

# Investment Report

# Oman Telecommunication Company

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## Calls for strategic triggers



الشركة الخليجية لخدمات الإستثمار (ش.م.ع.ع.)

Gulf Investment Services Co. (S.A.O.G.)

## Oman Telecommunication Company

## Recommendation: Hold

CMP (RO) – 21 <sup>st</sup> October 2007	1.757
Sector	Telecom
Country	Oman
Listed On	Muscat Securities Market
Shares Outstanding (Mn)	750
Market Capitalisation (RO Mn)	1,318
52 Weeks High/Low	1.862/1.036

Income Statement Highlights					
In RO 000's	2006	2007 F	2008 F	2009 F	2010 F
Service Revenue	281,683	311,828	338,389	366,894	395,811
Total Revenue	323,632	368,460	400,683	435,418	471,187
EBITDA	166,326	200,161	221,075	234,730	247,323
EBIT	98,985	126,508	140,651	147,196	152,324
PBT	92,119	121,018	134,373	140,452	145,167
Net Profits	80,696	107,135	118,958	124,340	128,513
Balance Sheet Highlights					
	2006	2007 F	2008 F	2009 F	2010 F
Total assets	457,308	468,644	530,864	582,251	632,148
Share capital	75,000	75,000	75,000	75,000	75,000
Total Share holders Equity	281,436	336,071	380,034	421,103	462,579
Total Liabilities	175,105	131,564	149,690	159,884	168,181

Key ratios					
	2006	2007 F	2008 F	2009 F	2010 F
P/E	11.5	12.3	11.1	10.6	10.3
P/BV	3.3	3.9	3.5	3.1	2.8
Dividend Yield	5.7%	5.7%	6.3%	6.6%	6.8%
EV/Sales	2.9	3.5	3.1	2.7	2.3
EV/EBITDA	5.6	6.4	5.6	5.0	4.4
RoAE	30.2%	34.7%	33.2%	31.0%	29.1%
RoAA	17.7%	23.1%	23.8%	22.3%	21.2%
EBITDA Margin	51.4%	54.3%	55.2%	53.9%	52.5%
PAT Margin	25.1%	28.9%	29.5%	28.4%	27.1%



## Recent Developments

- Government has decided to lower royalty charges for telecom service providers from 12% (Mobile) and 10% (Fixed) to 7% flat.
- Government to divest part of its stake in Omantel to strategic investors and indication of possible buy back.
- Omantel and Oman Mobile to be merged; Reconstituted the Board representation by the Government.

**Current Status**30<sup>th</sup> June 2006**Oman Telecom Sector – An Overview**Fixed Line  
(Monopoly)

Omantel

Subscribers – 265K  
Penetration – 10.0%Includes –  
Fixed Postpaid  
Fixed Prepaid  
Card Pay phone**Sectoral Outlook**

- Strongly Positive for Mobile Segment
- Strongly Positive for Internet & Broadband Services
- Weak for Fixed line

Mobile  
(Duo poly)Oman Mobile &  
NawrasSubscribers – 2.135 million  
Penetration – 80.6%Includes –  
Mobile Postpaid  
Mobile Prepaid**Evolution of Oman Telecommunication Market**

1877- First telecommunication services was offered with telegraph cable between Aden &amp; Muscat

1952- First Automatic Exchange was installed

1980- General Telecommunication Organization (GTO) was established

1996- First Mobile services started

1997- First Internet Services Started

1999- Omantel was established with transformation of GTO

2004- Oman Mobile was incorporated, as 99% subsidiary of Omantel

2005- March saw entry of second operator “Nawras” to provide Mobile services

July 2005 – Government divests 30% of Omantel through IPO @ RO 1.300

Oct 2007 – Government proposes for another divestment

Internet & Broadband  
(Monopoly)

Omantel

Subscribers – 66K  
Penetration – 2.5%Includes –  
Dial-up, DSL, Leased Line &  
others**Moving forward we believe key triggers for the sector are**

- : Tariff reduction due to drop in royalty; Improve Minutes of Usage.
- : Change in Licensing Regime; Introduction of virtual network operators or enablers.
- : Opening up of International gateway for a second player.
- : Liberalisation of Internet and Broadband segment.

