

Vodafone Qatar (VFQS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR1.700	Target Price	QR2.220
Implied Upside	30.6%		

In-Line 2Q2024 Reinvests Investment Thesis; Maintain Outperform

VFQS reported an in-line 2Q2024. Overall, VFQS continues to make solid progress in its growth & costs optimization initiatives. Management also continues to focus on profitable growth by deemphasizing discounts (including removal of expired discounts) and focusing on rational pricing across key segments. With the stock down 10.9% YTD, we believe that VFQS presents a compelling opportunity. For 2024, VFQS is trading at a P/E of 11.9x and at an EV/EBITDA of 5.4x, along with a dividend yield of 7.4%. VFQS continues to deliver impressive and profitable growth, posting CAGRs (2018-2023) of 8.2%, 17.1%, 35.6% and 17.1%, respectively, for revenue, EBITDA, EPS and DPS. Going forward, we are projecting CAGRs (2023-2028) of 2.7% (revenue), 3.6% (EBITDA), 8.2% (EPS) and 9.1% (DPS). We note over the previous five years or so, Vodafone Qatar's shares have rerated from nosebleed valuation territory to in-line-to-moderately expensive levels. **Thus, VFQS has grown into its valuation but this has meant that its significant operational and earnings improvements have largely not had much impact on the stock price.** The company's dividend yield also remains compelling - VFQS paid QR0.11 in DPS for 2023 (DY: 6.5%) - and we expect DPS to climb 13.6% YoY to QR0.125 (DY: 7.4%) this year. The company's longer-term growth prospects as a 2nd operator in a market of Qatar's size and dynamics (population size of 2.9mn in June 2024, along with a mobile penetration of 155% as of March 2024; VFQS already has revenue market share (RMS) of 30.7% and customer market share (CMS) of 43.6% as of 1Q2024, with postpaid and prepaid subscriber market shares of 40.5% and 44.9%, respectively) is more of an open question. We believe there is room for improvement (as of 1Q2024, VFQS has an EBITDA margin of 41.9% vs. ORDS's 52.2%, an ARPU of QR71.5 vs. ORDS's QR102.5, along with 569K high-ARPU/margin postpaid customers relative to Ooredoo's 836K postpaid subs). There also remains a significant 13pp differential between Vodafone Qatar's CMS and RMS. As VFQS demonstrates progress in closing this gap beyond our expectations, the stock could benefit. With FCF yields growing from 10.7% in 2023 to 13.3% in 2028, we think there could be DPS upside. The stock is already down 10.9% YTD vs. the QSE Index decline of 6.8% (ORDS is also down 8.2%). **While we do concede that an improvement in Vodafone Qatar's stock price could hinge on an overall recovery in market sentiment and the QSE Index, we remain optimistic longer-term on the name. We maintain our Outperform rating and our QR2.220 target price.**

Highlights

- **VFQS reported 2Q2024 net profit of QR143.1mn (13.1% YoY, -4.7% QoQ) that was in-line with our estimate of QR145.5mn (-1.7% divergence).** Overall revenue and EBITDA were also in-line with our model and results were consistent with our estimates generally across the board. For more details, see page 2.
- **We maintain our estimates, which are at the higher end of management guidance that remains unchanged.** VFQS expects top-line growth for 2024 and we project total revenue to grow 3.3% YoY to QR3.2bn. Given reported 1H2024 revenue of QR1,585.1mn, our 2024 estimate implies 2H2024 top-line of QR1,627.7mn, up 2.7% from 1H. We also model QR604.9mn in 2024 earnings, up 12.0% YoY from QR540.0mn in 2023, which is at the higher end of management's guidance range of 8%-12% growth. Given reported 1H2024 net income of QR293.2mn, our 2024 estimate implies 2H2024 earnings of QR311.7mn, up 6.3% from 1H. We expect EBITDA margin of 42.3% that is at the high-end of management's guidance range of 0.5-1pp increase from 2023's 41.3% EBITDA margin. Finally, we also pencil in a 14.0% capex intensity estimate in 2024 (QR450.0mn in capex, down 19.0% YoY), which is again at the high-end of management's guidance of 12%-14%.

Catalysts

- **VFQS continues to deliver on its growth metrics.** Longer-term, postpaid (71.3% of 2Q2024 mobile service revenue), 5G, managed services, fixed, broadband, enterprise, IoT and bundled ICT solutions should boost growth. While capex levels were elevated due to 5G and WC-related coverage/capacity expansion, dividend and FCF yields should improve.

Recommendation, Valuation and Risks

- **Recommendation and valuation: We rate VFQS an Outperform with a PT of QR2.220.** The stock is trading at EV/EBITDA multiples of 5.4x for 2024 and 5.0x for 2025.
- **Risks:** 1) Increased competition leading to ARPU erosion and/or market share loss; 2) Weakening of postpaid, broadband, fixed-line and managed services traction/stickiness and 3) Fall in population/industry growth rates.

