

QNBFS Alert – VFQS Dec. Q Net Beats; Retain Market Perform

- **In-line revenue and improved profitability in 3QFY14.** Vodafone Qatar (VFQS) reported revenue of QR507.1mn for 3QFY2014 (+9% QoQ, +28% YoY), only 1% shy of our estimate of QR512.7mn; BBG consensus was QR495.0mn. Quarterly ARPU of QR127 was slightly higher than our estimate, while reported mobile subscribers of 1,273,000 was modestly lower. Around 80% of the sequential growth in mobile service revenue was driven by customer growth with the remaining stemming from ARPU expansion helped by data and postpaid (~10% of overall subs); handset sales also increased QoQ. Net loss narrowed sequentially to QR53.3mn vs. our estimate of QR66.4mn and BBG consensus of QR70.0mn. Direct costs and depreciation expenses dropped below our expectations, causing the majority of this divergence. EBITDA for the quarter came in at QR134.0mn (26.4% margin versus 23.7% and 21.6% in the September and June quarters, respectively).
- **Management guided to top-end of previous guidance range for FY14; we retain our above consensus estimates.** During the earnings conference call, VFQS management guided to the top-end of the range (QR1.90-1.95bn) for FY14 revenue and EBITDA (QR435-470mn). Our current modeled estimate is QR1.96bn (BBG consensus: QR1.90bn) for FY14 revenue and QR465mn (BBG consensus: QR446mn) for FY14 EBITDA. We will shortly adjust our model to account for 3QFY14 and are likely to reduce our FY14 net loss estimate of QR274mn. Finally, we continue to expect VFQS to pay QR0.10 in dividends per share in FY2014.
- **We maintain our Market Perform rating with a price target of QR11.04.**

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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