

Vodafone Qatar (VFQS)

Recommendation	OUTPERFORM	Risk Rating	R-4
Share Price	QR2.080	Target Price	QR2.400
Implied Upside	15.4%	Old Target Price	QR2.300

Profitable Growth Trajectory Continues; Raising TP; Outperform

We maintain our Outperform rating and boost our target price to QR2.400 from QR2.300 on VFQS. VFQS reported better-than-expected FY2024/4Q2024 earnings even after stripping out one-offs. Overall, VFQS continues to make stellar progress in its growth & costs optimization initiatives – for 2024, the company posted overall revenue growth of 2.5% (mobile service revenue growth of 1.2%; total service revenue growth of 2.5%), an EBITDA increase of 6.1% and earnings growth of 11.2% (8.4% excluding one-offs). VFQS also paid a DPS of QR0.12 for 2024 (up 9.1% YoY) that implies a solid yield of 5.8%. Since turning profitable in 1Q2018, VFQS has grown from strength to strength – the company posted impressive CAGRs of 7.2%, 15.2%, 31.2% and 15.7% in its top-line, EBITDA, earnings and DPS, respectively, over 2018-2024. Going forward, we are projecting conservative CAGRs (2024-2030) of 2.1% (revenue), 2.4% (EBITDA), 1.9% (EPS) and 2.6% (DPS). The company's dividend yield also remains compelling – VFQS paid QR0.12 in DPS for 2023 (DY: 5.8%) – and we expect DPS to climb 4.2% YoY to QR0.125 (DY: 6.0%) this year. **The company has shown significant momentum as a 2nd operator in a market of Qatar's size and dynamics** – Qatar had a population size of 3.2mn in November 2024, along with a mobile penetration of 150% as of September 2024 – VFQS already has a revenue market share (RMS) of 30.9% and a customer market share (CMS) of 44.0% as of FY2024, with postpaid and prepaid subscriber market shares of 39.9% and 45.7%, respectively. **We believe there is room for improvement (as of 4Q2024, VFQS had a reported EBITDA margin of 44.0% vs. ORDS's 47.6%, an ARPU of QR74.6 vs. ORDS's QR102.5, along with 561K high-ARPU/margin postpaid customers relative to Ooredoo's 846K postpaid subs). There also remains a significant 13.7pp 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 7.2% in 2024 to 10.7% in 2030, we think there could be DPS upside. Moreover, if VFQS follows sector trends and opts for tower sales or targets the data center business, there could be further momentum in the stock.** VFQS's shares are up 13.7% YTD vs. the QSE Index's decline of 4.0% (ORDS is up 4.1%). VFQS trades at EV/EBITDA multiples of 6.5x/6.2x for 2025/2026.

Highlights

- VFQS posted 4Q2024 net profit of QR163.6mn (10.6% YoY, 13.6% QoQ) that handily bested our estimate of QR145.9mn (12.1% divergence). Reported earnings did include one-offs totaling QR9.2mn during 4Q2024 and excluding these items, normalized profit came in at QR154.4mn. For 2024, VFQS posted earnings of QR600.7mn, up 11.2% YoY and 3.0% ahead of our estimate of QR583.0mn. Full year reported earnings also included QR15.3mn in one-offs, implying QR585.4mn in clean profits, up 8.4% YoY. **The company also paid a DPS of QR0.12 (DY: 5.8%) up 9.1% from QR0.11 in 2023 and right in-line with our model.** Dividend payout was 84.4% in 2024 vs. 86.1% in 2023. For details, see pages 3-5.
- 1Q2025 preview: we model in QR154.0mn (2.6% YoY, -5.9% QoQ) in earnings; earnings should remain flattish QoQ if we strip out one-offs in 4Q2024. We expect VFQS to post revenue of QR809.4mn (0.4% YoY, 0.8% QoQ).
- Our 2025 estimates are consistent with management guidance. We expect top-line growth of 2.7% (management has guided to revenue growth without providing specifics), an EBITDA margin of 42% (in-line with guidance) and capex intensity of 14% (guidance range of 13%-14.5%). Our current estimates are generally in-line with our previous ones.

Catalysts

- VFQS continues to deliver on its growth metrics. Longer-term, postpaid (71.2% of 2024 mobile service revenue), 5G, managed services, fixed, broadband, enterprise, IoT and bundled ICT solutions should boost growth. While capex levels are elevated due to 5G and coverage/capacity expansion, dividend and FCF yields should improve. **Moreover, if VFQS follows sector trends and opts for tower sales or targets the data center business, there could be further momentum in the stock.**

Recommendation, Valuation and Risks

- **Recommendation and valuation:** We rate VFQS an Outperform with a PT of QR2.400. The stock is trading at EV/EBITDA multiples of 6.5x for 2025 and 6.2x for 2026.
- **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

	CY2024	CY2025e	CY2026e	CY2027e	CY2028e
Revenue (QR mn)	3,190	3,277	3,363	3,439	3,505
EPS (QR)	0.1421	0.1486	0.1506	0.1552	0.1571
DPS (QR)	0.1200	0.1250	0.1300	0.1325	0.1350
EV/EBITDA	6.6x	6.5x	6.2x	5.9x	5.5x
Dividend Yield	5.8%	6.0%	6.3%	6.4%	6.5%

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

Key Data

Current Market Price (QR)	2.080
Dividend Yield (%)	5.8
Bloomberg Ticker	VFQS QD
ADR/GDR Ticker	N/A
Reuters Ticker	VFQS.QA
ISIN	QA000A0Q5NE9
Sector*	Telecoms
52wk High/52wk Low (QR)	2.104/1.620
3-m Average Volume (mn)	4.9
Mkt. Cap. (\$ bn/QR bn)	2.4/8.8
EV (\$ bn/QR bn)	2.5/9.0
Shares Outstanding (mn)	4,227.0
FO Limit* (%)	49.0
Institutional FO* (%)	8.8
1-Year Total Return (%)	31.0
Fiscal Year End	December 31

Source: Bloomberg (as of April 14, 2025), *Qatar Exchange (as of April 14, 2025); Note: FO is foreign ownership

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Valuation

Our DCF-derived TP of QR2.400 implies an upside of 15.4%. We have used a weighted average cost of capital (WACC) of 12.2%.

