

## Vodafone Qatar (VFQS)

Recommendation	ACCUMULATE	Risk Rating	R-4
Share Price	QR1.834	Target Price	QR2.070
Implied Upside	12.9%	Old Target Price	QR1.950

### Improving Performance Could Further Boost Stock Price Momentum

We increase our price target from QR1.950 to QR2.070 and maintain our Accumulate rating. VFQS continues to deliver impressive and profitable growth, posting CAGRs (2018-2022) of 9.9%, 20.5%, 43.7% and 18.9%, respectively, for revenue, EBITDA, EPS and 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. This is despite the stock's rally this year with VFQS trading close to its 52-week high. We believe that it is possible for the stock to break out of its trading range as its dividend yield has finally become compelling – VFQS approved QR0.10 in DPS for 2022 (DY: 5.5%) – and we expect DPS to climb 20% YoY to QR0.12 (DY: 6.5%) this year. The company's longer-term growth prospects as a 2<sup>nd</sup> operator in a market of Qatar's size and dynamics (population size of 3.0mn in May 2023, along with a mobile penetration of 171% as of March 2023; VFQS already has revenue market share of 28.5% and subscriber market share of 40.7% as of 1Q2023, with postpaid and prepaid market shares of 41.3% and 40.5%, respectively) is more of an open question. We continue to believe there is some room for improvement (as of 1Q2023, VFQS has an EBITDA margin of 41.3% vs. ORDS' 50.7%, an ARPU of QR74 vs. ORDS' QR93.4, along with 573K high-ARPU/margin postpaid customers relative to Ooredoo's 813K postpaid subscribers). Going forward, as VFQS demonstrates progress in closing some of this gap beyond our modeled expectations, the stock could have more room to run. With FCF yields increasing from 4.5% in 2022 to 12.0% in 2027, we believe there could be upside to DPS, which could also act as a catalyst for the stock.

#### Highlights

- 1Q2023 earnings of QR133.4mn (24.2% YoY, -20.6% QoQ) was 4.4% below our estimate of QR139.5mn. Moderate revenue upside, relative to our model, was offset by slightly lower margins vs. our forecast. We had expected continued earnings growth YoY and a decline vs. 4Q2022 (aided by the WC) – reported results were in-line with our expectations.
- 1Q2023 top-line driven by uptick in managed services, handset and postpaid: Revenue of QR775.9mn (6.2% YoY, -12.8% QoQ), was 2.5% ahead of our forecast of QR756.9mn. This was driven by a 12.3% YoY growth in total service revenue to ~QR687mn (managed services and postpaid outperformed), offsetting the ~26% YoY decline in equipment sales to QR89mn (handsets were strong but projects revenue was weak as expected).
- Continued progress in costs optimization remains evident as VFQS reported 1Q2023 EBITDA margin of 41.3% vs. 41.2% in 1Q2022 and 39.9% in 4Q2022. We were forecasting an EBITDA margin of 42.2% in 1Q2023. Quarterly EBITDA of QR320.2mn grew 6.4% YoY but declined 9.8% QoQ and was in-line with our estimate of QR319.4mn (0.3% divergence).
- We model strong earnings/EBITDA growth for 2023. After increasing 21.4% in 2022, we model total revenue to grow 2.5% in 2023. Consistent with 1Q2023, we expect total service revenue (up 5.5%) to drive momentum, primarily due to managed services while postpaid is flatish and prepaid declines. Equipment revenue should decline 15.2% as projects-related equipment revenue, which generated ~QR220mn in 2022, falls. EBITDA should also be up 6.4% in 2023, following 2022's 19.7% growth, boosting the EBITDA margin from 2022's 40.2% to 41.8%. Net income should increase 6.7% in 2023 after rocketing 53.4% in 2022. Revenue growth, along with costs improvements, should help earnings. With WC-related spending in the rear-view mirror, we expect 2023-capital intensity at 17.6% vs. 21.5% in 2022. We note our estimates are consistent with management guidance.

