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Outlook '10: The Dementors

Telcos **19 January 2010**

Western Telcos are the Dementors of the stock market. Like Harry Potter's guards of Azkaban, they are known for sucking happiness from investors, leaving only their worst memories. Only from adversity can an intrepid Harry investor whip out his Expecto Patronum spell to find an opportunity for telcos to outperform.

Such an opportunity probably exists in 2010. Telco dividend yields (often 7-8% in Europe) are at significant premia to telco bond yields (3.5-4%) with most large Euro incumbents trading at ~11-12% eFCF yields. The recession piled pressure onto "normal" telco cash flow declines. **No recovery seems built into consensus forecasts**, every data point apparently represents coming doom, and management teams can only do wrong, leaving telco analysts seeming as bearish today as ever. But while expectations are so low, economic recovery could partly offset the "normal" sector revenue pressures, data has potential to aid wireless growth and maintenance or growth in dividends seems a focus for each management team. **We have a rosier view of the sector in 2010, despite our longer list of Shorts than Longs among our Best Ideas.**

The Dementors. The recession piled pressure on already declining telco EBITDA in Europe. **In 2010, we estimate ~300bp of sales recovery and a greater contribution from mobile data.** At European double-digit eFCF yields, this seems a tempting combination. US valuations are higher even as wireless voice pricing is under pressure. Emerging market telcos estimates seem optimistic and valuations stretched in the face of slowing growth and rising competitive and capex challenges.

Sucking Happiness. There is always a "But what about?" in any slightly upbeat assessment of telcos. Common bear points for 2010 seem to be spectrum, capex and US wireless voice pricing. Other than in India, where there are too many chasing too little, we see spectrum auctions as inexpensive and oft-delayed. Although capital intensity is increasing in the shift to wireless data, we see limited impact in '10 while efforts to implement avoidance strategies could yield results (e.g., femtocells). **Smartphone subsidies could yield a cost headache, but this should be balanced by improved wireless growth.**

2010 Best Ideas. Our Best Ideas are company-specific, not-sector calls. We see **VMED** growing while its valuation discounts decline. **Vodafone**'s cash flow would get transformed by VZW dividends. We think **TEF** has set dividend aspirations too high and faces pressures in Spain. **OTE** is suffering in Greece and the Balkans. French broadband competition has ratcheted up pressuring **Iliad** as it builds out 3G. **NIHD** faces the challenge of building and migrating to 3G, decimating FCF. And finally, we do not see **C&W**'s demerger creating value.

Table 1: Telco '10 Best Ideas

Longs	Price*	Target Date	Target#	Upside	Shorts	Price*	Target Date	Target#	Downside
Virgin Media	€17.1	Dec. '10	€25	+46%	**TEF**	€18.5	Dec. '10	€15.7	-15%
Vodafone	136p	Mar. '11	195p	+44%	**OTE**	€10.2	Dec. '10	€8.5	-17%
					Iliad	€85	Dec. '10	€52	-39%
					NIHD	$36.9	Dec. '10	$25.5	-31%
					C&W	145p	Mar. '11	110p	-24%

Source: Arete Research estimates. * Share prices as at 18th Jan. 2010. # Arete's price target for this share.

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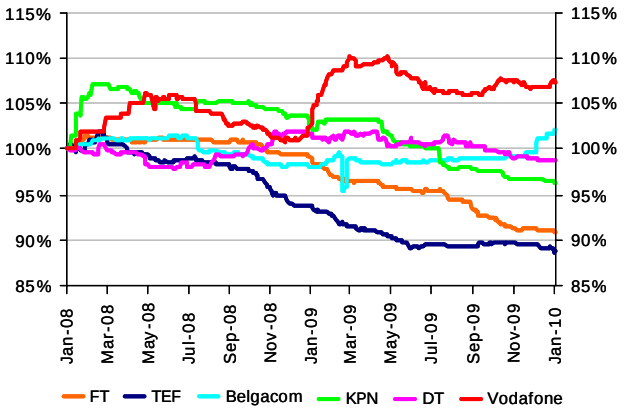
2009 in Review

