



Equity Research – Initiation of Coverage

Sector: Telecom

Country: Egypt

Date: December 17, 2013

Share Price (EGP): 4.69

Target Price (EGP): 5.18

Upside: 10.5%

Recommendation: ACCUMULATE

Risk: High

Initiating with an ACCUMULATE Rating and a target price of EGP 5.18 on the channels of analysis below

Algeria dominates GTH's revenue mix on high average revenue per user

Global Telecom is as a leading mobile telecommunications company operating in high growth markets in the Middle East, Africa and Asia, covering a population of 459 million. Revenues of GTH primarily consist of cellular operations' revenues, constituting 98.2% of the company's top-line with a negligible share coming from other sources. Almost 50% of revenues are generated from Algeria although the number of subscribers in Pakistan and Bangladesh is larger, mainly due to higher average revenue per user following more favorable economic conditions.

Subscribers base to grow at a higher pace than revenue

We estimate 2013 revenues to remain flat at USD 3,632 million with Algeria and Pakistan accounting for 81.7% of the company's top-line. Growth in revenues is expected to be lower than the surge in subscribers as the average revenue per user is estimated to decline following heightened competition in the market. We estimate GTH's 3-year revenue CAGR at 1.6% with the subscriber base rising at a CAGR of 7.8%.

Earnings shrink on high provisions for tax charges and FX losses

EBITDA for 2013 is estimated to reach USD 1,761 million compared to USD 1,755 million recorded during 2012. Going forward, EBITDA is estimated to grow at a CAGR of 2.1% in the coming three years, mostly due to higher revenues. As for net income, we expect Global Telecom to record a net loss of USD 124 million compared to a loss of USD 225 million in 2012, mainly driven by the negative impact of impairment of financial assets alongside provisions for tax charges and foreign exchange losses. However, we estimate GTH's bottom line to grow gradually in the coming years.

High leverage and political instability in the region justify discount

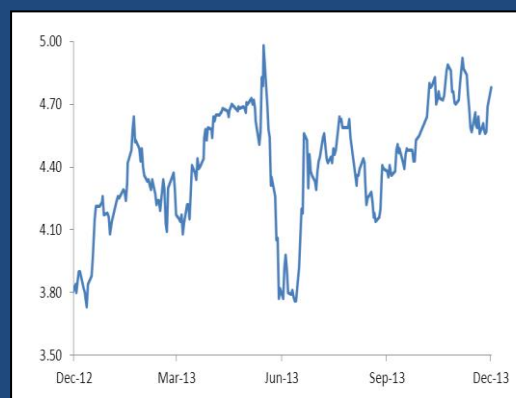
We estimate GTH's target price at EGP 5.18 per share combining the discounted cash flow (DCF) method based on a 5-year forecast and the Sum-of-The-Parts (SOTP) methodology. This represents a 10.5% premium over the company's recent share price leading us to issue an ACCUMULATE rating. However, we believe that the stock price will be sensitive to the political tensions in the region, especially any heightened unrest in Egypt.

When comparing GTH's Price-to-Revenues and EV/EBITDA ratios to those of its Egyptian and Middle Eastern peers, we find the company to be undervalued. This is justified by the added risk associated with GTH's lack of earnings and high leverage, in addition to its exposure to undeveloped countries with high macro-economic and political risks.

Share Data

Bloomberg Symbol	GTHE EY
Reuters Symbol	GTHE.CA
Market Cap (EGPm)	24,602
Number of Shares (m)	5,246
Free Float	48.1%
Price to 2013 Earnings	-
Price to 2013 Book Value	14.08

Share Performance



Source: Reuters

1 Month Return	1.7%
3 Month Return	9.1%
6 Month Return	26.8%
12 Month Return	24.5%
52 Week Range	3.73 – 4.98

Source: Reuters

Performance and Forecasts

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Year	2011	2012	2013e	2014f	2015f
Revenues (USD millions)	3,636	3,627	3,632	3,697	3,756
Net Income (USD millions)	628	(225)	(124)	51	195
EPS (USD)	0.12	(0.04)	(0.02)	0.01	0.04
BVPS (USD)	0.37	0.31	0.33	0.29	0.31
ROA (%)	7.0%	-2.8%	-1.5%	0.6%	2.4%
ROE (%)	26.6%	-12.7%	-7.4%	3.2%	12.5%

Source: GTH, Blominvest

FINANCIALS & VALUATION

Year	2011	2012	2013e	2014f	2015f
Profit & Loss Summary					
Revenue (USDm)	3,636	3,627	3,632	3,697	3,756
Revenue Growth (%)	-5.0%	-0.2%	0.1%	1.8%	1.6%
EBITDA (USDm)	1,647	1,755	1,761	1,790	1,835
EBITDA Margin (%)	45%	48%	48%	48%	49%
Net Profit (USDm)	628	(225)	(124)	51	195
Profit Margin (%)	17%	-6%	-3%	1%	5%
Earnings Per Share (EGP)	0.12	(0.04)	(0.02)	0.01	0.04
Price-to-Earnings (Forward P/E)	37.34	-	-	478.13	126.39

Balance Sheet Summary (USDm)

Cash & Cash Balances	1,014	2,026	2,324	2,218	2,028
Trade and Other Receivables	205	233	236	240	244
Fixed assets, Net	2,902	2,494	2,345	2,266	2,222
Intangible Assets	1,558	1,449	1,449	1,449	1,449
Other Assets	2,276	1,915	1,947	1,860	1,945
Total Assets	7,954	8,116	8,301	8,034	7,888
Total Liabilities	6,042	6,486	6,554	6,525	6,272
Book Value Per Share (USD)	0.37	0.31	0.33	0.29	0.31

Profitability

ROA (%)	7.0%	-2.8%	-1.5%	0.6%	2.4%
ROE (%)	26.6%	-12.7%	-7.4%	3.2%	12.5%

Liquidity

Cash / Current Liabilities	0.44	0.93	1.07	1.01	0.96
Current Assets / Current Liabilities	1.5	1.05	1.70	1.61	1.64
Net Working Capital / Current Assets	0.32	0.35	0.41	0.38	0.39

Comparables

	Valuation			Margin Analysis (%)			Profitability (%)	
	P/Rev	P/BV	EV/EBITDA	Gross	Operat	Net	ROE	ROA
GTH	1.0	2.3	3.8	57.6	27.7	-5.9	-12.7	-2.8
MENA Average	2.5	2.2	11.3	64.0	13.8	8.7	12.5	7.9

Valuation

Methodology	Target Price (EGP)	Weight
DCF Model	4.88	50%
SOTP	5.48	50%
Weighted Target Price (EGP)	5.18	

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INVESTMENT SUMMARY

We are initiating an ACCUMULATE rating on Global Telecom Holding (GTH) after carefully analyzing the following.

Macro-Economic Environment

Global Telecom's regional and international diversification protected the company from country specific risk, but also exposed it to the challenging economic and political environment certain nations are currently experiencing. Algeria, which is the largest contributor to GTH's revenues and earnings, continues to expand after registering a decade of economic growth despite the shadow of global crisis and regional uncertainties, mainly due to prudent macroeconomic policies and cautious management of oil and gas revenues. However, the weak economic situation in Pakistan is mainly the result of a poor business climate, excessive fiscal deficits, high inflation, and an unsustainable balance of payment position. Moreover, growth in Bangladesh is decelerating and expected to weaken further amid slow implementation of economic reforms. Improving the business climate and infrastructure, deepening the finance sector, and liberalizing trade remain key challenges for Bangladesh's economic expansion.

Business Model

Global Telecom diversifies its exposure by targeting markets with high population growth and low mobile penetration rates in addition to countries with smaller population in the African continent which are characterized by solid income growth potential and youthful population. The company's revenue streams are mostly from cellular operations which contribute to around 98% of the company's top-line. The majority of revenues are generated from Algeria which constitutes 50.9% of total revenue, mainly due to higher average revenue per user following favorable economic conditions.

Global Telecom established itself as a global brand through demonstrating solid market leadership positions as a major player where it operates. Moreover, the company is active on the M&A front, keeping high cash balance on its books in order to take advantage of possible attractive valuations and expand into new growth markets.

Growth

We expect GTH's 2013 revenues to remain almost flat with Algeria and Pakistan accounting for 81.7% of the company's top-line. We believe the low penetration rates in GTH markets will support the continuous increase in the number of subscribers to reach 92.3 million in 2013. However, the growth in revenues is expected to be lower than the rise in subscribers as the average revenue per user is estimated to register a gradual decline following higher competition in the market. Hence, GTH's 3-year revenue CAGR is estimated at 1.6% with the subscriber base increasing at a CAGR of 7.8% in the next three years.

Profitability

We estimate Global Telecom EBITDA to reach USD 1,761 million in 2013 as opposed to USD 1,755 million recorded during 2012. Going forward, the EBITDA is expected to grow at a CAGR of 2.1% in the coming three years, with EBITDA margin estimated around 48.5% in 2013, mostly due to higher revenues. As for earnings, we expect Global Telecom to record a net loss of USD 124 million compared to a loss of USD 225 million in 2012, mainly driven by the negative impact of impairment of financial assets alongside with provisions for tax charges and foreign exchange losses. However, the company's bottom line is estimated to grow gradually in the coming years.

Financial Position

Competing in a capital-intensive industry, Global Telecom relies heavily on debt to finance its operations with a debt-to-equity ratio averaging 225% during the past three years. Moving forward, we expect the debt-to-equity ratio to remain high in the near future with a slight decline in the debt level. Another interesting indicator to look at is the total debt/EBITDA ratio. Historically, this ratio has been hovering around 260% and is estimated to decrease slowly, reaching 240% in 2016.

Valuation

We issue an ACCUMULATE recommendation on GTH with a target price of USD 5.18, combining the discounted cash flow (DCF) method based on a 5-year forecast and the Sum-of-The-Parts (SOTP) methodology. We used a WACC of 12.6% for the purpose of valuing GTH's equity. We derive forecasted revenues by estimating the average revenue per user for each operator and the forecasted average number of subscribers.

GTH appears undervalued when comparing its Price-to-Revenues ratio (P/Rev) of 1.0 to those of its Egyptian and Middle Eastern peers estimated at 1.8 and 2.5, respectively. We attribute this discount to the additional risk associated with the company's high leverage and lack of earnings due to operating at a loss. Similarly, GTH's EV/EBITDA ratio presents a discount to both its Egyptian peers and the MENA Average, however we believe it's fairly priced as a result of its exposure to undeveloped countries with high macro-economic and political risks. As for the price-to-book value ratio (P/BV), it is on par with the MENA average estimated at 2.2 but lower than Egypt's average at 3.1. This highlights the fact that GTH's assets are similar to those of a Middle Eastern company, largely due to its diversified exposure to different markets.

Risks

The prominent short term risk is Egypt's unstable political environment. Although GTH has no business in Egypt, the recent political crisis is negatively impacting the country's investment climate, exercising downward pressure on GTH shares.

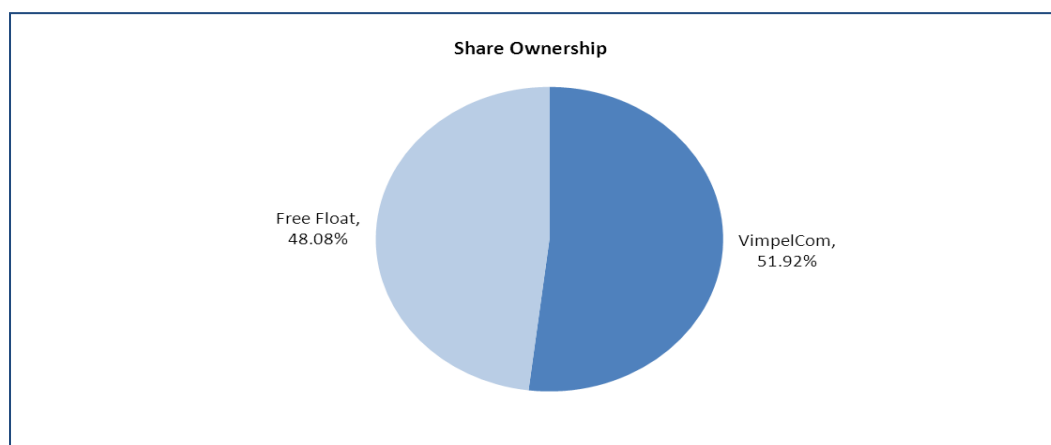
As for the company specific risks, Global Telecom is affected by the economic and political developments of the countries in which the subsidiaries operate. With this international diversification, the company is also exposed to foreign currency risk, which affects GTH's profitability. Moreover, Global Telecom is facing some backlash at its subsidiary, Djezzy, as the Algerian government imposed high taxes and pushed for a hostile takeover. This has resulted in low capex levels and negative revenue growth in Algeria, challenging network expansion and capacity needs.