## Oman Telecom Sector – Open Regulatory environment

### Telecom Regulatory Authority

Apart from Ministry of Transport and Communication, which deals with the general policy for the telecommunications sector in the Sultanate of Oman, the Telecom Act has established a regulator ‘Telecommunication Regulatory Authority’ (TRA). TRA looks after implementation of the general policy and government policy in relation to universal service. The main functions include formation of plans and supervision of Frequency, spectrum, numbering, domain name plans and maintenance of standards. The regulator also determines the telecommunications systems and services that can be undertaken by a telecommunications or radio licensee.

### New Licensing Regime

A new licensing regime has come in place, wherein licenses would be issued to service providers based on presence in value chain. Earlier, licenses were classified based on different classes

Class I –

- Basic Public Fixed Telecommunications Services
- Basic Public Mobile Telecommunications Services
- Basic Public Rural Telecommunications Services
- Public Data Network

Class II - Additional Public Telecommunications Services

Class III - Private Telecommunications Services

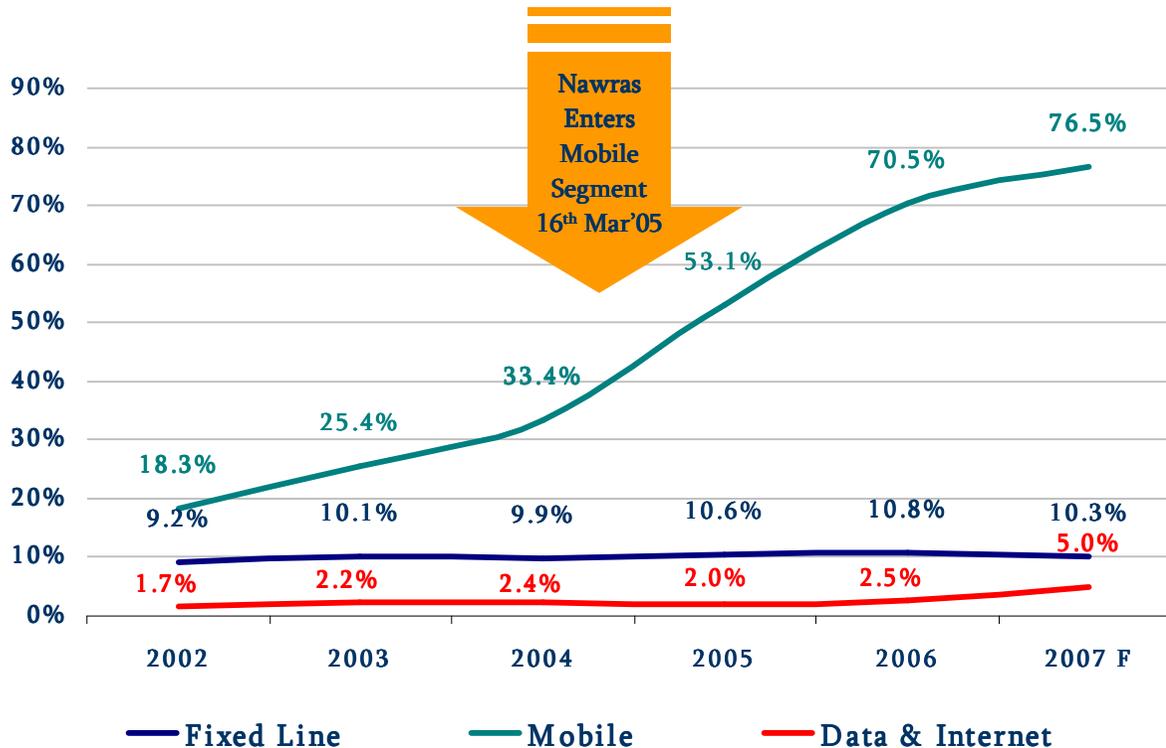
However, under the new regime, licenses would also be issued to new parties who do not own basic infrastructure, but act as resellers/or value providers in the value chain. These would be ideally represented as virtual network operators or enablers. This is one of its new kinds of business model in the GCC region. As per industry sources, the exact impact of this is yet to be commented on. However, the regulator, as per unconfirmed sources foresees this as a step benefiting the consumers in the country with change in sectoral dynamics. We believe the benefits and bargaining power of service providers would depend on presence in entire value chain, most importantly the basic infrastructure.