Key Financial Data and Estimates

	CY2022	CY2023	CY2024e	CY2025e	CY2026e
Revenue (QR mn)	3,066	3,111	3,213	3,320	3,411
EPS (QR)	0.1189	0.1278	0.1431	0.1556	0.1688
EV/EBITDA	6.3x	5.8x	5.4x	5.0x	4.7x
Dividend Yield	5.9%	6.5%	7.4%	8.1%	8.8%

Source: Company data, QNB FS Research; Note: All data based on current number of shares

Key Data

Current Market Price (QR)	1.700
Dividend Yield (%)	6.5
Bloomberg Ticker	VFQS QD
ADR/GDR Ticker	N/A
Reuters Ticker	VFQS.QA
ISIN	QA000A0Q5NE9
Sector*	Telecoms
52wk High/52wk Low (QR)	1.950/1.620
3-m Average Volume ('mn)	4.5
Mkt. Cap. (\$ bn/QR bn)	2.0/7.2
EV (\$ bn/QR bn)	2.1/7.6
Shares Outstanding (mn)	4,227.0
FO Limit* (%)	49.0
Institutional FO* (%)	8.0
1-Year Total Return (%)	(6.9)
Fiscal Year End	December 31

Source: Bloomberg (as of July 25, 2024), *Qatar Exchange (as of July 25, 2024); Note: FO is foreign ownership

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2Q2024 Review

VFQS reported 2Q2024 net profit of QR143.1mn (13.1% YoY, -4.7% QoQ) that was in-line with our estimate of QR145.5mn (-1.7% divergence). Overall revenue and EBITDA were also in-line with our model and results were consistent with our estimates generally across the board.

- Quarterly revenue of QR779.1mn (0.5% YoY, -3.3% QoQ) came in 1.7% below our top-line forecast of QR792.5mn.**
 - The non-mobile service segment** (including a minor contribution of other revenue) continues to benefit from traction in managed services from projects that commenced in 4Q2022, along with growth in IoT, wholesale, fixed and roaming revenue. This segment continues to impress, posting moderately higher-than-expected 2Q2024 revenue of ~QR255mn (9% YoY, 5% QoQ), up 4% relative to our model of QR245mn. During the earnings conference call, management pointed to traction in wholesale (including inbound roaming customers as visitors increase) and growth in fixed customers and reduction in fixed broadband discounts at starting price points at the end of 2Q.
 - We note that prepaid revenue continues to exhibit positive yearly trends**, up roughly 2% YoY but down 2% QoQ to ~QR132mn in 2Q2024; segment revenue has stabilized on a yearly basis in 2024, up 1% YoY in 1H2024 after declining by 12.8% in FY2023. 2Q2024 prepaid top-line beat our estimate of QR129mn by 2%. During the 2Q2024 conference call, management continued to highlight that starting 4Q2023, market pricing has become more rational with 2Q2024 ARPU growing 3% YoY/2% QoQ. Management believes that prepaid revenue has not only stabilized but has started to grow with market consolidation and attrition of ultra-low value subscribers and overall reduction in duality of the prepaid market/mobility market. While prepaid subs have eased sequentially in both 1Q/2Q2024, management is confident that the segment is progressing toward profitable growth.
 - The postpaid business remained stable and was up ~1% relative to our model** with revenue of ~QR327mn, flattish YoY/QoQ. VFQS has focused on upgrading its customer base and minimizing discounted offerings to existing customers (including removal of expired discounts). We note postpaid ARPU has improved sequentially since 4Q2023 and on a YoY basis in 1Q2024/2Q2024, which has helped margins. While this has led to a slight reduction to the postpaid subs (we do note that 1Q2023 highs were still being aided by the World Cup), 1H2024 postpaid business remains stable.
 - Finally, handsets & equipment revenue decreased sequentially/YoY** to ~QR66mn (-24% YoY/-36% QoQ). We anticipated part of this decline given handsets revenue were expected to remain weak until the next iPhone launch but the equipment portion of managed services dipped as these are non-recurring in nature and sometime do not meet the revenue recognition criteria when projects start. However, the pipeline for potential projects remain strong and management expects this segment to grow YoY for 2024, which is consistent with our model.
- Costs optimization remains evident with VFQS reporting a healthy 2Q2024 EBITDA margin of 42.9% vs. 40.5% in 2Q2023 and 41.9% in 1Q2024.** We were modeling an EBITDA margin of 42.1%. Quarterly EBITDA of QR334.3mn grew 6.4% YoY but decreased 1.0% QoQ and was in-line with our estimate of QR333.7mn (0.2% divergence).