DCF Valuation

Particulars	Fair Value Of Equity (QR mn)	Fair Value/Share (QR)
PV Of FCFF	3,816	0.900
PV Of Terminal Value	6,272	1.500
PV Of Cash Flows	10,089	2.400
Add:		
Cash & Equivalents	145	-
Less:		
Debt	377	0.100
Lease Liabilities	377	0.100
Fair Value Of Equity	9,480	2.200
Target Price Per Share (QR)		2.400

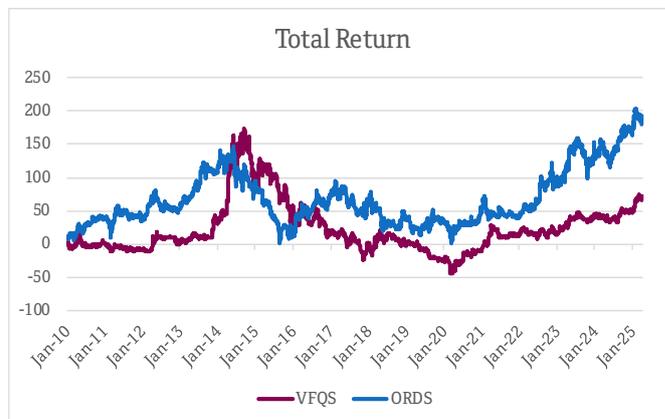
Source: Company data, QNB FS Research

Relative Multiples

Company	Country	Mkt. Cap		P/E		EV/EBITDA		P/B		ROE		EBITDA Margin		Dividend Yield	
		Price	\$mn	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e
OOREDOO QPSC	Qatar	12.0	10,562	10.0	9.8	4.4	4.3	1.22	1.15	12.6%	12.2%	43.2%	41.7%	5.6	5.7
EMIRATES INTEGRATED TELECOMM	UAE	8.0	9,873	14.0	13.7	5.3	5.2	3.60	3.56	25.2%	25.9%	44.7%	44.1%	6.6	7.0
EMIRATES TELECOM GROUP CO	UAE	17.0	40,299	11.7	11.9	6.4	6.1	2.73	2.51	26.1%	22.5%	45.3%	43.9%	5.1	5.2
MOBILE TELECOMMUNICATIONS CO	Kuwait	473.0	6,672	10.1	8.8	5.6	5.4	1.22	1.17	16.8%	18.1%	35.1%	36.3%	7.8	7.8
NATIONAL MOBILE TELECOMMUNI	Kuwait	1,042.0	1,702	9.6	8.8	2.1	2.0	0.77	0.75	8.0%	8.6%	36.7%	36.5%	9.6	10.6
OMAN TELECOMMUNICATIONS CO	Oman	0.8	1,590	8.4	7.4	5.1	5.1	0.20	0.19	11.0%	N/A	33.6%	33.5%	8.0	8.6
ETIHAD ETISALAT CO	KSA	59.4	12,187	14.3	12.7	7.0	6.6	2.23	2.06	15.8%	16.7%	38.3%	37.9%	4.1	4.8
SAUDI TELECOM CO	KSA	45.8	61,018	16.9	15.5	8.8	8.1	2.70	2.60	17.3%	16.6%	33.3%	31.4%	4.8	4.9
MOBILE TELECOMMUNICATIONS CO	KSA	12.2	2,926	18.6	15.1	6.0	5.8	1.02	1.00	5.6%	6.2%	31.2%	31.2%	3.0	3.1
Peer Group Average				12.6	11.5	5.6	5.4	1.7	1.7	15.4%	15.8%	37.9%	37.4%	6.1	6.4
Peer Group Median				11.7	11.9	5.6	5.4	1.2	1.2	15.8%	16.7%	36.7%	36.5%	5.6	5.7
VODAFONE QATAR	Qatar	2.080	2,412	14.0	13.8	6.5	6.2	1.7	1.7	12.2%	12.1%	42.0%	42.3%	6.0	6.3

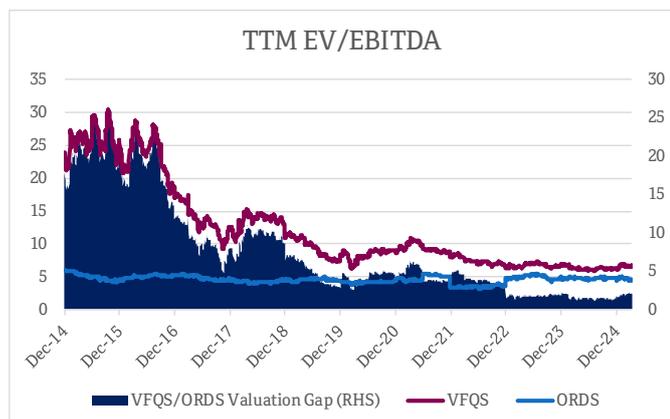
Source: Company data, QNB FS Research

ORDS Has Outperformed VFQS



Source: Bloomberg

Valuation Premium Relative to ORDS Has Narrowed



Source: Bloomberg

4Q2024/FY2024 Review – Margin Upside Offsets Revenue Miss; In-Line DPS of QR0.12

VFQS reported 4Q2024 net profit of QR163.6mn (10.6% YoY, 13.6% QoQ) that handily bested our estimate of QR145.9mn (12.1% divergence). Reported earnings did include one-offs totaling QR9.2mn during 4Q2024 and excluding these items, normalized earnings came in at QR154.4mn. For FY2024, VFQS posted earnings of QR600.7mn, up 11.2% YoY and 3.0% ahead of our estimate of QR583.0mn. Full year reported earnings also included QR15.3mn in one-offs, implying QR585.4mn in clean profits, up 8.4% YoY. The company also paid a DPS of QR0.12 (DY: 5.8%) up 9.1% from QR0.11 in 2023 and right in-line with our model. Dividend payout was 84.4% in 2024 vs. 86.1% in 2023.

Overall revenue and EBITDA exhibited less divergence vs. our model with total revenue modestly below estimate while EBITDA was moderately above. While mobile service revenue, driven by prepaid, came in ahead of expectations, this was offset by non-service or equipment/handsets revenue.