## Low penetration indicates scope for growth in mobile segment

Actual penetration for Mobile segment seen much lower

: Estd @ 60% - 65%

: Due to 25% to 27% inactive subscribers & dual SIM card users



Mobile Services  
- High growth segment

Subscriber growth –  
5 year CAGR @ 31.4%

Internet & Broadband  
- High growth segment

High Growth-Contributed by  
low penetration

Fixed line segment

Decelerating growth

## Mobile subscriber growth outshines

Oman's mobile services have seen buoyant growth with increase in subscriber additions for two service providers 'Oman Mobile' & 'Nawras'. The segment has seen vibrancy after competition has triggered a drop in tariffs and low entry barriers for subscribers to have an access for these services. The growth has been commendable during the past and as per company reports and news sources, the total mobile subscriber base as on 30th June 2007 stands at 2.13 million, which indicates a mobile penetration of 80.6% on an estd. population of 2.65 million.

Oman's Mobile Subscribers (Nos)	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
<b>Mobile Subscribers</b>	<b>806,280</b>	<b>872,659</b>	<b>996,889</b>	<b>1,216,970</b>	<b>1,333,225</b>	<b>1,461,642</b>	<b>1,563,893</b>	<b>1,696,053</b>	<b>1,818,024</b>	<b>1,960,053</b>	<b>2,135,539</b>
Post Paid	257,287	257,531	251,745	252,866	253,112	256,092	240,707	243,607	246,117	252,770	267,020
Pre Paid	548,993	615,128	745,144	964,104	1,080,113	1,205,550	1,323,186	1,452,446	1,571,907	1,707,283	1,868,519
QoQ Growth (%)		Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
<b>Oman- Mobile Subscribers</b>		<b>8.2%</b>	<b>14.2%</b>	<b>22.1%</b>	<b>9.6%</b>	<b>9.6%</b>	<b>7.0%</b>	<b>8.5%</b>	<b>7.2%</b>	<b>7.8%</b>	<b>9.0%</b>
Post Paid		0.1%	-2.2%	0.4%	0.1%	1.2%	-6.0%	1.2%	1.0%	2.7%	5.6%
Pre Paid		12.0%	21.1%	29.4%	12.0%	11.6%	9.8%	9.8%	8.2%	8.6%	9.4%

Source; TRA; GIS Research Database

We believe, the actual mobile penetration to be somewhere in the range of 60% to 65% due to the accounting of the dormant or inactive subscribers (25%-27%) and dual SIM card users. Industry interactions indicate wide range of estimation, both in terms of inactive subscribers and dual SIM card users. However, we believe the constitution of inactive subscribers to be on the higher side, as the sector has seen a host of new developments in terms of product structuring in the recent past. Meanwhile, the trend of increasing prepaid proportion within the segment is in line with the global trend. We believe this trend to remain with launch of more innovative products in the prepaid segment.

Composition	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
- Post Paid & Pre Paid											
- Post paid subscribers	31.9%	29.5%	25.3%	20.8%	19.0%	17.5%	15.4%	14.4%	13.5%	12.9%	12.5%
- Pre paid subscribers	68.1%	70.5%	74.7%	79.2%	81.0%	82.5%	84.6%	85.6%	86.5%	87.1%	87.5%

Source; TRA; GIS Research

With the onset of competition in the sector, **Omantel as on 31<sup>st</sup> July 2007 is estimated to have a market share of 63.2% with subscriber base of 1.35 million.** We believe that the drop in market share which the company has seen is expected to stabilize around these levels.

## Fixed line segment witnesses subdued growth

Fixed line services in the Sultanate, a monopoly as of now proposes to go for the second license, has been witnessing a decline in subscribers during the recent past.

