

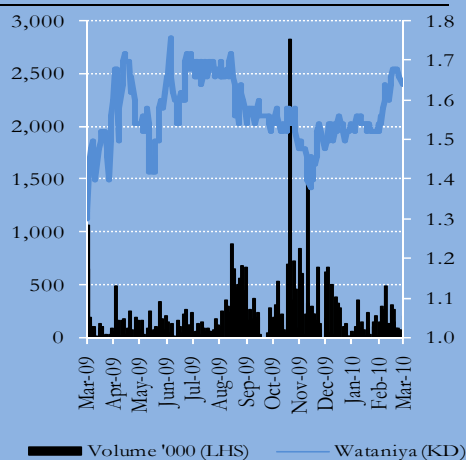
Market Data

Bloomberg:	NMTC KK
Reuters:	NMTC.KW
CMP (03 March 2010):	KD1.58
O/S (mn):	504.0
Market Cap (KD mn):	796.4
Market Cap (US\$ mn):	2,759.4
Price/EPS 2010e (x):	7.3
Price/BV 2010e (x):	1.8

Price Performance 1-Yr

High (KD):	1.76
Low (KD):	1.38
Average Volume (000):	180.7

Share Price Performance



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Wataniya Telecom – 2009 Review

- **Wataniya Telecom** announced its full-year 2009 results. The company's revenues declined by 0.1% from KD476.0mn in 2008 to KD475.5mn in 2009. The company's consolidated EBITDA registered a decline of 5.5% in 2009 to KD190.2mn, resulting into EBITDA margin of 40.0% which declined from 42.3% in 2008.
- It reported a net profit of KD108.3mn, an increase of 31.4% over 2008. This profit growth is mainly attributable to one-off gain from the reversal of provisions of KD49.8mn (net of expenses) as Wataniya won a case against the Ministry of Communications, Kuwait regarding network license fees. EPS for 2009 increased to 216fils from 164fils in 2008. The company's board recommended the distribution of 50fils dividend a share for 2009.

Financial Highlights

(KD mn)	2008	2009	% Change	Q4-2008	Q4-2009	Q3-2009
Sales Revenue	476.0	475.5	-0.1%	120.7	123.8	118.9
EBITDA	201.3	190.2	-5.5%	51.7	48.2	49.4
EBITDA Margin (%)	42.3%	40.0%		42.8%	38.9%	41.5%
Consolidated Net Profit	82.4	108.3	31.4%	8.5	6.9	16.7

Source: Company Results and Global Research

- On Quarter-on-Quarter (Q-o-Q) basis, the group achieved a growth of 4.1% in total revenues while EBITDA and net profit declined by 2.4% and 58.7% respectively, in Q4-2009. On Year-on-Year (Y-o-Y) basis, the group's revenue grew by 2.6% while EBITDA and net profit declined by 6.8% and 18.8%, respectively, in Q4-2009.
- The Y-o-Y growth in total customer base was 38.8%, serving 15.2mn total active customers as of Dec. 31, 2009.

Growth in Group Customers

	2008	2009	% Change
Group Customers (mn)	10.9	15.2	38.8%

Source: Company Results

- In 2009, the company's core operation Kuwait accounted for 42.2% of the group revenue and 50.3% of group EBITDA. Wataniya Kuwait's customer base increased to 1.54mn at the end of Q4 2009, an increase of 17% on Q4 2008. Kuwait operation witnessed a revenue decline of 11.3% to KD200.9mn. EBITDA margin in Kuwait declined from 53.2% in 2008 to 47.7% in 2009. On the back of declining revenue and margins, EBITDA declined by 20.6% to KD95.7mn from KD120.5mn reported in 2008.

- In Kuwait, ARPU continued its declining trajectory which declined from KD13.7 at the end of Q4-2008 to KD10.7 at the end of Q4-2009, a decline of 21.9%. The trend in ARPU says that now there is a shift in traffic pattern in Kuwait from mobile to fixed-line.

Country-wise Contribution to Wataniya's Total Customer base - 2009

Kuwait	10.1%
Tunisia	34.3%
Algeria	52.9%
Saudi Arabia	1.2%
Maldives	0.7%
Palestine	0.7%

Source: Company Results

- In Wataniya's group portfolio Kuwait, Tunisia and Algeria are key markets out of total six countries operations. In terms of net profit, only two operations Kuwait and Tunisia are profitable whereas other operations in Palestine, Algeria, Saudi Arabia and Maldives posted losses in 2009.
- The company's operation in Tunisia continuous to remain strong with EBITDA margin of 54% for the year 2009, however, subscriber growth would be the key growth driver going forward as ARPU remained stable since last 4-5 quarters. On the back of stable ARPU, top-line grew marginally by 3.1% Y-o-Y to KD102.3mn in 2009.

Wataniya Group KPIs

	Subscriber base (' 000)			ARPU (KD)			EBITDA Margin	
	Q4-2008	Q4-2009	Change	Q4-2008	Q4-2009	Change	Q4-2008	Q4-2009
Kuwait	1,313.7	1,538.0	17.1%	13.7	10.7	-21.9%	58.0%	49.0%
Tunisia	4,256.6	5,211.0	22.4%	3.3	3.3	0.0%	50.0%	52.0%
Algeria	5,114.0	8,033.0	57.1%	2.1	1.7	-19.0%	25.0%	31.0%
Saudi Arabia	149.2	186.0	24.7%	9.2	9.1	-1.1%	-28.0%	0.0%
Maldives	101.6	102.0	0.4%	4.7	4.1	-12.8%	1.2%	14.7%
Palestine	-	111.0	-	-	2.1	-	-	-

Source: Company Results

- In Algeria also growth in subscriber base would be the key growth driver as ARPU is on declining trajectory, therefore, revenue growth remained modest at 8.3% to KD141.4mn in 2009. At the net level, Algerian operations remained negative with a loss of KD7.0mn in 2009 as compared to a loss of KD9.4mn in 2008.
- At the current market price of KD1.58 per share (as on March 03, 2010), the company trades at FY2010E P/E of 7.3x and P/BV of 1.8x.

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