

## **QNBFS Alert – VFQS FY2014 Guidance in Line With Model; Maintain PT**

- **Slightly lower-than-expected top-line and higher depreciation charges contribute to marginal Sep. Q net income miss.** Vodafone Qatar (VFQS) reported revenue of QR465mn for 2QFY2014 (+1% QoQ, +35% YoY) only 2% shy of our estimate of QR475mn. Net loss of QR75mn (vs. QR85mn in June 2013 and QR122mn in September 2012) was 5% worse than our estimate of QR71mn with higher-than-expected depreciation charges contributing to the net income divergence.
- **FY2014 guidance is in line with our estimates; no model changes for now.** As expected, VFQS management provided FY2014 guidance during the conference call. VFQS expects QR1.90-QR1.95bn in revenue, implying YoY growth in the range of 24%-28%; our modeled estimate was QR1.90bn (BBG mean: QR1.87bn). On the EBITDA front, VFQS expects to post around QR435-QR470mn, up by 53%-66% YoY; we had been expecting an EBITDA of QR446mn (BBG consensus: QR442mn). This implies an EBITDA margin within 22.9%-24.1% vs. 18.6% in FY2013. On the capex front, VFQS projects to spend around 18% of revenue vs. 26% in FY2013. Overall FY2014 guidance is in line with our estimates. Finally, we continue to expect VFQS to pay QR0.10 in dividends per share in FY2014.
- **Qatar’s emerging telecom operator; we maintain our price target of QR10.08 but change rating to Market Perform.** VFQS has garnered a substantial market share within a short span of time and successfully positioned itself as a strong alternative to the incumbent (Ooredoo or ORDS). Mobile network improvements and growth in data services, along with focus on new higher-value segments such as mobile postpaid, enterprise and nationwide fixed-line, should drive the next leg of growth. With FY2014 guidance broadly in line with our previous modeled estimates, we maintain our price target of QR10.08. Our rating however changes to Market Perform given the stock’s recent price appreciation.

### 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

**Saugata Sarkar**  
Head of Research  
+974 4476 6534  
saugata.sarkar@qnbfs.com.qa

**Abdullah Amin, CFA**  
Senior Research Analyst  
+974 4476 6569  
abdullah.amin@qnbfs.com.qa

**Shahan Keushgerian**  
Senior Research Analyst  
+974 4476 6509  
Shahan.keushgerian@qnbfs.com.qa

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