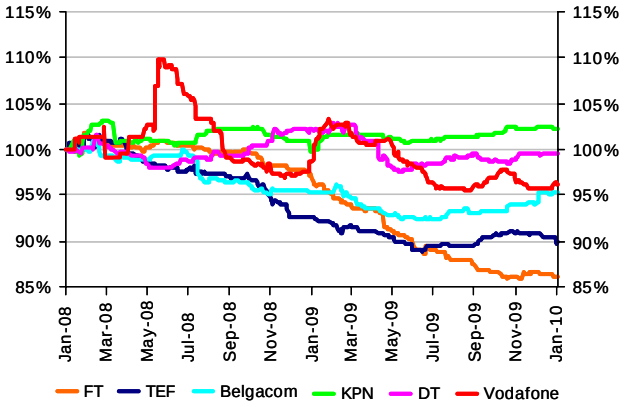
In 2009, Telcos faced not only their usual pressures from competition and regulation, but a recession caused by the financial crisis. **Although more defensive than other industries, telcos proved hardly immune from recession.** As can be seen in Figs. 1-3, Revenue, EBITDA and EPS estimates for most of the major telcos got cut. **The corporate response was typically renewed emphasis on capex and opex reductions.**

Fig. 1: 2010 Revenue Estimate Changes



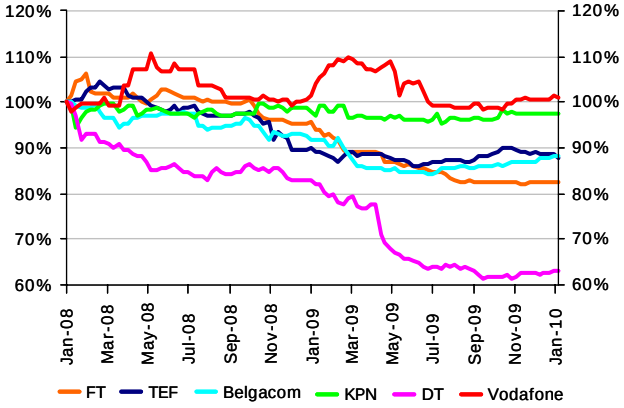
Source: Arete Research estimates, based on FactSet consensus.

Fig. 2: 2010 EBITDA Estimate Changes



Source: Arete Research estimates, based on FactSet consensus.

Fig. 3: 2010 EPS Estimate Changes



Source: Arete Research estimates, based on FactSet consensus.

Unfortunately during 2009, this left investors with the perception that telcos were neither defensive, nor levered to a recovery with the result that the sector spectacularly underperformed (e.g., Stoxx Telecom +11% vs. Stoxx 600 +28%). Even in 1Q09, when the broader market tanked, telcos were only mid-ranked amongst other sectors, and when the market rally began in earnest, telcos were most often found in the bottom half of the sector performance charts.

The top performers of 2009 were those starting the year with high leverage or exposure to the Russian financial system. For several of the chart-topping names, this was essentially a reversal of stock moves of late 2008. As can be seen in Table 2, within Arete's coverage universe, the top performers were **VMED** (leverage and improved financial performance) +237%, **Vimpelcom** (Russia) +160%, **Level 3** (high leverage) +119%, **CPW** (retail recovery and demerger) +109%, and **COLT** (rights issue and cash generation) +98%. Among larger European incumbent telcos, **Telenor** was the top performer, up 75% given its significant exposure to Russia (as 33.6% owner of Vimpelcom).

Table 2: Arete Telco Universe Stock Performance (% change Jan.-Dec.)

Name	'08	'09	Over 2 Years
Virgin Media	-70.9	237.3	-1.8
VimpelCom	-82.8	159.6	-55.3
Level 3	-77.0	118.6	-49.7
CPW	-73.9	109.2	-45.5
Colt	-59.6	97.8	-20.2
NIHD	-62.4	84.7	-30.5
MTS	-73.8	83.2	-52.0
Telenor	-64.3	75.1	-37.5
Telenet	-38.3	62.0	0.1
Cogent	-72.5	51.0	-58.4
America Movil	-36.6	45.0	-8.1
Liberty Global	-59.4	37.5	-44.1
Iliad	-15.8	34.7	13.5
Telefonica	-28.7	23.2	-12.2
BSkyB	-22.5	17.1	-9.2
Swisscom	-23.2	16.5	-10.5
KPN	-16.6	14.1	-4.8
Vodafone	-26.0	3.4	-23.5
BT	-50.4	-0.1	-50.5
Verizon	-22.1	-2.3	-23.8
TKA	-45.9	-3.4	-47.7
DT	-28.4	-4.3	-31.5
Telecom Italia	-45.9	-5.4	-48.8
Belgacom	-19.0	-7.4	-25.0
C&W	-15.9	-9.6	-24.0
FT	-18.9	-12.7	-29.2
OTE	-52.8	-13.5	-59.2

Source: Arete Research, FactSet.

