



VALUATION OF OOREDOO MALDIVES PLC

For the Proposed Initial Public Offer

Lead Financial Advisor and the Manager to the Offer



March 15, 2017

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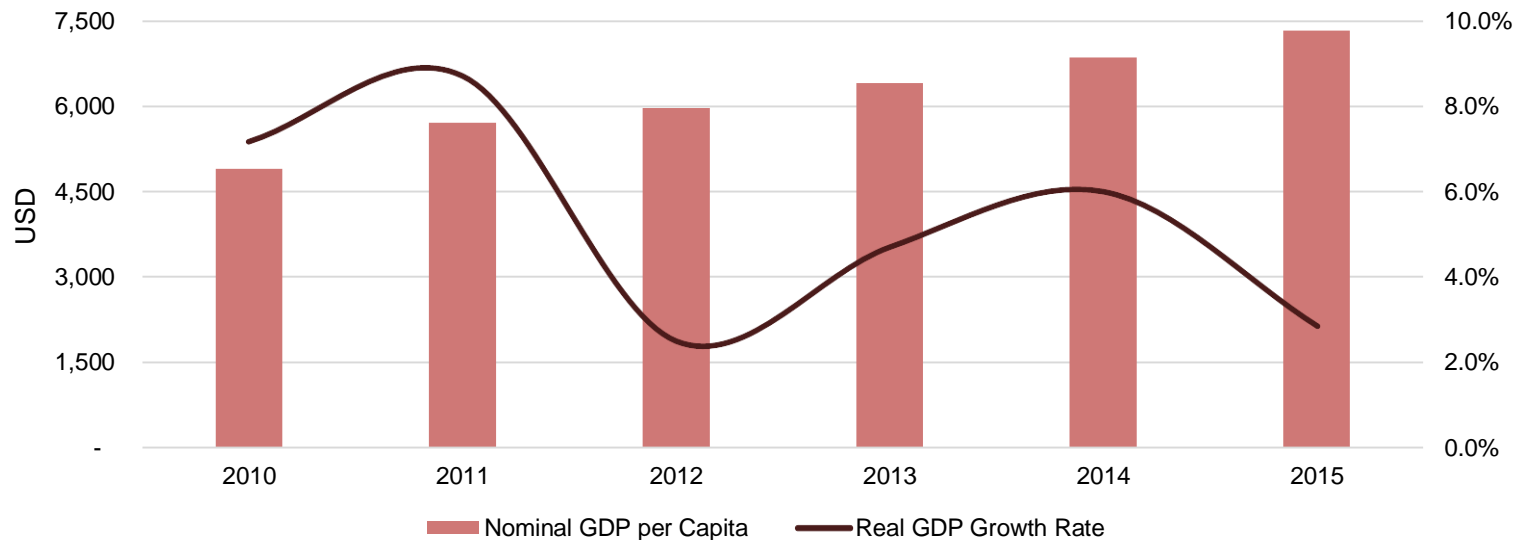
Background



- Ooredoo Maldives Public Limited Company (“OMPL”), a subsidiary of Ooredoo Qatar Q.S.C., is a Telecommunications Service Provider in the Republic of Maldives with a telecommunications sector subscriber market share of c. 42% as at December 31, 2016.
- At the time of obtaining the mobile telecommunications license, the Company had provided an undertaking to list its shares in Maldives Stock Exchange (“MSE”) and offer a maximum of 40% of its shares to public once the Company becomes profitable.
- Accordingly, the Company listed its shares in Maldives Stock Exchange (“MSE”) in October 2016 by way of an Introduction and is planning to sell down a maximum of 40% through an Initial Public Offer (“IPO”) in order to abide by the licensing requirements.
- For this purpose, OMPL appointed NDB Investment Bank Limited, Sri Lanka (“NDBIB”) as the Lead Advisor and the Manager to the Offer through the mandate letter dated January 05, 2017.
- As part of its scope of work, NDBIB carried out a business due diligence and a valuation of OMPL shares.
- This document herein contains the details of the Valuation exercise carried out by NDBIB and the recommended offer price for the proposed IPO.