COMPANY PROFILE

Global Telecom Holding S.A.E., known as Orascom Telecom previously, was established in 1998 as a leading mobile telecommunications company operating in high growth markets in the Middle East, Africa and Asia, covering a population of 459 million. GTH managed to increase the number of subscribers from 200,000 in 1998 to approximately 86 million subscribers with an average mobile penetration of approximately 53%. The company operates GSM networks in Algeria ("Djezzy"), Pakistan ("Mobilink"), and Bangladesh ("banglalink"), and has an indirect equity ownership in Globalive Wireless Canada (Wind Mobile). The company operates in Zimbabwe through an indirect equity shareholding in Telecel Zimbabwe and also through its subsidiary Telecel Globe. Orascom Telecom also has operations in Burundi and the Central African Republic.

Ownership

In 1998, Global Telecom got its first license to operate GSM in Egypt and continued expanding throughout the years. GTH was listed on the Cairo and Alexandria Stock Exchange (CASE) and the London Stock Exchange (LSE) in July 2000. The company's largest shareholder is telecom giant Vimpelcom which acquired a controlling stake of 51.9% in GTH in 2011 in order to expand outside its Russian home market.



Source: GTH

Board of Directors

Joe Lunder	Chairman
Ahmed Abou Doma	Group CEO
Khalid Ellaicy	Executive Board Member
Henk Van Dalen	Non-executive Board Member
Jeffrey Mcghie	Non-executive Board Member
Alex Shalaby	Non-executive Board Member
Ambassador Dr. Mohamed I. Shaker	Non-executive Board Member

Source: GTH

Management

Ahmed Abou Doma	Group CEO
Khalid Ellaicy	Group Chief Financial Officer
Hany Bedair	Chief Technology Officer
Hesham Shoukry	Human Resource and Administration Officer
Mohamed Al Ammawy	Chief Commercial Officer
David Dobbie	Chief Legal and Regulatory Affairs Officer

Source: GTH

Subsidiaries

GSM Operations Subsidiary	Ownership	Non-GSM Operations Subsidiary	Ownership
IWCPL (Pakistan)	100.00%	Ring	99.00%
Orascom Telecom Algeria ¹	96.81%	OTCS	100.00%
Telecel (Africa)	100.00%	OT ESOP	100.00%
Telecel Globe	100.00%	Moga Holding	100.00%
OT Ventures ²	100.00%	Oratel	100.00%
		C.A.T. ³	50.00%
		OT Holding	100.00%
		FPPL	100.00%
		OIH ⁴	100.00%
		OTFCSA	100.00%
		OT Holding Canada ⁵	100.00%
		ITCL	50.00%
		SAWLTD	100.00%
		OT_OSCAR	100.00%
		TMGL	100.00%
		OTO	100.00%
		Waselabank	100.00%
		CORTEX	100.00%

1. Direct and Indirect stake through Moga Holding Ltd. and Oratel

2. OT Ventures owns 100% of Sheba Telecom which operates under the trade name banglalink

3. Direct and indirect stake through International Telecommunications Consortium Limited (ITCL)

4. OIH owns 100% of Orascom Telecom Iraq, which sold Iraqna in December 2007

5. The holding company for OTH's Share in OTHC, which has been accounted for under the equity method

Source: GTH

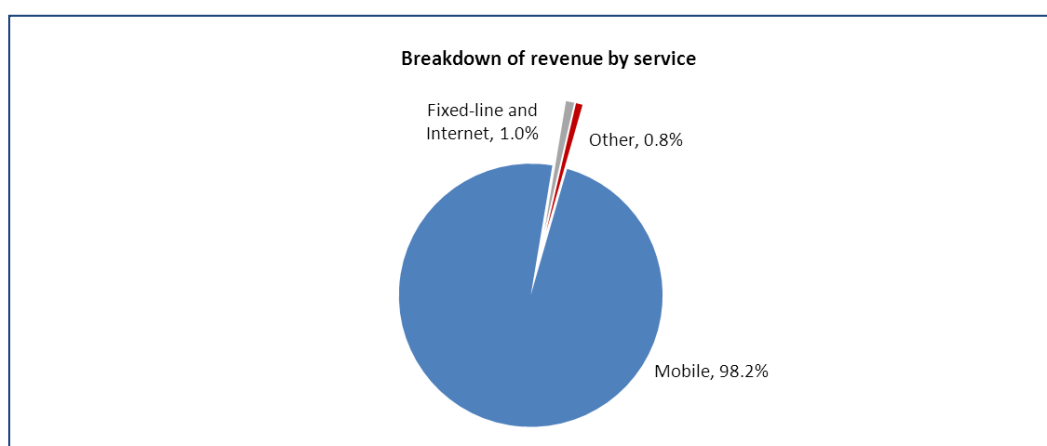
BUSINESS MODEL

Exposure to populous countries with solid economic growth prospects

The success of Global Telecom rises from its diversified exposure to markets with high population growth and low mobile penetration rates, where there is a strong chance of becoming the dominant operator and profiting from strong economic growth prospects. By covering two of the top ten most populous countries in the world, Pakistan and Bangladesh, GTH benefited from registering robust subscriber growth in a short time period. Moreover, GTH targets markets with smaller population in the African continent which are characterized by solid income growth potential and youthful population to take advantage from a rightward shift of the future cellular demand curve.

Revenue Mix

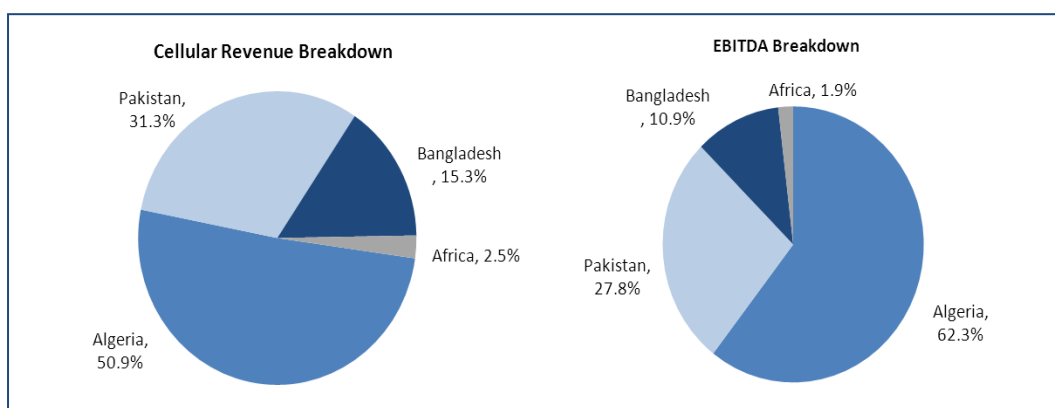
Revenues of GTH primarily consist of cellular operations' revenues with a negligible share coming from other sources. Cellular operations constitutes 98.2% of GTH revenues compared to only 1% for fixed-line and internet services.



Source: GTH

Algeria contributing the most to GTH revenues on higher ARPU

Although the number of subscribers in Pakistan and Bangladesh is far more than Algeria, 50.8% of Global Telecom revenues are generated from Algeria, due to higher average revenue per user following more favorable economic conditions. The ARPU in Algeria reached 8.5 USD by the end of 2012 compared to 2.5 USD and 1.7 USD in Pakistan and Bangladesh, respectively.



Source: GTH

Dominant position in all markets

Global Telecom established itself as a global brand through demonstrating solid market leadership positions as a major player where it operates. Canada is the only country where GTH has a weak position although Wind Mobile is the 4th national operator and one of the fastest growing mobile companies in the Canadian market.

Country	Market Position
Algeria	1 st player in the market
Pakistan	2 nd position among five players
Bangladesh	2 nd position in a six player market
Zimbabwe	2 nd position among three players
Burundi	1 st position in a 5 player market
Central African Republic	1 st position in a 4 player market
Canada	4 th national operator

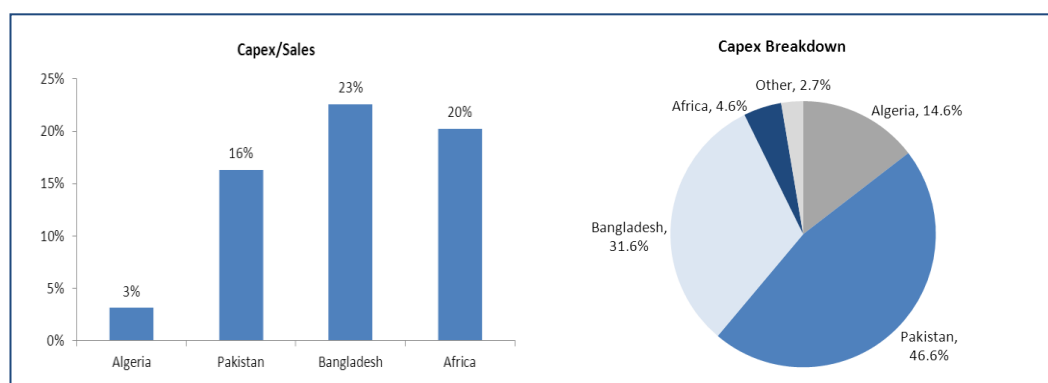
Source: GTH

Surplus of cash to capitalize on new opportunities

The telecom industry is characterized by strong internal dynamics like mergers and acquisitions (M&As). Global Telecom is active on the M&A front as it has expanded geographically over the past years through increasing stake in existing assets in addition to acquiring new licenses. The telecom industry in the region has many new opportunities to capitalize on despite some tough challenges. Hence, cash resources are so critical for possible M&As at attractive valuations as smaller and localized market players exit difficult markets. As a result, GTH is keeping high cash balance on its books in order to take advantage of these opportunities and expand into new growth markets.

Need of capex investments to drive revenue growth

GTH's high level of capital intensity is affected by the different investments required to expand the networks and grow the subscriber base. Algeria has the lowest capex/sales ratio as capex has been decreasing during the past years as a result of the ongoing government restrictions which prevent the importing of equipment critical to network maintenance and necessary expansion. In contrast, capex rose significantly in Pakistan and Bangladesh due to the aggressive network expansion. We expect capital intensity to remain high in the medium term as capex investments are necessary to boost revenue and EBITDA growth.



Source: GTH

RISKS

Outlined here are some of the main hurdles that could threaten to slow GTH's growth and affect revenue hence shrinking profitability:

Algerian government squabbles

Global Telecom was facing some backlash at its subsidiary, Djezzy, as the Algerian government imposed high taxes and pushed for a hostile takeover. The government also imposed a ban on foreign exchange transfers by the company starting 2010, preventing it from buying essential equipment such as SIM cards from overseas suppliers. This has resulted in low capex levels and negative revenue growth in Algeria, challenging network expansion and capacity needs.

Foreign currency risks

A major challenge for Global Telecom which operates internationally is the exposure to foreign currency risk. With revenues being directly linked to movements in local exchange rates, any devaluation against the USD would pose a downside to GTH's profitability. During 2013, the local currency devaluation against the USD in Algeria and Pakistan led to a noteworthy weaker performance in USD terms.