QNB FS 2Q2024 Estimates and Comparisons

INCOME STATEMENT <i>(In QR mn Unless Specified)</i>		2QCY23 A	1QCY24 A	2QCY24 A	2QCY24 E A	Vs. E	YoY	QoQ
Revenue		774.883	806.054	779.079	792.523	-1.7%	0.5%	-3.3%
	<i>YoY Growth (%)</i>	9.9%	3.9%	0.5%	2.3%			
Direct Costs (Interconnection & Other Opex)		(267.706)	(279.604)	(254.717)	(273.420)	-6.8%	-4.9%	-8.9%
	<i>as a % of Total Revenue (%)</i>	34.5%	34.7%	32.7%	34.5%			
Gross Profit (Loss)		507.177	526.450	524.362	519.102	1.0%	3.4%	-0.4%
	<i>Gross Margin (%)</i>	65.5%	65.3%	67.3%	65.5%			
Operating Expenses (Network, Employee & Other Expenses)		(193.011)	(188.926)	(190.085)	(185.450)	2.5%	-1.5%	0.6%
	<i>as a % of Total Revenue (%)</i>	24.9%	23.4%	24.4%	23.4%			
Depreciation and Amortization		(157.322)	(157.943)	(162.024)	(157.997)	2.5%	3.0%	2.6%
Total Operating Expenses		(350.333)	(346.869)	(352.109)	(343.448)	2.5%	0.5%	1.5%
EBITDA		314.166	337.524	334.277	333.652	0.2%	6.4%	-1.0%
	<i>EBITDA Margin (%)</i>	40.5%	41.9%	42.9%	42.1%			
Operating Profit (Loss) - EBIT		156.844	179.581	172.253	175.655	-1.9%	9.8%	-4.1%
	<i>EBIT Margin (%)</i>	20.2%	22.3%	22.1%	22.2%			
Interest Income		2.665	2.385	2.010	2.397	-16.2%	-24.6%	-15.7%
Interest Expense/Lease Interest Expense		(20.653)	(16.533)	(16.604)	(17.667)	-6.0%	-19.6%	0.4%
Other Income/Expense		(12.405)	(15.326)	(14.599)	(14.858)	-1.7%	17.7%	-4.7%
Profit (Loss) Before Tax		126.451	150.107	143.060	145.526	-1.7%	13.1%	-4.7%
Net Profit (loss) - Adjusted		126.451	150.107	143.060	145.526	-1.7%	13.1%	-4.7%
	<i>Net Margin (%)</i>	16.3%	18.6%	18.4%	18.4%			
	<i>Net Profit YoY Growth</i>	16.1%	12.5%	13.1%	15.1%			
EPS (QR)		0.0299	0.0355	0.0338	0.0344	-1.7%	13.1%	-4.7%

Source: Company data, QNB FS Research

QNB FS 2Q2024 KPI Estimates and Comparisons

	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024	2Q2024	2Q2024E	A Vs. E
Mobile Subscribers (000s)								
Pre-Paid Subs	1,522	1,529	1,531	1,582	1,545	1,517	1,518	(0%)
YoY Growth	4%	5%	3%	3%	2%	(1%)	(1%)	
QoQ Growth	(1%)	0%	0%	3%	(2%)	(2%)	(2%)	
Post-Paid Subs	573	570	566	567	569	557	564	(1%)
YoY Growth	5%	2%	(0%)	(0%)	(1%)	(2%)	(1%)	
QoQ Growth	1%	(1%)	(1%)	0%	0%	(2%)	(1%)	
Total Mobile Subs	2,095	2,099	2,097	2,149	2,114	2,075	2,082	(0%)
YoY Growth	4%	4%	2%	2%	1%	(1%)	(1%)	
QoQ Growth	(1%)	0%	(0%)	2%	(2%)	(2%)	(2%)	
Mobile ARPU (QR)								
Pre-Paid ARPU	29.5	28.0	26.7	28.9	28.2	28.8	28.1	3%
YoY Growth	(13%)	(13%)	(19%)	(13%)	(4%)	3%	0%	
QoQ Growth	(12%)	(5%)	(5%)	8%	(2%)	2%	(1%)	
Post-Paid ARPU	190.8	189.9	187.8	190.7	191.3	193.3	191.1	1%
YoY Growth	(3%)	(3%)	(3%)	(2%)	0%	2%	1%	
QoQ Growth	(2%)	(0%)	(1%)	2%	0%	1%	(0%)	
Blended Mobile ARPU	73.5	72.2	70.3	72.1	71.5	73.2	72.1	2%
YoY Growth	(6%)	(6%)	(9%)	(7%)	(3%)	1%	(0%)	
QoQ Growth	(5%)	(2%)	(3%)	3%	(1%)	2%	1%	
Mobile Service Revenue (QR mn)								
Pre-Paid Service Revenue	134	128	122	136	134	132	129	2%
YoY Growth	(9%)	(10%)	(16%)	(16%)	0%	2%	0%	
QoQ Growth	(17%)	(4%)	(5%)	12%	(1%)	(2%)	(4%)	
Post-Paid Service Revenue	327	326	319	324	327	327	325	1%
YoY Growth	3%	1%	(2%)	(4%)	0%	0%	(0%)	
QoQ Growth	(3%)	(0%)	(2%)	2%	1%	0%	(1%)	
Total Mobile Service Revenue	461	454	441	460	461	459	454	1%
YoY Growth	(1%)	(2%)	(6%)	(8%)	0%	1%	(0%)	
QoQ Growth	(8%)	(1%)	(3%)	4%	0%	(1%)	(2%)	
Other Service Revenue (Managed Services, Broadband, Roaming, Wholesale & Others)								
	226	234	235	253	243	255	245	4%
YoY Growth	54%	52%	45%	(1%)	8%	9%	5%	
QoQ Growth	(12%)	3%	1%	8%	(4%)	5%	1%	
Total Service Revenue (QR mn)								
	687	688	676	713	704	713	699	2%
YoY Growth	12%	11%	7%	(6%)	2%	4%	2%	
QoQ Growth	(9%)	0%	(2%)	5%	(1%)	1%	(1%)	
Other Revenue (Incl. Equipment, Handsets & Hardware Portion of Projects Revenue)								
	89	87	71	100	102	66	94	(30%)
YoY Growth	(26%)	1%	(34%)	(26%)	15%	(24%)	8%	
QoQ Growth	(34%)	(2%)	(18%)	39%	2%	(36%)	(8%)	
Total Revenue (QR mn)								
	775.9	774.9	747.4	812.6	806.1	779.1	792.5	(2%)
YoY Growth	6.2%	10%	1%	(9%)	4%	1%	2%	
QoQ Growth	(12.8%)	(0%)	(4%)	9%	(1%)	(3%)	(2%)	