#### Catalysts

- VFQS continues to deliver on its growth metrics. Longer-term, postpaid (~71% of 1Q23 mobile service revenue), 5G, managed services, fixed, broadband, enterprise 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 as an Accumulate with a PT of QR2.070. The stock is trading at EV/EBITDA multiples of 6.1x for 2023 and 5.8x for 2024.
- 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	CY2023e	CY2024e	CY2025e	CY2026e
Revenue (QR mn)	3,066	3,141	3,232	3,307	3,381
EPS (QR)	0.12	0.13	0.13	0.14	0.15
EV/EBITDA	6.7x	6.1x	5.8x	5.5x	5.2x
Dividend Yield	5.5%	6.5%	7.1%	7.6%	8.2%

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

#### Key Data

Current Market Price (QR)	1.834
Dividend Yield (%)	5.5
Bloomberg Ticker	VFQS QD
ADR/GDR Ticker	N/A
Reuters Ticker	VFQS.QA
ISIN	QA000A0Q5NE9
Sector*	Telecoms
52wk High/52wk Low (QR)	1.897/1.500
3-m Average Volume ('000)	3.5
Mkt. Cap. (\$ bn/QR bn)	2.1/7.8
EV (\$ bn/QR bn)	2.3/8.3
Shares Outstanding (mn)	4,227.0
FO Limit* (%)	49.0
Institutional FO* (%)	7.0
1-Year Total Return (%)	20.5
Fiscal Year End	December 31

Source: Bloomberg (as of June 07, 2023), \*Qatar Exchange (as of June 07, 2023); Note: FO is foreign ownership

