

GCC Telecom Sector Quarterly - 4Q12

GCC Telecom

- **Qtel increases its exposure to Iraq**
- **Zain enters the 4G domain**
- **Batelco expands its geographical footprint**
- **MNP service launched in Qatar**

Asiacell completes its IPO; Qtel raises its stake to 64.0%

Asiacell sold 67.5bn shares at a price of 22 Iraqi dinars (0.02USD) in its IPO. This comes as part of the licensing terms in which telecom operators in Iraq have to list 20.0% of their shares on the stock exchange after four years of issuance of the license. All the telecom operators have seen a delay in the IPO process due to lengthy bureaucratic process in the country. License for Asiacell was issued in August 2007 and thus it was expected to undertake IPO by September 2011.

Qtel increased its stake to 64.1% from 53.9% during the current IPO. In June 2012, Qtel agreed to increase its stake in Asiacell to 60.0% from 30.0% with the 6.1% requiring regulatory approval. The move is part of Qtel to increase its stake in operations which are performing well. Recently, Qtel also increased its stake in Kuwait based Wataniya Telecom to 92.1% from 52.5%.

Zain launches 4G LTE in Kuwait

Zain became the first mobile operator to launch 4G LTE technology in Kuwait. The 4G LTE will run on mobile phones, tablets, routers, hotspots and dongles. With a high smart phone penetration and high per capita income, the potential to increase data revenues is immense in Kuwait. However, the compatibility of devices with the latest technology is likely to restrain uptake of 4G technology in the short-term. Telecom operators in Saudi Arabia were the first ones to launch the 4G technology in 2011. Subsequently, 4G technology has been launched in other GCC countries as well with the exception of Qatar where 4G LTE technology is expected to be launched in 1H13.

Acquisition of CWC Monaco and Island division

On 14th January 2013, Batelco shareholders approved the acquisition of Cable and Wireless Communications (CWC) Monaco and Island division. The transaction is expected to be completed in 1Q13. This is part of the strategy to diversify the revenues to offset declining domestic revenues and profitability. This is also consistent with the strategy to acquire brownfield operations rather than setting up a Greenfield operation.

MNP launched in Qatar

Mobile number portability (MNP) service was launched in Qatar in early February 2013. MNP gives subscribers the option to change their service provider while retaining their mobile number. Generally, MNP service benefits the new entrants as the inconvenience of changing the mobile numbers is removed. However, the effect can be the opposite as well if the difference in quality is wide between the incumbent and the new operator/operators. We believe that the impact of MNP is likely to be insignificant in the short-term as experienced in other GCC countries where MNP has been launched. Lack of awareness is one of the reasons attributed to the low use of the service so far.

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Global Research Telecom Coverage

Ticker	Country	Mkt Cap (USD mn)	Price* (in LC)	Stock Performance			Div. Yield 2013E	P/E (x)			EV/EBITDA (x)	
				1m	3m	12m		2013E	2013E	2014E	2013E	2014E
Zain	Kuwait	12,080	0.78	-2.5%	4.0%	-8.1%	6.3%	11.2	10.4	6.5	6.3	
Wataniya Telecom	Kuwait	4,330	2.42	1.7%	12.0%	19.8%	5.2%	9.5	8.7	3.8	3.3	
Saudi Telecom	KSA	21,707	40.70	-8.6%	0.3%	10.4%	4.9%	9.7	10.0	5.0	5.0	
Mobily	KSA	13,953	74.75	3.5%	10.7%	39.5%	6.0%	8.1	7.6	5.7	5.1	
Etisalat	UAE	21,138	9.82	4.5%	-1.7%	5.3%	6.3%	10.0	9.7	4.2	4.0	
Qtel	Qatar	10,364	116.80	8.6%	13.5%	16.5%	3.2%	9.0	8.4	4.4	4.2	
Vodafone Qatar	Qatar	1,983	8.54	-2.8%	-0.7%	17.7%	2.3%	nm	nm	15.4	10.4	
Omantel	Oman	2,793	1.43	-2.2%	0.4%	1.5%	7.0%	8.6	8.5	4.9	4.6	
Batelco	Bahrain	1,572	0.42	1.9%	4.5%	6.1%	6.0%	8.2	8.0	3.5	3.1	
Average							5.2%	9.3	8.9	5.9	5.1	