Macroeconomic Overview

- The Maldivian economy continued its growth trajectory (expanding at a CAGR of 12.2% between 2010 and 2015 in terms of nominal GDP) and recording a nominal GDP of USD 3.4 Billion in 2015.
- Economic growth has been primarily led by a surge in construction related activity, increase in tourist arrivals and growth in the wholesale and retail sectors.
- While nominal GDP per capita continued to grow overtime, the pace of economic growth in the Maldives slowed on an inflation adjusted basis, with real GDP growing 2.8% YoY in 2015 as opposed to 6.0% in 2014, primarily due to the strengthening of the USD and deteriorating economic conditions in Russia resulting in lower than anticipated growth in the tourism sector.
- Inflation has been on a declining trend since 2011, largely driven by the decline in prices in domestic food and reduction in global commodity prices, particularly oil. For 2016, the deceleration in inflation was predominantly due to the decline in fish prices which offset an increase in the prices of food items.



Macroeconomic Outlook

- Nominal GDP for 2016 is estimated at USD 3.8 Billion as per the Maldives Monetary Authority (“MMA”). The outlook for the Maldivian economy is positive with real GDP growth expected to be 3.9% and 4.6% in 2017 and 2018 respectively as forecasted by the International Monetary Fund (“IMF”) driven by a surge in public infrastructure and construction.
- Key ongoing and earmarked infrastructure projects are as follows;
 - Expansion and development of the Ibrahim Nasir International Airport at an estimated cost of USD 828 Million, which is expected to increase passenger capacity fivefold
 - Development of Hulhumalé (a modern smart city) next to the international airport at an estimated cost of USD 400 Million in order to ease overcrowding of population and expand electricity generation at lower costs
 - Bridge connecting the international airport to Malé at an estimated cost of USD 189 Million
 - Relocation of the port in order to ease transportation bottlenecks and improve logistics
- The proposed development in infrastructure (particularly related to the airport) is also expected to support a recovery in tourism in the future.
- The Maldives is also likely to witness robust growth in real estate with a number of residential and commercial projects currently underway.
- It is anticipated that the benefits accrued via carrying out the abovementioned key infrastructure developments would outweigh any challenges posed to fiscal consolidation and the serviceability of external debt thereby translating to positive economic growth in the Maldives.

Industry Overview

- Mobile telecommunications in the Maldives grew rapidly post-liberalisation of the telecommunications industry, and reflected in a CAGR of 9.1% for mobile subscribers from 2013 to 2016 reaching 812,128 as at December 31, 2016.
- This is further reiterated by the growth in smartphone adoption rate in the Maldives, reaching 41.4% in 2016 from 19.4% in 2013, driven by technological advances and infrastructure improvements specially in the form of the expansion of 3G and 4G coverage.
- The increase in the number of subscribers overtime as well as an increase in smartphone adoption has led to significant growth in the mobile penetration reaching 229.9% in 2016.
- Mobile penetration rate in the Maldives is amongst the highest in the world due to many users having multiple broadband compatible devices and the prevalence of dual SIM cards among a majority of the population in order to economise their spending on telecommunication services.

Industry Penetration Rates	2013	2014	2015	2016
Total Mid-Year Population	336,289	341,796	347,548	353,330
Total Number of Mobile Subscribers	625,161	665,818	739,790	812,128
Implied Mobile Penetration Rate	185.9%	194.8%	212.9%	229.9%
Number of Smartphone Connections	121,341	182,708	258,518	335,854
Smartphone adoption rate	19.4%	27.4%	34.9%	41.4%

Source: Communication Authority of Maldives ("CAM")

Mobile Penetration by Country in 2016	
Maldives	229.9%
Singapore	146.1%
Malaysia	143.9%
Indonesia	132.3%
Malta	129.3%
Thailand	125.8%
Philippines	118.1%
Sri Lanka	112.8%
Fiji	108.2%
Bangladesh	83.4%
India	78.8%
Pakistan	66.9%

Source: World Bank, CAM

The telecommunications industry of the Maldives is estimated to be valued at c.USD 266.8 Million as at December 31, 2016, amounting to c. 7.1% of nominal GDP for 2016.

