

# QNBFS Alert – VFQS Posts Improved 4QFY14 Results

- **VFQS posts narrower March 2014 loss on increase in customer base; declares maiden QR0.17 in cash DPS (1% yield).** In 4QFY2014, Vodafone Qatar's (VFQS) net loss narrowed by 39% on a QoQ basis and 56% on a YoY basis and stood at QR33mn. We were expecting a net loss of QR50mn (Bloomberg consensus: QR49mn). Results were driven by an increase in revenue with 4QFY2014 revenue up 8% QoQ and 26% YoY to QR550mn. Reported revenue was in line with our estimate of QR543mn (Bloomberg consensus: QR517mn). VFQS' mobile customers grew by 22% YoY (4% QoQ) to reach 1.33mn as of March 31, 2014 (QNBFS estimate: 1.34mn), while FY2014 average revenue per user (ARPU) improved 4% to QR126. The company reported a quarterly EBITDA margin of 27.7% vs. our estimate of 26.2% and December 2013 quarter's 26.4%. VFQS' FY2014 loss narrowed by 39% to QR246mn, compared to a net loss of QR401mn a year earlier. The improved results were driven by a strong 30% YoY growth in FY2014 revenue to QR1.98bn. The mobile revenue market share grew to 33.6% by the end of 4QFY2014 as compared to 30.4% in the same period last year. Postpaid revenue contributed around 17% of total revenue and represented 9.6% of VFQS' customer base. This enabled VFQS to further increase its profitability with EBITDA margin improving 644bps over the year to reach 25% in FY2014. The company declared QR0.17 in DPS for FY2014 vs. our estimate of QR0.10 (Bloomberg consensus: QR0.08). Further, VFQS' CEO Kyle Whitehill announced that it is set to launch its 4G network services from June 3, 2014.
- **Maintaining Underperform rating; we do not foresee major changes to our model.** While these are a good set of results, we do believe that the stock has appreciated beyond justifiable growth prospects. We continue to rate the stock an Underperform with a price target of QR13.95.

### Recommendations

*Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*

<b>OUTPERFORM</b>	Greater than +20%
<b>ACCUMULATE</b>	Between +10% to +20%
<b>MARKET PERFORM</b>	Between -10% to +10%
<b>REDUCE</b>	Between -10% to -20%
<b>UNDERPERFORM</b>	Lower than -20%

### Risk Ratings

*Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*

<b>R-1</b>	Significantly lower than average
<b>R-2</b>	Lower than average
<b>R-3</b>	Medium / In-line with the average
<b>R-4</b>	Above average
<b>R-5</b>	Significantly above average

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