 October 2009
- Wataniya Analyst Comment - 18 Aug. 2009
- Wataniya Analyst Comment - 07 July 2009
- Wataniya Initiation of Coverage - 02 July 2009

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

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