Source: Maldives Monetary Authority ("MMA")

- In line with the vision of the Government for a Digital Maldives, OMPL envisages a surge in per capita data usage to drive the mobile telecommunications industry growth backed by rapid convergence of services.
- Growth in per capita data usage is expected to be led by a combination of factors which includes increased smartphone adoption, continued convergence of all services into the mobile medium and rapid pace of content creation, particularly in data heavy segments such as audio and video.
- Moreover, the emergence of Internet of Things (“IoT”), whereby every conceivable object could be interconnected via networks, in order to exchange data leading to a complete digitalisation of lifestyles, is expected to bring about the next wave of growth to the telecommunications industry.
- It is anticipated that major opportunities would emerge, particularly in areas such as transportation, oil and gas, healthcare, industrials, wearables and banking. Telecommunications industry operators are geared to capitalise on these opportunities and are positioning themselves to benefit from modernised network infrastructure.

Valuation Methodology

- The shares of OMPL were valued using the Discounted Free Cash Flows (“DCF”) method.
- The Company’s future free cash flows were forecasted based on the Management’s three year business plan, and the business and financial analysis carried out by NDBIB.
- Forecast Free Cash Flows were discounted by the Weighted Average Cost of Capital (“WACC”) to arrive at the Enterprise Value (“EV”) of OMPL.
- Enterprise Value was adjusted for Minority Interest[#] and Net Debt* to arrive at the Equity Value of OMPL shares.
- It should be noted that the following valuation methods were not considered due to the relative inappropriateness to the circumstances;
 - Net Asset Value Method – Not suitable for a company operating as a going concern
 - Price Multiples Methods – This valuation methodology is not suitable as the peer multiples were not stable enough to derive a single reference multiple
- However, relative value analysis was carried out between OMPL and comparable peers in the Maldives, South East Asia, South Asia, other Ooredoo subsidiaries and similar companies in other island nations to assess the reasonableness of the resultant valuation.

The Equity Value of the subsidiary, WARF Telecom International Private Limited (“WARF”) was calculated using the Discounted Free Cash Flows method. WARF was assumed to have a similar WACC and Terminal Growth Rate as OMPL

** OMPL declared a Pre-IPO dividend of USD 26.4 Million for FY 2016 (dividend payout of 85% based on 2016 results). The Net Debt was adjusted to reflect the cash outflow from the dividend to be paid in FY 2017F*

Forecasting Methodology (1/2)

- The Financial Statements of OMPL were forecasted for a period of five years starting from January 01, 2017;
- Input from the Management of OMPL was obtained with a view to better understand the nature of the operations;
- The Audited Financial Statements and the Management Accounts were analysed in order to review the historical performance of OMPL and to identify possible trends and key performance indicators;
- OMPL's detailed three year Business Plan was analysed to project future growth trajectory of OMPL and thereafter certain operational assumptions were incorporated to the financial forecast subsequent to comprehensive review on each assumption;
- The forecast assumptions were evaluated in terms of the macro economic outlook of Maldives and the outlook of the Telecommunications and ICT sectors.

It should be noted that this forecast and the valuation were mainly carried out based on the discussions with the Management of OMPL together with the information provided by OMPL

Revenue Assumptions

- OMPL's Revenue was analysed under its key Operating Segments i.e. Prepaid, Postpaid, Wireless Broadband, Roaming Services, Fixed Line Services, Capacity Right Sales and Other Revenue.
- NDBIB identified key volume and rate drivers for each operating segment and arrived at forecast assumptions for each driver based on the Company's Business Plans, macro economic outlook of Maldives and Telecommunications and ICT sector outlook.
- The forecasted revenue drivers were used to arrive at Segmental Revenue and thereafter the Segmental Revenue was added to arrive at the Total Revenue.

Forecasting Methodology (2/2)

Cost Assumptions

- Forecasts on variable cost items were linked to the volume levels forecasted under revenue assumptions.
- Operational Fixed Costs were forecasted taking into account the expected increase in capacity and the general inflation.
- Non-operational Fixed Costs were forecasted based on the general inflation.
- Forecasts on Taxes, Regulatory Payments, and Management Fee were based on the rates and agreements prevailing at the time of the valuation.

Balance Sheet Assumptions

- Future Capital Expenses were forecasted based on the Company's Business Plans for the next five years.
- Working Capital Days were assumed to remain constant throughout the forecast period.
- Capital Structure was assumed to remain unchanged during the forecast period.