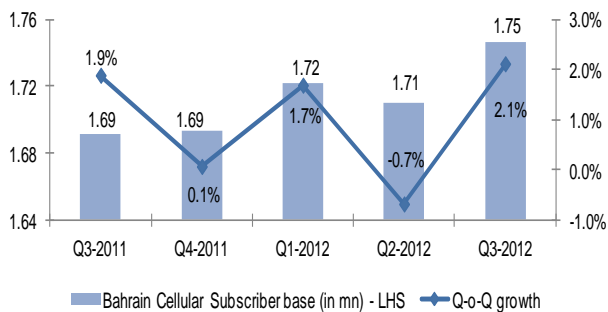
Source: Global Research, Zaway & Bloomberg

* Market Price as of 17th February 2013.

Note: Vodafone Qatar financial year ends in March.

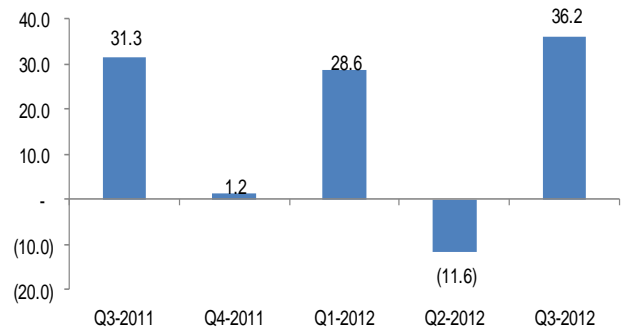
Bahrain GSM Sector Indicators

Bahrain Cellular Subscriber base (in mn)



Source: Industry Sources & Global Research

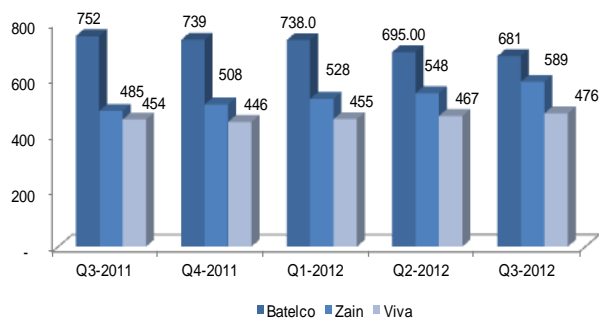
Bahrain Quarterly Customer Additions (in '000)



Source: Industry Sources & Global Research

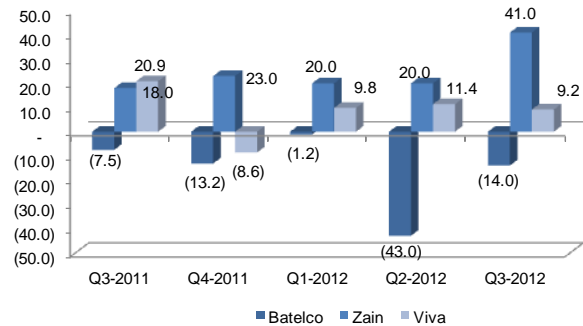
Bahrain subscriber base increased again after declining in 2Q12 for the first time since 3Q10. Subscriber base increased by 2.1%QoQ to 1.75mn in 3Q12.