Source: Company data, QNB FS Research

Key Metrics & Forecasts

Ratio Analysis

Growth Rates	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024E	CY2025E	CY2026E	CY2027E	CY2028E	CAGR	
													2018-23	2023-28
Revenue	-2.9%	5.1%	1.1%	3.5%	14.8%	21.4%	1.5%	3.3%	3.3%	2.7%	2.3%	1.9%	8.2%	2.7%
Gross Profit	1.3%	2.9%	0.3%	9.1%	14.0%	21.7%	1.8%	3.9%	3.4%	3.0%	2.5%	2.1%	9.1%	3.0%
EBIT	33.5%	N/M	38.6%	22.0%	49.7%	48.6%	9.5%	11.1%	6.5%	5.7%	4.8%	3.6%	32.7%	6.3%
EBITDA	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	4.2%	5.7%	3.8%	3.3%	2.9%	2.4%	17.1%	3.6%
Net Income	31.6%	N/M	22.0%	28.8%	76.9%	53.4%	7.5%	12.0%	8.7%	8.5%	6.7%	5.2%	35.6%	8.2%
Distributable Profit		37.9%	12.8%	18.1%	53.0%	43.1%	6.7%	9.6%	7.7%	7.5%	6.0%	4.7%	25.5%	7.1%
DPS			0.0%	0.0%	20.0%	66.7%	10.0%	13.6%	10.0%	9.1%	6.7%	6.3%	17.1%	9.1%
CFPS	29.6%	43.7%	2.7%	-7.6%	28.9%	20.1%	20.2%	-6.2%	6.9%	3.3%	2.9%	2.6%	12.1%	1.8%
FCPS	158.8%	80.7%	-19.3%	0.1%	138.7%	-19.8%	120.4%	-5.9%	12.4%	6.8%	5.8%	4.2%	27.8%	4.5%
Operating Ratios														
Gross Margin	64.0%	62.6%	62.1%	65.5%	65.0%	65.2%	65.4%	65.8%	65.9%	66.0%	66.1%	66.2%		
EBIT Margin	(11.2%)	7.6%	10.4%	12.2%	15.9%	19.5%	21.1%	22.7%	23.4%	24.0%	24.6%	25.0%		
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.3%	42.3%	42.5%	42.7%	42.9%	43.1%		
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.4%	18.8%	19.8%	20.9%	21.8%	22.5%		
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.9%	14.0%	13.3%	12.5%	11.9%	11.6%		
Finance Ratios														
Debt - Equity Ratio	18.3%	17.9%	18.1%	18.3%	15.5%	14.9%	8.7%	10.2%	7.1%	4.5%	3.1%	1.6%		
Net Debt - Equity Ratio	13.9%	9.1%	11.4%	14.4%	11.4%	11.0%	6.1%	2.4%	(1.8%)	(6.2%)	(10.7%)	(15.2%)		
Net Debt-to-Capital	12.2%	8.4%	10.3%	12.6%	10.2%	9.9%	5.7%	2.4%	(1.8%)	(6.6%)	(12.0%)	(17.9%)		
Cash Interest Coverage	18.1x	16.7x	11.4x	12.5x	28.1x	25.5x	16.6x	19.2x	21.4x	28.5x	34.7x	40.5x		
Ave. Effective Borrowing rate %	3.6%	4.3%	7.6%	7.9%	5.1%	6.7%	18.1%	13.7%	18.0%	21.3%	26.2%	42.1%		
Return Ratios														
ROIC	(4.2%)	2.9%	3.8%	4.7%	6.8%	9.8%	11.3%	12.0%	12.8%	13.5%	14.0%	14.5%		
ROE	(5.7%)	2.6%	3.2%	4.1%	7.1%	10.4%	10.9%	12.0%	12.7%	13.5%	14.1%	14.6%		
ROA	(4.1%)	1.8%	2.0%	2.7%	4.8%	6.8%	7.4%	8.1%	8.8%	9.6%	10.1%	10.5%		
Dividend Payout %		179.4%	147.1%	114.2%	77.5%	84.1%	86.1%	87.4%	88.4%	88.9%	88.8%	89.7%		
Valuation														
EV/Sales	3.9x	3.6x	3.6x	3.6x	3.1x	2.5x	2.4x	2.3x	2.1x	2.0x	1.9x	1.8x		
EV/EBITDA	14.5x	13.0x	10.9x	9.7x	7.5x	6.3x	5.8x	5.4x	5.0x	4.7x	4.4x	4.1x		
EV/EBIT	N/M	47.8x	34.9x	29.1x	19.1x	12.9x	11.4x	10.0x	9.1x	8.4x	7.7x	7.1x		
P/E	N/M	61.0x	50.0x	38.8x	21.9x	14.3x	13.3x	11.9x	10.9x	10.1x	9.4x	9.0x		
P/BV	1.6x	1.6x	1.6x	1.6x	1.6x	1.5x	1.5x	1.4x	1.4x	1.4x	1.3x	1.3x		
Dividend Yield	0.0%	2.9%	2.9%	2.9%	3.5%	5.9%	6.5%	7.4%	8.1%	8.8%	9.4%	10.0%		
FCF Yield	1.7%	3.1%	2.5%	2.5%	6.0%	4.9%	10.7%	10.1%	11.3%	12.1%	12.8%	13.3%		
Liquidity Ratios														
Current Ratio	0.7x	0.4x	0.6x	0.4x	0.4x	0.5x	0.4x	0.6x	0.6x	0.7x	0.7x	0.8x		
Quick Ratio	0.6x	0.4x	0.6x	0.4x	0.4x	0.4x	0.4x	0.5x	0.6x	0.6x	0.7x	0.8x		

