

## Buy

TP QR187.58

**RBS Refiner**

|                          |                 |
|--------------------------|-----------------|
| Price (close 27 Jan)     | QR145.50        |
| 3M high/low              | QR154.00/140.00 |
| Market cap               | QR21.34bn       |
| Av (12M) turnover        | QR6.20m         |
| Freefloat                | 3%              |
| Reuters                  | QTEL.QA         |
| Bloomberg                | QTEL QD         |
| Net debt FY10A           | QR20686.01m     |
| 3yr EPS CAGR 11-13F      | 8.7%            |
| Income (2012F div yield) | 4.7%            |

Source: Bloomberg, RBS forecasts

**RBS vs consensus**

| NPBT (QRm) | Ours  | Cons  | %    |
|------------|-------|-------|------|
| 2011       | 4,056 | 6,379 | -36% |
| 2012       | 4,653 | 5,835 | -20% |
| 2013       | 5,292 | 6,257 | -15% |

Source: Bloomberg, RBS forecasts

**Price performance**

|                | (1M)  | (3M)  | (12M) |
|----------------|-------|-------|-------|
| Price (QR)     | 143.0 | 148.0 | 175.0 |
| Absolute (%)   | 1.7   | -1.7  | -16.9 |
| Rel to mkt*(%) | 6.2   | -0.5  | -11.5 |

\*QE Index

Source: Bloomberg

**Key events**

| Date   | Event                     |
|--------|---------------------------|
| Mar-12 | Annual results announced  |
| May-12 | Interim results announced |
| Aug-12 | Interim results announced |

Source: Bloomberg

## Q-Tel

## Qatar Telecom's capital day

Qatar Telecom held its capital day event on 26 January 2012. The company discussed its new 'DRIVE' strategy for the forthcoming future and addressed some of its key financial issues. Our DCF-based sum-of-the-parts valuation for Qatar Telecom is QR187.58 and we maintain our Buy recommendation.

**Event: Qatar Telecom held its analyst presentation day on 26 January 2012**

In its capital day event, Qtel discussed its new 'DRIVE' strategy for the forthcoming future and addressed some of its key financial issues. Under its new 'DRIVE' strategy, Qtel intends to focus on 1) differentiating its customer experience; 2) strengthening its foundations by increasing productivity and scaling profitable mobile data business opportunities; and 3) investing in and growing non-mobile revenue opportunities such as B2B and IT services, moving fibre into selected markets and exploring new opportunities such as TV, e-finance and m-health. Other financial objectives to be achieved by 2016, which are aligned with Qtel's DRIVE strategy, include delivering above-average shareholder returns, increasing return on capital while sustaining EBITDA margins and continuing revenue growth. Qtel announced that it has updated its FX hedging policy to mitigate the negative effects of FX fluctuations, particularly in Indonesia and Algeria and to a lesser extent, Kuwait. With regards to liquidity, the company believes that the US\$2.75bn bonds issued out of the GMTN program in 4Q10 provide ample liquidity headroom and pre-emptively address the refinancing of the US\$3bn loan due in August 2012. Additionally, royalties and fees amounting to QR2.78bn, which were payable to the government of Qatar, have been repaid in Q411. With regards to operational efficiency, Qtel has launched operational cost improvement programs across operations to enhance cost optimisation and build on savings through group synergies. Qtel also stated that M&A activities will continue to support its growth, with emphasis on scale and transformative M&A opportunities. On a final note, Qtel stressed the importance of data/broadband as the next growth driver in the telecom industry, an opportunity that Qtel intends to capitalise on across its markets.

**Forecasts: Qtel is scheduled to announce its FY11 results by 4 March 2012**

Qatar Telecom is scheduled to release its FY11 results on 4 March 2012. In the light of upbeat performance at the end of 9M11 results, particularly on the Wataniya subsidiary level, we expect FY11 results to beat our current forecasts of revenue QR29.9bn and EBITDA QR13.6bn. Thus, we will be revising our FY11 forecasts ahead of the FY11 results release.

