

VFQS Alert – Decent 1Q2021 Profit Beat on Revenue/Margin Upside; Accumulate

- **VFQS' net profit jumps 37.8% YoY and 13.1% QoQ in 1Q2021 and exceeds our estimate –** Vodafone Qatar's (VFQS) net profit of QR66.0mn in 1Q2021 beat our estimate of QR55.3mn by 19.4%. This is the third consecutive quarterly beat for VFQS and highlights its continued business momentum. Quarterly profit also reached the highest level in the company's history. Quarterly revenue of QR585.4mn gained 8.3% YoY but was 0.5% lower on a sequential basis; revenue beat our estimate of QR547.3mn by 6.9% and was helped by continued growth in postpaid, fixed broadband and handset sales. According to the company's press release, service revenue increased by 5.1% YoY to come in at ~QR534mn. The company reported mobile subs of ~1.7mn.
- **Reported 1Q2021 EBITDA margin of 40.0% improved vs. 1Q2020's 37.0% and 4Q2020's 36.8%.** Quarterly EBITDA of QR234.3mn grew 17.3% YoY and 8.2% 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. Improvement in service revenue and continued costs 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 but the stock has already exceeded our price target of QR1.700 set on February 14. In light of this and the company's continued results traction, we could potentially increase our target price in the future.

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

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

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

Mehmet Aksoy, PhD
Senior Research Analyst
+974 4476 6589
mehmet.aksoy@qnbfs.com.qa

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