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## Key Metrics & Forecasts

### Key Metrics

	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023E	CY2024E	CY2025E	CY2026E	CY2027E
<b>Mobile Subscribers (000s)</b>											
Pre-Paid Subs	1,071	1,325	1,243	1,208	1,412	1,537	1,576	1,583	1,590	1,594	1,596
YoY Growth	(11.9%)	23.7%	(6.1%)	(2.9%)	16.9%	8.9%	2.5%	0.4%	0.4%	0.3%	0.1%
Post-Paid Subs	319	396	494	454	522	569	583	598	613	628	644
YoY Growth	24.6%	24.0%	24.8%	(8.0%)	14.9%	9.0%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Total Mobile Subs</b>	<b>1,390</b>	<b>1,720</b>	<b>1,737</b>	<b>1,662</b>	<b>1,934</b>	<b>2,106</b>	<b>2,159</b>	<b>2,181</b>	<b>2,203</b>	<b>2,222</b>	<b>2,240</b>
YoY Growth	(5.6%)	23.7%	1.0%	(4.3%)	16.4%	8.9%	2.5%	1.0%	1.0%	0.9%	0.8%
<b>Mobile ARPU (QR)</b>											
Pre-Paid ARPU	70	66	42	39	36	33	29	28	28	28	28
YoY Growth	(12.9%)	(5.8%)	(35.6%)	(8.7%)	(7.4%)	(8.0%)	(13.4%)	(1.0%)	(0.5%)	(0.5%)	(0.5%)
Post-Paid ARPU	203	200	189	186	202	195	188	190	191	192	193
YoY Growth	0.4%	(1.3%)	(5.5%)	(1.6%)	8.6%	(3.5%)	(3.5%)	0.8%	0.8%	0.6%	0.6%
<b>Blended Mobile ARPU</b>	<b>100</b>	<b>100</b>	<b>84</b>	<b>84</b>	<b>81</b>	<b>77</b>	<b>71</b>	<b>72</b>	<b>73</b>	<b>74</b>	<b>75</b>
YoY Growth	(2.8%)	0.6%	(16.1%)	(0.3%)	(3.9%)	(4.3%)	(7.5%)	1.0%	1.3%	1.2%	1.3%
<b>Mobile Service Revenue (QR mn)</b>											
Pre-Paid Service Revenue	976	855	656	563	550	596	530	536	536	535	533
YoY Growth	(18.9%)	(12.4%)	(23.2%)	(14.1%)	(2.4%)	8.4%	(11.1%)	1.2%	(0.1%)	(0.1%)	(0.3%)
Post-Paid Service Revenue	692	846	1,021	1,067	1,148	1,302	1,299	1,344	1,389	1,432	1,477
YoY Growth	19.8%	22.3%	20.6%	4.5%	7.6%	13.4%	(0.2%)	3.4%	3.3%	3.1%	3.1%
<b>Total Mobile Service Revenue</b>	<b>1,668</b>	<b>1,701</b>	<b>1,677</b>	<b>1,630</b>	<b>1,697</b>	<b>1,898</b>	<b>1,829</b>	<b>1,880</b>	<b>1,924</b>	<b>1,967</b>	<b>2,010</b>
YoY Growth	(6.4%)	2.0%	(1.4%)	(2.8%)	4.1%	11.8%	(3.6%)	2.8%	2.4%	2.2%	2.2%
<b>Other Service Revenue (Managed S</b>	<b>184</b>	<b>202</b>	<b>272</b>	<b>391</b>	<b>533</b>	<b>719</b>	<b>931</b>	<b>959</b>	<b>979</b>	<b>998</b>	<b>1,018</b>
YoY Growth	22.3%	9.8%	34.1%	43.8%	36.4%	34.9%	29.6%	3.0%	2.0%	2.0%	2.0%
<b>Total Service Revenue (QR mn)</b>	<b>1,852</b>	<b>1,904</b>	<b>1,949</b>	<b>2,021</b>	<b>2,230</b>	<b>2,617</b>	<b>2,761</b>	<b>2,840</b>	<b>2,903</b>	<b>2,965</b>	<b>3,028</b>
YoY Growth	(4.1%)	2.8%	2.4%	3.7%	10.4%	17.3%	5.5%	2.9%	2.2%	2.1%	2.1%
<b>Other Revenue (Incl. Handsets &amp; Ha</b>	<b>146</b>	<b>197</b>	<b>176</b>	<b>179</b>	<b>296</b>	<b>449</b>	<b>381</b>	<b>392</b>	<b>404</b>	<b>416</b>	<b>428</b>
YoY Growth	16.7%	35.0%	(11.0%)	1.7%	65.4%	51.9%	(15.2%)	3.0%	3.0%	3.0%	3.0%
<b>Total Revenue (QR mn)</b>	<b>1,998</b>	<b>2,101</b>	<b>2,125</b>	<b>2,200</b>	<b>2,526</b>	<b>3,066</b>	<b>3,141</b>	<b>3,232</b>	<b>3,307</b>	<b>3,381</b>	<b>3,457</b>
YoY Growth	(2.9%)	5.1%	1.1%	3.5%	14.8%	21.4%	2.5%	2.9%	2.3%	2.2%	2.2%
<b>EBITDA (QR mn)</b>	<b>538</b>	<b>584</b>	<b>709</b>	<b>808</b>	<b>1,031</b>	<b>1,234</b>	<b>1,313</b>	<b>1,360</b>	<b>1,403</b>	<b>1,447</b>	<b>1,492</b>
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.8%	42.1%	42.4%	42.8%	43.2%
YoY Growth	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	6.4%	3.5%	3.2%	3.1%	3.1%
<b>Net Income (QR mn)</b>	<b>(256)</b>	<b>118</b>	<b>144</b>	<b>185</b>	<b>327</b>	<b>502</b>	<b>536</b>	<b>569</b>	<b>605</b>	<b>637</b>	<b>669</b>
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.1%	17.6%	18.3%	18.9%	19.3%
YoY Growth	(31.6%)	N/M	22.0%	28.8%	76.9%	53.4%	6.7%	6.1%	6.4%	5.3%	4.9%
<b>Distributable Profit (QR mn)</b>	<b>146</b>	<b>202</b>	<b>228</b>	<b>269</b>	<b>412</b>	<b>589</b>	<b>620</b>	<b>653</b>	<b>689</b>	<b>722</b>	<b>753</b>
YoY Growth		37.9%	12.8%	18.1%	53.0%	43.1%	5.3%	5.2%	5.6%	4.7%	4.3%
<b>Capex (QR mn)</b>	<b>368</b>	<b>489</b>	<b>637</b>	<b>411</b>	<b>408</b>	<b>660</b>	<b>554</b>	<b>485</b>	<b>427</b>	<b>398</b>	<b>390</b>
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.6%	15.0%	12.9%	11.8%	11.3%
YoY Growth	10.9%	32.8%	30.3%	(35.5%)	(0.8%)	61.7%	(16.0%)	(12.4%)	(12.1%)	(6.7%)	(2.1%)