- **Quarterly revenue of QR802.6mn (-1.2% YoY, 0.1% QoQ) came in 1.2% below our top-line forecast of QR812.7mn.**
 - **We note that prepaid revenue continues to exhibit positive yearly trends**, up roughly 1% YoY and 9% QoQ to ~QR137mn in 4Q2024; **segment revenue has stabilized on a yearly basis throughout 2024**, up YoY for all 4 quarters. 4Q2024 prepaid top-line beat our estimate of QR127mn by 9% with a **3.6% YoY growth in ARPU to QR30** that exceeded our forecast by 7%. During the 4Q2024 conference call, management continued to highlight that **market pricing has become more stable/rational, a trend that we have seen since 4Q2023**. Prepaid subs at 1,547k, although lower 2.2% YoY vs. 1,582k (4Q2023), gained 2.4% sequentially from 1,511k. **For 2024, segment revenue grew 1.8% YoY from QR519.9mn in 2023 to QR529.5mn in 2024. Prepaid top-line made a nice recovery after declining 12.8% in 2023.** As pointed out in our previous notes, management believes that prepaid revenue has not only stabilized but has started to grow with market consolidation and attrition of ultra-low value subscribers, along with an overall reduction in duality of the prepaid market/mobility market.
 - **The postpaid business remained stable and was bang in-line vs. our model** with revenue of ~QR329mn, up roughly 1% YoY/QoQ. **We note 4Q2024 postpaid ARPU of QR196.9 (3.2% YoY, 0.9% QoQ) is the highest quarterly ARPU reported since 4Q2021; postpaid ARPU has improved sequentially since 4Q2023 and on a YoY basis for all 4 quarters in 2024, which has helped margins.** VFQS has undertaken a revamp of its consumer postpaid offerings with positive initial results. While challenges do remain in the enterprise segment (as highlighted by management's previous calls as well), the company has remained selective in responding to offers by the competition, while maintaining their overall market competitiveness. As pointed out by VFQS previously, **the company has focused on upgrading its customer base and minimizing discounted offerings to existing customers** (including removal of expired discounts). While this has led to a slight YoY reduction to the postpaid subs at 561k (we do note that 1Q2023 highs of 573k customers were still being aided by the World Cup), the overall postpaid business remains stable. **Postpaid revenue for the year came in at QR1,308.4mn, up 1% YoY and exceeded 2022's (World Cup year) revenue by 0.5%.**
 - **The non-mobile service (broadband, roaming, wholesale and managed services) segment delivered an-line quarter. This segment continues to impress, posting an in-line 4Q2024 revenue of ~QR255mn (2% YoY, 4% QoQ.** The non-mobile service segment continues to benefit from traction in managed services from projects that commenced in 4Q2022, along with growth in IoT, wholesale, fixed and roaming revenue. **During the earnings conference call, management pointed to traction in wholesale (including inbound roaming customers as visitors increase) and growth in fixed broadband customers (consumers & enterprise) helped by VFQS's fiber expansion, along with reduction in fixed broadband discounts at starting price points at the end of 2Q. For FY2024, segment revenue expanded 5.0% from QR945.7mn in 2023 to QR992.7mn.** Wholesale business, including inbound roaming visitor revenue, achieved robust growth, as more than 5mn tourists visited Qatar in 2024. VFQS also benefited from the expansion of its fiber network adding new customers and growing its consumer and enterprise fixed broadband revenue.
 - **Finally, handsets & equipment revenue decreased YoY/sequentially to ~QR81mn (-21% YoY/-24% QoQ).** Segment revenue came in around 20% below our model. This line item is typically lumpy and is dependent on iPhone launches and on the equipment portion of managed services that are non-recurring in nature. However, the pipeline for potential projects remain strong and segment revenue grew 2.8% YoY to QR359.0mn in FY2024.
- **Costs optimization remains evident with VFQS reporting a healthy 4Q2024 EBITDA margin of 44.0% vs. 41.3% in 4Q2023 and 42.3% in 3Q2024.** We were modeling an EBITDA margin of 42.3%. Quarterly EBITDA of QR353.3mn grew 5.3%/4.2% YoY/QoQ and was 2.8% ahead of our estimate of QR343.8mn.

QNB FS 4Q2024 Estimates and Comparisons

INCOME STATEMENT <i>(In QR mn Unless Specified)</i>		4QCY23 A	3QCY24 A	4QCY24 A	4QCY24 E A	A Vs. E	YoY	QoQ
Revenue		812.640	801.784	802.622	812.716	-1.2%	-1.2%	0.1%
	YoY Growth (%)	-8.7%	7.3%	-1.2%	0.0%			
Direct Costs (Interconnection & Other Opex)		(289.526)	(286.354)	(269.402)	(273.885)	-1.6%	-7.0%	-5.9%
	as a % of Total Revenue (%)	35.6%	35.7%	33.6%	33.7%			
Gross Profit (Loss)		523.114	515.430	533.220	538.831	-1.0%	1.9%	3.5%
	Gross Margin (%)	64.4%	64.3%	66.4%	66.3%			
Operating Expenses (Network, Employee & Other Expenses)		(187.572)	(176.390)	(179.891)	(195.052)	-7.8%	-4.1%	2.0%
	as a % of Total Revenue (%)	23.1%	22.0%	22.4%	24.0%			
Depreciation and Amortization		(157.779)	(171.777)	(173.865)	(175.480)	-0.9%	10.2%	1.2%
EBITDA		335.542	339.040	353.329	343.779	2.8%	5.3%	4.2%
	EBITDA Margin (%)	41.3%	42.3%	44.0%	42.3%			
Operating Profit (Loss) - EBIT		177.763	167.263	179.464	168.299	6.6%	1.0%	7.3%
	EBIT Margin (%)	21.9%	20.9%	22.4%	20.7%			
Interest Income & Other Income		4.486	6.326	13.264	6.294	110.7%	195.7%	109.7%
Interest Expense/Lease Interest Expense		(21.256)	(15.985)	(11.686)	(14.817)	-21.1%	-45.0%	-26.9%
Other Income/Expense		(13.073)	(13.677)	(17.473)	(13.866)	26.0%	33.7%	27.8%
Profit (Loss) Before Tax		147.920	143.927	163.569	145.911	12.1%	10.6%	13.6%
Net Profit (loss) - Adjusted		147.920	143.927	163.569	145.911	12.1%	10.6%	13.6%
	Net Margin (%)	18.2%	18.0%	20.4%	18.0%			
Net Profit (After Zakat)		147.920	143.927	163.569	145.911	12.1%	10.6%	13.6%
	Net Profit YoY Growth	-11.9%	8.8%	10.6%	-1.4%			
EPS (QR)		0.0350	0.0340	0.0387	0.0345	12.1%	10.6%	13.6%