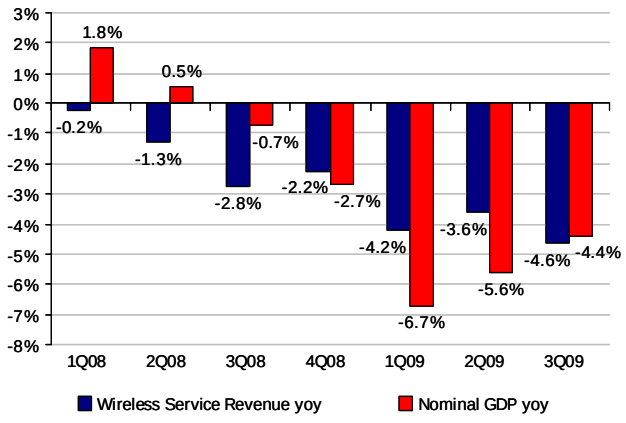
The worst performers of 2009 were drawn typically from the ranks of incumbent telcos, especially those with exposure to structurally-challenged economies such as Eastern Europe (**OTE** -14%, **FT** -13%) or the Caribbean (**C&W** -10%).

2010 Fundamentals

The perennial Euro telco pressures – regulation, competition etc. – are of course likely to be evident in 2010, though we do not see a significantly worse drag than "normal". **In many countries, it seems likely that the stimulus-driven economic recovery may feed into telecoms results both in terms of consumer and (later) corporate spending.**

This effect is most likely to be seen in wireless where consumers sought to reduce spending by bundle optimisation and as a reduction in business activity caused lower levels of travel. Figure 4 shows the clear correlation between mobile service revenues in Europe and nominal GDP and suggests that there might be some 300bp of recovery in wireless sales growth ahead. **We do not believe recovery is reflected in consensus estimates, nor do we believe that all markets will recover equally or at the same time.** We see structural issues remaining in economies such as **Eastern Europe and expect these to lag Western markets**. BRIC economies have already bounced back in many cases; greater competition and slowing voice growth may be bigger drivers in '10.

Fig. 4 Euro Wireless Spend vs. GDP



Source: Arete Research estimates, GDP EUStat 16.

Corporate wireline spending seems most likely to follow renewed job creation and lag consumer recovery. Arete's CIO conversations suggest only a slow thaw to spending in 2010 with many companies remaining in cash conservation mode and only a limited appetite for large-scale IT projects. Some CIOs suggest that there may have been a permanent reset of IT spending levels. **We see a corporate telecoms recovery coming at best in late 2010.**

The telco industry is likely to retain its strict focus on costs at least until a recovery in revenues becomes evident. **The largest cost pressure wireless operators are likely to encounter relates to smartphone subsidies given the rapid shift to data-centric devices** (e.g., iPhone). With RIM's ASP above $300 and Apple's nearer $600, it is clear that subsidies attached to high value devices can cause significant cost pressures – although they clearly boost revenue trends given the propensity for customers to sign up to high value contracts. AT&T warned because of iPhone subsidy pressures in 2008, and VZW recently partly attributed a reduction in 4Q09 EBITDA to increased subsidies (Droid). **This is an area to watch carefully, given the risk that near-term margins could be sacrificed for improving revenue trends.** Vodafone is expecting an increase in Smartphone penetration from 20% to 40% - one of the reasons for anticipating 200bp in margin pressure in its FY0910.

Capex was reined-in during 2009 as operators sought to preserve cash in a difficult economy. For some operators we see a relaxation of controls over capex increasing spend, but these are exceptions rather than the rule, and no spending splurge seems likely in '10. **We see an increase in the long-term capital intensity of the wireless industry with the growth in mobile data**, but expect only hotspot investments to be required in the near term to soak up traffic growth. We also expect operators to adopt capex-avoidance strategies (e.g., Femtocells) more widely: i.e., no material uplift in 2010. In wireline, we see an increasing diversion of capex towards fibre in an effort to differentiate service offering.

