OOREDOO (QTEL) CP: 114.0 FV: 147.0 Rating: Accumulate

Ooredoo reported shareholders profits of QAR 808 mn in Q1-13, 13% ahead of our estimate of QAR 712 mn and below Bloomberg median consensus estimate of QAR 852 mn. Top-line forecast was generally in-line with the actual result, followed by un-anticipated weaker EBITDA generation with stated margin at 43.8% vs. our estimate of 45.4%. Other discrepancies filtrating to the bottom-line were due to higher interest costs and income tax incorporated by us.

- **Top-line in line, with main operations offering adequate revenue growth with the exception of Kuwait & Tunisia, and noticeable slowdown in Iraq:** Ooredoo's aggregate revenues grew 5.2% Y-o-Y to record QAR 8.4 bn. Trends have continued with home market still offering adequate growth levels, Indonesia picking up (8.8% Y-o-Y), Nawras achieving 3% Y-o-Y growth, Wataniya still lagging with Kuwait and Tunisia dragging the performance, yet sustained from Algeria which grew 15.8% Y-o-Y. Slowdown in Iraq's performance was apparent, with mounting competitive pressures in that market. The subsidiary still achieved a good growth rate of 5.6%, yet well below historical levels (the prior quarter had revenue growth of 14.6% Y-o-Y). We await the release of Zain Group's financial statements to comprehend the mobile market landscape and the repercussions of the rising competition initiated by Korek Telecom.

- **EBITDA margin under pressure:** Most of Ooredoo's operations witnessed declines in their EBITDA margins, which is partly attributed to the normal course of the business, and in particular cases to regulatory changes like in Kuwait's case. Nominal EBITDA recorded QAR 3.7 bn vs. QAR 3.8bn a year earlier, posting a 3% Y-o-Y decline. Annual management guidance ranges between +1% to +5% compared to 2012 results, and we await Q2-13 to observe trends in the EBITDA margin, and signs of normalization.

- **Net profit 13% ahead of our estimate:** Ooredoo achieved profits of QAR 808 mn, with a 14% Y-o-Y growth, however we note that the upgrade conducted by the company regarding its stakes in its diverse holdings was not reflected in Q1-12, which distorts the comparison basis. We remind that Ooredoo undertook 3 major transactions in 2012, starting with increasing its stake in Asiacell – Iraq, followed by Wataniya Telecom, and Tunisiana, which commenced during the 2nd half of the year. Q4-12 profits are not to be considered as a base, knowing that the quarter was burdened with one-off items of ~QAR 244 mn.

- **Valuation in line with MENA peers:** Ooredoo's PE13 is expected at 9.1x, which is roughly in-line within the regional context. We expect a DY13 of 5.5%, however this is highly aligned with the potential acquisition of Vivendi's 53% shareholding in Maroc Telecom, and to a lesser extent the Maynmar Greenfield license. Ooredoo has a diverse telecom portfolio, combining mature operations with wide emerging market exposure. We re-iterate our Accumulate rating on the stock.

in QAR mn	Q1-12 A	Q4-12A	Q1-13 A	Q1-13 E	QoQ	YoY	Vs ASIB Est
Income Statement							
Revenues	8,027	8,707	8,441	8,319	-3%	5%	1%
EBTIDA	3,821	3,881	3,698	3,779	-5%	-3%	-2%
EBITDA Margin	47.6%	44.6%	43.8%	45.4%	-2%	-8%	-4%
Attributable Net Profit	**711**	**523**	**808**	**712**	55%	14%	14%
EPS	2.22	1.63	2.52	2.22	55%	14%	14%

*EBITDA is calculated from financial statements, and slightly different than the figures stated by management.

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