No of Subscribers	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
<b>Fixed Line Subscribers</b>	<b>271,031</b>	<b>269,090</b>	<b>275,520</b>	<b>278,286</b>	<b>274,994</b>	<b>264,090</b>
- Post paid	235,273	229,999	231,515	231,395	225,805	218,406
- Pre paid	28,912	32,279	37,183	40,061	42,348	38,829
- Card Pay phone	6,846	6,812	6,822	6,830	6,841	6,855

Source; TRA; GIS Research

QoQ Growth (%)	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
<b>Fixed Line Subscribers</b>	<b>2.2%</b>	<b>-0.7%</b>	<b>2.4%</b>	<b>1.0%</b>	<b>-1.2%</b>	<b>-4.0%</b>
- Post paid	1.0%	-2.2%	0.7%	-0.1%	-2.4%	-3.3%
- Pre paid	13.7%	11.6%	15.2%	7.7%	5.7%	-8.3%
- Card Pay phone	1.1%	-0.5%	0.1%	0.1%	0.2%	0.2%

Source; TRA; GIS Research

The trend favours the prepaid segment '**Sahl**' the prepaid fixed telephone service. This service was introduced by Omantel during October 2004 and since then the growth in the segment has been steady. The placement of prepaid service at an attractive level compared to post paid service instigated switch from post paid to pre paid. After this, the proportion of prepaid subscribers in the segment has seen increasing as detailed in the table. However this enabled the company to keep tab on the receivables.

Composition (Post Paid & Pre Paid)	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
- Post paid	89.1%	87.7%	86.2%	85.2%	84.2%	84.9%
- Pre paid	10.9%	12.3%	13.8%	14.8%	15.8%	15.1%

Source; TRA; GIS Research

We expect the voice based fixed line services to maintain low level of growth for the near future.

## Internet & Broadband waits for the trigger

The internet & broadband services are still to witness exploding growth due to low level of PC penetration in the country among households. Although the growth has been commendable, the penetration level is very low in the Sultanate, giving enough space for growth with healthy addressable population over the years. The estd. Penetration as at end of 2006 works out to as low as 2.5%. Most of the value chain in the sector is dominated by Omantel, with its presence in the wireline services. However, there is least clarity on the proposed addition of second service provider in the wireline space. Once this is cleared, competition is expected to come up in the sector, which is yet to see more rational product and service introductions.

	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun-07
<b>Internet Subscribers</b>	<b>48,392</b>	<b>47,961</b>	<b>52,807</b>	<b>49,425</b>	<b>59,673</b>	<b>61,433</b>	<b>62,735</b>	<b>63,839</b>	<b>64,386</b>	<b>65,611</b>
- Dial- up subscribers	46,624	44,652	47,142	41,086	49,497	49,185	49,245	48,684	48,420	48,415
- DSL subscribers	1,591	3,111	5,460	8,125	9,950	11,131	12,345	13,913	14,657	15,795
- Leased Line Subscribers	177	198	205	214	226	242	240	246	269	284
Others	-	-	-	-	-	875	905	996	1,040	1,117

Source; TRA; GIS Research

<b>QoQ Growth</b>	<b>Jun-05</b>	<b>Sep-05</b>	<b>Dec-05</b>	<b>Mar-06</b>	<b>Jun-06</b>	<b>Sep-06</b>	<b>Dec-06</b>	<b>Mar-07</b>	<b>Jun-07</b>
Internet Subscribers	-0.9%	10.1%	-6.4%	20.7%	2.9%	2.1%	1.8%	0.9%	1.9%
- Dial- up subscribers	-4.2%	5.6%	-12.8%	20.5%	-0.6%	0.1%	-1.1%	-0.5%	0.0%
- DSL subscribers	95.5%	75.5%	48.8%	22.5%	11.9%	10.9%	12.7%	5.3%	7.8%
- Leased Line Subscribers	11.9%	3.5%	4.4%	5.6%	7.1%	-0.8%	2.5%	9.3%	5.6%

Source; TRA; GIS Research

### **Lack of interests in Class II Licenses for the provision of Internet Access Service and audio Text Service**

Recently the regulator had called for issuance for Class II licenses for Internet Access Service and audio Text Service. As per our interactions with industry experts, the response to this license has been very dismal and no new licenses were issued as of August 2007. The primary reason could be the pricing structure of Omantel which provides the backbone support. However, with change in licensing policies and the current change in cost structure of Omantel, the scenario might change.