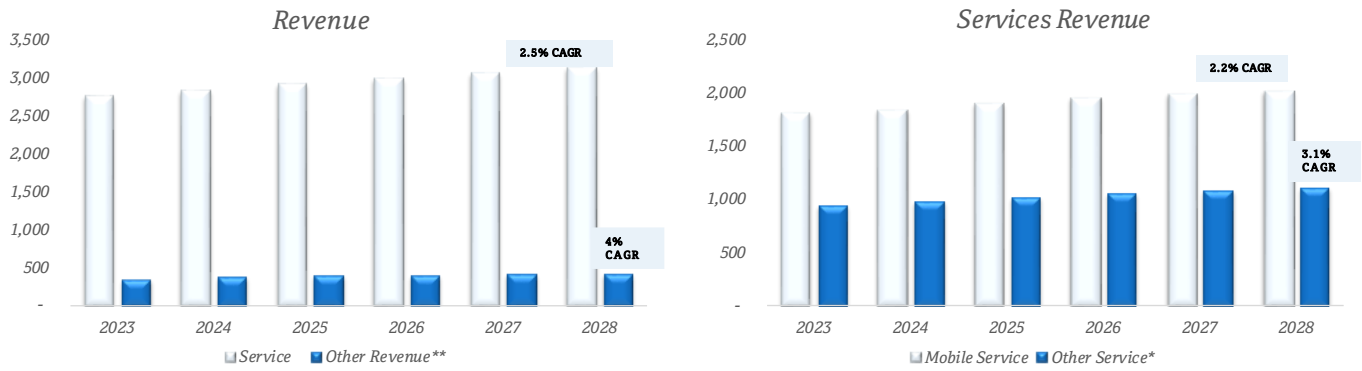
Source: Company data, QNB FS Research

Key Metrics

	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024E	CY2025E	CY2026E	CY2027E	CY2028E
Mobile Subscribers (000s)												
Pre-Paid Subs	1,071	1,325	1,243	1,208	1,412	1,537	1,582	1,580	1,605	1,623	1,641	1,658
YoY Growth	(11.9%)	23.7%	(6.1%)	(2.9%)	16.9%	8.9%	2.9%	(0.1%)	1.6%	1.2%	1.1%	1.0%
Post-Paid Subs	319	396	494	454	522	569	567	575	586	596	605	613
YoY Growth	24.6%	24.0%	24.8%	(8.0%)	14.9%	9.0%	(0.4%)	1.5%	1.8%	1.7%	1.5%	1.3%
Total Mobile Subs	1,390	1,720	1,737	1,662	1,934	2,106	2,149	2,155	2,190	2,219	2,245	2,270
YoY Growth	(5.6%)	23.7%	1.0%	(4.3%)	16.4%	8.9%	2.0%	0.3%	1.6%	1.3%	1.2%	1.1%
Mobile ARPU (QR)												
Pre-Paid ARPU	70	66	42	39	36	33	28	28	29	29	29	29
YoY Growth	(12.9%)	(5.8%)	(35.6%)	(8.7%)	(7.4%)	(7.7%)	(14.6%)	0.2%	0.8%	0.9%	0.7%	0.0%
Post-Paid ARPU	203	200	189	186	202	195	190	192	195	197	198	199
YoY Growth	0.4%	(1.3%)	(5.5%)	(1.6%)	8.6%	(3.5%)	(2.6%)	1.4%	1.3%	0.9%	0.7%	0.5%
Blended Mobile ARPU	100	100	84	84	81	77	72	72	73	74	74	75
YoY Growth	(2.8%)	0.6%	(16.1%)	(0.3%)	(3.9%)	(4.1%)	(7.0%)	0.3%	1.0%	1.1%	0.9%	0.5%
Mobile Service Revenue (QR mn)												
Pre-Paid Service Revenue	976	855	656	563	550	596	520	531	545	558	568	574
YoY Growth	(18.9%)	(12.4%)	(23.2%)	(14.1%)	(2.4%)	8.4%	(12.8%)	2.2%	2.7%	2.3%	1.8%	1.1%
Post-Paid Service Revenue	692	846	1,021	1,067	1,148	1,302	1,296	1,317	1,358	1,395	1,427	1,454
YoY Growth	19.8%	22.3%	20.6%	4.5%	7.6%	13.4%	(0.5%)	1.6%	3.1%	2.7%	2.3%	1.9%
Total Mobile Service Revenue	1,668	1,701	1,677	1,630	1,697	1,898	1,816	1,848	1,903	1,953	1,995	2,028