Challenging operating environment

Global Telecom operations are affected by the economic and political developments of the countries in which the subsidiaries operate. Almost 82% of GTH's revenues are generated from Algeria and Pakistan which are undergoing economic restructuring. This massive concentration exposes the company to many jeopardies stressing on the economic conditions of Pakistan in addition to Algeria's political instability and its effect on the economy.

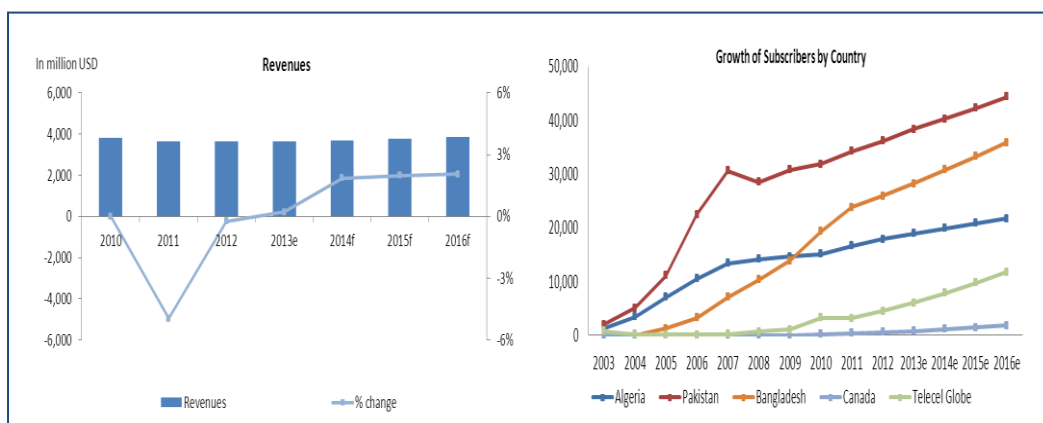
Political Climate

Although GTH has no business in Egypt, the stock is affected by the country's political and economic situation due to the listing in Cairo Stock Exchange. While domestic security has improved over the past few months, Egypt's political environment remains fragile especially after the ousting of Mr. Morsi, the first freely elected president. Political risk is considered very serious in our view as its negative impact could be wide ranging and stands as a catalyst to other economic and financial setbacks. Additionally, the depreciation of the Egyptian Pound and the sharp decline of the Central Bank Foreign reserves constitute key risks for investing in any asset class in Egypt.

FINANCIAL ANALYSIS

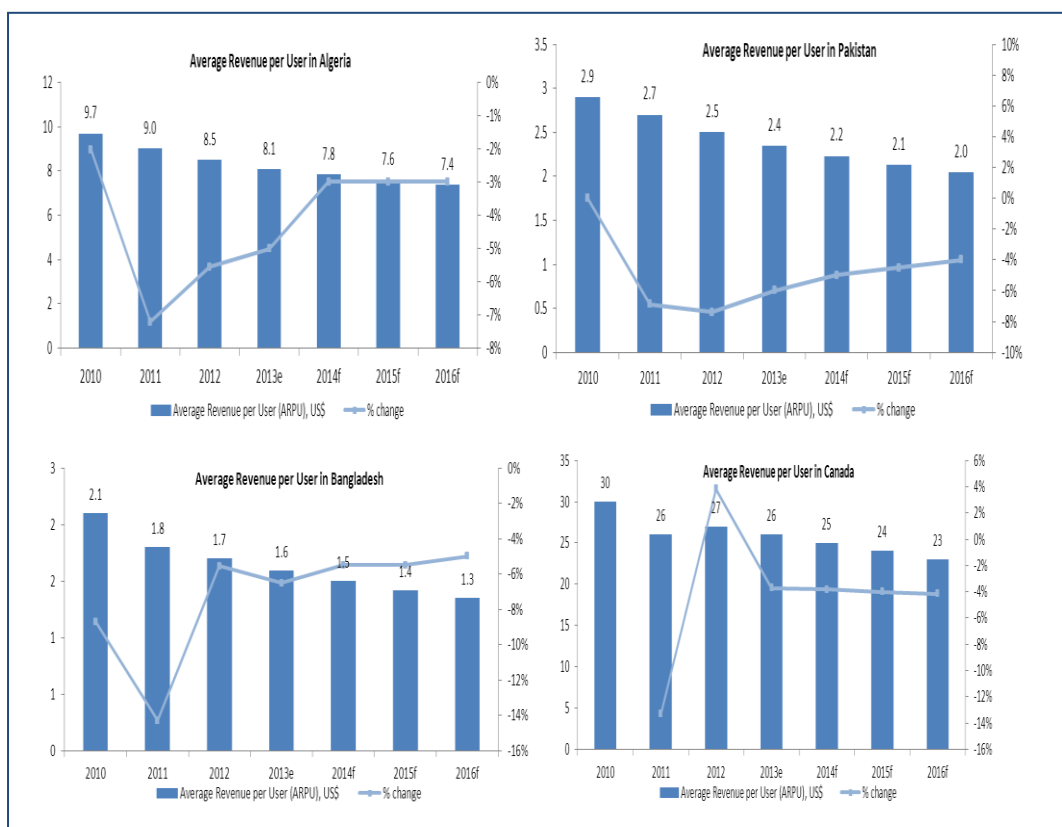
Revenues

We estimate 2013 revenues to remain almost flat at USD 3,632 million compared to USD 3,627 million recorded in 2012 with Algeria and Pakistan accounting for 81.7% of total revenues. Going forward, we estimate Global Telecom's 3-year revenue CAGR at 1.6%, supported by strong subscriber base.



Source: GTH, Blominvest

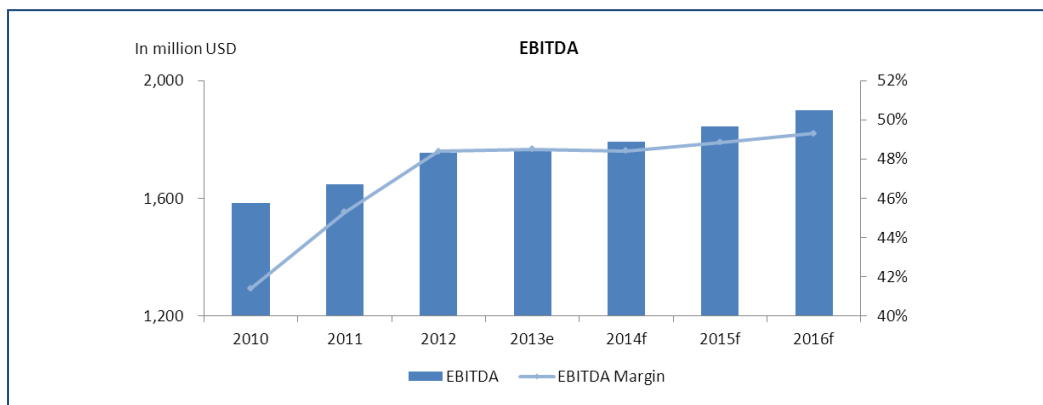
Our revenue forecasts are driven by growth in the number of subscribers and the ARPU forecasts for each market. Global Telecom recorded outstanding performance in the past years following its focus on low mobile penetration markets with large and growing population. We believe the low penetration rates in GTH markets will support the continuous increase in the number of subscribers to reach 92.3 million in 2013. GTH's subscriber base is estimated to increase at a CAGR of 7.8% in the next three years. However, the growth in revenues is expected to be lower than the jump in subscribers as the average revenue per user is estimated to register a gradual decline following higher competition in the market.



Source: GTH, Blominvest

EBITDA Margin

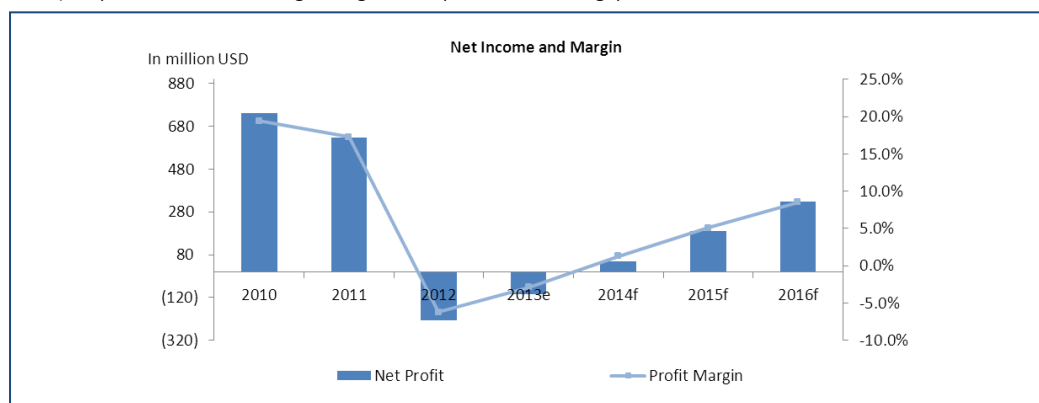
EBITDA for 2013 is estimated to reach USD 1,761 million compared to USD 1,755 million recorded during 2012. Global Telecom's EBITDA margin averaged around 45% during the past three years, improving from a low of 41% in 2010 to 48% in 2012. EBITDA is estimated to grow at a CAGR of 2.1% in the coming three years, with EBITDA margin expected around 48.5% in 2013, mostly due to higher revenues.



Source: GTH, Blominvest

Earnings

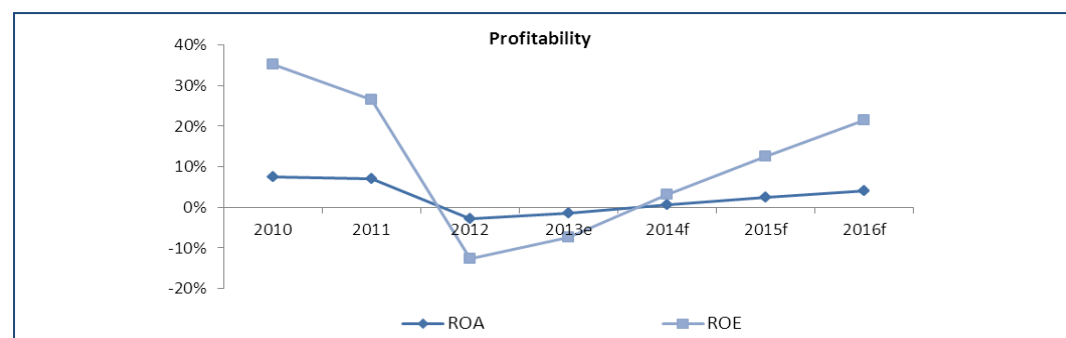
We expect Global Telecom to record a net loss of USD 124 million compared to a loss of USD 225 million in 2012, mainly driven by the negative impact of impairment of financial assets alongside with provisions for tax charges and foreign exchange losses. Going forward, we estimate the company's bottom line to grow gradually in the coming years.



Source: GTH, Blominvest

Profitability

As for profitability indicators, we estimate GTH's 2013 Return-on-Assets (ROA) and Return-on-Equity (ROE) ratios at -1.5% and -7.4% respectively, following a considerable net loss. However, we believe the trend will reverse in the coming year, touching its normal level by 2016.