Source: Company data, QNB FS Research

QNB FS 4Q2024 KPI Estimates and Comparisons

	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024	2Q2024	3Q2024	4Q2024	4Q2024E	A Vs. E
Mobile Subscribers (000s)										
Pre-Paid Subs	1,522	1,529	1,531	1,582	1,545	1,517	1,511	1,547	1,511	2%
YoY Growth	4%	5%	3%	3%	2%	(1%)	(1%)	(2%)	(1%)	
QoQ Growth	(1%)	0%	0%	3%	(2%)	(2%)	(0%)	2%	(2%)	
Post-Paid Subs	573	570	566	567	569	557	556	561	557	1%
YoY Growth	5%	2%	(0%)	(0%)	(1%)	(2%)	(2%)	(1%)	(2%)	
QoQ Growth	1%	(1%)	(1%)	0%	0%	(2%)	(0%)	1%	(2%)	
Total Mobile Subs	2,095	2,099	2,097	2,149	2,114	2,074	2,067	2,108	2,067	2%
YoY Growth	4%	4%	2%	2%	1%	(1%)	(1%)	(2%)	(2%)	
QoQ Growth	(1%)	0%	(0%)	2%	(2%)	(2%)	(0%)	2%	(2%)	
Mobile ARPU (QR)										
Pre-Paid ARPU	29.5	28.0	26.7	28.9	28.2	28.8	27.9	30.0	27.9	7%
YoY Growth	(13%)	(13%)	(19%)	(13%)	(4%)	3%	4%	4%	(0%)	
QoQ Growth	(12%)	(5%)	(5%)	8%	(2%)	2%	(3%)	8%	(1%)	
Post-Paid ARPU	190.8	189.9	187.8	190.7	191.3	193.3	195.2	196.9	197.1	(0%)
YoY Growth	(3%)	(3%)	(3%)	(2%)	0%	2%	4%	3%	4%	
QoQ Growth	(2%)	(0%)	(1%)	2%	0%	1%	1%	1%	3%	
Blended Mobile ARPU	73.5	72.2	70.3	72.1	71.5	73.2	72.7	74.6	73.5	2%
YoY Growth	(6%)	(6%)	(9%)	(7%)	(3%)	1%	3%	3%	2%	
QoQ Growth	(5%)	(2%)	(3%)	3%	(1%)	2%	(1%)	3%	3%	
Mobile Service Revenue (QR mn)										
Pre-Paid Service Revenue	134	128	122	136	134	132	126	137	127	9%
YoY Growth	(9%)	(10%)	(16%)	(16%)	0%	2%	4%	1%	(1%)	
QoQ Growth	(17%)	(4%)	(5%)	12%	(1%)	(2%)	(4%)	9%	(5%)	
Post-Paid Service Revenue	327	326	319	324	327	327	325	329	329	0%
YoY Growth	3%	1%	(2%)	(4%)	0%	0%	2%	2%	1%	
QoQ Growth	(3%)	(0%)	(2%)	2%	1%	0%	(1%)	1%	1%	
Total Mobile Service Revenue	461	454	441	460	461	459	451	467	456	2%
YoY Growth	(1%)	(2%)	(6%)	(8%)	0%	1%	2%	2%	0%	
QoQ Growth	(8%)	(1%)	(3%)	4%	0%	(1%)	(2%)	3%	(1%)	
Other Service Revenue (Managed Services, Broadband, Roaming & Wholesale)	226	233	236	251	243	251	244	255	256	(0%)
YoY Growth	54%	52%	45%	(2%)	8%	8%	3%	2%	10%	
QoQ Growth	(12%)	3%	1%	6%	(3%)	3%	(3%)	4%	5%	
Total Service Revenue (QR mn)	687	688	676	711	704	710	695	722	711	1%
YoY Growth	12%	11%	7%	(6%)	2%	3%	3%	2%	3%	
QoQ Growth	(9%)	0%	(2%)	5%	(1%)	1%	(2%)	4%	1%	
Other Revenue (Equipment, Handsets, Hardware Portion of Projects Revenue & Other)	89	87	71	102	102	69	107	81	101	(20%)
YoY Growth	(26%)	1%	(34%)	(24%)	15%	(21%)	50%	(21%)	16%	
QoQ Growth	(34%)	(2%)	(19%)	44%	0%	(32%)	54%	(24%)	(1%)	
Total Revenue (QR mn)	775.9	774.9	747.4	812.6	806.1	779.1	801.8	802.6	812.7	(1%)
YoY Growth	6.2%	10%	1%	(9%)	4%	1%	7%	(1%)	5%	
QoQ Growth	(12.8%)	(0%)	(4%)	9%	(1%)	(3%)	3%	0%	1%	

Source: Company data, QNB FS Research

QNB FS 2024 Estimates and Comparisons

INCOME STATEMENT		CY2023 A	CY2024 A	CY2024 E A	Vs. E	YoY
<i>(In QR mn Unless Specified)</i>						
Revenue		3,110.819	3,189.539	3,199.633	-0.3%	2.5%
	<i>YoY Growth (%)</i>	<i>1.5%</i>	<i>2.5%</i>	<i>2.9%</i>		
Direct Costs (Interconnection & Other Opex)		(1,086.626)	(1,090.077)	(1,094.560)	-0.4%	0.3%
	<i>as a % of Total Revenue (%)</i>	<i>34.9%</i>	<i>34.2%</i>	<i>34.2%</i>		
Gross Profit (Loss)		2,024.193	2,099.462	2,105.073	-0.3%	3.7%
	<i>Gross Margin (%)</i>	<i>65.1%</i>	<i>65.8%</i>	<i>65.8%</i>		
Operating Expenses (Network, Employee & Other Expenses)		(738.318)	(735.292)	(750.453)	-2.0%	-0.4%
	<i>as a % of Total Revenue (%)</i>	<i>23.7%</i>	<i>23.1%</i>	<i>23.5%</i>		
Depreciation and Amortization		(630.503)	(665.609)	(667.224)	-0.2%	5.6%
EBITDA		1,285.875	1,364.170	1,354.620	0.7%	6.1%
	<i>EBITDA Margin (%)</i>	<i>41.3%</i>	<i>42.8%</i>	<i>42.3%</i>		
Operating Profit (Loss) - EBIT		655.372	698.561	687.396	1.6%	6.6%
	<i>EBIT Margin (%)</i>	<i>21.1%</i>	<i>21.9%</i>	<i>21.5%</i>		
Interest Income & Other Income		12.903	23.985	17.015	41.0%	85.9%
Interest Expense/Lease Interest Expense		(77.602)	(60.808)	(63.939)	-4.9%	-21.6%
Other Income/Expense		(50.629)	(61.075)	(57.468)	6.3%	20.6%
Profit (Loss) Before Tax		540.044	600.663	583.005	3.0%	11.2%
Net Profit (loss) - Adjusted		540.044	600.663	583.005	3.0%	11.2%
	<i>Net Margin (%)</i>	<i>17.4%</i>	<i>18.8%</i>	<i>18.2%</i>		
Net Profit (After Zakat)		540.044	600.663	583.005	3.0%	11.2%
	<i>Net Profit YoY Growth</i>	<i>7.5%</i>	<i>11.2%</i>	<i>8.0%</i>		
EPS (QR)		0.1278	0.1421	0.1379	3.0%	11.2%
DPS (QR)		0.1100	0.1200	0.1200	0.0%	9.1%

