

VFQS Alert – 2Q2021 Earnings Beat on Margin Upside; Accumulate

- **VFQS' net profit jumps 105.2% YoY and 3.1% QoQ in 2Q2021 and exceeds our estimate** – Vodafone Qatar's (VFQS) net profit of QR68.1mn in 2Q2021 beat our estimate of QR59.7mn by 14.0%. This is the fourth consecutive quarterly beat for VFQS and highlights its continued business momentum. This is also the highest quarterly profit recorded in the company's history. Quarterly revenue of QR577.6mn gained 8.7% YoY but was 1.3% lower on a sequential basis; revenue was in-line with our estimate of QR563.1mn (variation of 2.6%) and was helped by continued growth in postpaid, fixed broadband and handset sales in 1H2021. According to the company's press release, service revenue increased by 7.8% YoY to come in at QR1.1bn in 1H2021. The company reported mobile subs of 1.714mn, up 3.9% YoY.
- **Reported 2Q2021 EBITDA margin of 41.1% improved vs. 2Q2020's 35.7% and 1Q2021's 40.0%.** Quarterly EBITDA of QR237.3mn grew 25.0% YoY and 1.3% QoQ. Revenue growth exceeded the growth in direct costs, while opex retreated YoY to help drive the improvement in EBITDA/EBITDA margins on a YoY basis. Continued cost optimization also helped EBITDA/EBITDA margins on a sequential basis.
- **Our view on the stock remains unchanged** – we continue to like the company's momentum in postpaid (2020 segment revenue up 4.5% YoY to QR1.1bn making up 65% of total service revenue as subs continue to grow). We also believe postpaid, 5G (more than 70% population coverage), home broadband, enterprise and bundled solutions should continue to drive future momentum. We continue to rate VFQS an Accumulate with a price target of QR1.700.

Recommendations

Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price

OUTPERFORM Greater than +20%

ACCUMULATE Between +10% to +20%

MARKET PERFORM Between -10% to +10%

REDUCE Between -10% to -20%

UNDERPERFORM Lower than -20%

Risk Ratings

Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals

R-1 Significantly lower than average

R-2 Lower than average

R-3 Medium / In-line with the average

R-4 Above average

R-5 Significantly above average

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