Operator-wise Subscriber Base (in '000)



Source: Industry Sources & Global Research

Operator-wise Customer Additions (in '000)

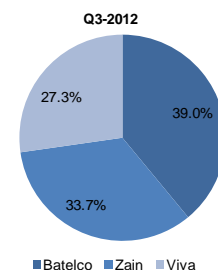
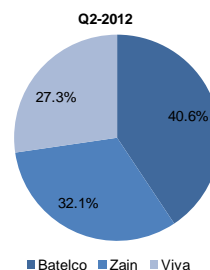
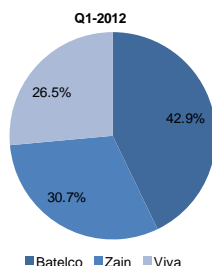
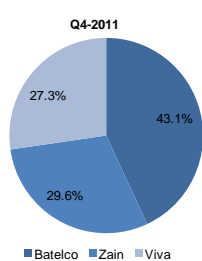


Source: Industry Sources & Global Research

Batelco subscribers declined for the fifth consecutive quarter by 2.0%QoQ to 681,000 reflecting the competitive environment in the domestic market.

On the other hand, Zain and Viva continued to add to their subscriber base, which increased by 7.5%QoQ and 2.0%QoQ respectively.

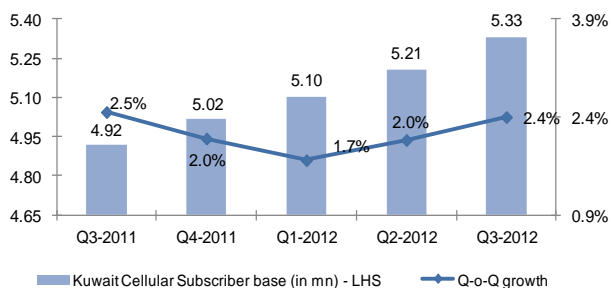
Quarterly Market Share based on Subscribers



STC (Viva) has managed to maintain its market share at 27.3%. Meanwhile, Batelco has seen its market share come down further to 39.0% in 3Q12 compared to 54.6% in 1Q10 when STC (Viva) entered the market.

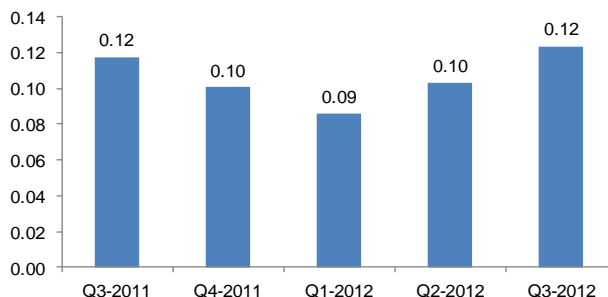
Kuwait GSM Sector Indicators

Kuwait Cellular Subscriber base (in mn)



Source: Industry Sources & Global Research

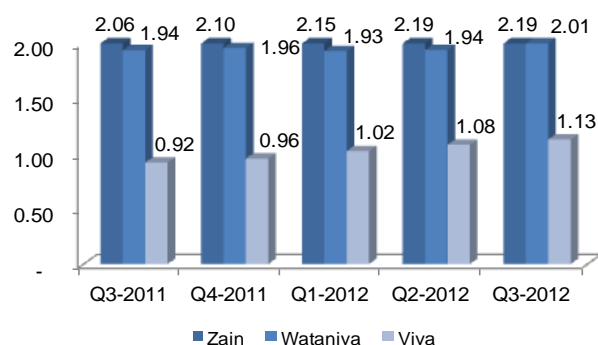
Kuwait Quarterly Customer Additions (in mn)



Source: Industry Sources & Global Research

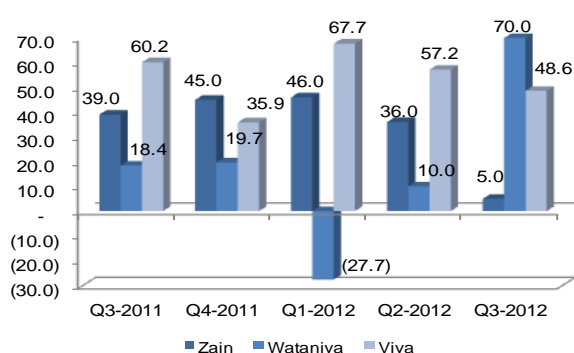
Kuwait's total GSM subscriber base grew by 2.4%QoQ to 5.33mn in 3Q12. The subscriber growth rate has picked up in the last two quarters after declining in the four quarters before that. With mobile penetration above 150.0%, the growth rate reflects the population growth rate in the country.