Expensive spectrum purchases are widely feared in 2010. However, we see legal issues delaying many of the auctions, and only a couple of auctions likely to result in high spectrum prices. **In India, there are far too many players without much spectrum today going after very limited new spectrum.** Following extensive previous delays, the DoT has yet to issue its NIA (notice inviting applications) for the 3G auction and, according to the press, is contemplating issuing only 2 blocks of paired 5MHz spectrum in the 2.1GHz band rather than the original plan of 4 blocks. Aside from this there are small amounts of 800MHz spectrum and less attractive unpaired BWA spectrum to follow the 3G auction. **It is difficult to predict how expensive Indian spectrum might be, other than to say "very"** (multiple billions to achieve coverage across most of the circles). In Germany, the auction structure essentially makes available only 6 blocks of paired 5MHz in the 800MHz band, 3 blocks in 1.8GHz and various blocks of less attractive spectrum in 2GHz and 2.6GHz.

The most attractive 800MHz spectrum could get well bid given the natural desire of 4 operators to attempt to buy 3 lots of 10MHz of paired spectrum each. KPN's public stance is that a single 5MHz paired block in 800MHz is inadequate for 3G/LTE deployment, but could choose to trade off number of sites vs. spectrum price and deploy LTE in 1800MHz.

Consolidation is another factor likely to have some impact during 2010. Subject to regulatory approvals, the UK wireless market is likely to move from 5 to 4 networks following the planned merger of T-Mobile and Orange, while Switzerland is to consolidate to two players. Both moves should result in more rational market places. **It is also possible that there will be further transactions consolidating Germany or Italy** (see *KPN: War of Independence* and *TEF: Real or Too Surreal?*, Jan. '10). With luck, the mobile competitive environment may improve, although we doubt such a change will be evident in financials during 2010. Leaving in-market consolidation aside, **we see much greater potential for M&A in 2010** given telcos' increased ability to issue debt, low (but potentially rising) bond rates and cheap telco valuations making it easier to find cash flow accretive acquisitions.

Overall, we see a reasonably benign environment for telcos, with most dividends well-covered by cash. Our analysis suggests the stocks with negative dividend surprise include: **C&W** (over-returning - sum of dividends of Worldwide and CWI likely to be lower than today), **OTE** (significant downgrades have left the dividend poorly-covered), **Telefonica** (a rising dividend but we see the 2012 €1.75 dividend target as unsustainable).

2010 Telco Best Ideas

The Euro telecom sector underperformed the broader market in three of the last five years, but things were slightly better in the US with *out*performance in three of the last five years. The theoretical attraction of telcos is their prodigious cash generation and ability to pay significant dividends. But dividends are only of any use if there is no significant capital value loss as a result of worsening fundamentals. So the opportunity to make money from a long position in telcos arises in a year when things are less bad than anticipated (or in the extreme better!) This is entirely possible in Europe in 2010, given the ballast of economic recovery on low (double-digit eFCF yield) valuations. **In the US, wireless is slowing, pricing is on the slide, the shift to smartphones is causing additional earnings pressures *and* valuations look less compelling than in Europe.** For emerging market operators in our coverage, we think consensus estimates look optimistic.

In covering telcos, our preference is to focus on individual stock ideas against a sector background, rather than making a sector call. Our Best Ideas are listed below, together with a brief summary of our rationale:

Long Vodafone (195p Mar '11E price target, +44% upside). **Our call revolves around a boost in Vodafone's cashflow from ~£6.5bn to over £10bn in future years when dividends resume at Verizon Wireless.** In addition, we see the potential for cash outflow in India, Turkey, Ghana and Qatar offsetting risks to European cash flows. See *Vodafone: Wood for the Trees* (Nov. '09) for more details.

Long Virgin Media ($25 Dec. '10E price target, +46% upside). **Virgin Media is growing again**, with 500k new homes being added to the network, rising broadband prices, increased take-up of on-demand TV and slower declines in Business telecoms and mobile. With high operational and financial leverage, this flows straight to the bottom line: we estimate that (say) 3% revenue growth equates to ~9% EBITDA growth and ~20-30% eFCF growth. On our estimates and at the current share price, a 10% eFCF yield in 2010E becomes 16% by 2012E, implying the shares remain attractive despite their 2009 chart-topping performance. See *Virgin Media: Life at the Infection Point* (Nov. '09).