YoY Growth	(6.4%)	2.0%	(1.4%)	(2.8%)	4.1%	11.8%	(4.3%)	1.7%	3.0%	2.6%	2.2%	1.7%
Other Service Revenue*	184	202	272	391	533	719	948	989	1,024	1,054	1,082	1,106
YoY Growth	22.3%	9.8%	34.1%	43.8%	36.4%	34.9%	31.9%	4.4%	3.5%	3.0%	2.6%	2.3%
Total Service Revenue (QR mn)	1,852	1,904	1,949	2,021	2,230	2,617	2,764	2,837	2,927	3,007	3,076	3,134
YoY Growth	(4.1%)	2.8%	2.4%	3.7%	10.4%	17.3%	5.6%	2.6%	3.2%	2.7%	2.3%	1.9%
Other Revenue**	146	197	176	179	296	449	347	376	393	404	413	421
YoY Growth	16.7%	35.0%	(11.0%)	1.7%	65.4%	51.9%	(22.8%)	8.4%	4.6%	2.9%	2.1%	2.0%
Total Revenue (QR mn)	1,998	2,101	2,125	2,200	2,526	3,066	3,111	3,213	3,320	3,411	3,489	3,555
YoY Growth	(2.9%)	5.1%	1.1%	3.5%	14.8%	21.4%	1.5%	3.3%	3.3%	2.7%	2.3%	1.9%
EBITDA (QR mn)	538	584	709	808	1,031	1,234	1,286	1,359	1,410	1,457	1,498	1,534
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.3%	42.3%	42.5%	42.7%	42.9%	43.1%
YoY Growth	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	4.2%	5.7%	3.8%	3.3%	2.9%	2.4%
Net Income (QR mn)	(256)	118	144	185	327	502	540	605	658	714	761	801
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.4%	18.8%	19.8%	20.9%	21.8%	22.5%
YoY Growth	(31.6%)	N/M	22.0%	28.8%	76.9%	53.4%	7.5%	12.0%	8.7%	8.5%	6.7%	5.2%
Distributable Profit (QR mn)	146	202	228	269	412	589	628	689	742	798	846	885
YoY Growth		37.9%	12.8%	18.1%	53.0%	43.1%	6.7%	9.6%	7.7%	7.5%	6.0%	4.7%
Capex (QR mn)	368	489	637	411	408	660	556	450	441	428	415	411
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.9%	14.0%	13.3%	12.5%	11.9%	11.6%
YoY Growth	10.9%	32.8%	30.3%	(35.5%)	(0.8%)	61.7%	(15.8%)	(19.0%)	(2.0%)	(3.0%)	(3.0%)	(1.0%)