It should be noted that the details of forecast assumptions would not be disclosed in this report given the commercially sensitive nature of the information contained in the assumptions

Forecast Financial Statements (1/3)

Income Statement



USD '000	2014	2015	2016	2017F	2018F	2019F	2020F	2021F
Revenue	56,676.8	79,084.4	104,615.6	123,290.4	138,555.8	151,477.9	164,138.1	175,635.9
Operating Expenses	(39,463.4)	(45,842.8)	(51,894.4)	(60,879.1)	(68,478.3)	(74,721.9)	(80,176.7)	(84,868.3)
EBITDA	17,213.4	33,241.6	52,721.2	62,411.3	70,077.5	76,756.0	83,961.4	90,767.7
<i>EBITDA margin %</i>	30.4%	42.0%	50.4%	50.6%	50.6%	50.7%	51.2%	51.7%
Depreciation & Amortisation	(12,351.6)	(13,149.0)	(14,786.1)	(16,517.0)	(18,684.9)	(20,524.4)	(22,517.7)	(24,934.5)
EBIT	4,861.7	20,092.7	37,935.1	45,894.2	51,392.6	56,231.6	61,443.7	65,833.1
<i>EBIT margin %</i>	8.6%	25.4%	36.3%	37.2%	37.1%	37.1%	37.4%	37.5%
Net Financial Income/(Expenses)	(1,677.6)	(1,372.5)	(1,070.9)	(1,006.1)	(415.3)	515.7	515.7	515.7
Other Non-Operating Income/(Expenses)	109.2	118.5	87.5	-	-	-	-	-
Profit Before Tax	3,293.3	18,838.7	36,951.8	44,888.2	50,977.2	56,747.2	61,959.4	66,348.8
Income Tax	1,799.5	(1,734.9)	(5,088.2)	(6,733.2)	(7,646.6)	(8,512.1)	(9,293.9)	(9,952.3)
Profit After Tax	5,092.8	17,103.8	31,863.6	38,154.9	43,330.7	48,235.1	52,665.5	56,396.5
<i>Profit After Tax margin %</i>	9.0%	21.6%	30.5%	30.9%	31.3%	31.8%	32.1%	32.1%
Share of Profits of Minority Interest	(657.2)	(285.8)	(856.7)	(1,390.2)	(1,765.5)	(2,079.1)	(2,340.1)	(2,663.2)
Net Income Attributable to Equity Holders	4,435.6	16,818.0	31,007.1	36,764.7	41,565.1	46,156.0	50,325.4	53,733.2

Note: EBITDA – Earnings Before Interest, Tax, Depreciation and Amortisation, EBIT - Earnings Before Interest and Tax

Forecast Financial Statements (2/3)

Statement of Financial Position



USD '000	2014	2015	2016	2017F	2018F	2019F	2020F	2021F
ASSETS								
Property, Plant & Equipment	56,126.7	60,082.9	69,440.7	79,664.3	85,113.1	84,388.4	89,425.3	93,934.0
Intangible Assets	9,841.5	8,737.3	8,105.8	7,562.5	7,138.2	6,780.4	6,472.9	6,185.1
Other Non-Current Assets	3,135.7	646.7	1,161.2	1,161.2	1,161.2	1,161.2	1,161.2	1,161.2
Total Non-Current Assets	69,103.9	69,467.0	78,707.8	88,388.0	93,412.5	92,330.1	97,059.3	101,280.4
Current Assets								
Cash and Financial Investments	25,801.2	44,391.5	67,828.1	66,606.6	47,104.7	63,877.0	74,674.1	86,026.9
Other Current Assets	15,162.4	14,153.3	21,733.0	20,285.9	21,935.9	22,855.4	24,075.3	24,935.3
Total Current Assets	40,963.7	58,544.9	89,561.1	86,892.5	69,040.6	86,732.4	98,749.4	110,962.1
TOTAL ASSETS	110,067.6	128,011.9	168,268.8	175,280.5	162,453.1	179,062.4	195,808.7	212,242.5
EQUITY & LIABILITIES								
Equity								
Share Capital	75,000.0	75,000.0	105,200.0	105,200.0	105,200.0	105,200.0	105,200.0	105,200.0
Advance for Share Capital	30,200.0	30,200.0	-	-	-	-	-	-
Accumulated Profits/(Losses)	(93,584.3)	(76,766.3)	(45,759.2)	(35,353.2)	(25,038.1)	(14,212.5)	(3,119.7)	7,837.0
Minority Interest	4,218.4	4,504.3	5,360.9	6,751.2	8,516.7	10,595.8	12,936.0	15,599.2
Total Equity	15,834.1	32,938.0	64,801.7	76,597.9	88,678.6	101,583.4	115,016.3	128,636.2
Non-Current Liabilities								
Loans and Borrowings	34,962.7	37,861.3	29,187.7	-	-	-	-	-
Other Non-Current Liabilities	1,336.1	194.4	1,177.5	1,177.5	1,177.5	1,177.5	1,177.5	1,177.5
Total Non-Current Liabilities	36,298.8	38,055.7	30,365.2	1,177.5	1,177.5	1,177.5	1,177.5	1,177.5
Current Liabilities								
Current Portion of Loans and Borrowings	7,125.0	7,225.8	6,072.6	29,273.8	-	-	-	-
Other Current Liabilities	50,809.6	49,792.3	67,029.3	68,231.3	72,597.0	76,301.5	79,614.9	82,428.8
Total Current Liabilities	57,934.6	57,018.1	73,101.9	97,505.0	72,597.0	76,301.5	79,614.9	82,428.8
TOTAL EQUITY & LIABILITIES	110,067.6	128,011.9	168,268.8	175,280.5	162,453.1	179,062.4	195,808.7	212,242.5

