



Results Review

Wataniya

Rating: Market Perform

Wataniya Q3 2009 Results

- Wataniya reported net profits of KWD 18.5mn (-71% qoq, -27.7% yoy) for 3Q 2009. Q2 2009 results were boosted by KWD 49.9mn relating to the reversal of earlier provisions impacting EBITDA and net income. Excluding this item net income was +36% qoq and underlying EBITDA was -9.9% qoq.
- Revenues were KWD 118.9mn (-2.0% qoq, -5.1% yoy). The decline in qoq group revenue is mainly due to a decline in revenues (-6.2% qoq) and prepaid ARPUs (-12% qoq) in Kuwait despite of Wataniya adding 53,000 subscribers in this key market during the quarter. Management believes Q3 2009 Kuwaiti revenue was seasonally impacted by the summer months and Ramadan. This was offset to a certain degree by strong revenue growth in Tunisia (+12% qoq).
- EBITDA was 47.4mn (-53.7% qoq, -10.2% yoy) with an EBITDA margin of 39.9%. For Kuwait the fall in revenue flowed to impact EBITDA. At a group level this decline was offset by improved EBITDA margins in Algeria (37%, +4pp qoq) and Tunisia (56%, +1pp qoq).
- Excluding the reversal of the provision, in terms of EV/EBITDA Wataniya trades at 5.2x 2009 and 5.4x 2010 v a MENA Telco average of 6.9x 2009 and 6.1x 2010. On a PE basis it trades on 9.3x 2009 and 11.9x 2010 v MENA telco average of 13.6x 2009 and 11.3x 2010. These results are weaker on a headline qoq and yoy basis but in line with our FY 2009 projections (accounting for the reversal of the provision in Q2 2009). We maintain our *Market Perform* rating on the stock with a price target of KWD 1.691 giving 9.8% upside to the current price.

Equity Data

Wataniya	
Current Price (KWD)	1.540
Target Price (KWD)	1.691
Upside/downside	9.8%
12 Month Performance	-8.2%
12 Month High (KWD)	2.000
12 Month Low (KWD)	1.200
Market Cap. (KWD bn)	0.77
Div Yield	3.2%
Enterprise Value (KWD bn)	0.860
RIC	NMTC.KW
Bloomberg	NMTC KK



Estimates

Financials	2008A	2009E	2010E	2011E	2012E	2013E
Revenues (KWD mn)	476	462	468	476	485	492
EBITDA (KWD mn)	175	220	163	157	160	162
EBITDA Margin	37%	48%	35%	33%	33%	33%
Net Income (KWD mn)	82	130	68	50	52	54
Net Income Margin	17%	28%	14%	11%	11%	11%
EPS (KWD)	0.164	0.259	0.135	0.100	0.105	0.108
Net Debt/Equity	41.7%	11.6%	7.1%	5.6%	7.1%	7.1%
Interest Cover	6.4	11.2	5.7	4.2	4.1	4.1
Div/Share (KWD)	0.050	0.121	0.133	0.146	0.161	0.177
Div Yield	3.2%	7.9%	8.6%	9.5%	10.5%	11.5%

Estimates

Valuation Multiples	2008A	2009E	2010E	2011E	2012E	2013E
PE	9.4	5.9	11.4	15.4	14.7	14.3
EV/EBITDA	4.9	3.9	5.2	5.6	5.5	5.4
P/BV	2.1	1.5	1.3	1.2	1.1	1.0
BV/Share	0.7	1.0	1.2	1.3	1.4	1.5

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