Short C&W (110p March '11E price target, 24% downside). We believe C&W's imminent demerger is likely to reveal its daughter companies worth less than is currently perceived (see *C&W: The Emperor's New Clothes*, Nov. '09). **CWI has a lower dividend paying capability than is widely understood** given less than 100% ownership of most assets, while its tourism and tax haven-heavy operations are likely to remain in recession for another year. **The Worldwide division's sales are in steep decline and its FCF seems likely to disappoint**, especially once plc costs and exceptionals are taken into account.

Short OTE (€8.5 Dec. '10E price target, 17% downside). **The Greek wireless market looked like a disaster zone in '09**, with revenues down ~15%, which left the hangover of a new mobile tax and Vodafone's Nov. '09 pricing initiative to impact much of '10. Greek wireline was very competitive early in 2009, but seems to have stabilised more recently. **OTE's operations in Eastern Europe are suffering badly from structural issues, recession and MTR cuts** with Cosmote Romania the only bright spot.

Despite significant cuts to consensus during '09, we still see OTE EBITDA estimates as 6%/9% too high in 10E/11E, with the stock trading at a 10% eFCF yield in '11E vs. TKA's similarly-exposed portfolio trading at 14%. (See *OTE: Etsi Deus Non Daretur*, Aug. '09).

Short Iliad (€52 Dec. '10E price target, 39% downside). **The previously stable French broadband market is nearing saturation and is now showing signs of pricing stress** as players move to combine mobile and fixed offerings. Iliad's declining share of broadband growth in '09 was partly caused by Bouygues' market entry - seemingly a pre-emptive move ahead of Iliad's mobile plans. As for most alt.nets, Iliad's cash generation has been poor. **It offers only a sub-2% eFCF yield even before ratcheting up capex/opex for 3G.** Our $52 target reflects our expectation for heavy mobile losses and slowing broadband growth. See *Iliad: C'est La Guerre* (Dec. '09).

Table 3: Old vs. New Ratings and Price Targets

Stock	PT date		Price Target Old	Price Target New	Rating Old	Rating New
America Movil	Dec. '10	$	40.6	53.3	N	+ve
Belgacom	Dec. '10	€	20.5	28.5	-ve	+ve
BSkyB*	Jun. '11	p	410	600	-ve	N
BT	Mar. '11	p	90	136	N	-ve
C&W	Mar. '11	p	110	110	Short	Short
CPW	Mar. '11	p	U/R^		N	N
Cogent	Dec. '10	$	9.3	9.6	N	-ve
Colt	Dec. '10	p	150	175	+ve	+ve
DT	Dec. '10	€	10.3	10.9	N	+ve
FT	Dec. '10	€	17.6	18.0	-ve	N
Iliad	Dec. '10	€	52	52	Short	Short
KPN*	Dec. '11.	€	15.0	15.0	+ve	+ve
Level 3	Dec. '10	$	0.0	0.0	-ve	-ve
Lib. Global	Dec. '10	$	17.0	29.9	N	+ve
MTS	Dec. '10	$	43.0	46.5	-ve	-ve
NII Holdings	Dec. '10	$	23.5	25.5	Short	Short
OTE	Dec. '10	€	9.2	8.5	Short	Short
Swisscom	Dec. '10	SFr	380	400	+ve	N
Telecom Italia	Dec. '10	€	U/R^		N	N
Telefónica	Dec. '10	€	15.7	15.7	Short	Short
TKA	Dec. '10	€	12.1	11.0	N	N
Telenet	Dec. '10	€	17.0	21.4	N	N
Telenor	Dec. '10	NOK	52	88	N	N
Verizon	Dec. '10	$	25.4	25.6	-ve	-ve
Vimpelcom	Dec. '10	$	20.1	21.2	+ve	N
VMED	Dec. '10	$	25	25	Long	Long
Vodafone	Mar. '11	p	185	195	Long	Long

Source: Arete Research. ^Under Review.