Forecast Financial Statements (3/3)

Cash Flow Statement



USD '000	2014	2015	2016	2017F	2018F	2019F	2020F	2021F
Cash Flow From Operating Activities								
Profit Before Tax	3,293.3	18,838.7	36,951.9	44,888.2	50,977.2	56,747.2	61,959.4	66,348.8
Add/Less: Non-Cash Items	14,981.5	14,936.2	16,376.4	18,462.0	20,452.6	21,621.6	23,250.6	25,788.0
Net Change in Working Capital Assets	(3,338.1)	(2,663.7)	2,083.2	792.4	450.1	306.6	63.0	(73.7)
Cash Flow From Operating Activities Before Taxes and Interest	14,936.7	31,111.3	55,411.4	64,142.5	71,879.9	78,675.5	85,273.0	92,063.1
Interest Paid	-	-	(25.1)	(2,071.9)	(931.0)	-	-	-
Tax Paid	-	-	(554.0)	(5,815.4)	(6,733.2)	(7,646.6)	(8,512.1)	(9,293.9)
Net Cash Flow From Operating Activities	14,936.7	31,111.3	54,832.3	56,255.2	64,215.7	71,028.9	76,761.0	82,769.2
Cash Flow From Investing Activities								
Net Capital Expenses	(12,262.0)	(15,895.9)	(22,311.4)	(26,197.3)	(23,709.5)	(19,442.0)	(27,246.9)	(29,155.6)
Net Movement in Financial Assets	(1,098.1)	(7,988.5)	(29,953.8)	-	26,196.0	-	-	-
Financial Income #	331.9	375.5	742.5	1,065.8	515.7	515.7	515.7	515.7
Net Cash Flow From Investing Activities	(13,028.2)	(23,508.9)	(51,522.7)	(25,131.5)	3,002.2	(18,926.3)	(26,731.3)	(28,639.9)
Cash Flow From Financing Activities								
Net Movement in Loans & Borrowings	4,325.0	2,999.5	(9,826.9)	(5,986.5)	(29,273.8)	-	-	-
Dividend Paid *	-	-	-	(26,358.7)	(31,250.0)	(35,330.4)	(39,232.6)	(42,776.6)
Net Cash Flow From Financing Activities	4,325.0	2,999.5	(9,826.9)	(32,345.2)	(60,523.8)	(35,330.4)	(39,232.6)	(42,776.6)
Net Increase/(Decrease) in Cash & Cash Equivalent	6,233.5	10,601.8	(6,517.3)	(1,221.4)	6,694.1	16,772.3	10,797.1	11,352.8
Cash & Cash Equivalent at the Beginning	6,758.5	12,992.0	23,593.8	17,076.4	15,855.0	22,549.1	39,321.4	50,118.5
Cash & Cash Equivalent at the End	12,992.0	23,593.8	17,076.4	15,855.0	22,549.1	39,321.4	50,118.5	61,471.3

Financial Income has been adjusted for under Cash Flow From Investing Activities

* OMPL declared a pre-IPO dividend of USD 26.4 Million for FY 2016. This amounted to a dividend payout of 85% based on FY 2016 results and can be taken as a guidance for future dividends (with the same payout ratio assumed during the forecast years). It is expected that OMPL would maintain a high dividend payout ratio subject to business prospects, financial performance, cash availability, capital investment requirements of the Company and other financial conditions