Source: Company data, QNB FS Research

# Ratio Analysis

## Key Ratios & Valuation Metrics

Growth Rates	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023E	CY2024E	CY2025E	CY2026E	CY2027E	CAGR	
												2018-22	2022-27
Revenue	-2.9%	5.1%	1.1%	3.5%	14.8%	21.4%	2.5%	2.9%	2.3%	2.2%	2.2%	9.9%	2.4%
Gross Profit	1.3%	2.9%	0.3%	9.1%	14.0%	21.7%	4.2%	3.1%	2.6%	2.5%	2.5%	11.0%	3.0%
EBIT	33.5%	N/M	38.6%	22.0%	49.7%	48.6%	9.2%	4.4%	4.1%	3.6%	3.7%	39.3%	5.0%
EBITDA	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	6.4%	3.5%	3.2%	3.1%	3.1%	20.5%	3.9%
Net Income	31.6%	N/M	22.0%	28.8%	76.9%	53.4%	6.7%	6.1%	6.4%	5.3%	4.9%	43.7%	5.9%
Distributable Profit		37.9%	12.8%	18.1%	53.0%	43.1%	5.3%	5.2%	5.6%	4.7%	4.3%	30.7%	5.0%
DPS			0.0%	0.0%	20.0%	66.7%	20.0%	8.3%	7.7%	7.1%	6.7%	18.9%	9.9%
CFPS	29.6%	43.7%	2.7%	-7.6%	28.9%	20.1%	24.2%	-6.7%	3.3%	3.0%	3.2%	10.1%	4.9%
FCPS	158.8%	80.7%	-19.3%	0.1%	138.7%	-19.8%	111.6%	-2.5%	13.7%	8.1%	5.6%	11.5%	21.8%
<b>Operating Ratios</b>													
Gross Margin	64.0%	62.6%	62.1%	65.5%	65.0%	65.2%	66.3%	66.5%	66.6%	66.8%	67.0%		
EBIT Margin	(11.2%)	7.6%	10.4%	12.2%	15.9%	19.5%	20.8%	21.1%	21.5%	21.8%	22.1%		
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.8%	42.1%	42.4%	42.8%	43.2%		
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.1%	17.6%	18.3%	18.9%	19.3%		
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.6%	15.0%	12.9%	11.8%	11.3%		
<b>Finance Ratios</b>													
Debt - Equity Ratio	18.3%	17.9%	18.1%	18.3%	15.5%	14.9%	13.5%	9.9%	6.8%	4.8%	2.8%		
Net Debt - Equity Ratio	13.9%	9.1%	11.4%	14.4%	11.4%	11.0%	6.0%	3.2%	(1.0%)	(5.8%)	(10.8%)		
Net Debt-to-Capital	12.2%	8.4%	10.3%	12.6%	10.2%	9.9%	5.7%	3.1%	(1.0%)	(6.1%)	(12.1%)		
Cash Interest Coverage	18.1x	16.7x	11.4x	12.5x	28.1x	25.5x	18.1x	20.8x	26.2x	32.9x	40.5x		
Ave. Effective Borrowing rate %	3.6%	4.3%	7.6%	7.9%	5.1%	6.7%	10.9%	13.3%	15.7%	18.2%	26.0%		
<b>Return Ratios</b>													
ROIC	(4.2%)	2.9%	3.8%	4.7%	6.8%	9.8%	10.6%	11.3%	12.0%	12.6%	13.3%		
ROE	(5.7%)	2.6%	3.2%	4.1%	7.1%	10.4%	10.9%	11.4%	12.1%	12.6%	13.2%		
ROA	(4.1%)	1.8%	2.0%	2.7%	4.8%	6.8%	7.1%	7.7%	8.2%	8.7%	9.2%		
Dividend Payout %		179.4%	147.1%	114.2%	77.5%	84.1%	94.6%	96.6%	97.8%	99.5%	101.1%		
<b>Valuation</b>													
EV/Sales	4.2x	3.9x	3.9x	3.8x	3.3x	2.7x	2.6x	2.4x	2.3x	2.2x	2.1x		
EV/EBITDA	15.6x	14.0x	11.7x	10.4x	8.0x	6.7x	6.1x	5.8x	5.5x	5.2x	4.8x		
EV/EBIT	N/M	51.4x	37.5x	31.2x	20.5x	13.8x	12.3x	11.6x	10.8x	10.1x	9.4x		
P/E	N/M	65.8x	54.0x	41.9x	23.7x	15.4x	14.5x	13.6x	12.8x	12.2x	11.6x		
P/BV	1.7x	1.7x	1.7x	1.7x	1.7x	1.6x	1.6x	1.6x	1.5x	1.5x	1.5x		
Dividend Yield	0.0%	2.7%	2.7%	2.7%	3.3%	5.5%	6.5%	7.1%	7.6%	8.2%	8.7%		
FCF Yield	1.6%	2.9%	2.3%	2.3%	5.6%	4.5%	9.5%	9.3%	10.6%	11.4%	12.0%		
<b>Liquidity Ratios</b>													
Current Ratio	0.7x	0.4x	0.6x	0.4x	0.4x	0.5x	0.5x	0.5x	0.6x	0.6x	0.8x		
Quick Ratio	0.6x	0.4x	0.6x	0.4x	0.4x	0.4x	0.5x	0.5x	0.5x	0.6x	0.7x		