## Financial Highlights

### Revenues augmented by growth in Mobile, Interconnection and international calls

The company has registered topline growth of 11.6% to RO 175.918 million during the half year ended June 2007. Out of this, growth in mobile segment, revenue from external administration and interconnection has witnessed commendable growth. Mobile segment gross revenues have grown by 8.6% to RO 122.502 during the same period. Also, the growth in calls from other service provider, international and roaming calls has bolstered the non service income. External administration revenue has jumped up by 61.1% to RO 12.502 million, while revenue from interconnection has grown by 76.1% to RO 17.779 million. These form 17.2% of total revenue for the first half ending June 2007. We believe that growth from these three key segments to be intact for the current year. The company does not provide exact break up among fixed line, Internet and Data revenue. However, we believe that there has been a marginal decrease in fixed line services, while Internet and Data revenues have been improving on a lower base. Overall we expect the topline growth to be 13.9% for the FY07 supported by these three market segments.

Quarterly Earnings Highlights									In RO 000's	
	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007
Service Revenue	59,988	61,736	60,920	65,165	69,007	70,719	68,463	73,494	71,860	73,777
Revenue from Ext Admin	3,523	3,118	3,660	3,525	3,714	4,044	4,798	5,348	5,700	6,802
Revenue from Interconnection	76	2,298	2,169	4,418	5,245	4,850	6,715	7,235	8,146	9,633
Total revenue	63,587	67,152	66,749	73,108	77,966	79,613	82,063	83,990	85,706	90,212
EBITDA	35,445	34,965	32,790	37,211	40,929	43,210	40,558	41,629	45,429	45,265
EBIT	23,386	21,690	17,106	23,059	26,975	28,471	22,600	20,939	29,748	29,468
PBT before Provisions & Others	23,792	22,819	16,456	21,962	26,260	27,325	22,357	21,050	30,228	30,006
PBT	22,102	21,028	15,813	18,837	24,402	24,672	20,456	22,589	27,806	28,123
Net Profit – Excl Minority Interests	19,528	19,613	12,425	16,205	21,295	21,641	17,689	20,071	24,032	24,443
Margin Analysis	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007
EBITDA Margin (%)	55.7%	52.1%	49.1%	50.9%	52.5%	54.3%	49.4%	49.6%	53.0%	50.2%
EBIT Margin (%)	36.8%	32.3%	25.6%	31.5%	34.6%	35.8%	27.5%	24.9%	34.7%	32.7%
PAT Margin (%)	30.8%	29.5%	18.7%	22.3%	27.5%	27.3%	21.7%	24.0%	28.2%	27.2%

Source; Company Reports; GIS Research

## Margins & Cash flows to be augmented by royalty reduction

The government's decision to slash regulatory charges in terms of Royalty for fixed and mobile service providers is seen as a welcome step for the telecommunication sector as a whole. The royalty has been reduced to 7% flat from 10% for fixed line services and 12% for mobile services. As per the announcement, the same would come into effect from the current financial year. Both the players have already accounted for royalty payments at current norms for the nine months ended September 2007. Omantel has already accounted for royalty payments at prevailing rate. However, as the new regulatory norm is effective from current year the company will benefit to this extent. However, we believe royalty to be a pass through item which gets reflected in reduction of tariffs, thereby increasing the usage levels. Overall the company is bound to benefit with increase in margins.

## Omantel divestment to strategic investor to benefit all

As of now Government of the sultanate of Oman holds 70% (525 million shares) in the Omantel. Meanwhile, the announcement indicates Governments' interest in divesting part of its stake, without ruling out any possible buy back to strategic shareholders. As per the MSM Bulletin for the month of August'07, out of the total shareholding 2.31% is owned by foreigners and 2.89% is owned by GCC Citizens. With the company's article allowing Non Omani's to own up to 49%, there is ample room for the foreigners to venture into the company. The entry of strategic investor, we believe would be beneficial for the current shareholders of the company as the decision making process is likely to be fastened which would improve the dynamism within the organization. This along with the possible synergies from larger players from the region including subcontinent can enhance the shareholders value on a longer term perspective. We are also positive on proposed merger of Omantel and Oman Mobile Telecommunication Company (99% subsidiary of Omantel) as this would bring about rationalization of operations within the group and would thus improve efficiency levels.