Short Telefonica (€15.7 Dec. '10E price target, 15% downside). TEF sought to reassure investors by committing to increase dividends from €1.15 in '09 to €1.75/share in '12 (an annual cost of €8bn). Our analysis in *TEF: Real or Too Surreal?* (Jan '10), implies that after adjusting for non-100% controlled assets and Venezuelan repatriation delays, **TEF's '12 dividend promise is barely covered by funds repatriated to TEF's Parent Company**. We see this as an increasing investor issue for '10, especially as structural declines in Spanish wireline and slowing LatAm mobile growth begin to weigh on forecasts.

Short NIHD ($25.5 Dec. '10E price target, 31% downside). **iDEN sales growth slowed sharply in Mexico after network expansion came to an end** and as competition increased. NIHD still has one to two years of rapid Brazilian growth ahead, but set against high consensus expectations and increasing competition, the risk of disappointment seems real. **Success in Mexican and Brazilian spectrum auctions would give NIHD a technology path post iDEN, but brings years of heavy investment**, not captured in consensus expectations (In Peru, where NIHD already started 3G build, EBITDA fell 41% yoy). See *NII Holdings: Bossa Nova* (Oct. '09).

Recommendation Changes

A summary of our recommendation and price target changes may be found in Table 3. Price targets have been amended for adjustments to estimates, currencies, and discount rates. The reasons for ratings changes are as follows:

America Movil (Neutral to Positive). Fall in share price following announcement of merger with Telmex and TII and our assessment of synergy potential.

Belgacom (Negative to Positive). Reassessment of cost reduction at Belgacom, and lowering of discount rates led to an increased valuation. We see the dividend in 2010E at €2.08, implying a sustainable-looking 8% dividend yield.

BT (Neutral to Negative). Share price appreciation left BT trading above our revised fair value.

BSkyB (Negative to Neutral). Reassessment following change of lead analyst.

Cogent (Neutral to Negative). Share price increase left shares above our (slightly amended) price target.

DT (Neutral to Positive). Share price target increased following estimate changes, leaving upside.

FT (Negative to Neutral). Share price is in line with our price target and we think discounts likely strain in the French broadband market, while the dividend yield is 8%.

Liberty Global (Neutral to Positive). Increased estimates and valuation on a highly levered equity now yields upside.

Swisscom, **Vimpelcom** (Positive to Neutral). Share price performance left limited upside.