Operator-wise Subscriber Base (in mn)



Source: Industry Sources & Global Research

Operator-wise Customer Additions (in '000)

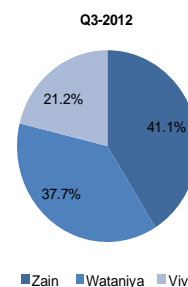
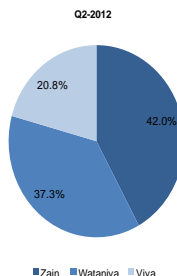
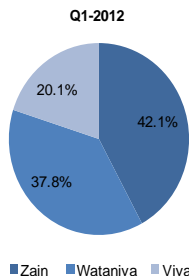
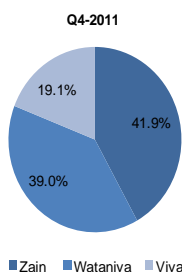


Source: Industry Sources & Global Research

Wataniya lead the pack in subscriber additions. It has added 80,000 subscribers in the last two quarters after suffering a decline of 27,700 subscribers in 1Q12.

Zain witnessed the slowest QoQ growth in subscribers of 0.2% in 3Q12. With the launch of 4G recently, we expect Zain to perform better in 2013.

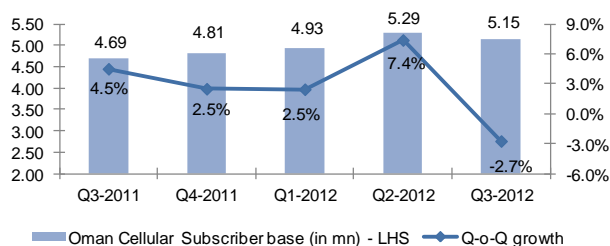
Quarterly Market Share based on Subscribers



Viva and Wataniya managed to increase their market share to 21.2% and 37.7% respectively in 3Q12. The increase came at the expense of Zain which saw a decline in its market share to 41.1%.

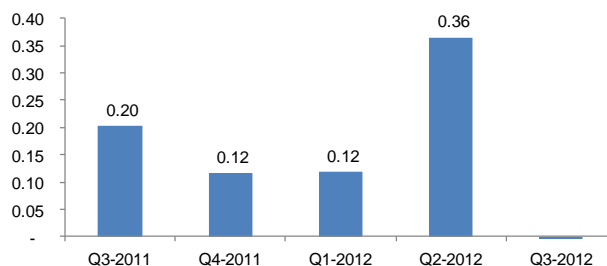
Oman GSM Sector Indicators

Oman Cellular Subscriber base (in mn)



Source: Industry Sources & Global Research

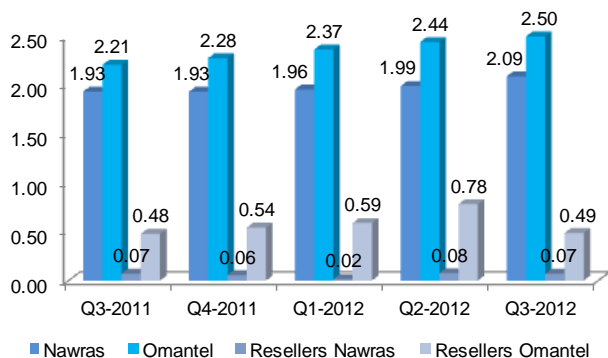
Oman Quarterly Customer Additions (in mn)



Source: Industry Sources & Global Research

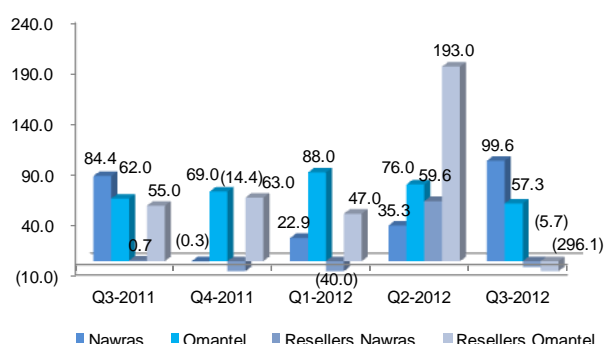
Oman subscriber base declined for the first time since 1Q11. Subscriber base declined by 2.7%QoQ to 5.15mn in 3Q12. Oman subscriber base include the Mobile Virtual network operators (MNVO) which are also known as mobile resellers.

