



Results Review

Wataniya

Rating: Market Perform

Wataniya Q2 2009 Results

- Wataniya reported an impressive “headline” jump in net income to KWD 63.51mn (+315% qoq, 139.2% yoy). This was mainly due to reversal of earlier provisions of KWD 49.9mn relating to a court case against Kuwait’s Ministry of Communications, regarding network license fees. Provisions for Q2 2009 were taken for impairment loss on goodwill of KWD 4.2mn and for sale investments of KWD of 4.4mn against Kuwait unquoted securities. We view the magnitude of these provisions as non-recurring. Excluding these provisions net income would have increased 45% qoq.
- Revenues grew to KWD 121.3mn (+8.7% qoq, +1.3% yoy), with subscribers increasing to 11.9mn from 11.5mn. Tunisian operations saw revenue growth of 14%, driven by ARPU growth (+9% qoq) and subscriber growth (+2%qoq), with ARPU growth being a factor of currency appreciation of 4% in the quarter.
- EBITDA was KWD 102.5mn (85% margin) boosted by the reversal of the above MOC related provision. Underlying EBITDA margins were 43%, a healthy improvement over 34% in Q1 2009 and in line with margins a year ago, driven by both revenue growth and an improvement in gross profit margin to 71% up from 65% in the previous quarter.
- We view underlying operational performance as strong and sustainable in the near term. Accordingly we upgrade our revenue, EBITDA and net income forecast for Wataniya’s operations in Kuwait, Algeria and Tunisia, giving a revised target price of KWD 1.691per share from KWD 1.562. With a 2% upside to the current market price we maintain our *Market Perform* rating.

Equity Data Wataniya

Current Price (KWD)	1.660
Target Price (KWD)	1.691
Upside/downside	1.9%
12 Month Performance	-17.8%
12 Month High (KWD)	2.020
12 Month Low (KWD)	1.200
Market Cap. (KWD bn)	0.83
Div Yield	3.0%
Enterprise Value (KWD bn)	0.920
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	171	163	157	160	162
EBITDA Margin	37%	37%	35%	33%	33%	33%
Net Income (KWD mn)	82	83	65	47	50	51
Net Income Margin	17%	18%	14%	10%	10%	10%
EPS (KWD)	0.164	0.166	0.130	0.094	0.099	0.102
Net Debt/Equity	41.7%	11.6%	15.0%	12.7%	13.9%	13.7%
Interest Cover	6.4	7.3	4.7	3.5	3.4	3.4
Div/Share (KWD)	0.050	0.121	0.133	0.146	0.161	0.177
Div Yield	3.0%	7.3%	8.0%	8.8%	9.7%	10.7%

Estimates

Valuation Multiples	2008A	2009E	2010E	2011E	2012E	2013E
PE	10.1	10.0	12.8	17.6	16.8	16.3
EV/EBITDA	5.3	5.5	5.8	6.2	6.1	6.1
P/BV	2.2	1.8	1.5	1.4	1.2	1.2
BV/Share	0.7	0.9	1.1	1.2	1.3	1.4

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