

## Ooredoo Qatar - 4Q23 Result Review

Analyst: Neetika Gupta

### Previous Recommendation:

Buy

Target Price (QAR):

13.20

Previous Reco. & Date:

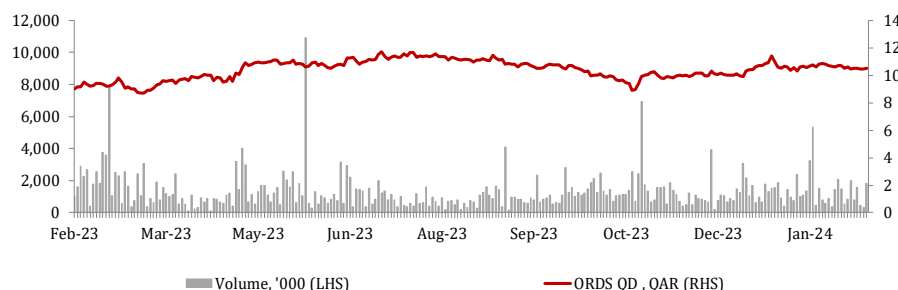
TP: QAR 13.20 per share; Buy on 26-September-2023

Upside / (Downside):

25.8%

Date: 13-02-2024

Bloomberg Ticker	ORDS QD
Current Market Price (QAR)	10.5
52wk High / Low (QAR)	11.9/8.4
12m Average Vol. (mn)	1,257.4
Mkt.Cap. (QAR bn)	9,073/33,602
Shares Outstanding (mn)	3,203.2
Free Float (%)	31%
3m Avg Daily Turnover (QAR mn)	12,850.0
6m Average Daily Turnover (QAR mn)	13,030.6
P/E'24e (x)	9.9x
EV/EBITDA'24e (x)	4.4x
Dividend Yield '24e (%)	3.8%
Price Perf. (1m/3m) (%)	1.8%/6.1%



### Revenue increases marginally for 4Q23, in-line with U-Capital estimate

Ooredoo reported 4Q23 revenue of QAR 5,923mn (1% YoY and 2% QoQ). This figure aligns with U-Capital's estimate of QAR 6,024mn and with Bloomberg consensus of QAR 5,824mn. Revenue for FY23 grew by 2% to reach QAR 23,164mn. This was primarily driven by growth in Iraq, Algeria, Kuwait, and the Maldives. However, it was partially offset by decreases in revenue in Qatar, Tunisia, Myanmar, and Palestine, primarily due to foreign exchange depreciation. The decline in revenue for FY23 in Qatar can be attributed to the comparably higher revenue in FY22, which was boosted by the hosting of the FIFA World Cup in 2022.

### EBITDA decrease 10% QoQ for 4Q23, missed U-Capital estimate

For 4Q23, EBITDA reached QAR 2,326mn (4% YoY and -10% QoQ), closely aligning with the Bloomberg consensus of QAR 2,453mn but falling short of the U-Capital estimate of QAR 2,575mn. The variance from our estimate can be attributed to higher-than-anticipated impairment losses on financial assets during the period. For FY23, EBITDA totalled QAR 9,717mn, indicating a 4% increase compared to FY22, with an EBITDA margin of 42%. While there was a notable increase in profitability in Iraq, Algeria, and Kuwait, this growth was offset by reduced EBITDA in Qatar, Oman, and Tunisia.

### Net Income decreases 60% QoQ for 4Q23 – below U-Capital estimate and Bloomberg consensus

The company reported a net income of QAR 352mn (13% YoY and -60% QoQ), which fell below both the Bloomberg consensus of QAR 765mn and the U-Capital estimate of QAR 814mn. Normalized net income for the group stood at QAR 745mn, largely in-line with the U-Capital estimate and Bloomberg consensus. Normalized net profit is calculated by adjusting net profit for foreign exchange, impairments, and exceptional items, including a QAR 446mn gain from the NMTC legal case, a QAR 139mn gain from the Meeza IPO, a QAR 56mn gain from the disposal of towers, and a QAR 37mn gain from the data centre carve-out in Indonesia. For FY23, net income amounted to QAR 3,016mn, reflecting a 28% YoY growth, while normalized net profit stood at QAR 3,279mn, marking a 16% increase compared to the FY22 normalized net profit of QAR 2,821mn.

### Maintain target price

Ooredoo achieved robust financial results in FY23, fuelled by impressive performances in Iraq, Kuwait, Algeria, and the Maldives. However, these gains were partially offset by adverse FX impacts in Tunisia, Myanmar, and Palestine. However, we maintain a positive outlook for Ooredoo, given its strong geographical presence and partnerships with Zain and TASC Towers Holding to establish an independent tower company encompassing up to 30,000 towers. We expect robust growth in the coming period, driven by their strategic programs and initiatives, as well as expansion into different verticals such as Data centres and Fintech. Taking these factors into account, we maintain our **Buy** rating on the stock with target price of **QAR 13.2 per share**.

### Valuation

Ooredoo is trading at 2024e P/E of 9.9x compared to the historical average 1-year forward P/E of 11.0x. Additionally, the stock is valued at EV/EBITDA multiple of 4.4x, based on the FY24 estimate, compared to the historical average of 4.5x.