Source: Company data, QNB FS Research

Key Metrics & Forecasts

Ratio Analysis

Growth Rates	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025E	CY2026E	CY2027E	CY2028E	CY2029E	CY2030E	CAGR	
															2018-24	2024-30
Revenue	-2.9%	5.1%	1.1%	3.5%	14.8%	21.4%	1.5%	2.5%	2.7%	2.6%	2.3%	1.9%	1.7%	1.5%	7.2%	2.1%
Gross Profit	1.3%	2.9%	0.3%	9.1%	14.0%	21.7%	1.3%	3.7%	1.9%	2.9%	2.6%	2.2%	2.0%	1.8%	8.1%	2.3%
EBIT	33.5%	N/M	38.6%	22.0%	49.7%	48.6%	9.5%	6.6%	3.6%	1.7%	1.3%	0.7%	0.4%	0.2%	28.0%	1.3%
EBITDA	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	4.2%	6.1%	0.9%	3.4%	3.0%	2.6%	2.4%	2.2%	15.2%	2.4%
Net Income	31.6%	N/M	22.0%	28.8%	76.9%	53.4%	7.5%	11.2%	4.6%	1.3%	3.0%	1.2%	0.8%	0.4%	31.2%	1.9%
Distributable Profit		37.9%	12.8%	18.1%	53.0%	43.1%	6.7%	9.2%	3.8%	1.2%	2.7%	1.1%	0.7%	0.4%	22.6%	1.6%
DPS			0.0%	0.0%	20.0%	66.7%	10.0%	9.1%	4.2%	4.0%	1.9%	1.9%	1.9%	1.8%	15.7%	2.6%
CFPS	29.6%	43.7%	2.7%	-7.6%	28.9%	20.1%	19.3%	-9.9%	4.5%	4.7%	3.9%	3.3%	2.4%	1.8%	7.9%	3.4%
FCPS	158.8%	80.7%	-19.3%	0.1%	138.7%	-19.8%	117.6%	-16.0%	11.3%	9.3%	7.6%	5.4%	3.9%	2.9%	18.9%	6.7%
Operating Ratios																
Gross Margin	64.0%	62.6%	62.1%	65.5%	65.0%	65.2%	65.1%	65.8%	65.3%	65.5%	65.7%	65.9%	66.1%	66.3%		
EBIT Margin	(11.2%)	7.6%	10.4%	12.2%	15.9%	19.5%	21.1%	21.9%	22.1%	21.9%	21.7%	21.4%	21.2%	20.9%		
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.3%	42.8%	42.0%	42.3%	42.6%	42.9%	43.2%	43.5%		
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.4%	18.8%	19.2%	18.9%	19.1%	18.9%	18.8%	18.6%		
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.9%	13.8%	14.0%	13.3%	12.7%	12.3%	12.0%	11.8%		
Finance Ratios																
Debt - Equity Ratio	18.3%	17.9%	18.1%	18.3%	15.5%	14.9%	8.7%	7.5%	7.0%	5.7%	4.8%	3.9%	3.1%	2.5%		
Net Debt - Equity Ratio	13.9%	9.1%	11.4%	14.4%	11.4%	11.0%	6.1%	4.6%	2.9%	0.1%	(3.7%)	(8.3%)	(13.4%)	(18.8%)		
Net Debt-to-Capital	12.2%	8.4%	10.3%	12.6%	10.2%	9.9%	5.7%	4.4%	2.8%	0.1%	(3.9%)	(9.1%)	(15.5%)	(23.1%)		
Cash Interest Coverage	18.1x	16.7x	11.4x	12.5x	28.1x	25.5x	16.6x	22.4x	28.2x	27.0x	35.4x	39.1x	42.9x	45.9x		
Return Ratios																
ROIC	(4.2%)	2.9%	3.8%	4.7%	6.8%	9.8%	11.3%	11.7%	11.9%	12.1%	12.1%	12.1%	12.1%	12.0%		
ROE	(5.7%)	2.6%	3.2%	4.1%	7.1%	10.4%	10.9%	11.9%	12.2%	12.1%	12.3%	12.2%	12.2%	12.0%		
ROA	(4.1%)	1.8%	2.0%	2.7%	4.8%	6.8%	7.4%	8.4%	8.7%	8.9%	9.1%	9.2%	9.2%	9.2%		
Dividend Payout %		179.4%	147.1%	114.2%	77.5%	84.1%	86.1%	84.4%	84.1%	86.3%	85.4%	85.9%	86.8%	88.0%		
Valuation																
EV/Sales	4.7x	4.4x	4.4x	4.3x	3.7x	3.0x	2.9x	2.8x	2.7x	2.6x	2.5x	2.4x	2.3x	2.1x		
EV/EBITDA	17.5x	15.8x	13.1x	11.7x	9.0x	7.6x	7.1x	6.6x	6.5x	6.2x	5.9x	5.5x	5.2x	4.9x		
EV/EBIT	N/M	57.9x	42.2x	35.1x	23.1x	15.6x	13.9x	12.9x	12.4x	12.0x	11.5x	11.1x	10.7x	10.3x		
P/E	N/M	74.6x	61.2x	47.5x	26.9x	17.5x	16.3x	14.6x	14.0x	13.8x	13.4x	13.2x	13.1x	13.1x		
P/BV	2.0x	1.9x	1.9x	2.0x	1.9x	1.8x	1.8x	1.7x	1.7x	1.7x	1.6x	1.6x	1.6x	1.6x		
Dividend Yield	0.0%	2.4%	2.4%	2.4%	2.9%	4.8%	5.3%	5.8%	6.0%	6.3%	6.4%	6.5%	6.6%	6.7%		
FCF Yield	1.4%	2.6%	2.1%	2.1%	4.9%	4.0%	8.6%	7.2%	8.1%	8.8%	9.5%	10.0%	10.4%	10.7%		
Liquidity Ratios																
Current Ratio	0.7x	0.4x	0.6x	0.4x	0.4x	0.5x	0.4x	0.5x	0.6x	0.7x	0.8x	1.0x	1.1x	1.4x		
Quick Ratio	0.6x	0.4x	0.6x	0.4x	0.4x	0.4x	0.4x	0.5x	0.5x	0.6x	0.7x	0.9x	1.1x	1.3x		

