

January 27, 2011

NAWRAS (NWRS.OM)

12-Month Fair Value: OMR 0.900

Recommendation: Accumulate

Last Close (26 January, 2011): OMR 0.809

- **4Q2010 results largely in-line with our forecasts** - Nawras reported its end of year results with 4Q2010 revenues remaining flat year-over-year (YoY) at OMR 50 million, 4% above our forecast of OMR 48 million. Adjusted EBITDA declined by 20% YoY to OMR 24.5 million (2% below our forecast of OMR 25 million), representing an adjusted EBITDA margin of 49%, versus 61% in 4Q2009. The weaker EBITDA performance is attributable to increased competition in the mobile market. Net profit declined by 33% to OMR 12 million, in-line with the company's EBITDA performance.
- Full year revenue grew by 10% to OMR 189 million, while adjusted EBITDA grew by 18% to OMR 97 million. Both revenue and adjusted EBITDA were in-line with our forecasts. FY2010 net profit grew by 20% to OMR 50 million.
- Nawras's subscriber base grew by 5% YoY and reached over 2 million.
- **International gateway expected to shine** - Management believes that the international gateway and access to submarine cable will help the company further optimize its margins in the future.
- **Valuations maintained, dividends on the radar** – We view the conformity of the Nawras's performance to our forecasts as a reminder of the company's growth potential. Hence, we maintain our target price at OMR 0.900 per share, implying an 11% upside potential and a recommendation of "Accumulate." Furthermore, we would like to re-iterate the company's intention to start paying dividends based on FY2010 earnings; we estimate a payout ratio of 40% for the year, implying a dividend yield of 3.9%. The stock trades at an EV/2011EBITDA of 5.3x (versus an average of 5.2x for our covered telecoms universe) and a 2011 P/E of 9.8x (versus an average of 10.5x for our covered telecoms universe).

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Related Research

- Nawras Initiation of Coverage - 09 December 2010

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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