**Valuation: Our TP for Qtel is QR187.58; we maintain Buy**

Our DCF-based sum-of-the-parts valuation for Qatar Telecom is QR187.58 and we maintain our Buy recommendation. Our main concern remains the risk of increased pricing competition across Qtel's key markets, in either voice or broadband services. Another risk is the impact of FX fluctuations on the part of Qtel's foreign exchange exposure that is not covered under the company's new hedging policy.

**Key forecasts**

| year to Dec                 | FY09A  | FY10A  | FY11F  | FY12F  | FY13F  |
|-----------------------------|--------|--------|--------|--------|--------|
| Revenue (QRm)               | 24,025 | 27,179 | 29,917 | 31,910 | 33,592 |
| EBITDA (QRm)                | 12,365 | 13,252 | 13,585 | 14,502 | 15,199 |
| Normalised PTP (QRm)        | 5,383  | 5,130  | 4,056  | 4,653  | 5,292  |
| Norm fully diluted EPS (QR) | 21.84  | 17.11  | 15.92  | 19.13  | 21.97  |
| Normalised PE               | 6.66   | 8.50   | 9.14   | 7.61   | 6.62   |
| Dividend per share (QR)     | 7.00   | 5.00   | 5.73   | 6.89   | 8.79   |
| Dividend yield (%)          | 4.81   | 3.44   | 3.94   | 4.73   | 6.04   |

Accounting standard: IFRS

Source: Company data, Rasmala forecasts

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Important disclosures can be found in the Disclosures Appendix.

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# RBS Equities Forecasts: Q-Tel

## Income statement

| QRm, year to December        | FY09A        | FY10A        | FY11F        | FY12F        | FY13F        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue                      | 24025        | 27179        | 29917        | 31910        | 33592        |
| Cost of sales                | -7328        | -8537        | -9872        | -10211       | -10749       |
| Operating costs              | -4332        | -5390        | -6459        | -7197        | -7643        |
| <b>EBITDA</b>                | <b>12365</b> | <b>13252</b> | <b>13585</b> | <b>14502</b> | <b>15199</b> |
| DDA & Impairment (ex gw)     | -5484        | -6317        | -7056        | -7705        | -8032        |
| <b>EBITA</b>                 | <b>6881</b>  | <b>6935</b>  | <b>6529</b>  | <b>6796</b>  | <b>7167</b>  |
| Goodwill (amort/impaird)     | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| <b>EBIT</b>                  | <b>6881</b>  | <b>6935</b>  | <b>6529</b>  | <b>6796</b>  | <b>7167</b>  |
| Net interest                 | -1498        | -1804        | -2473        | -2143        | -1875        |
| Associates (pre-tax)         | 0.00         | 0.00         | 0.00         | 0.00         | 0.00         |
| Other pre-tax items          | -377.4       | 378.1        | 0.00         | 0.00         | 0.00         |
| <b>Reported PTP</b>          | <b>5005</b>  | <b>5508</b>  | <b>4056</b>  | <b>4653</b>  | <b>5292</b>  |
| Taxation                     | -1077        | -1420        | -751.8       | -681.1       | -729.8       |
| Minority interests           | -1103        | -1200        | -970.0       | -1166        | -1339        |
| Other post-tax items         | 0.00         | 0.00         | -0.00        | 0.00         | -0.00        |
| <b>Reported net profit</b>   | <b>2825</b>  | <b>2888</b>  | <b>2334</b>  | <b>2806</b>  | <b>3223</b>  |
| Tot normalised items         | -377.4       | 378.1        | 0.00         | 0.00         | 0.00         |
| Normalised EBITDA            | 12365        | 13252        | 13585        | 14502        | 15199        |
| Normalised PTP               | 5383         | 5130         | 4056         | 4653         | 5292         |
| <b>Normalised net profit</b> | <b>3203</b>  | <b>2510</b>  | <b>2334</b>  | <b>2806</b>  | <b>3223</b>  |