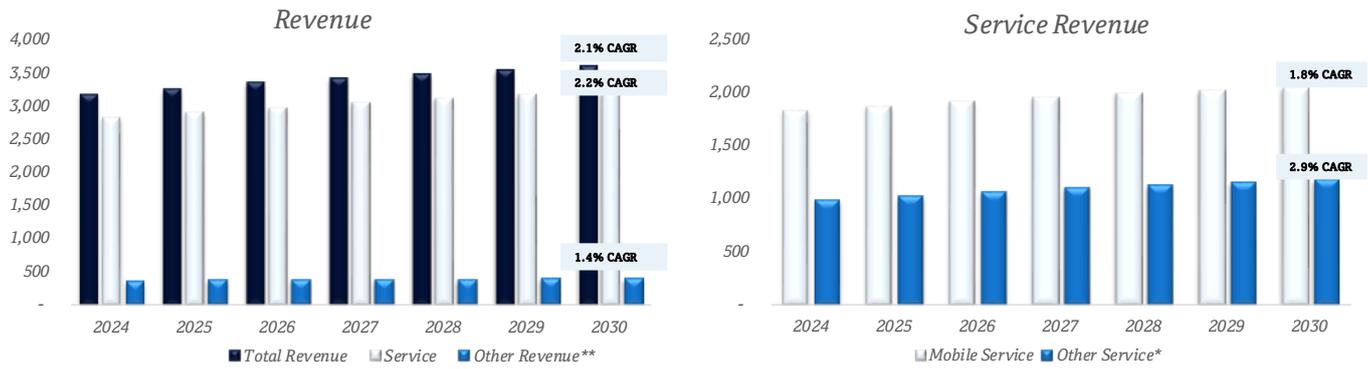
Source: Company data, QNB FS Research

Key Metrics

	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025E	CY2026E	CY2027E	CY2028E	CY2029E	CY2030E
Mobile Subscribers (000s)														
Pre-Paid Subs	1,071	1,325	1,243	1,208	1,412	1,537	1,582	1,547	1,577	1,598	1,615	1,628	1,637	1,644
YoY Growth	(11.9%)	23.7%	(6.1%)	(2.9%)	16.9%	8.9%	2.9%	(2.2%)	2.0%	1.3%	1.1%	0.8%	0.6%	0.4%
Post-Paid Subs	319	396	494	454	522	569	567	561	567	573	578	584	589	594
YoY Growth	24.6%	24.0%	24.8%	(8.0%)	14.9%	9.0%	(0.4%)	(1.1%)	1.1%	1.0%	0.9%	0.9%	0.9%	0.9%
Total Mobile Subs	1,390	1,720	1,737	1,662	1,934	2,106	2,149	2,108	2,145	2,171	2,193	2,211	2,226	2,238
YoY Growth	(5.6%)	23.7%	1.0%	(4.3%)	16.4%	8.9%	2.0%	(1.9%)	1.7%	1.2%	1.0%	0.8%	0.7%	0.6%
Mobile ARPU (QR)														
Pre-Paid ARPU	70	66	42	39	36	33	28	29	29	29	29	29	29	29
YoY Growth	(12.9%)	(5.8%)	(35.6%)	(8.7%)	(7.4%)	(7.7%)	(14.6%)	1.6%	0.6%	0.3%	0.2%	0.1%	(0.2%)	(0.4%)
Post-Paid ARPU	203	200	189	186	202	195	190	194	197	200	203	205	207	209
YoY Growth	0.4%	(1.3%)	(5.5%)	(1.6%)	8.6%	(3.5%)	(2.6%)	2.3%	1.7%	1.5%	1.3%	1.0%	0.9%	0.8%
Blended Mobile ARPU	100	100	84	84	81	77	72	73	74	74	75	75	76	77
YoY Growth	(2.8%)	0.6%	(16.1%)	(0.3%)	(3.9%)	(4.1%)	(7.0%)	1.3%	0.8%	0.9%	0.9%	0.7%	0.7%	0.7%
Mobile Service Revenue (QR mn)														
Pre-Paid Service Revenue	976	855	656	563	550	596	520	529	542	552	560	566	569	569
YoY Growth	(18.9%)	(12.4%)	(23.2%)	(14.1%)	(2.4%)	8.4%	(12.8%)	1.8%	2.3%	1.9%	1.4%	1.0%	0.5%	0.1%
Post-Paid Service Revenue	692	846	1,021	1,067	1,148	1,302	1,296	1,308	1,336	1,370	1,402	1,429	1,455	1,480
YoY Growth	19.8%	22.3%	20.6%	4.5%	7.6%	13.4%	(0.5%)	1.0%	2.1%	2.5%	2.3%	1.9%	1.8%	1.7%
Total Mobile Service Revenue	1,668	1,701	1,677	1,630	1,697	1,898	1,816	1,838	1,878	1,922	1,962	1,995	2,024	2,050
YoY Growth	(6.4%)	2.0%	(1.4%)	(2.8%)	4.1%	11.8%	(4.3%)	1.2%	2.2%	2.4%	2.1%	1.7%	1.5%	1.3%
Other Service Revenue*	184	202	272	391	533	719	946	993	1,032	1,067	1,099	1,128	1,154	1,178
YoY Growth	22.3%	9.8%	34.1%	43.8%	36.4%	34.9%	31.6%	5.0%	4.0%	3.4%	3.0%	2.6%	2.3%	2.1%
Total Service Revenue (QR mn)	1,852	1,904	1,949	2,021	2,230	2,617	2,762	2,831	2,910	2,990	3,061	3,122	3,177	3,227
YoY Growth	(4.1%)	2.8%	2.4%	3.7%	10.4%	17.3%	5.5%	2.5%	2.8%	2.7%	2.4%	2.0%	1.8%	1.6%
Other Revenue**	146	197	176	179	296	449	349	359	366	373	378	383	387	391
YoY Growth	16.7%	35.0%	(11.0%)	1.7%	65.4%	51.9%	(22.2%)	2.8%	2.1%	1.7%	1.3%	1.2%	1.1%	1.0%
Total Revenue (QR mn)	1,998	2,101	2,125	2,200	2,526	3,066	3,111	3,190	3,277	3,363	3,439	3,505	3,564	3,618
YoY Growth	(2.9%)	5.1%	1.1%	3.5%	14.8%	21.4%	1.5%	2.5%	2.7%	2.6%	2.3%	1.9%	1.7%	1.5%
EBITDA (QR mn)	538	584	709	808	1,031	1,234	1,286	1,364	1,376	1,423	1,466	1,504	1,541	1,575
EBITDA Margin	26.9%	27.8%	33.4%	36.7%	40.8%	40.2%	41.3%	42.8%	42.0%	42.3%	42.6%	42.9%	43.2%	43.5%
YoY Growth	16.0%	8.5%	21.4%	14.0%	27.5%	19.7%	4.2%	6.1%	0.9%	3.4%	3.0%	2.6%	2.4%	2.2%
Net Income (QR mn)	(256)	118	144	185	327	502	540	601	628	637	656	664	669	672
Net Margin	(12.8%)	5.6%	6.8%	8.4%	13.0%	16.4%	17.4%	18.8%	19.2%	18.9%	19.1%	18.9%	18.8%	18.6%
YoY Growth	(31.6%)	N/M	22.0%	28.8%	76.9%	53.4%	7.5%	11.2%	4.6%	1.3%	3.0%	1.2%	0.8%	0.4%
Distributable Profit (QR mn)	146	202	228	269	412	589	628	686	712	721	740	748	754	756
YoY Growth		37.9%	12.8%	18.1%	53.0%	43.1%	6.7%	9.2%	3.8%	1.2%	2.7%	1.1%	0.7%	0.4%
Capex (QR mn)	368	489	637	411	408	660	556	441	458	446	435	432	429	426
Capex Intensity	18.4%	23.3%	30.0%	18.7%	16.1%	21.5%	17.9%	13.8%	14.0%	13.3%	12.7%	12.3%	12.0%	11.8%
YoY Growth	10.9%	32.8%	30.3%	(35.5%)	(0.8%)	61.7%	(15.8%)	(20.6%)	3.8%	(2.5%)	(2.5%)	(0.7%)	(0.7%)	(0.7%)