Operator-wise Subscriber Base (in mn)



Source: Industry Sources & Global Research

Operator-wise Customer Additions (in '000)

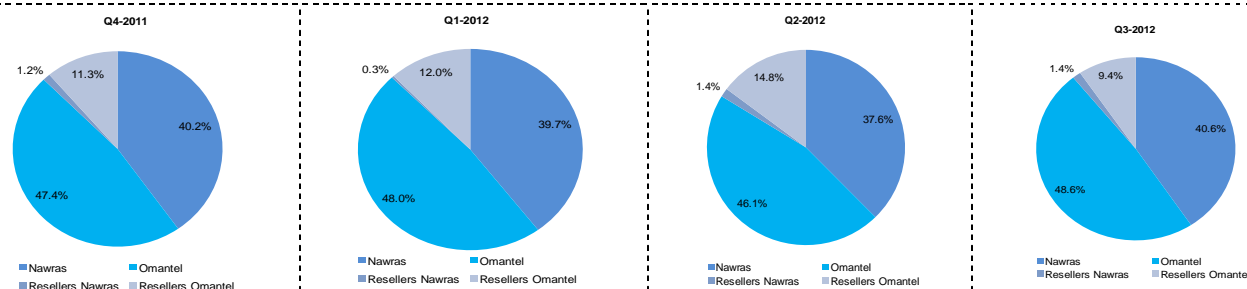


Source: Industry Sources & Global Research

In 3Q12, Omantel's mobile subscriber base increased by around 57,300 subscribers while Nawras subscriber base increased by 99,600.

However, resellers based on Omantel network declined by a massive 296,100 subscribers.

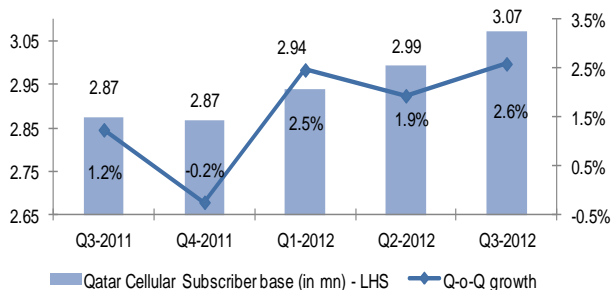
Quarterly Market Share based on Subscribers



Omantel market share including resellers decreased to 58.0% in 3Q12 compared to 60.9% in 2Q12. The market share has declined largely due to decline in mobile subscriber base of resellers. The movement in subscriber market share is getting influenced by ongoing clean-up of subscriber base mandated by the Regulator.

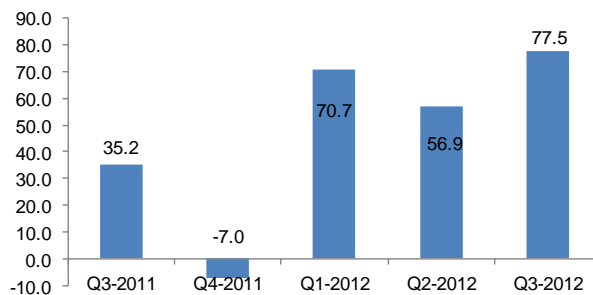
Qatar GSM Sector Indicators

Qatar Cellular Subscriber base (in mn)