Source: GTH, Blominvest

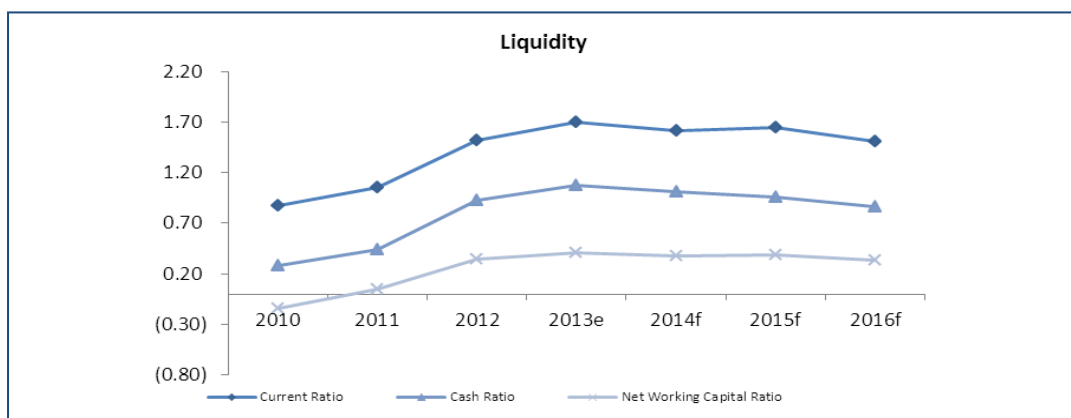
Liquidity

Orascom Telecom has consistently maintained satisfactory cash balances in its books. The company's cash-to-current liabilities increased from 28% in 2010 to a peak of 93% in 2012. Similarly, GTH's current ratio rose considerably from 0.88 in 2010 to 1.52 in 2012. Hence, Net Working Capital, that is the difference between current assets and current liabilities, turned from negative USD 369 million to a positive USD 1.1 billion in 2012. Over the medium term, we expect this indicator to slightly improve on grounds of a rise in revenues.

$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$

$\text{Cash Ratio} = \text{Cash} / \text{Current Liabilities}$

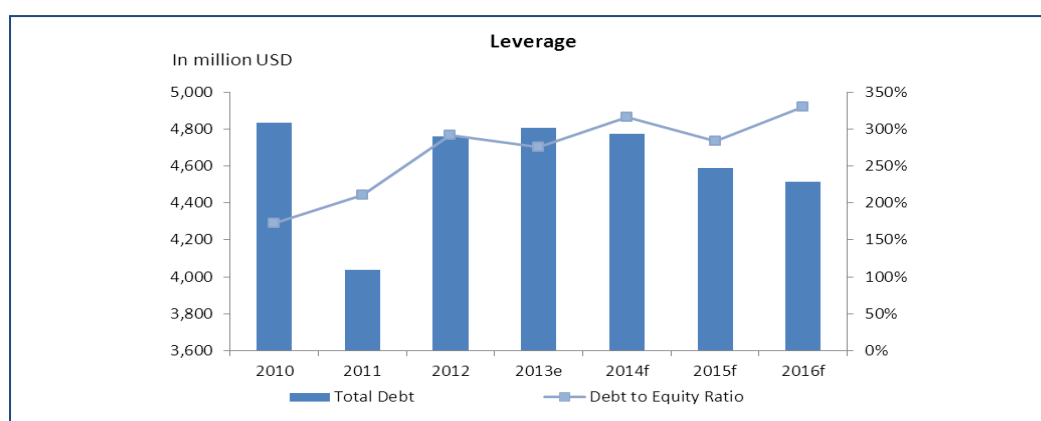
$\text{Net Working Capital} = (\text{Current Assets} - \text{Current Liabilities}) / \text{Current Assets}$



Source: GTH, Blominvest

Leverage

Competing in a capital-intensive industry, Global Telecom relies heavily on debt to finance its operations with a debt-to-equity ratio averaging 225% during the past three years. Moving forward, we expect the debt-to-equity ratio to remain high in the near future with a slight decline in the debt level. Another interesting indicator to look at is the total debt/EBITDA ratio. Historically, this ratio has been hovering around 260% and is estimated to decrease slowly, reaching 240% in 2016.



Source: GTH, Blominvest

COMPARABLE ANALYSIS

When studying a company, we find it necessary to see how it compares to peers from three standpoints:

1. Profitability Comparison: Shows how well the company is managing its expenses through different margin analysis (Gross Margin, Operating Margin, Profit Margin)
2. Relative Valuation: Shows how the market perceives the company (overvalued, undervalued, or fairly valued)
3. Management Effectiveness: Shows how efficient management is at using its assets and equity to generate earnings.

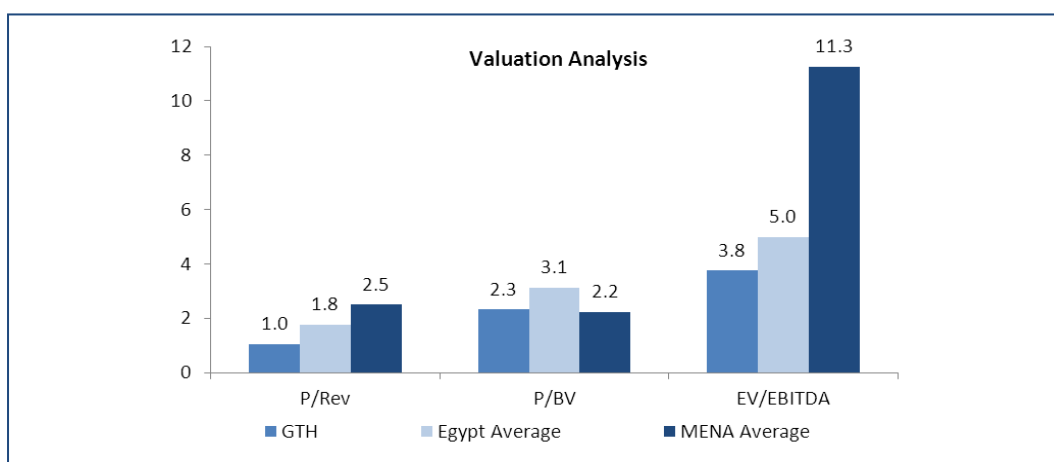
Comparable Firms

The list we compiled consists of 11 telecom companies that operate in the Middle East including 3 that operate in Egypt: "Telecom Egypt Company (ETEL)", "Vodafone Egypt Telecommunication Co (VODE)", and "Egyptian Company for Mobile Services (EMOB)". We compared GTH to the average of these 3 separately since their stocks share common attributes dictated by their country such as political and market risks. The companies we selected have a market cap ranging between USD 9.8 billion and USD 1.2 billion with an average of USD 3.5 billion versus USD 3.3 billion for Global Telecom.

The complete list of comparables is available in the appendix.

Relative Valuation

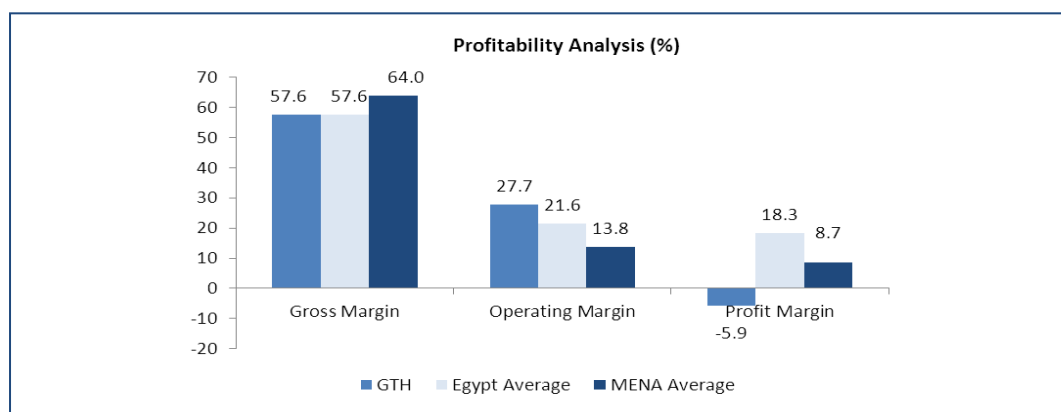
GTH appears undervalued when comparing its Price-to-Revenues ratio (P/Rev) of 1.0 to that of its Egyptian and Middle Eastern peers estimated at 1.8 and 2.5, respectively. We attribute this discount to the additional risk associated with the company's lack of earnings and high leverage with a Debt/Equity ratio more than double the MENA average. The company's high leverage is justified since a considerable portion of the funds is used to finance growth in fixed assets and expand into new markets. Similarly, GTH's EV/EBITDA ratio presents a discount to both its Egyptian peers and the MENA Average, however we believe it's fairly priced due to exposure to undeveloped countries with high macro-economic and political risks. In addition, its shares are adversely affected by the highly risky operating environment in Algeria. The company's EBITDA will tremendously improve once further clarity regarding disputes between the Algerian government and Djazzy, GTH's most profitable mobile network, is presented. As for the price-to-book value ratio (P/BV), it is on par with the MENA average estimated at 2.2 but lower than Egypt's average at 3.1. This highlights the fact that GTH's assets those of a Middle Eastern company, largely due to its diversified exposure to different markets.



Source: Thomson Reuters, Blominvest

Profitability Comparison

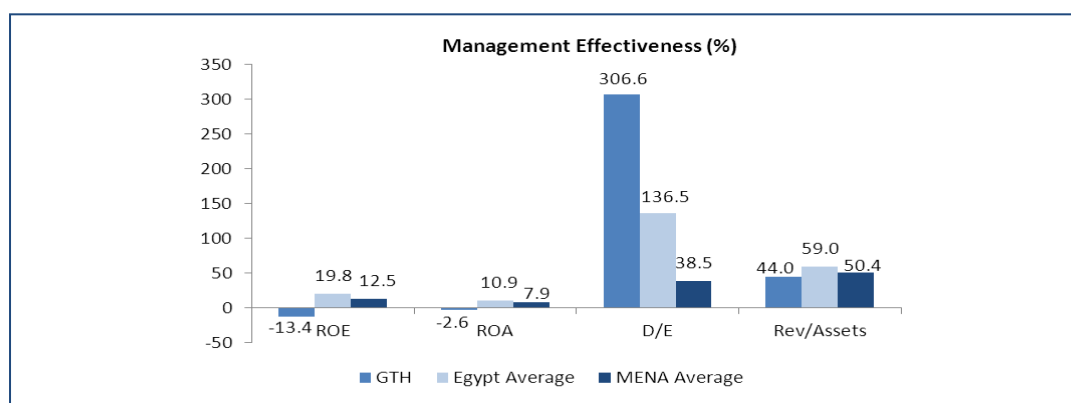
We compared the gross margin, operating margin and net income as a percentage of revenues in order to understand how Global Telecom is managing its expenses compared to peers. GTH's operating margin outperforms other telecom companies in Egypt and the MENA region, mainly due to its presence in highly undeveloped markets which enables it to benefit from extremely low labor and licensing costs. However, the gross margin at GTH is lower than our benchmark since most of the comparable companies operate in the GCC which enjoy higher average revenue per user. The company's net profit margin is negative and considerably lower than its peers, primarily due to the adverse impact of non-cash impairment, tax charges, and foreign exchange losses.



Source: Thomson Reuters, Blominvest

Management Effectiveness

GTH's Return-on-Equity (ROE) and Return-on-Assets (ROA), at -13.4% and -2.6% respectively, are significantly lower than those of its Egyptian peers and Middle Eastern average due to a remarkable net loss during the year. However, we believe these ratios will be in positive territory starting 2014 following higher profitability. GTH's debt-to-equity (D/E) ratio at 306.6% is way above the industry average confirming that the company relies more on debt to finance its expansion compared to peers. As for management's ability to generate revenues from its assets, the revenue-to-assets ratio shows that GTH is underperforming both averages and needs to improve its efficiency.



Source: Thomson Reuters, Blominvest

VALUATION

Combining the discounted cash flow (DCF) method based on a 5-year forecast and the Sum-of-The-Parts (SOTP) methodology, we estimated Global Telecom target price at EGP 5.18 per share. This represents a 10.5% premium over the company's current share price of EGP 4.69 leading us to issue an ACCUMULATE recommendation.