Source: Company data, QNB FS Research

## 1Q2023 Review: In-Line 1Q2023 Results Highlights Continued Growth Traction

VFQS' 1Q2023 net profit grew 24.2% YoY but declined 20.6% sequentially and modestly came in below our estimate:

- **Vodafone Qatar's (VFQS) net profit of QR133.4mn in 1Q2023 was 4.4% below our estimate of QR139.5mn.** A moderate upside in revenue relative to our model was offset by modestly lower margins vs. our estimates. We had expected continued growth on a yearly basis and a decline vs. 4Q2022, which benefitted from the World Cup – reported results were in-line with our expectations.
- **Quarterly revenue of QR775.9mn (6.2% YoY, -12.8% QoQ) came in 2.5% ahead of our top-line forecast of QR756.9mn.** Mobile subs came in-line at 2.1mn (up 4.1% YoY), while overall service revenue of ~QR687mn (up 12.3% YoY) was modestly ahead of our model. Performance was helped by continued growth in postpaid and fixed broadband (GigaHome), managed services, IoT and equipment & related services.
- **1Q2023 top-line driven by uptick in managed services, handset and postpaid revenue:** Total revenue was driven by a 12.3% YoY growth in total service revenue to ~QR687mn, offsetting the ~26% YoY decline in equipment sales to QR89mn. Of this QR687mn pie, managed services (related to projects) outperformed and aided the ~52% YoY growth in managed services/fixed/others (roaming, wholesale, etc.) segment to roughly QR225mn. The remaining QR461mn accrued from mobile services, which was flattish YoY, boosted by postpaid revenue of ~QR327mn that increased 3.4% YoY posting its 9th consecutive quarter of YoY growth – a testament to the significant progress VFQS has made in penetrating the postpaid segment. While equipment revenue was weak, according to management, handsets revenue came in strong offsetting an expected decline in projects-related equipment revenue.
- **Continued progress in costs optimization remains evident as VFQS reported 1Q2023 EBITDA margin of 41.3% vs. 41.2% in 1Q2022 and 39.9% in 4Q2022.** We were forecasting an EBITDA margin of 42.2% in 1Q2023. Quarterly EBITDA of QR320.2mn grew 6.4% YoY but declined 9.8% QoQ and was in-line with our estimate of QR319.4mn (0.3% divergence).

