

# Giant Expansion

Committed to transparency, value and innovation, the Qtel Group has expanded its footprints from 1 to 17 markets across the Middle East, North Africa and Asia in only 4 years, providing value and services for over 53 million customers. Growing from a one-country telecom operator to an international pioneer summarizes the journey of Qtel. Telecom Review had the chance to sit with Dr. Nasser Marafih, Chief Executive Officer of the Qtel Group to discuss growth, success, strategy, competition and further investment considerations.



Dr. Nasser Marafih, Chief Executive Officer, Qtel Group

## First, how do you review the past year for Qtel in terms of growth and financial results?

2009 has been a good year and we are happy with what we achieved. We will soon be announcing our financial performance for the past year. We have been growing while still creating good value in our operations whether in Iraq, Indonesia and other markets. Some markets were under pressure such as Kuwait. Other than that in all our markets we have been growing very well.

## What are Qtel Group's success keys?

First, having a clear vision and strategy of where we would like to be: when and how we are going to execute it.

Secondly, by having the right team to execute it. We believe in decentralization. Not everything should be done at the top level. It's important to build a team for each operation. Empower them and ask them to execute. Everybody knows what is expected from them and they are given the freedom to move. If you look at our acquisitions, we made changes in most of the management soon after, and the successful results can be seen in what we have accomplished in Iraq, Tunisia and Algeria as a good example.

Third is the discipline in execution. We are prudent in our investments. Before any acquisition we look at the country potential, the company itself (how well it is performing and its structure) and most importantly

we look at the value it can bring to the Group. So far all our acquisitions were successful.

In summary, it is the importance of selecting the right strategy and pursuing it with a disciplined approach when executing it.

## In which markets is the Qtel Group seeing opportunities and in which markets are you facing challenges?

We see opportunities in all our markets; however, some of them are more important in terms of size and value they create. Today Indonesia is very important. Qtel in Qatar is still a key contributor to the Group's profitability as is Kuwait. However increasingly we are seeing growth markets such as Algeria take on greater importance. For example in Iraq, we have one of the fastest growing operations, as our subscriber base continues to grow.

The gains Qtel has made internationally have been impressive. We have doubled our number of subscribers in Iraq over the past two years, same for Algeria. Our operation in Tunisia now holds the number one position and in Oman, Nawras' subscribers' base accounts for nearly half of all subscribers in the market.

## Qtel is focused on maximizing value for its stakeholders in 2010. What is your strategy to achieve this?

Qtel is focused on maximizing value for its stakeholders not only in 2010, but beyond. This will be achieved through a combined focus on enhancing

operational performance, development of our existing portfolio and seeking access to capital markets as required.

Financial performance has been critical to the success of Qtel. We only invest in markets where it makes business sense. For example, we bid in Egypt and Saudi Arabia but in the end these opportunities did not meet our financial criteria as we felt the price of these licenses were excessive. At the end you need to deliver value to your shareholders, in the long term. We are going to continue to create value out of our existing operations by strengthening our position in these companies and also look out for new opportunities that fit our financial criteria.

Another important thing that distinguishes the Qtel Group is our focus to be leaders in the markets we operate in. It is important for us to be among the top two players. So far we are leaders in all our operations. We are #1 in Qatar and Tunisia, #2 in Kuwait, Indonesia and Algeria (just to name few).

On the other hand, I am sure that the industry is going to see consolidation. This will take place faster than the past so it is important to be in a strong position to be profitable.

## Do you think that high speed data services and consumer broadband are the next areas of growth?

With mobile penetration levels reaching a saturation point in some markets, data services and content will be a key growth driver for the

telecommunications industry. Qtel is therefore looking to develop its data services as soon as possible.

It is clear that data is an untapped market and it has been a very important focus for Qtel from the beginning. This is the next area of growth in the region – consumer wireless, low speed data services over GSM, and consumer broadband, using 3G and 4G including WiMAX. The overall penetration rate of broadband data in the MENA region is still limited despite the fact that in some GCC countries it is reaching good rates. For example in Qatar we have over 50% of the country's households utilizing broadband.

## Do you consider that internet players and content providers a threat to operators?

Broadband is a huge growth area and with that comes content. Data is definitely becoming more challenging with the entrance of new and powerful players like Google and Apple. What is important is who owns the customers. It is important for us in Qtel to keep the customer relationship; we don't want to become a dumb pipe.

I look at internet players and content providers as opportunities rather than threats. It is important to focus on content and to build relationships with content providers. Those people can help you in developing content. The most important thing is that there will be sharing and value for all partners. Thus the key will be to have the right partnership that adds value to both sides.



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and the Philippines, we are confident that the Qtel Group can play a key role in delivering Mobile Money services in a compelling and cost-effective manner.

**Qtel had been the only operator in the Qatar telecom market for quite some time. Now with the entrance of Vodafone, what is your strategy to face competition?**

The strategy is very clear as we expected competition to come. Part of the transformation in Qtel that we took in 2001 is to defend our market to remain the market leader.

When we first started our operation in Qatar, the penetration level was very low. We saw that it was important for us to capture the market as quickly as possible. The thinking being that once you have a robust service and meaningful customer base, it will be difficult for the competitor to come and take your valuable customers. It is very normal that competition will take some market share but we believe that Qtel will continue to be the market leader.

One of Qtel's biggest competitive advantages is the portfolio of products it possesses, which won't be easily replicated. Today the competition will be on who owns the customer and who is going to have the best relation with the customer and provide him with the best value added services. We distinguish ourselves from competition by bringing high value to the customer. Whoever

understands the customer and has the best relationship with them will win at the end.

**How do you look at the concept of infrastructure sharing?**

In Qatar we were the first operator in the region to welcome infrastructure sharing as it allows us to capture value from our assets.