## Balance sheet

| QRm, year ended December          | FY09A        | FY10A         | FY11F         | FY12F         | FY13F        |
|-----------------------------------|--------------|---------------|---------------|---------------|--------------|
| Cash & market secs (1)            | 11512        | 25576         | 27045         | 32936         | 29705        |
| Other current assets              | 4454         | 5057          | 5216          | 5562          | 5911         |
| Tangible fixed assets             | 29598        | 32173         | 32888         | 31910         | 29494        |
| Intang assets (incl gw)           | 34104        | 33279         | 31756         | 30136         | 28534        |
| Oth non-curr assets               | 5271         | 5314          | 5421          | 5532          | 5649         |
| <b>Total assets</b>               | <b>84939</b> | <b>101399</b> | <b>102326</b> | <b>106076</b> | <b>99292</b> |
| Short term debt (2)               | 0.00         | 0.00          | 0.00          | 0.00          | 0.00         |
| Trade & oth current liab          | 16051        | 17698         | 15398         | 26867         | 20993        |
| Long term debt (3)                | 33798        | 43743         | 43743         | 32793         | 28230        |
| Oth non-current liab              | 5657         | 5730          | 5830          | 5930          | 6030         |
| <b>Total liabilities</b>          | <b>55506</b> | <b>67172</b>  | <b>64971</b>  | <b>65590</b>  | <b>55254</b> |
| Total equity (incl min)           | 29432        | 34227         | 37355         | 40486         | 44038        |
| <b>Total liab &amp; sh equity</b> | <b>84939</b> | <b>101399</b> | <b>102326</b> | <b>106076</b> | <b>99292</b> |
| Net debt                          | 24171        | 20686         | 16698         | 10807         | 3088         |

## Cash flow statement

| QRm, year to December            | FY09A         | FY10A        | FY11F        | FY12F         | FY13F         |
|----------------------------------|---------------|--------------|--------------|---------------|---------------|
| EBITDA                           | 12365         | 13252        | 13585        | 14502         | 15199         |
| Change in working capital        | 439.0         | 410.4        | 58.5         | 173.1         | 165.4         |
| Net interest (pd) / rec          | -1481         | -1804        | -2473        | -2143         | -1875         |
| Taxes paid                       | -836.0        | -866.4       | -751.8       | -681.1        | -729.8        |
| Other oper cash items            | -519.0        | -596.3       | -970.0       | -1166         | -1339         |
| <b>Cash flow from ops (1)</b>    | <b>9968</b>   | <b>10395</b> | <b>9448</b>  | <b>10684</b>  | <b>11421</b>  |
| Capex (2)                        | -8393         | -4452        | -6247        | -5107         | -4014         |
| Disposals/(acquisitions)         | 0.00          | 0.00         | 0.00         | 0.00          | 0.00          |
| Other investing cash flow        | -3672         | -1408        | 129.3        | -38.5         | 4.85          |
| <b>Cash flow from invest (3)</b> | <b>-12065</b> | <b>-5860</b> | <b>-6118</b> | <b>-5146</b>  | <b>-4009</b>  |
| Incr / (decr) in equity          | 0.00          | 0.00         | 0.00         | 0.00          | 0.00          |
| Incr / (decr) in debt            | 0.00          | 0.00         | 0.00         | 0.00          | 0.00          |
| Ordinary dividend paid           | -865.7        | -1027        | -733.3       | -840.3        | -1010         |
| Preferred dividends (4)          | 0.00          | 0.00         | 0.00         | 0.00          | 0.00          |
| Other financing cash flow        | 7344          | 10555        | -1964        | -7.20         | -10963        |
| <b>Cash flow from fin (5)</b>    | <b>6478</b>   | <b>9529</b>  | <b>-2697</b> | <b>-847.5</b> | <b>-11973</b> |
| Forex & disc ops (6)             | -715.5        | 0.00         | 0.00         | 0.00          | 0.00          |
| <b>Inc/(decr) cash (1+3+5+6)</b> | <b>3666</b>   | <b>14064</b> | <b>633.1</b> | <b>4691</b>   | <b>-4561</b>  |
| Equity FCF (1+2+4)               | 1575          | 5943         | 3201         | 5577          | 7406          |

Source: Company data, Rasmala forecasts

# Disclosure Appendix

## Recommendation structure

**Absolute performance, long term (fundamental) recommendation:** The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

**Performance parameters and horizon:** Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

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