## Strategic Acquisition: WorldCall- Pakistan based Telecom Company

Omantel has earlier announced that the company's Board has approved acquiring a majority share in Worldcall Limited, a Pakistan-based Telecom Company. As per the corporate website of Worldcall Telecommunications Group, the group was incorporated in 1995 when First Capital Securities Corporation Ltd started incubating Worldcall Payphones, now Worldcall Communications Limited. As of June 2007 end the company had 6089 fixed line subscribers and approximately 321K WLL subscribers at the end of August 2007. It may be noted that the company has 16.6% market share in the WLL segment (August 2007). The country's fixed line teledensity as of August 2007 is just 4.27%. The company has nationwide presence of long distance & international (LDI) network with 42 POPs, over 60,000 payphones, the pioneer prepaid calling card "Hello" and rights to dark fibers in a national long haul network being built across Pakistan. The current shareholders include Sheikh Sulaiman Ahmad Said-Al Hoqani (Chairman – Global Financial Investment), Sheikh Khaled Juffali of Saudi Arabia , American Hedge Fund, Millennium Global High Yield Fund apart from various regional and international investors.

Worldcall Telecom Limited has reported net revenues of RO 27.384 million (Rs 4,312.51 million) for the full year ended June 2007. This is 1% lower to the previous corresponding period. At the same time Net profits were down by 34.2% to RO 3.959 million (Rs 623.54 million). This translates to an EPS of 5 baiza (Rs 0.73) per share. The stock is quoting at Rs 19 on Karachi Stock Exchange, which translates to a PE of 26.0X. The company has generated Return of Asset of 3.6% for full year ended June 2007, while Return on Equity works out to 5.2%. As on 30th June 2007, the company had an Asset size of RO 11.380 million (Rs 17,382.75 million), while its equity stood at RO 76.55 million (Rs 12,054.41 million) including capital of RO 57.15 million (Rs 9,000 million). The market capitalization works out to RO 108.585 million (Rs 17,100 million). The book value of the company works out to Rs 13.3 per share.

## Valuation: Discounted Cash Flow Method

Fair value per share was worked out using Discounted Cash flow model. The weighted average cost of capital works out to 12.5%, with Cost of equity at 14.0% and Cost of Debt (post tax) at 2.6%. Current debt with the company is financed by the government at 3% p.a. Cost of equity of 14.0% is arrived at through CAPM model with beta of 1.24, Risk Free Rate of 6.5% and equity premium of 7.5%.

Oman Telecommunication Company - Discounted Cash Flow Model					
In RO 000's	Dec 2007	Dec 2008	Dec 2009	Dec 2010	
Net Operating Cash flow	161,172	193,198	212,525	225,754	
Cash Generated from operations	133,934	195,892	215,650	228,951	
Capex	60,346	63,363	66,531	69,858	
Free Cash Flow	73,588	132,529	149,119	159,093	
PV (FCFF)	71,921	115,127	115,174	109,252	
Terminal Value				1,519,242	
PV (Terminal Value)				1,043,291	
PV- Cash Flow	1,454,766				
Debt	51,619				
Fair Value Per Share (RO)	1.871				
CMP (RO)	1.757				
Potential Upside (%)	6.5%				

Scenario Analysis – (Fair Value Sensitivity- RO)					
CoE/Tr Growth	1.0%	1.5%	2.0%	2.5%	3.0%
12.0%	2.064	2.149	2.244	2.350	2.469
12.5%	1.975	2.052	2.136	2.231	2.337
13.0%	1.893	1.962	2.039	2.124	2.219
13.5%	1.817	1.880	1.950	2.027	2.112
14.0%	1.747	1.805	1.871	1.938	2.014
14.5%	1.682	1.735	1.793	1.856	1.926
15.0%	1.622	1.671	1.723	1.781	1.844

Based on Discounted Cash Flow the fair value per share works out to RO 1.871, which along with a dividend yield of 5.7% provides total return of 12.2%. We expect benefits from entry of a strategic investor will drive the stock.