Source: Industry Sources & Global Research

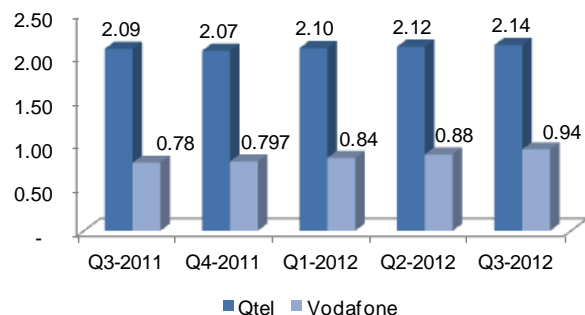
Qatar Quarterly Customer Additions (in '000)



Source: Industry Sources & Global Research

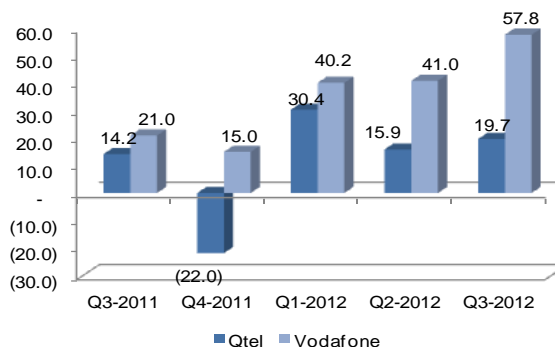
Mobile subscribers grew by 2.6%QoQ in 3Q12. Qatar's total mobile subscriber base has breached the 3.0mn mark implying a mobile penetration rate of around 170%. Despite the high penetration rate, we believe the potential for growth still remains due to forecasted economic and population growth.

Operator-wise Subscriber Base (in mn)



Source: Industry Sources & Global Research

Operator-wise Customer Additions (in '000)

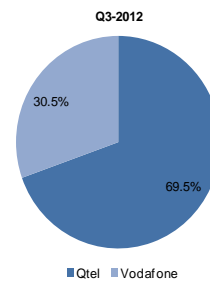
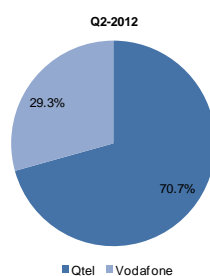
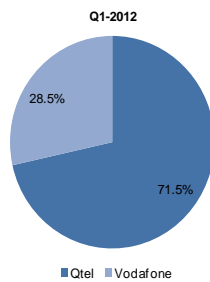
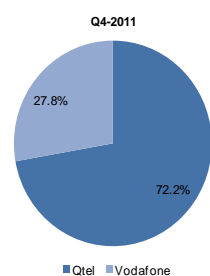


Source: Industry Sources & Global Research

Vodafone Qatar continued with the strong growth momentum adding 57,800 subscribers in 3Q12, helped by launch of postpaid services in June 2012.

The increase in Vodafone subscriber base has also been due to strong growth in pre-paid segment driven by strong population growth.

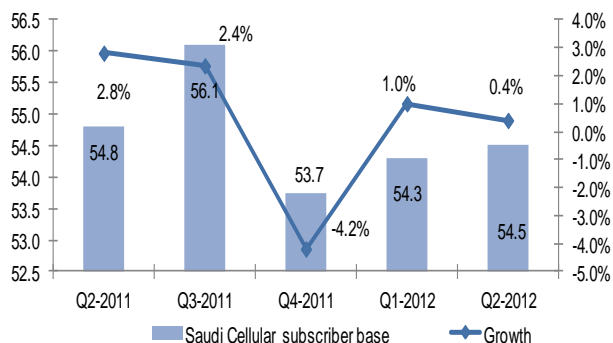
Quarterly Market Share based on Subscribers



Vodafone Qatar has increased its market share to 30.5% in a span of three years. The company made its entry in the Qatari market in Q1-2009. Meanwhile, Qtel market share has come down to 69.5% at the end of 3Q12.