Income Statement												
(QAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	5,845	5,635	5,774	5,832	5,923	6,024	1%	2%	-2%	22,698	23,164	2%
EBITDA	2,238	2,408	2,404	2,579	2,326	2,575	4%	-10%	-10%	9,375	9,717	4%
Operating Profit (Loss)	1,130	1,303	1,275	1,434	1,121	1,393	-1%	-22%	-20%	4,810	5,133	7%
Net Profit (Loss)	312	961	834	869	352	814	13%	-60%	-57%	2,360	3,016	28%
Balance Sheet												
(QAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Shareholders' Equity	24,311	24,605	25,312	25,877	26,458	25,970	9%	2%	2%	24,311	26,458	9%
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
EBITDA Margin	38.3%	42.7%	41.6%	44.2%	39.3%	42.7%				41.3%	41.9%	
Operating Profit Margin	19.3%	23.1%	22.1%	24.6%	18.9%	23.1%				21.2%	22.2%	
Net Profit Margin	5.3%	17.0%	14.5%	14.9%	5.9%	13.5%				10.4%	13.0%	
Return on Equity (RoE)	5.1%	15.6%	13.2%	13.4%	5.3%	12.5%				9.7%	11.4%	

Source: Financials, Bloomberg, U Capital Research

For our earlier report, please [click here](#).

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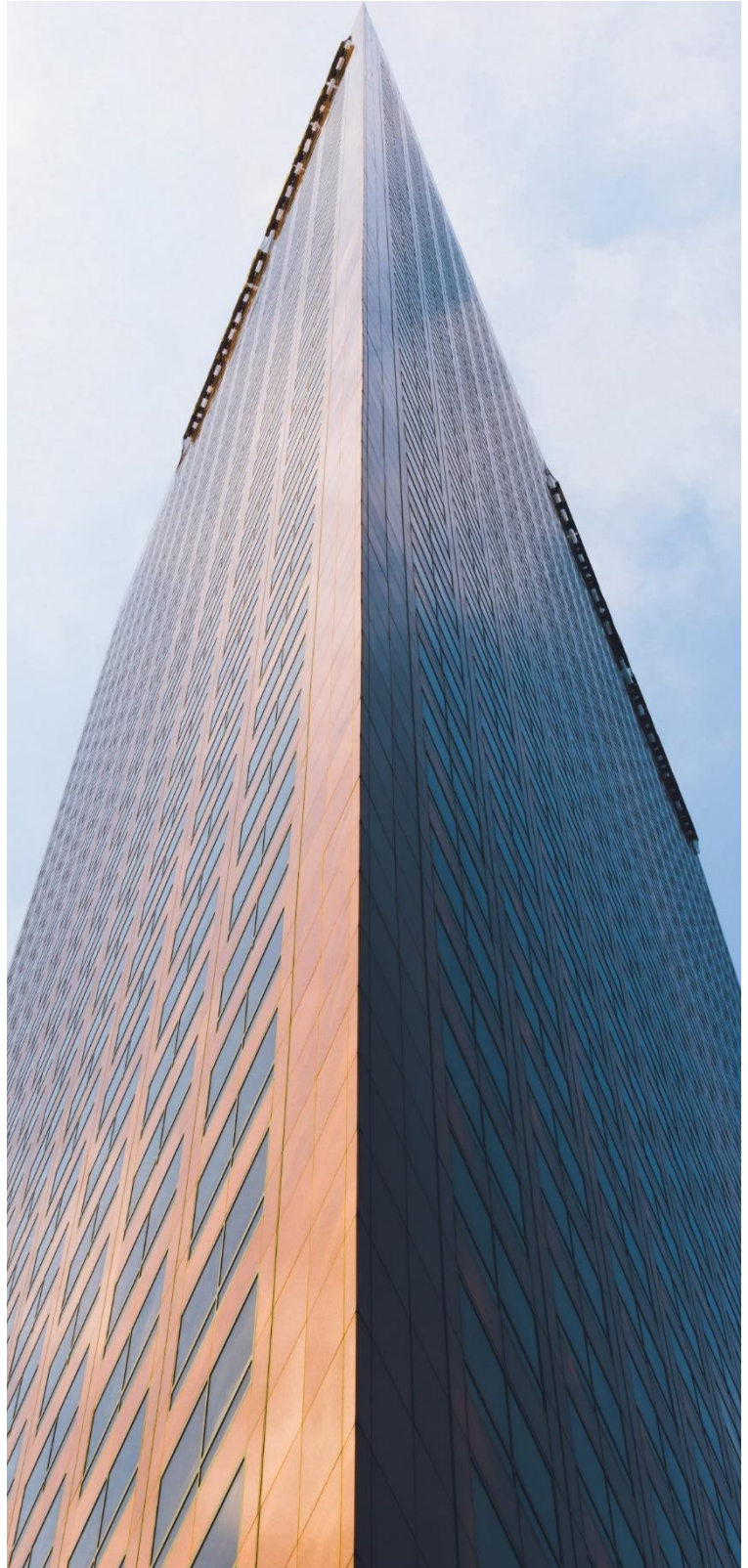
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## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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