

*Omantel's revenue reported a flat growth of 0.2% YoY and stood at RO 412.3 million in 2009 from RO 411.5 million in 2008. Despite sluggish revenue growth in domestic market, the consolidation effect of WorldCall Telecom contributed in maintaining revenue at year ago levels. Net profit increased by 5% to RO 125.2 million in 2009 from RO 119.2 million and believed to be on account of lower impairment losses.*

#### **Revenue reported flat growth despite decline in domestic revenue....**

Omantel's domestic revenue declined by 5% YoY to RO 390 million in 2009 from RO 412 million in 2008, while increasing revenue from WorldCall contributed to the overall performance (World call added RO 22 million to the group revenue and accounted to 5% of the total revenue during the same year). The revenue growth in domestic market was impacted by sluggish usage revenue growth in the mobile segment and continued decline in the fixed line segment. We estimate lower usage revenue growth from long distance calling (catering to expat subscribers) and lower net additions growth in 2009, on account of competitive pricing. Omantel reported mixed trend in profitability due to higher operational and marketing expenses relating to 3G network expansion, however was not volatile. Net margins improved to 30.3% in 2009 from 28.9% in 2008 due to lower impairment losses.

#### **Lower impairment losses and voluntary retirement settlements contributed to mixed trend in 4Q2009 profitability...**

Omantel's net profit recorded an increase of 71% YoY in 4Q09 to reach RO 19.4 million from RO 11.3 million in 4Q08 aided by lower impairment losses. However, on a sequential basis, 4Q2009 net income was down by 44% as compared to 3Q2009. Voluntary retirement settlements to employees during 4Q2009 to the tune of RO 9.1 million are expected to have impacted the profitability during this quarter.

#### **Industry outlook positive despite decline in growth rate .....**

The industry growth in mobile subscribers declined from 29% in 2008 to reach at 23% in 2009 due to higher penetration rate prevalent in the country. Omantel witnessed moderate competition in the mobile segment; however we did not notice any higher churn in subscribers. The emergence of MVNO players poses little concern over pricing in the short term. The industry still looks positive on higher 3G subscriber growth and continued regulatory monitoring starting from restriction of unauthorized VOIP usage.

#### **Valuations look moderate and look cheap to GCC peers...**

Omantel is currently trading at FY2009 P/E of 7.1x and looks justified when compared to 10.8x for its peers in MENA and moderately valued on an EV/EBITDA of 5.12x. We expect the company to maintain its dividend payout of RO 0.100 thereby providing dividend yield of 7.74%. We will be releasing an extended version of the report, post the detailed announcement of Omantel results.

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