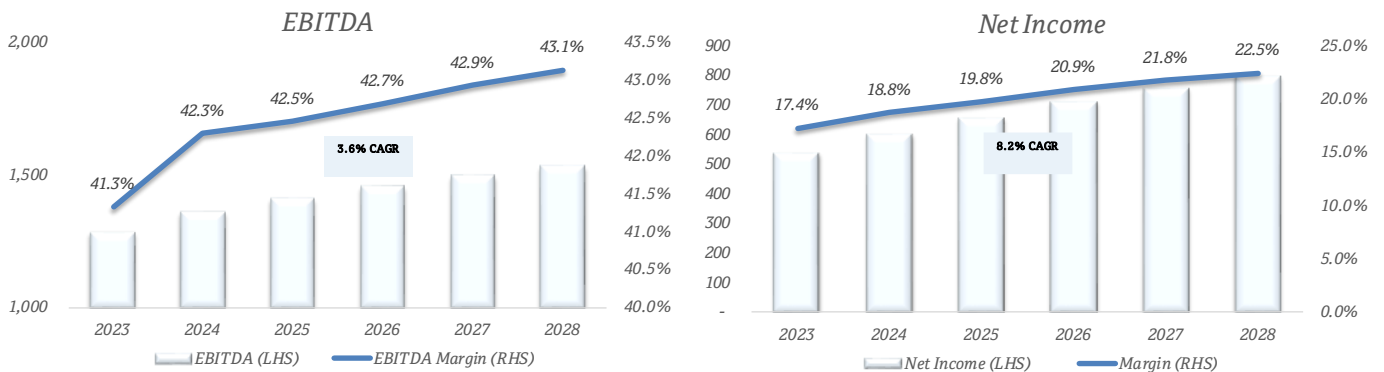
Source: Company data, QNB FS Research; Note: *Other service revenue, includes managed services, broadband, roaming, wholesale & others; **Other revenue includes handsets & hardware portion of projects/managed services revenue

Revenue & Services Revenue (In QR Mn & Percentages)



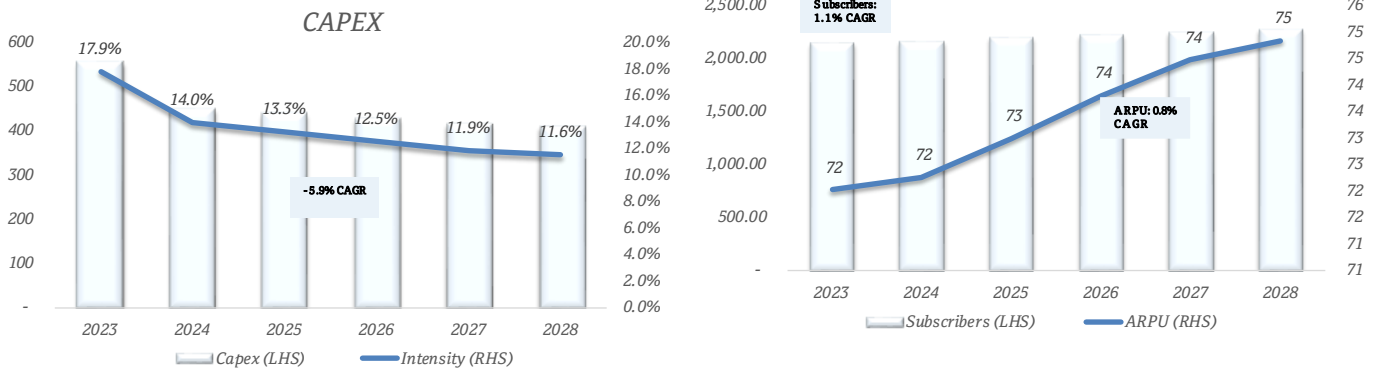
Source: Company data, QNB FS Research; Note: *Other service revenue, includes managed services, broadband, roaming, wholesale & others; **Other revenue includes handsets & hardware portion of projects/managed services revenue

EBITDA & Earnings (In QR Mn & Percentages)