## Outlook

The Telecommunication sector in Oman and more particularly Omantel is likely to be more dynamic in the coming years as the Government's recent initiative, if fructifies well could see more products and services including 3G or 4G. The entry of a strategic shareholder would enable product induction, scaling of current resources and cut down on the current baggage which has been loitering due to the presence of Government. The reduction in the role of the Government would enable faster decision making process that is most warranted for the industry in the current scenario. With the competition picking up and the license regime being diluted with the signing of FTA and WTO, we could see more intermediaries in the value chain that would enhance the penetration levels. The Omani market is starved of various services and products that are prevailing in the other markets. These were either not introduced for lack of critical mass required or the need was not felt by the service providers. The addition of more intermediaries would assist the service provider to be closer to its customers and introduce the required products and services in time.

The fixed-line service though has been tapering is likely to see better utility as the focus has shifted from voice to data stream. Internet and Broadband is growing at a healthy pace on a lower base and is expected to be the next phase of growth for service providers and Omantel would play a major part in its growth. In Mobile segment, with the onset of competition during 2005, subscriber additions have improved, as tariffs moved southwards and products innovations attracted new subscribers. This has improved the mobile penetration levels in the country to an estd. 60-65%. The estd. penetration level is much lower than which can be derived from published figures due to high level of dormant subscribers and dual SIM card owners. Given the size of addressable market, we expect this growth to sustain for the near period. The introduction of 3G/4G would enable improvement in the usage pattern and also the revenue flow.

Though the entry of second player into the mobile market has dampened the Mobile segment of the company in terms of the market share and ARPUs, Omantel has been successful in maintaining its shareholders wealth. The two year operation of the second player might have already seen the competition coming to a saturation level. Based on these assumptions and expectations we have arrived at a fair value of the company at RO 1.871, which is 6.5% premium to the current market price. We recommend **Hold** on the stock.

Omotel: Income Statement Highlights								In RO 000's
	2004	2005	2006	2007 F	2008 F	2009 F	2010 F	CAGR - 2006 -2010
Service Revenue	239,193	247,809	281,683	311,828	338,389	366,894	395,811	8.9%
Ext admin and interconnection revenue	8,193	22,787	41,949	56,631	62,294	68,524	75,376	15.8%
<b>Total Revenue</b>	<b>247,386</b>	<b>270,596</b>	<b>323,632</b>	<b>368,460</b>	<b>400,683</b>	<b>435,418</b>	<b>471,187</b>	<b>9.8%</b>
<b>EBITDA</b>	<b>135,450</b>	<b>140,411</b>	<b>166,326</b>	<b>200,161</b>	<b>221,075</b>	<b>234,730</b>	<b>247,323</b>	<b>10.4%</b>
EBIT	88,308	85,241	98,985	126,508	140,651	147,196	152,324	11.4%
PBT	82,742	77,780	92,119	121,018	134,373	140,452	145,167	12.0%
Tax	(9,790)	(9,634)	(11,011)	(14,522)	(16,125)	(16,854)	(17,420)	12.2%
PAT before Minority Interest	72,952	68,146	81,108	106,496	118,248	123,598	127,747	12.0%
Minority Interest	152	375	412	639	709	742	766	16.8%
<b>Net Profits</b>	<b>72,800</b>	<b>67,771</b>	<b>80,696</b>	<b>107,135</b>	<b>118,958</b>	<b>124,340</b>	<b>128,513</b>	<b>12.3%</b>