### QNB FS 1Q2023 Estimates and Comparisons

INCOME STATEMENT	1QCY22 A	4QCY22 A	1QCY23 A	1QCY23 E	A Vs. E	YoY	QoQ
<i>(In QR mn Unless Specified)</i>							
<b>Revenue</b>	<b>730.614</b>	<b>889.745</b>	<b>775.878</b>	<b>756.885</b>	<b>2.5%</b>	<b>6.2%</b>	<b>-12.8%</b>
<i>YoY Growth (%)</i>	<i>24.8%</i>	<i>14.0%</i>	<i>6.2%</i>	<i>3.6%</i>			
Direct Costs (Interconnection & Other Opex)	(259.355)	(314.577)	(268.365)	(256.584)	4.6%	3.5%	-14.7%
<i>as a % of Total Revenue (%)</i>	<i>35.5%</i>	<i>35.4%</i>	<i>34.6%</i>	<i>33.9%</i>			
<b>Gross Profit (Loss)</b>	<b>471.259</b>	<b>575.168</b>	<b>507.513</b>	<b>500.301</b>	<b>1.4%</b>	<b>7.7%</b>	<b>-11.8%</b>
<i>Gross Margin (%)</i>	<i>64.5%</i>	<i>64.6%</i>	<i>65.4%</i>	<i>66.1%</i>			
Other Expenses (Employee and Other Expenses)	(170.382)	(220.275)	(187.294)	(180.895)	3.5%	9.9%	-15.0%
<i>as a % of Total Revenue (%)</i>	<i>23.3%</i>	<i>24.8%</i>	<i>24.1%</i>	<i>23.9%</i>			
Depreciation and Amortization	(171.605)	(157.803)	(158.927)	(149.418)	6.4%	-7.4%	0.7%
<b>Total Operating Expenses</b>	<b>(341.987)</b>	<b>(378.078)</b>	<b>(346.221)</b>	<b>(330.313)</b>	<b>4.8%</b>	<b>1.2%</b>	<b>-8.4%</b>
<b>EBITDA</b>	<b>300.877</b>	<b>354.893</b>	<b>320.219</b>	<b>319.405</b>	<b>0.3%</b>	<b>6.4%</b>	<b>-9.8%</b>
<i>EBITDA Margin (%)</i>	<i>41.2%</i>	<i>39.9%</i>	<i>41.3%</i>	<i>42.2%</i>			
<b>Operating Profit (Loss) - EBIT</b>	<b>129.272</b>	<b>197.090</b>	<b>161.292</b>	<b>169.988</b>	<b>-5.1%</b>	<b>24.8%</b>	<b>-18.2%</b>
<i>EBIT Margin (%)</i>	<i>17.7%</i>	<i>22.2%</i>	<i>20.8%</i>	<i>22.5%</i>			
Interest Income	0.882	2.067	3.113	1.707	82.3%	252.9%	50.6%
Interest Expense/Lease Interest Expense	(11.083)	(14.828)	(17.579)	(17.119)	2.7%	58.6%	18.6%
Other Income/Expense	(11.688)	(16.357)	(13.435)	(15.029)	-10.6%	14.9%	-17.9%
<b>Profit (Loss) Before Tax</b>	<b>107.383</b>	<b>167.972</b>	<b>133.391</b>	<b>139.547</b>	<b>-4.4%</b>	<b>24.2%</b>	<b>-20.6%</b>
<b>Net Profit (loss) - Adjusted</b>	<b>107.383</b>	<b>167.972</b>	<b>133.391</b>	<b>139.547</b>	<b>-4.4%</b>	<b>24.2%</b>	<b>-20.6%</b>
<i>Net Margin (%)</i>	<i>14.7%</i>	<i>18.9%</i>	<i>17.2%</i>	<i>18.4%</i>			
<i>Net Profit YoY Growth</i>	<i>62.7%</i>	<i>32.3%</i>	<i>24.2%</i>	<i>30.0%</i>			
<b>EPS (QR)</b>	<b>0.03</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>	<b>-4.4%</b>	<b>24.2%</b>	<b>-20.6%</b>

Source: Company data, QNB FS Research

## Detailed Financial Statements

Income Statement (In QR mn)	CY2020	CY2021	CY2022	CY2023e	CY2024e	CY2025e	CY2026e	CY2027e
<b>Revenue</b>	<b>2,200</b>	<b>2,526</b>	<b>3,066</b>	<b>3,141</b>	<b>3,232</b>	<b>3,307</b>	<b>3,381</b>	<b>3,457</b>
Direct Costs	(759)	(885)	(1,068)	(1,059)	(1,084)	(1,103)	(1,122)	(1,142)
<b>Gross Profit</b>	<b>1,440</b>	<b>1,641</b>	<b>1,998</b>	<b>2,083</b>	<b>2,148</b>	<b>2,204</b>	<b>2,259</b>	<b>2,315</b>
Other Expenses, Excluding D&A	(632)	(611)	(764)	(770)	(789)	(800)	(811)	(823)
<b>EBITDA</b>	<b>808</b>	<b>1,031</b>	<b>1,234</b>	<b>1,313</b>	<b>1,360</b>	<b>1,403</b>	<b>1,447</b>	<b>1,492</b>
Depreciation & Amortization	(539)	(628)	(635)	(660)	(677)	(693)	(711)	(729)
<b>EBIT</b>	<b>269</b>	<b>403</b>	<b>599</b>	<b>653</b>	<b>682</b>	<b>710</b>	<b>736</b>	<b>763</b>
Interest Income	2	1	6	13	13	14	14	14
Interest Expense	(65)	(37)	(48)	(72)	(65)	(54)	(44)	(37)
Other Income/Expense	(21)	(40)	(54)	(58)	(61)	(65)	(69)	(72)
Profit Before Tax	185	327	502	536	569	605	637	669
Income Tax Expense								
<b>Profit for Shareholders</b>	<b>185</b>	<b>327</b>	<b>502</b>	<b>536</b>	<b>569</b>	<b>605</b>	<b>637</b>	<b>669</b>
<b>EPS (QR)</b>	<b>0.04</b>	<b>0.08</b>	<b>0.12</b>	<b>0.13</b>	<b>0.13</b>	<b>0.14</b>	<b>0.15</b>	<b>0.16</b>
<b>DPS (QR)</b>	<b>0.05</b>	<b>0.06</b>	<b>0.10</b>	<b>0.12</b>	<b>0.13</b>	<b>0.14</b>	<b>0.15</b>	<b>0.16</b>