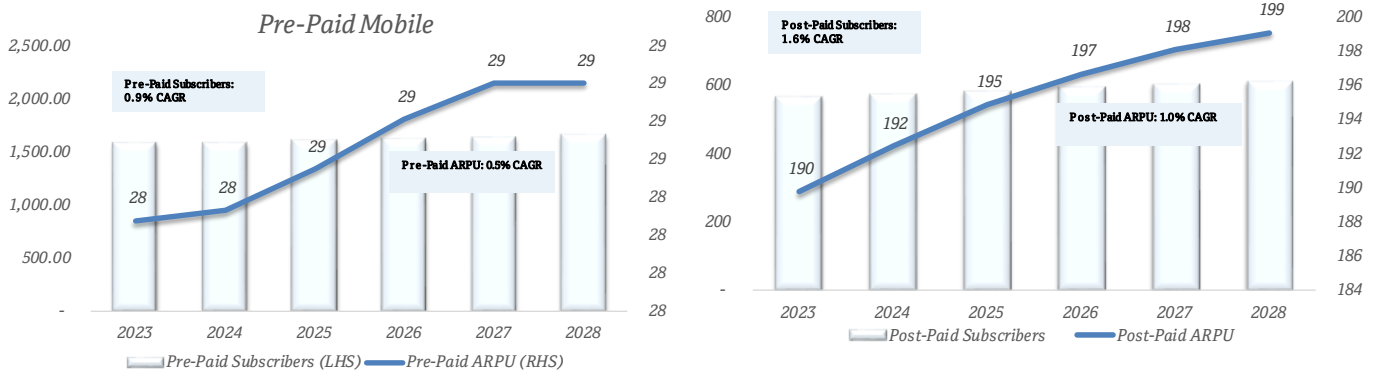
Source: Company data, QNB FS Research

Capex & ARPU/Total Subs (In QR Mn, '000s & Percentages)



Source: Company data, QNB FS Research

Pre/Post-Paid ARPU/Total Subs (In QR Mn, '000s & Percentages)



Source: Company data, QNB FS Research

Detailed Financial Statements

Income Statement (In QR mn)	CY2021	CY2022	CY2023	CY2024e	CY2025e	CY2026e	CY2027e	CY2028e
Revenue	2,526	3,066	3,111	3,213	3,320	3,411	3,489	3,555
Direct Costs	(885)	(1,068)	(1,077)	(1,099)	(1,133)	(1,160)	(1,181)	(1,200)
Gross Profit	1,641	1,998	2,034	2,114	2,187	2,252	2,308	2,355
Other Expenses, Excluding D&A	(611)	(764)	(748)	(755)	(777)	(795)	(809)	(821)
EBITDA	1,031	1,234	1,286	1,359	1,410	1,457	1,498	1,534
Depreciation & Amortization	(628)	(635)	(631)	(631)	(634)	(637)	(639)	(644)
EBIT	403	599	655	728	776	820	859	890
Interest Income	1	6	13	9	15	18	23	31
Interest Expense	(37)	(48)	(78)	(71)	(66)	(51)	(43)	(38)
Other Income/Expense	(40)	(54)	(51)	(62)	(67)	(73)	(78)	(82)
Profit Before Tax	327	502	540	605	658	714	761	801
Income Tax Expense								
Profit for Shareholders	327	502	540	605	658	714	761	801
EPS (QR)	0.077	0.119	0.128	0.143	0.156	0.169	0.180	0.189
DPS (QR)	0.060	0.100	0.110	0.125	0.138	0.150	0.160	0.170

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	CY2021	CY2022	CY2023	CY2024e	CY2025e	CY2026e	CY2027e	CY2028e
Non-Current Assets								
Property, Plant and Equipment	1,638	1,885	1,934	1,911	1,879	1,836	1,784	1,725
Intangible Assets	4,169	4,050	4,037	3,992	3,942	3,886	3,825	3,762
Rights of Use Assets	291	430	429	408	408	408	408	408
Trade and Other Receivables	92	298	267	221	228	234	240	244
Total Non-Current Assets	6,190	6,662	6,667	6,531	6,457	6,365	6,257	6,140
Current Assets								
Inventory	35	38	34	47	49	50	52	53
Contract Assets & Costs	42	52	62	68	68	68	68	68
Trade and Other Receivables	347	483	395	392	405	417	428	437
Cash and Cash Equivalents	190	187	130	392	456	569	742	924
Total Current Assets	613	760	621	899	978	1,104	1,290	1,482
Total Assets	6,803	7,422	7,288	7,431	7,435	7,469	7,547	7,621
Equity								
Total Equity	4,596	4,833	4,936	5,061	5,174	5,289	5,397	5,501
Non-Current Liabilities								
Trade and Other Payables	0	0	0	0	0	0	0	0
Lease Liabilities	197	315	315	284	255	230	207	186
Provisions	83	102	110	113	117	120	123	125
Long-Term Borrowings	506	512	325	365	240	165	90	15
Total Non-Current Liabilities	786	929	751	762	612	515	420	326
Current Liabilities								
Trade and Other Payables	1,099	1,311	1,340	1,281	1,323	1,363	1,397	1,427
Lease Liabilities	115	141	156	177	201	227	258	292
Short-Term Borrowings	206	207	105	150	125	75	75	75
Total Current Liabilities	1,420	1,660	1,601	1,608	1,649	1,665	1,730	1,794
Total Liabilities	2,207	2,589	2,352	2,369	2,261	2,180	2,150	2,120
Equity and Liabilities	6,803	7,422	7,288	7,431	7,435	7,469	7,547	7,621

Source: Company data, QNB FS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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