Methodology	Target Price (EGP)	Weight	Weighted Target Price (EGP)
DCF Model	4.88	50%	5.18
SOTP	5.48	50%	

Source: Blominvest

DISCOUNTED CASH FLOW

From Net Income, we deduce Free Cash Flow (FCF) through the following:

	2013e	2014f	2015f	2016f	2017f	2018f
Net income	(124)	51	195	321	412	509
Add: Depreciation	696	657	628	586	619	567
Less: CAPEX	(363)	(370)	(338)	(343)	(349)	(355)
Less: Change in Net Working Capital	(376)	178	(19)	270	88	(30)
FCFF	(168)	517	466	834	771	691
FCFF Terminal Year						7,401
FCFF Discounted	(168)	459	367	584	479	4,468
Total Firm Value (USD million)	6,191					
Less: Net Debt	(2,481)					
Total Equity Value (USD million)	3,710					
Total Equity Value (EGP million)	25,599					
Number of shares (in millions)	5,246					
Target Price/share (EGP)	4.88					

Source: Blominvest

Discount Rate

We used a WACC of 12.6% for the purpose of valuing GTH's equity derived as follows:

$$\begin{aligned} \text{WACC} &= (\text{Weight of Equity} * \text{Cost of Equity}) + (\text{Weight of Debt} * \text{Cost of Debt}) * (1 - \text{Tax Rate}) \\ &= (0.29 * 24.5\%) + (0.71 * 10.41\%) * (1 - 25\%) = 12.6\% \end{aligned}$$

$$\begin{aligned} \text{Cost of Equity} &= \text{Risk-Free Rate} + (\text{Beta} * \text{Market Risk Premium}) + \text{Specific Risk Related to Algeria} \\ &= 2.74\% + (1.1 * 15.3\%) + 5\% = 24.5\% \end{aligned}$$

- We used a Risk-Free Rate of 2.74% represented by the 10-year US Treasury.
- A weekly Beta of 1.1 estimated during the past 5 years. This is a measure of the share volatility against the EGX-30 Index that represents the 30 largest shares on the Egyptian Stock Exchange.
- A Market Risk Premium of 15.3% is the result of the difference between the expected return of investing in the EGX-30 estimated at 18% and the Risk-Free Rate of 2.74%. This represents the premium investors expect to gain for realizing the additional risk of investing in Egyptian securities.
- A specific risk of 5% is used to capture the additional risk of investing in Algeria.

As for the Terminal Growth Rate, we assumed a 3% growth rate for FCF beyond 2018.

Revenue Growth

We derive forecasted revenues by estimating the underlying factors such as the average revenue per user for each operator and the forecasted average number of subscribers.

Algeria	2013e	2014f	2015f	2016f	2017f	2018f
ARPU (USD)	8.1	7.8	7.6	7.4	7.1	6.9
Average Subscribers	18,381	19,389	20,359	21,272	22,123	23,008
Revenues from services (\$M)	1,781	1,822	1,856	1,881	1,898	1,915
Other Revenues (\$M)	85	85	85	85	85	85
Total Revenues from Algeria (\$M)	1,866	1,907	1,941	1,966	1,983	2,000

Source: Blominvest

Pakistan	2013e	2014f	2015f	2016f	2017f	2018f
ARPU (USD)	2.4	2.2	2.1	2.0	2.0	1.9
Average Subscribers	37,225	39,267	41,231	43,292	45,235	47,045
Revenues from services(\$M)	1,050	1,052	1,055	1,063	1,078	1,098
Other Revenues(\$M)	50	50	50	50	50	50
Total Revenues from Pakistan (\$M)	1,100	1,102	1,105	1,113	1,128	1,148

Source: Blominvest

Bangladesh	2013e	2014f	2015f	2016f	2017f	2018f
ARPU (USD)	1.6	1.5	1.4	1.3	1.3	1.3
Average Subscribers	27,047	29,482	31,981	34,540	37,303	40,287
Revenues from services(\$M)	516	531	545	559	586	613
Other Revenues(\$M)	50	52	55	57	60	60
Total Revenues from Bangladesh (\$M)	566	583	600	616	646	673

Source: Blominvest

This resulted in revenues growing at a CAGR of 2.79% during the next 5 years.

	2013e	2014f	2015f	2016f	2017f	2018f
Total Cellular Revenues (\$M)	3,622	3,685	3,741	3,793	3,856	3,924
Telecommunications service (\$M)	10	12	15	17	20	20
Total Revenues (\$M)	3,632	3,697	3,756	3,810	3,876	3,944

Source: Blominvest

Sensitivity Analysis

Terminal Growth Rate	Discount Rate					
		11.0%	12.0%	12.6%	13.0%	14.0%
	2.0%	5.61	5.15	4.91	4.76	4.45
	2.5%	5.81	5.30	5.04	4.88	4.54
	3.0%	6.03	5.47	5.18	5.02	4.65
	3.5%	6.28	5.66	5.35	5.16	4.77
	4.0%	6.56	5.87	5.53	5.33	4.89

Source: Blominvest

SUM OF THE PARTS

Our sum-of-the-parts base-case methodology is based on EV/EBITDA relative valuation model.

(In millions of USD)	Country	Industry EV/EBITDA	GTH's EV
Algeria (Djezzy)	Algeria	3.6	3,836
Pakistan (Mobilink)	Pakistan	3.8	1,874
Bangladesh (Bangalink)	Bangladesh	4.0	775
Telecel Globe	Africa	4.7	165
Total Enterprise Value	6,649		
Less: Net debt (2013e)	(2,481)		
Total Equity Value (USD million)	4,169		
Total Equity Value (EGP million)	28,764		
Number of shares (in millions)	5,246		
Target Price/share (EGP)	5.48		

Source: Blominvest

ECONOMIC OUTLOOK

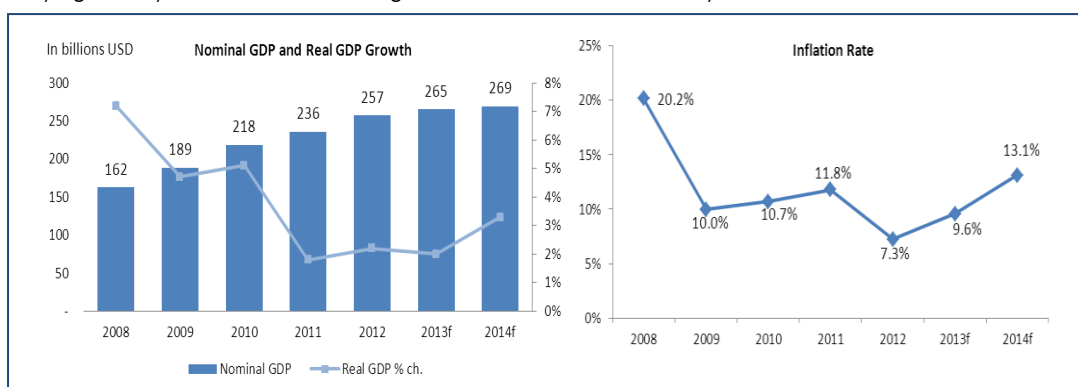
Due to the regional and international diversification of Global Telecom Holding, we touch on the economic outlook within the key markets that affect the company's operations and profitability.

Egypt - ECONOMY

Political instability continues to threaten economic growth

More than two years after the 2011 revolution, Egypt's economic recovery remains slow as the deepening uncertainty generated by a protracted political transition have frightened away tourists and foreign investors, posing substantial risks to GDP growth in addition to fiscal and external positions. Hence, most real GDP growth estimates have been revised down to around 2.25% for the year 2013/2014, with the International Monetary Fund (IMF) expecting it to reach 2% in 2013 and 3.3% in 2014. Egypt has been struggling with its finance and the depreciation of the EGP, relying mostly on the influx of foreign aid to sustain the economy.

IMF estimates growth in Egypt at 2% during 2013



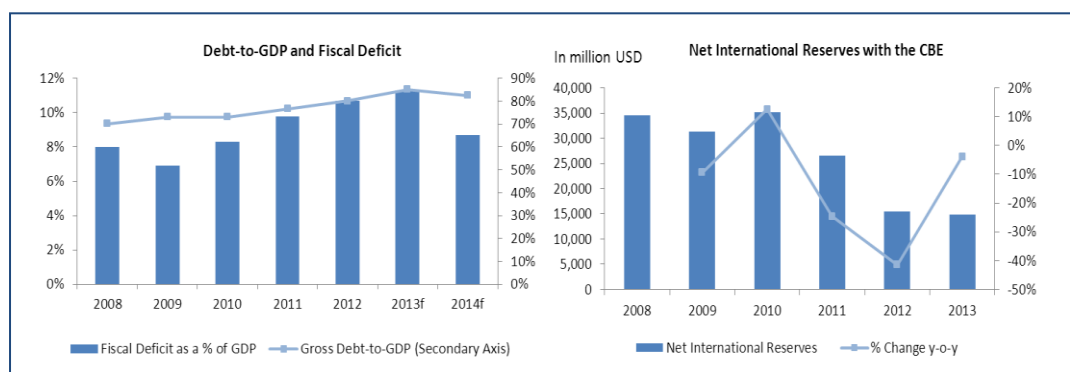
Source: IMF

Inflation decreased to 9.75% in August 2013 from 10.3% in July, but will likely remain elevated due to high energy prices, a depreciating currency, and a recent unexpected haircut in interest rates. The anticipated reduction of subsidies and the disruptions in supply chains are also likely to raise the price in the consumer's typical basket, maintaining inflation at a high rate. Moreover, the IMF expects the country's inflation to reach 10.9% in 2013 and 11.6% in 2014.

A high fiscal deficit and an increasing debt rate amid persistent political unrest

On the fiscal front, tight revenues kept the budget deficit wide, near 11.6% of GDP, and the resolution of the political situation remains mandatory in order to set 2014's budget. The IMF expects the fiscal deficit to reach 11.3% of GDP in 2013 with a gross debt-to-GDP level of 85.2%. As for net international reserves, it dropped to USD 14.9 billion in June 2013 before increasing to more than USD 20 billion in July following the oil-rich Gulf States' aids, according to the Central Bank of Egypt (CBE). The \$12 billion in aid from Saudi Arabia, the UAE and Kuwait would reduce the likelihood of a pronounced balance of payments crisis in 2013 and provide the economy a short-term boost.

Aid from GCC enabled Egypt to avert financial crisis



Source: IMF, CBE

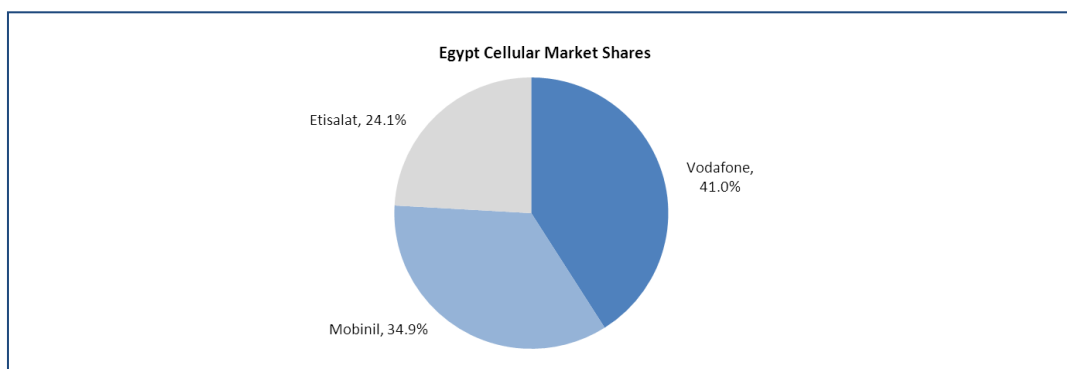
EGYPT – TELECOM SECTOR

Although Global Telecom no more operates in Egypt, we include an overview of the Egyptian telecom sector for comparative purposes.