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	CY2020	CY2021	CY2022	CY2023e	CY2024e	CY2025e	CY2026e	CY2027e
<b>Non-Current Assets</b>								
Property, Plant and Equipment	1,647	1,638	1,885	2,023	2,088	2,093	2,066	2,027
Intangible Assets	4,280	4,169	4,050	3,917	3,771	3,611	3,438	3,249
Rights of Use Assets	372	291	430	415	415	415	415	415
Trade and Other Receivables	27	92	298	259	267	273	279	286
<b>Total Non-Current Assets</b>	<b>6,325</b>	<b>6,190</b>	<b>6,662</b>	<b>6,614</b>	<b>6,541</b>	<b>6,393</b>	<b>6,197</b>	<b>5,976</b>
<b>Current Assets</b>								
Inventory	22	35	38	48	50	51	52	53
Contract Assets & Costs	25	42	52	49	49	49	49	49
Trade and Other Receivables	279	347	483	435	447	458	469	479
Cash and Cash Equivalents	175	190	187	367	333	391	533	689
<b>Total Current Assets</b>	<b>501</b>	<b>613</b>	<b>760</b>	<b>899</b>	<b>879</b>	<b>950</b>	<b>1,103</b>	<b>1,270</b>
<b>Total Assets</b>	<b>6,826</b>	<b>6,803</b>	<b>7,422</b>	<b>7,514</b>	<b>7,420</b>	<b>7,342</b>	<b>7,300</b>	<b>7,246</b>
<b>Equity</b>								
<b>Total Equity</b>	<b>4,489</b>	<b>4,596</b>	<b>4,833</b>	<b>4,933</b>	<b>4,980</b>	<b>5,020</b>	<b>5,050</b>	<b>5,068</b>
<b>Non-Current Liabilities</b>								
Trade and Other Payables	29	0	0	0	0	0	0	0
Lease Liabilities	283	197	315	308	302	295	289	282
Provisions	72	83	102	105	108	110	113	115
Long-Term Borrowings	613	506	512	492	342	242	142	117
<b>Total Non-Current Liabilities</b>	<b>997</b>	<b>786</b>	<b>929</b>	<b>905</b>	<b>751</b>	<b>647</b>	<b>543</b>	<b>514</b>
<b>Current Liabilities</b>								
Trade and Other Payables	1,022	1,099	1,311	1,364	1,400	1,436	1,469	1,502
Lease Liabilities	113	115	141	140	140	139	138	137
Short-Term Borrowings	207	206	207	173	150	100	100	25
<b>Total Current Liabilities</b>	<b>1,341</b>	<b>1,420</b>	<b>1,660</b>	<b>1,676</b>	<b>1,690</b>	<b>1,675</b>	<b>1,707</b>	<b>1,664</b>
<b>Total Liabilities</b>	<b>2,338</b>	<b>2,207</b>	<b>2,589</b>	<b>2,581</b>	<b>2,441</b>	<b>2,322</b>	<b>2,250</b>	<b>2,178</b>
<b>Equity and Liabilities</b>	<b>6,826</b>	<b>6,803</b>	<b>7,422</b>	<b>7,514</b>	<b>7,420</b>	<b>7,342</b>	<b>7,300</b>	<b>7,246</b>

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>	
<b>OUTPERFORM</b>	Greater than +20%	<b>R-1</b>	Significantly lower than average
<b>ACCUMULATE</b>	Between +10% to +20%	<b>R-2</b>	Lower than average
<b>MARKET PERFORM</b>	Between -10% to +10%	<b>R-3</b>	Medium / In-line with the average
<b>REDUCE</b>	Between -10% to -20%	<b>R-4</b>	Above average
<b>UNDERPERFORM</b>	Lower than -20%	<b>R-5</b>	Significantly above average

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