**You have recently upgraded your mobile broadband network. What speeds are you offering in Qatar?**

We have completed our mobile broadband network upgrade, to provide the fastest high speed downlink packet access (HSDPA) network in Qatar. Today we are offering 8 Mbps but we are also pushing HSPA and the Fiber to the Home (FTTH) internet service in Qatar, which will deliver even faster broadband speeds.

**Is Qtel planning LTE trials?**

We are currently discussing LTE trials with vendors. However as with 3G, the issue is not in infrastructure, it's in the availability of devices. We however remain optimistic on LTE.

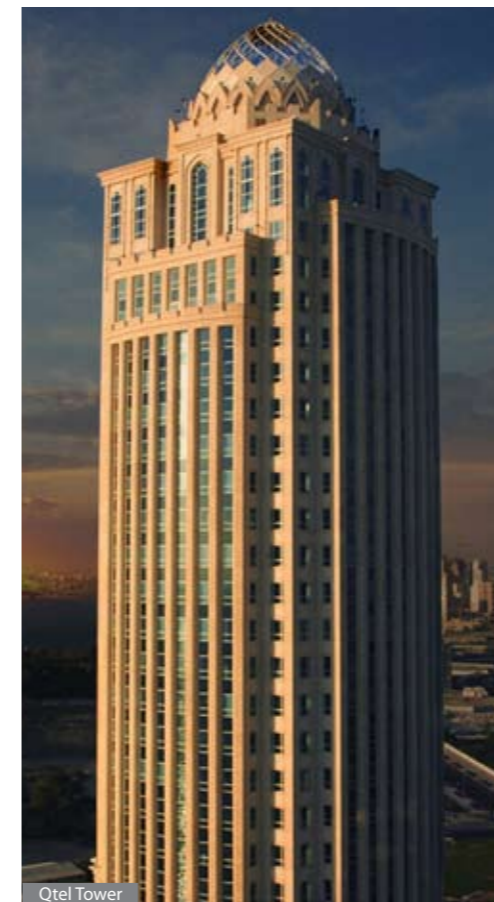
**Excellence in customer service is your number one priority. What can you tell us about your latest customer care initiatives?**

We believe that what the customer wants is what needs

to be provided. Customers are indeed our number one priority. We have recently extended the number of our payment outlets and service points, and enhanced our Customer Call Centre, to reduce waiting times and improve operational efficiency. We have recently also introduced a number of innovative products that further meet our customers' demands.

**Qtel has introduced biodegradable scratch cards to preserve the environment. To what extent is Qtel involved in sustainability and the environment protection?**

Qtel considers itself to be



Qtel Tower

a responsible company, so we look at every aspect of our operations to see how they can be improved for the benefit of our customers and the community. The move to biodegradable scratch cards is part of our wider strategy to reduce our environmental footprint. It is cost-effective and helps in the reduction of landfill waste.

**You have recently been recognized for your CSR contribution. To what extent is CSR important for Qtel?**

We are a leading company in CSR in Qatar as far as our contribution.

We have a progressive program in health, education and social contribution.

We also continue to invest in Research & Development in universities and we have several initiatives to encourage people to use technology (free internet in parks, free internet city for children...).

**How is Indosat doing in Indonesia?**

Indosat is one of the largest acquisitions the Group has done. Indonesia is

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one of the largest markets in the world and with an economy that has continued to perform well. Indonesia has around 240 million people with a penetration rate of around 66%. Today we have around 30 million customers in Indonesia; we see great potential for broadband given the size of the Indonesian market and the potential for social networking and BlackBerry services.

**The Qtel Group has been growing rapidly. Any expected expansion for the group in 2010?**

We initially focused on the MENA region, but as we saw the escalation of prices (especially after the Egyptian and Saudi Arabian licenses were awarded) we felt it prudent to focus on other regions as well. Unlike other operators from the region, we decided not to focus our efforts in Africa because our analysis showed that Asia would be a better investment for us. We were the first to move to Asia and as we have seen, others subsequently followed.

We believe that opportunities for acquisitions will accelerate in the upcoming 2-3 years and being part of a group with scale will become increasingly important. It will be more challenging for

small operators. Ultimately any expansion we undertake will be done with an eye on creating value.

**How do you evaluate the progress towards Qtel's vision of becoming one of the top 20 telecommunications companies in the world by the year 2020?**

We did not come up with our vision overnight: it was researched, well thought out, and debated.

We considered the market, our potential and what we can create, and the financial strength of the Group. We have been able to achieve a lot in short period. We have grown from 1 operation to 17 and from 500,000 customers to more than 53 million in less than 5 years.

It takes vision, execution and the right mindset. I believe we are on our way to achieve this.

**What is the next plan for Qtel?**

We will continue to create value for shareholders, grow our portfolio, lead in innovation, bring value to our customers and enter the right partnerships for value added services. This ultimately will lead us towards the achievement of our vision. ■

Because of our presence in 17 countries, we are already aware of possible collaborations between programmers and content developers from different international markets that could deliver services of international reputation. For example our recent partnership with Universal Music Group to offer unlimited music for customers is a key differentiator for Qtel. We have also signed agreements with Microsoft and the Mobile Entertainment Forum (MEF).

It is no longer only voice and broadband data; it is content,

social networking, mobile banking, music and micro blogging...

**The Qtel Group announced plans to make Mobile Money services. Will these services generate strong demand?**

There is a significant community of under-banked and un-banked segments in the Middle East, North Africa and Asia, and Mobile Money services will play an increasingly important role in addressing the needs of this community. With our presence across this region, and strong connectivity with key remittance markets such as India, Indonesia