People need to stay connected regardless of economic and political conditions

Egypt's mobile sector is among the most competitive in the MENA region, dominated by three operators: Vodafone, Mobinil, and Etisalat. The fixed-line market is monopolized by Egypt Telecom, while the mobile and internet markets are relatively liberalized. Egypt has the highest number of mobile subscribers in the MENA region due to the country's large population estimated at 83 million. Vodafone continues to be largest mobile operator in Egypt in terms of market share, capturing 41%, followed by Mobinil and Etisalat with respective shares of 34.9% and 24.1%. Regardless of the accelerating economic and political uncertainties, the telecom sector grew rapidly during the past years with the total number of subscribers increasing by 3.3% y-o-y to reach 96.87 million in 2012. However, the mobile market contracted for the first time during Q1 2013 as all three operators reported net subscription losses, sending the total mobile subscribers down to 93.99 million. Egypt's mobile penetration rate rose significantly during 2012, increasing by 14.6% to 115.3% at the end of 2012 compared to 141.4% for the MENA region.

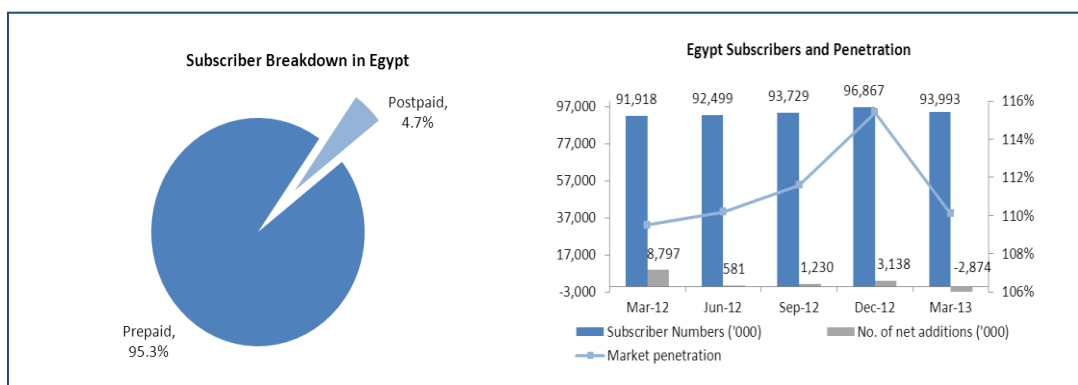
Egypt's mobile penetration rate still below MENA average



Source: NTRA

Strong competition causing downward pricing pressure

Despite the development in Egypt's mobile market, low ARPU rates, inactive subscriptions, and the negative impact of the unstable economic and political situation in the country still present significant challenges. The ARPU for 2012 is estimated at EGP 24.2 compared to EGP 25.4 and EGP 39.4 in 2011 and 2010 respectively. We expect a sustained slowdown in the ARPU, mainly due to a stable growth in the number subscribers.



Source: BMI, NTRA, MCIT, operators

Egypt considers licensing of fourth mobile operator

In December 2012, the National Telecom Regulatory Authority (NTRA) confirmed that Telecom Egypt will be allowed to provide mobile services in the country after setting the price of the license during the second half of 2013. The presence of a fourth operator is expected to strengthen the competition in the mobile market in terms of price, network quality and coverage. This will stimulate faster growth in the telecom market, while putting more pressure on the ARPU.

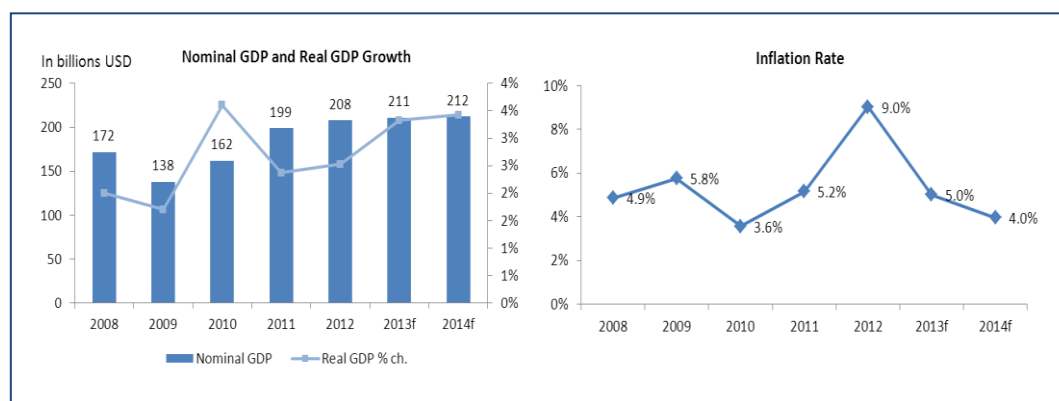
ALGERIA

Positive growth trends with Hydrocarbons remains the backbone of the economy

Algeria's economy registered a decade of economic growth despite the shadow of global crisis and regional uncertainties, mainly due to prudent macroeconomic policies and cautious management of oil and gas revenues. A wave of economic protests in February and March 2011 prompted the Algerian Government to offer more than \$23 billion in public grants. However, Algeria managed to achieve strong financial position, substantial reserves, very low external debt of around 2% of GDP, and sizeable budgetary savings in the oil stabilization fund. Its GDP grew by 2.5% in 2012, supported by domestic absorption.

Algeria is the largest natural gas producer and second largest oil producer, after Nigeria, in Africa. Hydrocarbons account for around 40% of total GDP, 98% of the country's exports, and around two-thirds of budget revenues. The IMF expects growth to reach 3.3% and 3.4% in 2013 and 2014, respectively. According to the National Office of Statistics, Algeria's inflation rate reached 4.75% in the first half of 2013 against 9.3% during the same period a year earlier. Inflation has been on the rise, reaching a 15-year high of 9.03% in 2012. The IMF expects inflation to drop to 5.00% and 3.97% in 2013 and 2014, respectively. Long-term challenges of Algeria's economy include diversifying from hydrocarbon exports, boosting the private sector, and attracting foreign investments.

IMF estimates
Algeria GDP
growth at
3.3% for 2013

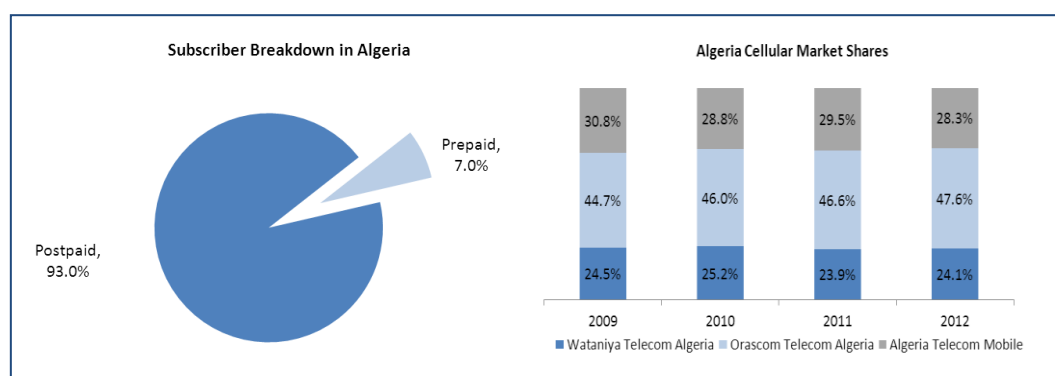


Source: IMF

Algeria to finally launch 3G mobile services

The total number of mobile subscribers in Algeria increased by 5.4% during 2012 to reach 37.5 million with Orascom Telecom Algeria grasping the highest share, according to the Autorité de Régulation de la Poste et des Télécommunications (ARPT). Algeria has one of the highest levels of mobile penetration in Africa. Hence, the focus in the Algerian telecom market is on maintaining or improving the ARPU which has been decreasing over the past years following price competition between operators. The country's regulator announced that Algeria's long-awaited 3G licensing process is close to completion and the 3G services are expected to be introduced to the country by the end of 2013.

Algeria enjoys
one of the
highest mobile
penetration
rates in Africa



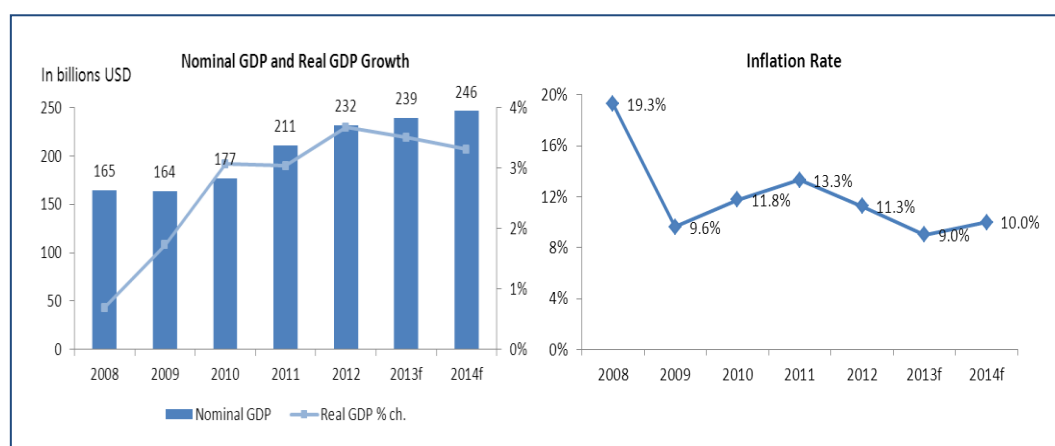
Source: ARPT

PAKISTAN

Sluggish economic growth amid inflationary pressures

Pakistan's economy grew by 3.7% in 2012, but remains well below the level needed to enhance living standards and absorb the rising labor force in the country. The weak economic situation has been mainly the result of a poor business climate, excessive fiscal deficits, high inflation, and an unsustainable balance of payment position. The IMF expects economic growth to slow to 3.5% and 3.3% in 2013 and 2014, respectively. With a growing population of 178.9 million, Pakistan's GDP per capita stands at USD 1,228, lagging behind all other South Asian economies. In 2006, 23% of the population lived on under USD 1 a day as the poverty rate reached around 17.2%. As for inflation, it decreased significantly in the past years, reaching 8.55% in August of 2013. The IMF expects inflation to be around 9.02% and 10.00% in 2013 and 2014, respectively. The central bank reserves dropped to USD 6 billion (below 1½ months of imports) as of the end of June 2013, while the 2012/13 fiscal deficit (excluding grants) is estimated to be around 8% of GDP, well above the original budget target of 4.7% of GDP.

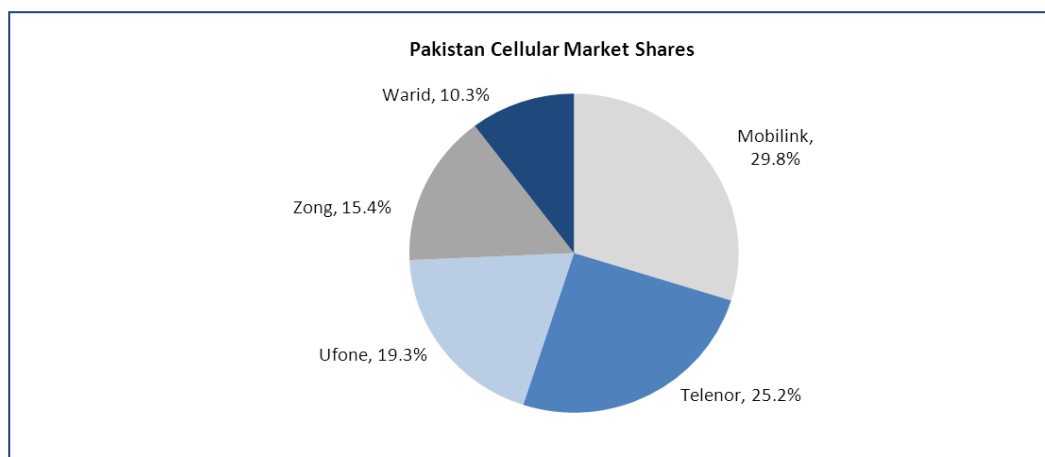
Pakistan's
GDP per capita
fares behind
most South
Asia



Source: IMF

Fast growing mobile market presents opportunity

Pakistan's mobile telecommunications sector grew rapidly in the last decade. The total number of subscribers increased by 10.3% during 2012 to reach 120.2 million. Mobinlink captured the highest share, accounting for 29.8% of total subscribers, followed by Telenor and Ufone with respective shares of 25.2% and 19.3%. Pakistan has one of the highest mobile penetration rates in the South Asian region, estimated at 65% in 2012. Telecom revenues rose by 12.0% in 2012 to USD 3.9 billion with cellular revenues recording a 13.6% growth to USD 2.8 billion. During 2011, foreign direct investment (FDI) in the telecom sector reached 5% of total FDI or USD 79.2 million.