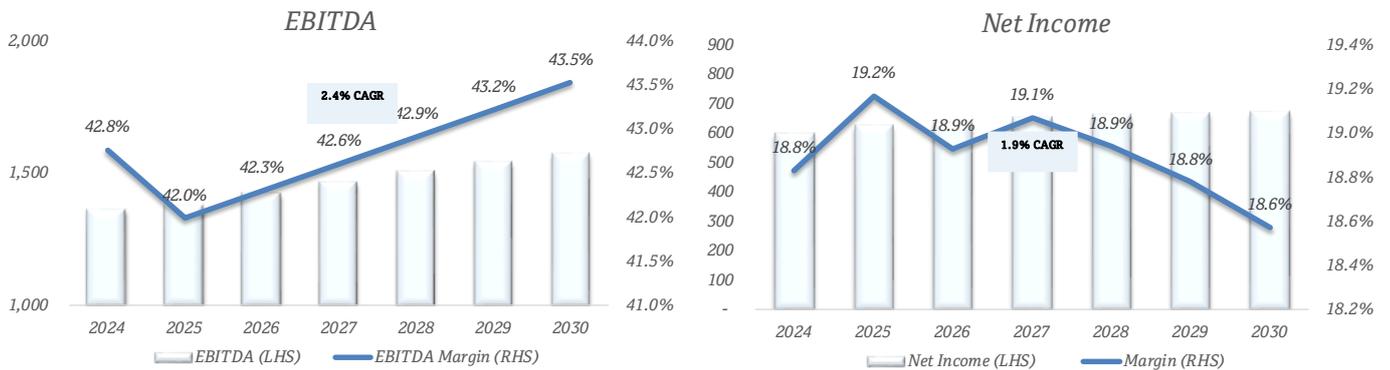
Source: Company data, QNB FS Research; Note: *Other service revenue, is non-mobile service revenue that includes managed services, broadband, roaming & wholesale; **Other revenue includes handsets, hardware portion of projects/managed services revenue & others

Revenue & Services Revenue (In QR Mn & Percentages)



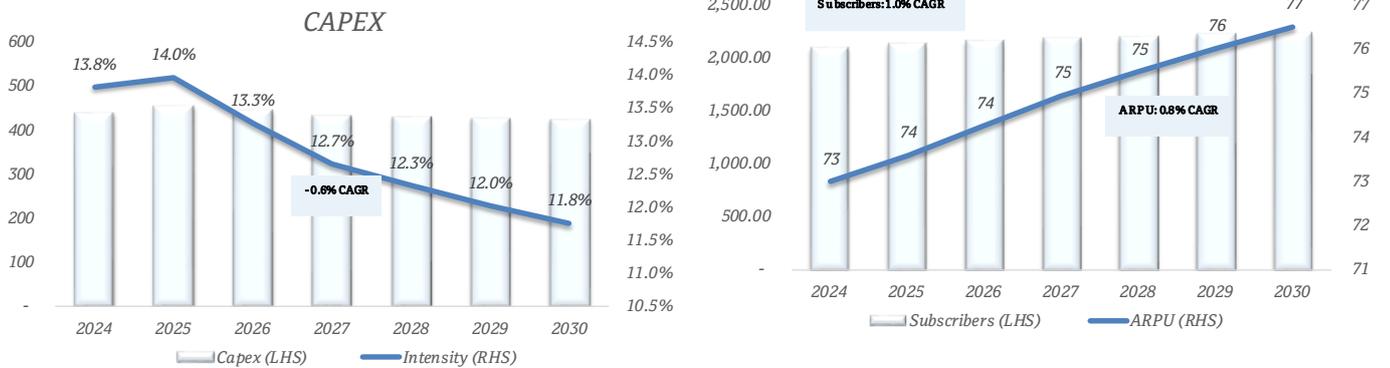
Source: Company data, QNB FS Research; Note: *Other service revenue, is non-mobile service revenue that includes managed services, broadband, roaming & wholesale; **Other revenue includes handsets, hardware portion of projects/managed services revenue & others