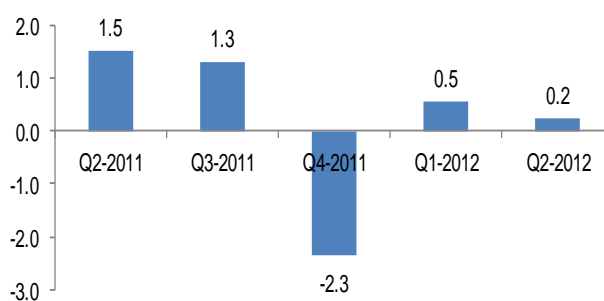
Saudi GSM Sector Indicators

Saudi Cellular Subscriber base (in mn)



Source: Industry Sources & Global Research

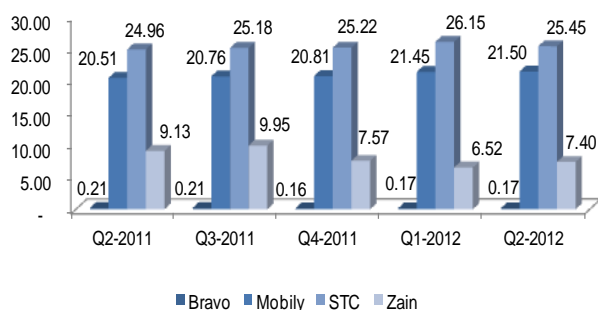
Saudi Quarterly Customer Additions (in mn)



Source: Industry Sources & Global Research

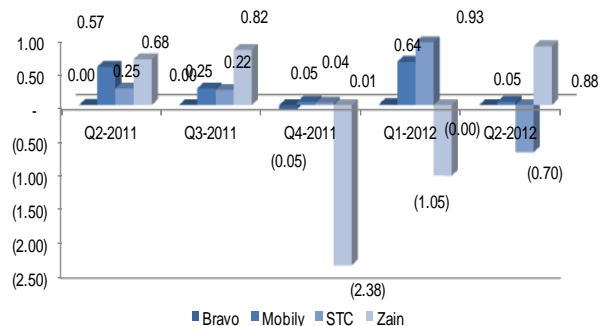
Saudi cellular subscriber base increased by 0.4%QoQ to 54.5mn in 2Q12. The slowdown in subscriber growth rate is understandable considering a high mobile penetration rate of around 184.0%. The subscriber growth numbers are off a higher quality now as some operators have accounted for in-active subscribers.

Operator-wise Subscriber Base (in mn)



Source: Industry Sources & Global Research

Operator-wise Customer Additions (in mn)

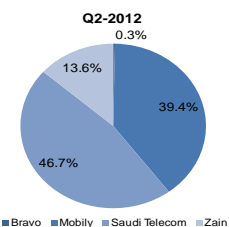
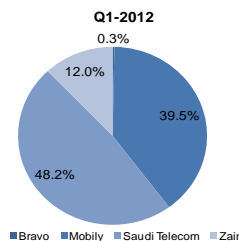
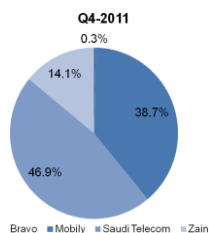
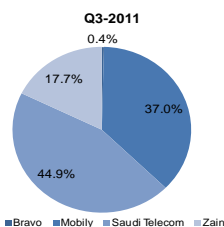


Source: Industry Sources & Global Research

Zain KSA saw a big jump in its subscriber by 0.88mn in 2Q12 to 7.4mn after an adjustment to its numbers in 1Q12 which saw its subscriber base coming down by 13.8%QoQ to 6.52mn in 1Q12.

We have estimated Mobily's subscribers to have increased slightly while Saudi Telecom's subscriber base to have declined to 25.45mn. We have made these estimates in light of total Saudi subscriber base

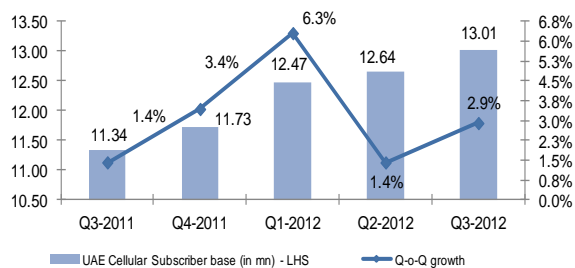
Quarterly Market Share based on Subscribers



STC remains the market leader with an estimated market share of 46.7% followed by Mobily with a market share of 39.4%. Meanwhile, Zain KSA has managed to increase its share to 13.6% in 2Q12.

