

**Hold**

TP QR7.70

**RBS Refiner**

Price (close 27 Jan)	QR7.28
3M high/low	QR7.78/7.28
Market cap	QR6.15bn
Av (12M) turnover	QR2.21m
Freefloat	
Reuters	VFQS.QA
Bloomberg	VFQS.QD
Net debt (cash), FY11	QR644m
3yr EPS CAGR 12-14F	(43.0)%
Income (2013F div yield)	(0.0)%

Source: Bloomberg, Rasmala forecasts

**Rasmala vs consensus**

NPBT (QRm)	Ours	Cons	%
2011	(430)	-433	n/m
2012	(240)	-274	n/m
2013	(111)	-94	n/m

Source: Rasmala forecasts, Bloomberg

**Price performance**

	(1M)	(3M)	(12M)
Price (QR)	7.56	7.50	8.10
Absolute (%)	-3.7	-2.9	-10.1
Rel to mkt*(%)	0.5	-1.8	-4.4

\*QE Index

Source: Bloomberg

**Key events**

Date	Event
Jan-12	Interim results
May-12	Annual results
Jul-12	Interim results

Source: Bloomberg

# Vodafone Qatar

## Key takeaways from Analyst Day

Vodafone Qatar held its analyst presentation day on 26 January 2012 where it addressed its key strategy programmes for 2012 and reviewed its 3Q12 financial results. Our TP remains unchanged at QR7.70. We maintain our Hold recommendation.

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

VFQ stated that, as it progresses into 2012, it continues to make headway on its key strategy programmes. Of the QR6.78bn (according to Vodafone Qatar) total Qatari telecom market revenue, VFQ only has a 17% revenue share (QR1.14bn), which, according to management, could increase by 40% to about 24% (ie, QR1.6bn). The three strategic markets of opportunity for VFQ, as per the company, are: 1) the post-paid market; 2) the fixed-line market; and 3) the broadband/ data market. VFQ is in the process of finalising integration with Qatar National Broadband Network (QNBN), its backbone network and link to the international landing station (ILS), enabling the launch of its fixed and broadband services throughout 2012. Management said that it expects to complete its fibre ring backbone by the summer of 2012. Currently, VFQ offers fixed-line services at The Pearl, which is due to be followed by the launch of fixed-line services in Barwa City, West Bay CBD and then a nationwide roll-out as QNBN delivers last-mile connectivity. The annual QR1.9bn (according to Vodafone Qatar) fixed-line market poses a significant untapped opportunity for VFQ in which it has not participated as yet. In 4Q12, VFQ expects another QR143m of capex, as the company continues to improve its network infrastructure to meet its strategic objectives. Furthermore, VFQ targets additional mobile network improvements, including indoor coverage and increased data download speeds, and the launch of its post-paid billing system. In terms of debt, management said that it intends to refinance a QR400m debt that is due in April 2012.

**Forecasts: 3Q12 revenues and net loss in-line; we keep our forecasts unchanged**

VFQ released 3Q12 results, with revenues and net loss in-line with our estimates. However, our EBITDA estimate was slightly higher than the reported result. Revenues reached QR316m for 3Q12 and QR906m at the end of 9M12 (vs our estimate of QR922m which was 2% higher). EBITDA reached QR37m for 3Q12 and QR102m at the end of 9M12 (vs our QR108m estimate that was higher by 6%). Net loss came in at QR122m for 3Q12 and QR359m at the end of 9M12 (vs our loss estimate of QR360m). We maintain our forecasts in light of these results.

**Valuation: Our TP remains unchanged at QR7.70, maintaining our Hold recommendation**

Our DCF valuation for Vodafone Qatar remains unchanged at of QR7.70 per share. Thus, we maintain our Hold recommendation. Our main concern remains the risk to the company's earnings and TP from increased pricing competition in Qatar, either in voice or broadband services. The main upside risk, in our opinion, is Vodafone Qatar's ability to attract and capture a higher slice of the high net-worth subscriber base and fixed line/broadband market, which could result in a better revenue and EBITDA margin performance than we anticipate.

**Key forecasts**

year to Mar	FY10A	FY11A	FY12F	FY13F	FY14F
Revenue (QRm)	361.5	934.9	1,248	1,476	1,598
EBITDA (QRm)	-225	-27.1	153.7	324.7	451.3
Normalised PTP (QRm)	-673	-600	-429	-240	-111
Norm fully diluted EPS (QR)	-0.80	-0.71	-0.51	-0.28	-0.13
Normalised PE	-9.14	-10.2	-14.3	-25.6	-55.4
Dividend per share (QR)	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00