EBITDA & Earnings (In QR Mn & Percentages)



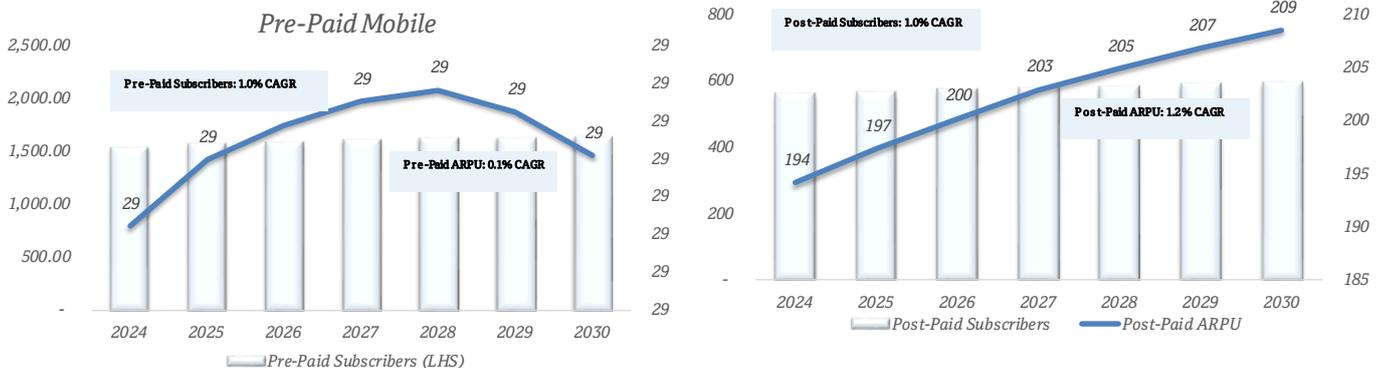
Source: Company data, QNB FS Research

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)	CY2023	CY2024	CY2025e	CY2026e	CY2027e	CY2028e	CY2029e	CY2030e
Revenue	3,111	3,190	3,277	3,363	3,439	3,505	3,564	3,618
Direct Costs	(1,087)	(1,090)	(1,137)	(1,160)	(1,179)	(1,194)	(1,207)	(1,218)
Gross Profit	2,024	2,099	2,140	2,203	2,260	2,311	2,357	2,400
Other Expenses, Excluding D&A	(738)	(735)	(763)	(780)	(794)	(806)	(816)	(825)
EBITDA	1,286	1,364	1,376	1,423	1,466	1,504	1,541	1,575
Depreciation & Amortization	(631)	(666)	(653)	(687)	(720)	(753)	(786)	(820)
EBIT	655	699	723	736	746	751	754	755
Interest Income	13	24	18	18	18	19	19	19
Interest Expense	(78)	(61)	(49)	(53)	(41)	(38)	(36)	(34)
Other Income/Expense	(51)	(61)	(64)	(65)	(67)	(68)	(68)	(68)
Profit Before Tax	540	601	628	637	656	664	669	672
Income Tax Expense								
Profit for Shareholders	540	601	628	637	656	664	669	672
EPS (QR)	0.1278	0.1421	0.1486	0.1506	0.1552	0.1571	0.1584	0.1590
DPS (QR)	0.1100	0.1200	0.1250	0.1300	0.1325	0.1350	0.1375	0.1400

Source: Company data, QNB FS Research

Balance Sheet (In QR mn)	CY2023	CY2024	CY2025e	CY2026e	CY2027e	CY2028e	CY2029e	CY2030e
Non-Current Assets								
Property, Plant and Equipment	1,934	1,958	2,016	2,043	2,039	2,012	1,963	1,893
Intangible Assets	4,037	3,895	3,752	3,596	3,426	3,241	3,043	2,830
Rights of Use Assets	429	337	337	337	337	337	337	337
Trade and Other Receivables	267	236	242	248	254	259	263	267
Total Non-Current Assets	6,667	6,426	6,348	6,224	6,056	5,850	5,607	5,328
Current Assets								
Inventory	34	50	54	59	64	69	73	78
Contract Assets & Costs	62	85	85	85	85	85	85	85
Trade and Other Receivables	395	454	483	519	545	564	583	611
Cash and Cash Equivalents	130	145	214	294	455	662	908	1,187
Total Current Assets	621	735	836	958	1,149	1,380	1,650	1,961
Total Assets	7,288	7,161	7,184	7,182	7,205	7,230	7,257	7,289
Equity								
Total Equity	4,936	5,052	5,157	5,250	5,340	5,427	5,509	5,583
Non-Current Liabilities								
Trade and Other Payables	0	0	0	0	0	0	0	0
Lease Liabilities	315	227	163	118	85	61	44	32
Provisions	110	110	113	116	118	121	123	125
Long-Term Borrowings	325	375	300	255	210	170	140	110
Total Non-Current Liabilities	751	712	576	488	413	352	307	266
Current Liabilities								
Trade and Other Payables	1,340	1,245	1,245	1,261	1,275	1,285	1,290	1,293
Lease Liabilities	156	150	144	138	132	127	121	116
Short-Term Borrowings	105	2	62	45	45	40	30	30
Total Current Liabilities	1,601	1,397	1,451	1,444	1,452	1,451	1,442	1,439
Total Liabilities	2,352	2,109	2,027	1,933	1,865	1,803	1,748	1,706
Equity and Liabilities	7,288	7,161	7,184	7,182	7,205	7,230	7,257	7,289

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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