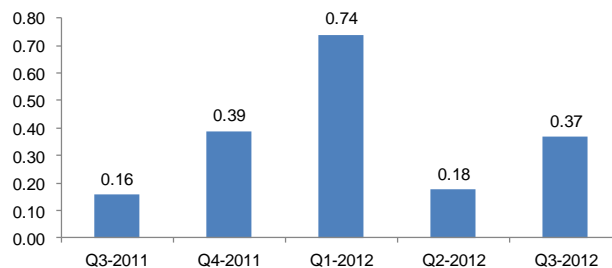
UAE GSM Sector Indicators

UAE Cellular Subscriber base (in mn)



Source: Industry Sources & Global Research

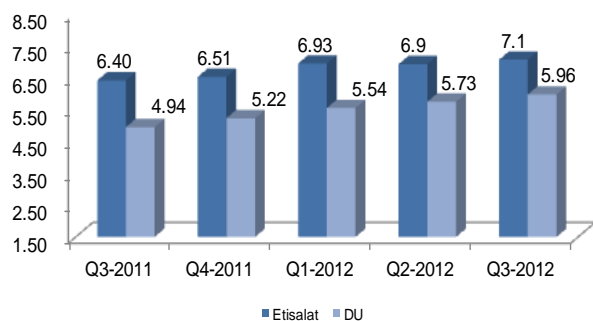
UAE Quarterly Customer Additions (in mn)



Source: Industry Sources & Global Research

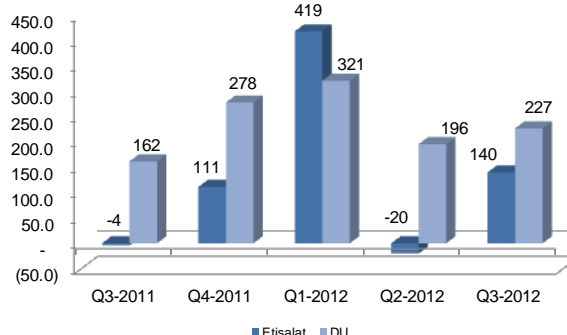
UAE's GSM subscriber base increased by 2.9%QoQ in 3Q12 after a growth of 1.4%QoQ in 2Q12. With the UAE economy in the recovery phase after the global financial crisis, the mobile subscriber growth is likely to remain steady as population increases on the back of increase in expatriate population.

Operator-wise Subscriber Base (in mn)



Source: Industry Sources & Global Research

Operator-wise Customer Additions (in '000)

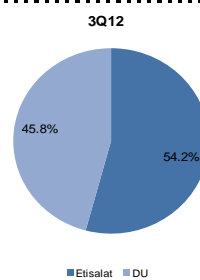
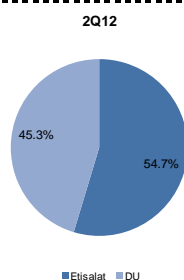
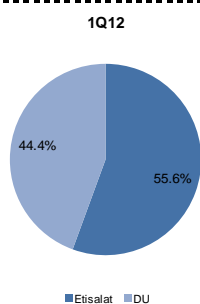
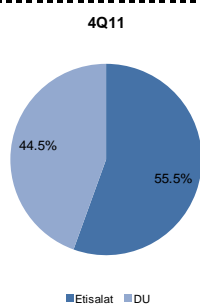


Source: Industry Sources & Global Research

In 3Q12, Etisalat's mobile subscribers grew by 2.0%QoQ while DU's subscribers grew by 4.0%QoQ.

In 3Q12, DU carried on with the good performance by adding 227,000 customers.

Quarterly Market Share based on Subscribers



DU managed to increase its market share slightly to 45.8% in 3Q12 compared to 45.3% in 2Q12. However, the rate of increase in market share is slowing down.

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