Valuation Results

Discounted Free Cash Flow Valuation



Free Cash Flow Based Valuation (USD Million)	2017F	2018F	2019F	2020F	2021F
Profit Before Tax	44.9	51.0	56.7	62.0	66.3
Add/(Less): Non-Cash Items	18.5	20.5	21.6	23.3	25.8
Tax Paid	(5.8)	(6.7)	(7.6)	(8.5)	(9.3)
Operating Cash Flow Before WC Changes	57.5	64.7	70.7	76.7	82.8
Changes in Working Capital Assets	0.8	0.5	0.3	0.1	(0.1)
Capital Expenses	(26.2)	(23.7)	(19.4)	(27.2)	(29.2)
Free Cash Flow to the Firm	32.1	41.4	51.6	49.5	53.6
Add: Terminal Value					425.7
Free Cash Flow to the Firm With Terminal Value	32.1	41.4	51.6	49.5	479.3
Present Value of Free Cash Flow to the Firm With Terminal Value	27.7	30.8	33.1	27.4	228.5

Enterprise Value	347.4
Less: Net Debt / Minority Interest	(36.2)
Equity Value	311.2

WACC and Terminal Growth Rate	
Weighted Average Cost of Capital	15.97%
Terminal Growth Rate	3.00%

Sources: Bloomberg, MMA, World Bank, A. Damodaran

Based on the Discounted Free Cash Flow Approach, the total Equity Value of OMPL amounts to **USD 311.2 Million**

NDBIB Recommendation

Offer Price for the IPO

- The aforementioned Equity Value results in a per share value of MVR 32.47*
- NDBIB recommends a IPO discount of **7.6%** to incentivise the IPO shareholders, giving due considerations for the market dynamics in MSE
- Hence, the recommended Offer Price is **MVR 30.00**

Recommended Price for the Offer

Equity Value of OMPL (USD Million)	311.2
Equity Value of OMPL (MVR Million)	4,798.7*
Number of Shares in Issue (Million)	147.8
Value per Share of OMPL (MVR)	32.47
<i>Suggested Offer Discount</i>	7.6%
Recommended Offer Price (MVR)	30.00

Price Multiples / Dividend Yield at Offer Price

Trailing P/E (x)	9.3
Forward P/E (x)	7.8
Trailing EV/EBITDA (x)	6.1
Forward EV/EBITDA (x)	5.2
Dividend Yield estimate for FY 2017F (%)	10.9

* USD/MVR Exchange Rate: USD 1 = MVR 15.42

Disclaimer



This Valuation Report with respect to the valuation of Ooredoo Maldives Public Limited Company (“OMPL”) has been prepared by NDB Investment Bank Limited, Sri Lanka (“NDBIB”) as per the Scope of Work under the Mandate dated January 05, 2017.

The information, forecast, analysis, assumptions and opinions contained herein have been compiled or arrived at solely based on information obtained from OMPL. Such information has not been independently verified and no guarantee, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness. Nothing contained in this document is, or shall be relied upon as, a promise or representation by NDBIB. All such information is subject to change without notice and such changes could be due to unforeseen circumstances. This document is for information purposes only and does not purport to be a complete description of the subject matter referenced to herein.

Any estimate, projection, opinion forecast and valuation contained in this Valuation Report involve significant elements of subjective judgment and analysis, which may or may not be correct. No representation is made that any estimate, projection or forecast will be achieved. The actual future events may vary significantly from the estimates, projections, forecasts or valuation and each estimate, projection, forecast or valuation is based on a number of assumptions and is subject to matters which are outside the control of OMPL and NDBIB.

Accordingly, NDBIB shall not be liable for any loss or damage howsoever arising as a result of any person acting or refrain from acting in reliance or any information, forecast analysis and opinion contained herein.

Prospective investors should not rely solely on the information provided in this document and are expected to carry out their own independent evaluations on the transaction contemplated herein. This document should be read in conjunction with the IPO Prospectus, including Section 5 for a summary and description of OMPL’s operations and Section 12 which discusses factors that could impact OMPL’s business operations, while also taking into consideration macro-economic variables and other relevant conditions.



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