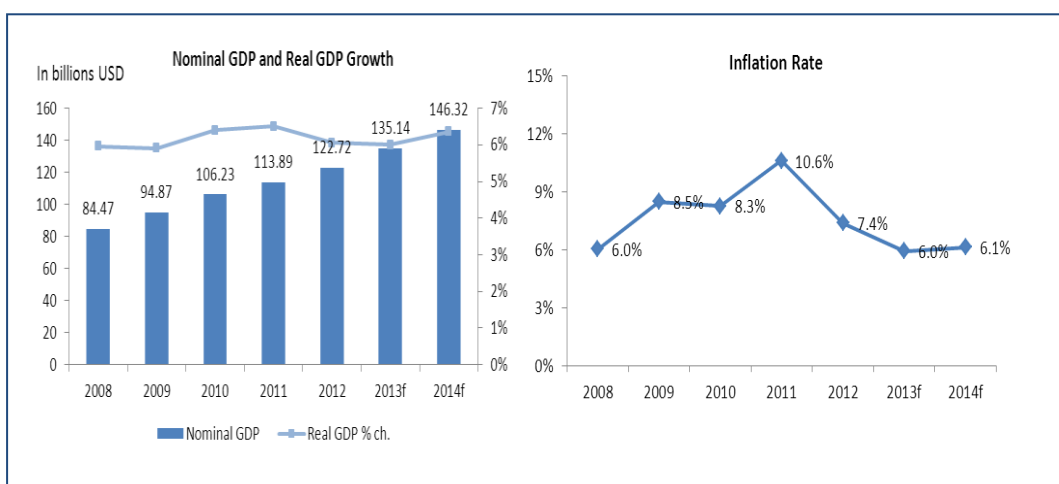
Source: Pakistan Telecommunication Authority

BANGLADESH

Slow implementation of economic reforms weighs on Bangladesh's growth

Despite global uncertainties, growth in Bangladesh's GDP reached 6.1% in 2012 as inflation eased, while exports, remittances, and reserves picked up, supported by restrained fiscal and monetary policies. However, growth is slowing and expected to weaken further to 6% and 6.4% in 2013 and 2014, respectively amid slow implementation of economic reforms. Improving the business climate and infrastructure, deepening the finance sector, and liberalizing trade remain key challenges for Bangladesh's economic growth. As for annual inflation, it reached 7.7% in March 2013 as opposed to decade-highs of 12% in September 2011. The IMF expects inflation to drop to a respective 5.95% and 6.14% in 2013 and 2014. The balance of payments is supported by strong current account, oil import related credits and aid disbursements. In addition, the taka appreciated by 7% from its all-time low in early 2012, while international reserves stood at USD 14.5 billion (3.8 months of imports) at the end of April 2013, up by more than USD 5 billion from late 2011 lows.

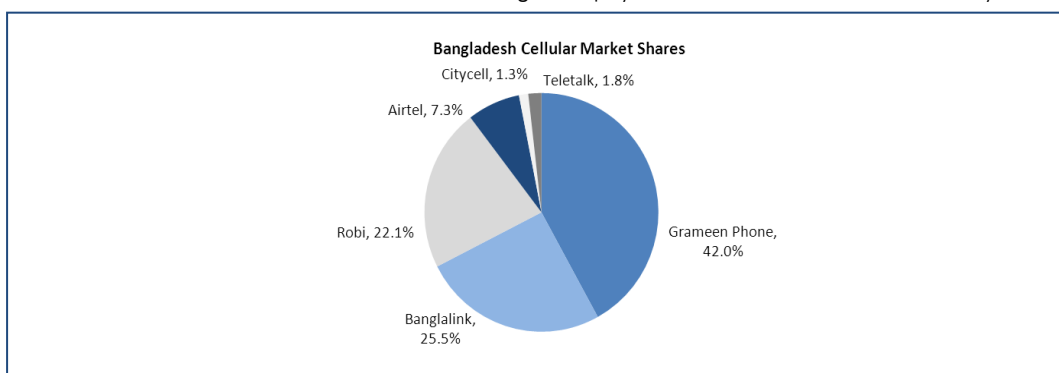
IMF estimates
Bangladesh's
GDP at 6% in
2013



Source: IMF

Strong growth in the mobile sector despite a sluggish economic activity

The mobile industry in Bangladesh consists of 5 GSM operators with Grameen Phone capturing 42% of the total market share, tracked by banglalink with 25.5%, according to Bangladesh Telecommunication Regulatory Commission (BTRC). The total number of mobile subscribers reached 106.9 million at the end of July 2013 after growing by 26% during 2012. The Telecom market in Bangladesh has 64% market penetration. The population with mobile coverage reaches around 95%, while the remaining lives in rural areas with unreliable or no grid connection. Banglalink, GTH's Bangladeshi subsidiary, was one of the official winners of the 3G spectrum auction conducted by BTRC. The license is valid for 15 years and will be issued upon payment of the first installment of 60%, while the remaining 40% payment will be made within 180 days.



Source: BTRC

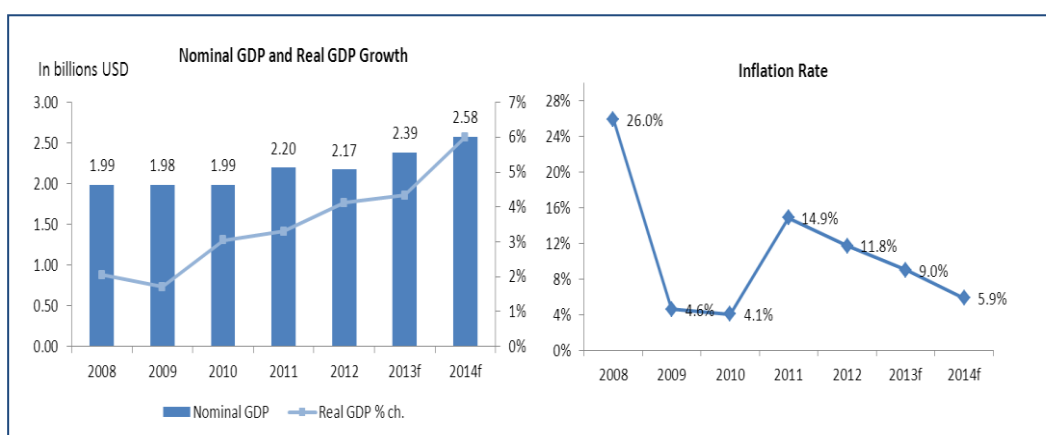
AFRICA

Central African Republic

Chaos in the Central African Republic worsens the economic outlook

Almost nine years after the end of the conflict, growth of the Central African Republic economy remains modest, barely exceeding population growth, and well below the averages for sub-Saharan Africa and other fragile states. Moreover, the political turmoil at the beginning of 2013 and the fall of the regime plunged the country in chaos and insecurity, hampering economic growth. Real GDP reached 4.1% in 2012, while the IMF projected a growth of 4.3% in 2013. The agriculture sector is expected to remain the backbone of the economy, generating more than half of the GDP. Moderate food prices following improved agricultural production brought inflation back to a normal level of 3.01% in May 2013 after peaking in 2008 at 25.97%. The IMF expected inflation to be around 9.02% in 2013. With a population of 5 million, the Central African Republic has a very low mobile penetration rate of only 18%.

CAR has an undeveloped telecom sector with a low penetration rate of 18%



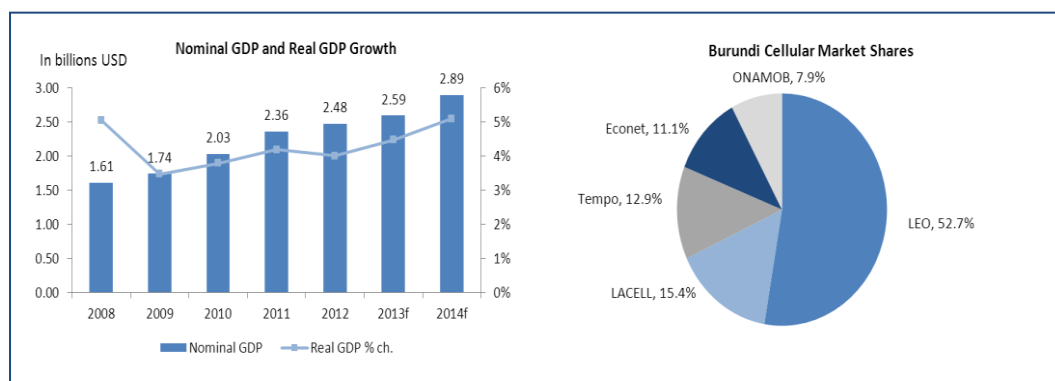
Source: IMF

Burundi

Challenging socio-political conditions affecting economic performance

Political stability and the end of the civil war improved Burundi's economic activity although the return of refugees from Tanzania, the spillovers of tensions in Eastern Congo, and the series of strikes by public sector workers demanding higher wages continue to pressure the socio-economic environment. Burundi's GDP grew by 4% in 2012, and is expected to register a growth of 4.5% in 2013, according to the IMF. Inflation eased from a peak of about 25% in March 2012 to 8.2% at the end of May 2013. The IMF expected inflation to slow to 9.02% in 2013, helped by moderating international food and fuel prices and tight monetary policy. As for the mobile sector, it consists of 5 GSM operators with LEO catching the highest market share at 52.7% with a population of 11 million; Burundi has a mobile penetration rate of 20%.