Source; Company Reports; GIS Research

Omotel: Balance Sheet Highlights								In RO 000's
	2004	2005	2006	2007 F	2008 F	2009 F	2010 F	CAGR - 2006 -2010
Fixed assets	290,185	320,168	313,092	302,577	288,309	270,099	247,750	-5.0%
Total non-current assets	338,391	366,402	356,624	344,334	327,273	306,270	281,128	-5.2%
Debtors and repayments	18,098	35,362	42,461	40,379	43,910	47,717	51,637	7.9%
Cash & Investments	78,782	47,564	54,805	79,497	154,633	222,774	293,418	0.0%
<b>Total assets</b>	<b>441,030</b>	<b>454,517</b>	<b>457,308</b>	<b>468,644</b>	<b>530,864</b>	<b>582,251</b>	<b>632,148</b>	<b>6.8%</b>
Share capital	75,000	75,000	75,000	75,000	75,000	75,000	75,000	--
<b>Total Share holders Equity</b>	<b>264,304</b>	<b>253,240</b>	<b>281,436</b>	<b>336,071</b>	<b>380,034</b>	<b>421,103</b>	<b>462,579</b>	<b>12.8%</b>
Borrowings-N.Curr	1,153	51,527	13,139	12,905	15,726	16,432	16,608	-20.3%
Total Non-Current Liabilities	34,634	55,397	20,071	14,644	17,465	18,171	18,347	-19.8%
Borrowings-Curr	664	35,757	39,112	38,714	47,179	49,295	49,824	6.9%
Creditors & Accrued exp	55,061	60,065	63,485	78,206	85,046	92,418	100,010	10.7%
Total Current Liabilities	141,690	145,225	155,034	116,921	132,224	141,713	149,834	0.6%
Total Liabilities	176,324	200,622	175,105	131,564	149,690	159,884	168,181	-3.5%
total equity & liabilities	441,030	454,517	457,308	468,643	530,864	582,250	632,148	6.8%

Source; Company Reports; GIS Research

Omantel: Ratio Analysis							
	2004	2005	2006	2007 F	2008 F	2009 F	2010 F
<b>YoY -Growth (%)</b>							
Service revenue	17.0%	3.6%	13.7%	10.7%	8.5%	8.4%	7.9%
Total Revenue	17.2%	9.4%	19.6%	13.9%	8.7%	8.7%	8.2%
Total Asset	23.2%	3.1%	0.6%	2.5%	13.3%	9.7%	8.6%
Net Worth	78.3%	-4.2%	11.1%	19.4%	13.1%	10.8%	9.8%
<b>Margins (%)</b>							
EBITDA Margin	54.8%	51.9%	51.4%	54.3%	55.2%	53.9%	52.5%
EBIT Margin	35.7%	31.5%	30.6%	34.3%	35.1%	33.8%	32.3%
PAT Margin	29.5%	25.2%	25.1%	28.9%	29.5%	28.4%	27.1%
<b>Return Ratio (%)</b>							
RoE	27.5%	26.8%	28.7%	31.9%	31.3%	29.5%	27.8%
RoAE	35.3%	26.2%	30.2%	34.7%	33.2%	31.0%	29.1%
RoA	16.5%	14.9%	17.6%	22.9%	22.4%	21.4%	20.3%
RoAA	18.2%	15.1%	17.7%	23.1%	23.8%	22.3%	21.2%
<b>Leverage ratios (X)</b>							
Total Debt to Equity	0.01	0.34	0.19	0.15	0.17	0.16	0.14
Long Term Debt to Equity	0.00	0.20	0.05	0.04	0.04	0.04	0.04
Total Debt to EBITDA	0.01	0.62	0.31	0.26	0.28	0.28	0.27
<b>Per Share Ratio (RO)</b>							
EPS	0.097	0.090	0.108	0.143	0.159	0.166	0.171
Book value	0.352	0.338	0.375	0.448	0.507	0.561	0.617
DPS	0.000	0.070	0.070	0.100	0.111	0.116	0.120
EV	1.178	1.774	1.234	1.792	1.707	1.620	1.527
<b>Market Multiples</b>							
P/E (X)	--	19.0	11.5	12.3	11.1	10.6	10.3
P/BV (X)	--	5.1	3.3	3.9	3.5	3.1	2.8
Dividend Yield (%)	--	4.1%	5.7%	5.7%	6.3%	6.6%	6.8%
EV/Sales (X)	--	4.9	2.9	3.5	3.1	2.7	2.3
EV/EBITDA (X)	--	9.5	5.6	6.4	5.6	5.0	4.4
Source; Company Reports; GIS Research							



الشركة الخليجية لخدمات الإستثمار (ش.م.ع.ع.)

Gulf Investment Services Co. (S.A.O.G.)

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