Table 4: Arete's Telcos Coverage and Ratings

Stock Name	Rating*	Price Tgt Date		Share Price	Price Target	DCF/ Share		Revenues (m) '10E	'11E	'12E	EBITDA (m) '10E	'11E	'12E	EPS Ests. '10E	'11E	'12E	eFCF Yield (%) '10E	'11E	'12E	Div. Yield (%) '10E	'11E	'12E
America Movil	Positive	Dec. '10	$	46.6	53.3	46.2	$	31,897	32,644	32,777	12,765	13,107	12,970	4.02	4.36	4.49	9.4	10.1	10.3	3.2	3.3	3.3
Belgacom	Positive	Dec. '10	€	26.0	28.5	28.5	€	6,180	6,130	6,063	1,986	1,953	1,913	2.50	2.45	2.42	10.2	10.1	10.1	8.0	8.0	8.0
BSkyB^	Neutral	Jun. '11	p	567	600	587	£	6,377	6,730	7,065	1,437	1,663	1,881	0.39	0.47	0.56	6.5	8.1	9.7	3.3	3.4	3.6
BT	Negative	Mar. '11	p	147	136	136	£	19,311	18,591	18,070	5,488	5,340	5,313	0.14	0.13	0.13	9.9	10.1	10.5	5.2	5.6	6.0
C&W	Short	Mar. '11	p	145	110	103	£	3,716	3,709	3,723	988	993	1,005	0.11	0.11	0.12	4.7	5.9	6.9	3.7	3.9	3.9
CPW	Neutral	Mar. '11	p	197								Under Review										
Cogent	Negative	Dec. '10	$	11.6	9.6	9.6	$	266	298	323	80	102	119	-0.08	0.48	0.94	0.5	4.9	7.5	N/a	N/a	N/a
Colt	Positive	Dec. '10	p	139	175	175	€	1,629	1,645	1,668	338	357	378	0.12	0.12	0.13	6.6	6.1	6.5	N/a	N/a	N/a
DT	Positive	Dec. '10	€	9.9	10.9	10.9	€	61,326	58,871	58,045	19,838	19,397	18,961	0.85	0.99	0.97	11.6	14.1	14.6	7.9	7.9	7.9
FT	Neutral	Dec. '10	€	17.1	18.0	18.0	€	48,562	45,748	45,376	16,398	15,506	15,149	1.63	1.54	1.48	12.2	12.7	12.7	8.2	8.2	8.2
Iliad	Short	Dec. '10	€	84.7	52.0	51.2	€	2,045	2,081	2,210	569	610	507	4.40	4.31	3.17	-2.4	-1.3	-2.8	0.6	0.6	0.4
KPN	Positive	Dec. '11	€	11.9	15.0	13.9	€	13,420	11,643	10,614	5,436	5,496	5,517	1.06	1.15	1.22	12.5	13.8	14.1	6.7	6.9	7.0
Level 3	Negative	Dec. '10	$	1.4	0.0	-2.2	$	3,657	3,551	3,505	858	833	820	-0.39	-0.34	-0.33	-5.2	-7.3	-8.8	N/a	N/a	N/a
Lib. Global	Positive	Dec. '10	$	22.8	29.9	29.9	$	12,122	12,634	13,074	5,408	5,666	5,883	0.91	1.24	1.68	16.8	23.7	30.5	N/a	N/a	N/a
MTS	Negative	Dec. '10	$	50.5	46.5	46.5	$	8,925	9,279	9,604	4,067	4,216	4,330	0.90	0.99	1.08	9.1	10.1	10.9	5.4	5.9	6.4
NII Holdings	Short	Dec. '10	$	36.9	25.5	25.5	$	5,115	5,341	5,364	1,423	1,295	1,258	3.06	2.20	1.58	3.1	-5.0	-4.7	N/a	N/a	N/a
OTE	Short	Dec. '10	€	10.2	8.5	8.5	€	5,878	5,822	5,797	2,008	1,945	1,910	0.87	0.78	0.86	10.7	10.9	12.2	7.4	7.4	7.4
Swisscom	Neutral	Dec. '10	SFr	390	400	397	SFr	11,803	11,700	11,562	4,787	4,738	4,629	39	39	37	9.8	9.9	9.7	7.2	7.2	7.2
Telecom Italia	Neutral	Dec. '10	€	1.04								Under Review										
Telefónica	Short	Dec. '10	€	18.5	15.7	15.7	€	52,508	52,942	52,915	20,378	20,609	20,576	1.58	1.67	1.73	8.9	9.4	9.7	7.6	8.6	9.5
TKA	Neutral	Dec. '10	€	10.0	11.0	11.0	€	4,706	4,651	4,628	1,616	1,600	1,601	0.51	0.60	0.76	10.9	13.1	14.7	7.5	7.5	7.5
Telenet	Neutral	Dec. '10	€	21.0	21.4	21.4	€	1,284	1,332	1,377	648	673	692	0.96	1.29	1.45	10.2	11.3	12.4	2.4	2.4	2.4
Telenor	Neutral	Dec. '10	NOK	82	88	88	NOK	93,526	96,403	100,043	31,084	31,919	33,246	7.03	7.71	8.98	5.1	5.9	8.1	2.2	2.5	3.2
Verizon	Negative	Dec. '10	$	30.6	25.6	25.6	$	104,083	102,179	102,296	32,936	33,155	33,668	2.43	2.46	2.56	7.6	9.8	9.2	6.3	6.5	6.7
Vimpelcom	Neutral	Dec. '10	$	20.0	21.2	21.2	RUB	294,522	305,186	316,033	143,791	150,051	153,863	1,097	1,265	1,414	11.7	13.8	14.7	0.0	5.4	6.0
VMED	Long	Dec. '10	$	17.1	25.0	27.7	£	3,910	4,059	4,202	1,453	1,574	1,647	-0.38	0.89	1.31	11.0	14.8	17.1	0.4	0.4	0.4
Vodafone	Long	Mar. '11	p	136	195	195	£	64,829	66,076	67,308	23,010	23,557	23,982	0.16	0.17	0.18	11.9	17.3	18.3	6.5	7.3	8.1

Source: Arete Research estimates. Share price at close of 18th January 2010. Note: Revenues and EBITDA for Vodafone and Telefónica are on proportionate basis.
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