Telecom sector is growing but penetration rate still low at 20%



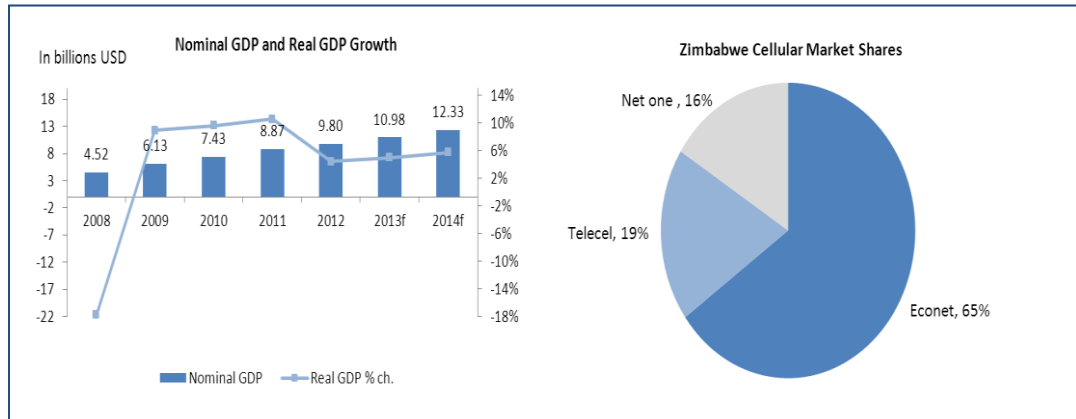
Source: IMF, Agence de regulation et de controle des telecommunications

Zimbabwe

Zimbabwe recovering from a decade of recession

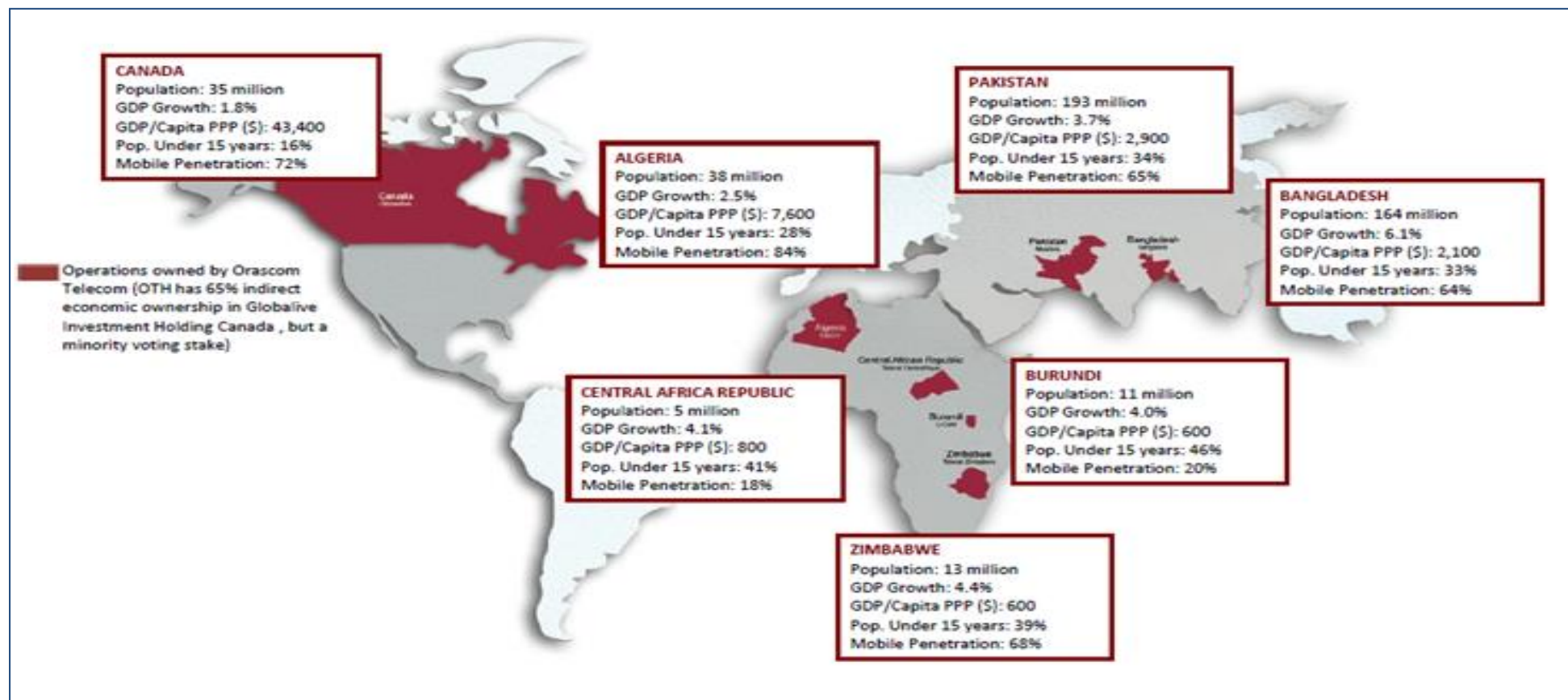
Following a decade of contraction from 1998 to 2008, Zimbabwe has made considerable progress in stabilizing the economy as GDP has grown by an average of 8% from 2009 till 2012, despite the ongoing political uncertainty. The IMF expects real GDP to reach 5.0% in 2013. Following the end of hyperinflation in 2009, Zimbabwe managed to keep inflation in the low single digits, supported by the multi-currency regime which allowed the US dollar, the South African rand, the British pound, the euro and the Botswana pula to be used locally. The IMF estimated inflation at 2.91% in 2012 with expectations of a rise to 4.6% in 2013. As for the mobile sector, Econet grasps the lion's share, capturing 65% of the total market share, followed by Telecel with 19%. Zimbabwe has a population of 13 million and a mobile penetration rate of 68%.

Relatively advanced telecom sector when compared to other African markets



Source: IMF, Telecel

GTH serves a population of approximately 459 million with an average penetration of 53%



Source: GTH



PROJECTED INCOME STATEMENT

<i>In USD million</i>	2010	2011	2012	2013e	2014f	2015f	2016f
Revenues	3,826	3,636	3,627	3,632	3,697	3,756	3,810
Other Income	32	30	34	30	28	32	31
Total Expense	(2,274)	(2,019)	(1,912)	(1,907)	(1,941)	(1,953)	(1,962)
Net Unusual Items	-	-	6	6	6	-	-
EBITDA	1,584	1,647	1,755	1,761	1,790	1,835	1,879
Depreciation and Amortization	(792)	(773)	(705)	(696)	(657)	(628)	(586)
Impairment of non-Current Assets	(123)	(10)	(12)	(11)	(12)	(11)	(12)
Gain/Loss on Disposal of Non-Current Assets	28	58	(18)	(25)	(15)	(5)	5
Operating Income	697	921	1,019	1,029	1,106	1,191	1,286
Financial expense	(467)	(536)	(458)	(432)	(430)	(413)	(406)
Financial Income	56	80	77	116	133	122	110
Forex gain/(loss)	(78)	(150)	(74)	(105)	(112)	(114)	(122)
Share of Profit (Loss) of Associates	(119)	(135)	(103)	(110)	(100)	(93)	(88)
Impairment of Financial Assets	(48)	(22)	(339)	(290)	(250)	(207)	(185)
Other Non-Operating Cost	-	-	(74)	(68)	(65)	(57)	(52)
Earnings before tax	41	158	48	140	283	428	543
Income tax	(239)	(244)	(253)	(276)	(226)	(214)	(190)
Profit from Continuing Operations	(198)	(86)	(206)	(137)	57	214	353
Gains from Discontinued Operations	980	746	-	-	-	-	-
Profit for the Period	781	660	(206)	(137)	57	214	353
<i>Attributable to:</i>							
Equity Holders of the Parent	743	628	(225)	(124)	51	195	321
Minority interest	(38)	(33)	(19)	12	(5)	(19)	(32)
Net Income	743	628	(225)	(124)	51	195	321

Source: GTH, Blominvest

PROJECTED BALANCE SHEET

<i>In USD million</i>	2010	2011	2012	2013e	2014f	2015f	2016f
Current Assets							
Cash and Cash Equivalents	824	1,014	2,026	2,324	2,218	2,028	1,829
Trade and Other receivables	259	205	233	236	240	244	248
Other Current Assets	1,514	1,187	1,056	1,127	1,070	1,191	1,126
Total Current Assets	2,596	2,406	3,316	3,687	3,528	3,463	3,202
Non-Current Assets							
Fixed assets, Net	3,763	2,902	2,494	2,345	2,266	2,222	2,203
Intangible Assets	1,487	1,558	1,449	1,449	1,449	1,449	1,449
Other Non-Current Assets	2,134	1,089	858	820	790	754	722
Total Non-Current Assets	7,384	5,548	4,800	4,614	4,505	4,425	4,374
Total Assets	9,980	7,954	8,116	8,301	8,034	7,888	7,576
Current Liabilities							
Short-Term Debt	973	544	683	705	699	684	687
Trade Payables	811	738	710	705	679	644	608
Other Current Liabilities	1,181	1,013	785	763	815	781	824
Total Current Liabilities	2,966	2,295	2,178	2,174	2,193	2,109	2,119
Non-Current Liabilities							
Long-Term Debt	3,859	3,492	4,075	4,099	4,076	3,906	3,826
Other Non-Current Liabilities	354	255	233	281	256	257	265
Total Non-Current Liabilities	4,214	3,747	4,308	4,380	4,332	4,163	4,090
Total Liabilities	7,179	6,042	6,486	6,554	6,525	6,272	6,209
<i>Equity Attributable to:</i>							
Owners of the Company	2,727	1,855	1,556	1,672	1,431	1,536	1,285
Minority Interest	75	57	74	75	78	80	82
Total Shareholders' Equity	2,801	1,912	1,630	1,747	1,509	1,616	1,367
Total Liabilities & Equity	9,980	7,954	8,116	8,301	8,034	7,888	7,576

Source: GTH, Blominvest

APPENDIX

List of Comparable Peers

			Relative Valuation					Profitability Analysis				Management Effectiveness			
Company	Country	Mkt Cap (USDm)	P/E	P/Rev	P/BV	P/CF	EV/EBITDA	Gross Margin (%)	Operating Margin (%)	Profit Margin (%)	SG&A/Rev	ROE	ROA	D/E	Rev/TA
Local Peers															
Telecom Egypt Company	Egypt	3,267	7.93	2.24	0.80	4.96	4.07	41.26	19.05	26.05	23.35	9.29	8.00	2.27	31
Vodafone Egypt Telecommunication Co SAE	Egypt	2,089	5.70	1.77	2.84	4.87	4.61	57.92	39.11	31.03	13.01	60.00	25.97	47.11	84
Egyptian Company for Mobile Services	Egypt	1,864	-	1.24	5.71	5.41	6.32	73.70	6.58	-2.23	22.95	-9.81	-1.38	360.20	62
Egypt Average		2,407	6.82	1.75	3.12	5.08	5.00	57.63	21.58	18.28	19.77	19.83	10.86	136.53	59
Regional Peers															
Emirates Integrated Telecomm. Co. PJSC	UAE	7,779	12.60	2.90	3.80	9.07	8.05	62.69	19.98	20.11	27.98	28.80	15.24	28.86	76
Bahrain Telecommunications Company BSC	Bahrain	1,429	10.20	1.77	1.05	5.29	6.36	57.90	21.47	21.44	19.51	11.83	9.69	3.59	45
Jordan Telecom Group	Jordan	1,153	12.10	2.00	2.06	6.10	4.73	57.54	25.72	20.39	17.18	20.80	12.76	1.64	63
National Mobile Telecommunications	Kuwait	3,563	14.20	1.36	1.22	4.60	3.82	63.69	18.42	12.09	25.38	9.29	6.19	13.09	51
Maroc Telecom SA	Morocco	9,820	11.50	2.72	4.99	6.67	5.99	82.76	36.62	24.38	14.33	39.35	15.07	49.99	62
Oman Telecommunications Company	Oman	3,033	10.20	2.54	2.32	6.28	5.87	91.50	27.24	24.64	21.66	23.34	15.71	7.84	64
Vodafone Qatar QSC	Qatar	2,120	-	5.06	1.25	29.93	26.25	54.84	-24.54	-26.25	18.65	-6.29	-4.93	18.79	19
Saudi Mobile Telecommunications Co.	KSA	2,736	-	1.60	1.21	11.53	28.96	40.97	-14.55	-27.32	27.24	-27.50	-6.40	184.00	23
MENA Average		3,954	11.80	2.49	2.24	9.93	11.25	63.99	13.80	8.69	21.49	12.45	7.92	38.48	50
Global Telecom Holding SAE	Egypt	3,318	-	1.04	2.32	7.67	3.75	57.57	27.71	-5.88	-	-12.70	-2.80	306.60	44.00

Source: Thomson Reuters



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Equity Rating Key

Recommendations are based on the upside (downside) between our 12-month Fair Value estimate and the current Market Price.

Buy: Fair Value higher than Market Price by at least 20%

Accumulate: Fair Value higher than Market Price by 10% to 20%

Hold: Fair Value ranges between -5% to +10% in relation to Market Price

Reduce: Fair Value lower than Market Price by 5% to 15%

Sell: Fair Value lower than Market Price by at least 15%

Risks are based on share price volatility along with qualitative factors such as the nature of the business, the country risk and sensitivity to a single event, single product or single buyer. We've arranged the risk factor into 5 trenches:

- High Risk
- Medium-to-High Risk
- Medium Risk (similar to Market Risk)
- Medium-to-Low Risk
- Low Risk

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