Accounting standard: IAS

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: Vodafone Qatar

## Income statement

QRm, year to March	FY10A	FY11A	FY12F	FY13F	FY14F
Revenue	361.5	934.9	1248	1476	1598
Cost of sales	-247.6	-475.0	-511.8	-516.6	-535.2
Operating costs	-339.3	-486.9	-582.8	-634.7	-611.1
<b>EBITDA</b>	<b>-225.3</b>	<b>-27.1</b>	<b>153.7</b>	<b>324.7</b>	<b>451.3</b>
DDA & Impairment (ex gw)	-449.3	-548.5	-590.0	-609.4	-610.4
<b>EBITA</b>	<b>-674.6</b>	<b>-575.6</b>	<b>-436.3</b>	<b>-284.7</b>	<b>-159.1</b>
Goodwill (amort/impaird)	0.00	0.00	0.00	0.00	0.00
<b>EBIT</b>	<b>-674.6</b>	<b>-575.6</b>	<b>-436.3</b>	<b>-284.7</b>	<b>-159.1</b>
Net interest	1.18	-25.2	6.41	44.3	47.9
Associates (pre-tax)	0.00	0.00	0.00	0.00	0.00
Other pre-tax items	0.00	0.00	0.00	0.00	0.00
<b>Reported PTP</b>	<b>-673.4</b>	<b>-600.7</b>	<b>-429.9</b>	<b>-240.4</b>	<b>-111.2</b>
Taxation	0.00	0.00	0.00	0.00	0.00
Minority interests	0.00	0.00	0.00	0.00	0.00
Other post-tax items	0.00	0.00	0.00	0.00	0.00
<b>Reported net profit</b>	<b>-673.4</b>	<b>-600.7</b>	<b>-429.9</b>	<b>-240.4</b>	<b>-111.2</b>
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	-225.3	-27.1	153.7	324.7	451.3
Normalised PTP	-673.4	-600.7	-429.9	-240.4	-111.2
<b>Normalised net profit</b>	<b>-673.4</b>	<b>-600.7</b>	<b>-429.9</b>	<b>-240.4</b>	<b>-111.2</b>

## Balance sheet

QRm, year ended March	FY10A	FY11A	FY12F	FY13F	FY14F
Cash & market secs (1)	85.4	83.3	298.7	586.0	1032
Other current assets	139.9	211.8	188.1	202.2	197.0
Tangible fixed assets	832.3	1161	1111	1052	988.3
Intang assets (incl gw)	7351	6960	6557	6154	5752
Oth non-curr assets	-0.00	-0.00	0.00	0.00	-0.00
<b>Total assets</b>	<b>8409</b>	<b>8416</b>	<b>8155</b>	<b>7995</b>	<b>7969</b>
Short term debt (2)	0.00	0.00	0.00	0.00	0.00
Trade & oth current liab	363.7	596.9	909.4	1124	1344
Long term debt (3)	379.1	727.7	592.7	457.7	322.7
Oth non-current liab	6.82	13.3	4.71	4.71	4.71
<b>Total liabilities</b>	<b>749.6</b>	<b>1338</b>	<b>1507</b>	<b>1587</b>	<b>1672</b>
Total equity (incl min)	7659	7078	6648	6408	6297
<b>Total liab &amp; sh equity</b>	<b>8409</b>	<b>8416</b>	<b>8155</b>	<b>7995</b>	<b>7969</b>
Net debt	293.7	644.4	429.0	6.67	-574.0

## Cash flow statement

QRm, year to March	FY10A	FY11A	FY12F	FY13F	FY14F
EBITDA	-225.3	-27.1	153.7	324.7	451.3
Change in working capital	180.2	161.3	201.3	200.9	225.3
Net interest (pd) / rec	1.18	-25.2	6.41	44.3	47.9
Taxes paid	0.00	0.00	0.00	0.00	0.00
Other oper cash items	0.00	0.00	0.00	0.00	0.00
<b>Cash flow from ops (1)</b>	<b>-43.9</b>	<b>109.0</b>	<b>361.4</b>	<b>569.9</b>	<b>724.5</b>
Capex (2)	-443.8	-328.9	-137.3	-147.6	-143.8
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	4.43	-138.5	0.00	0.00	0.00
<b>Cash flow from invest (3)</b>	<b>-439.3</b>	<b>-467.4</b>	<b>-137.3</b>	<b>-147.6</b>	<b>-143.8</b>
Incr / (decr) in equity	352.4	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	0.00	0.00	0.00	0.00	0.00
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	350.3	355.1	-8.60	-135.0	-135.0
<b>Cash flow from fin (5)</b>	<b>702.7</b>	<b>355.1</b>	<b>-8.60</b>	<b>-135.0</b>	<b>-135.0</b>
Forex & disc ops (6)	0.00	0.00	0.00	0.00	0.00
<b>Incr/(decr) cash (1+3+5+6)</b>	<b>219.5</b>	<b>-3.33</b>	<b>215.4</b>	<b>287.3</b>	<b>445.7</b>
Equity FCF (1+2+4)	-487.7	-219.9	224.0	422.3	580.7

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.

**Target price:** The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

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