

1st February 2010

AL MAL CAPITAL



Results Review

Etisalat

Rating: Outperform

Etisalat FY 2009 & Q4 2009 Results Review

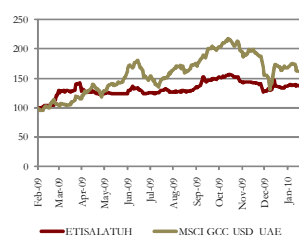
- Etisalat reported preliminary FY2009 results with net income of AED 8,836mn (+3.8% yoy), 1.6% below our expectations, with a net income margin of 28.7%. Revenues for the FY 2009 grew to reach AED 30,831mn (+5% yoy) and 2.8% above expectations.
- Q4 2009 net income was AED 1,989mn (-11.8% qoq) and 10% below expectations, whilst Q4 2009 revenues were AED 8,723mn (+18.5% qoq) and 16% above expectations.
- Whilst revenues are above expectations, net income has been below expectations. We believe this could be a result of start up cost associated with overseas investments, especially India. It should be noted however that 2008 results included a gain of AED 892mn after royalty fees, relating to the partial stake disposal in Mobily. Excluding this exceptional item profits would have increased 16% yoy. We will provide further commentary once the company provides additional details and full financials.
- UAE mobile subscribers grew very strongly in Q4 2009 with 300,000 net adds, which is double the net adds for the first 3 months of 2009. Etisalat ran a successful promotion in October 2009 offering SIM cards for AED 75. This growth we believe, accounts for the strong increase in qoq revenues. FY2009 net adds came to 455,000 (+6.2% yoy) versus our projection of 246,000.
- UAE internet subscribers increased by 177,000 (+15.4% yoy) whilst UAE fixed line subscribers declined to 1.31mn (-3.5% yoy), both in line with expectations.
- Etisalat's 2009 results are in line our forecasts and we remain positive on the company. Etisalat is trading on a 2010PE of 8.6x and 2010 EV/EBITDA of 4.1x, a discount of 71% and 63% respectively relative to its peer group and so remains our top value pick for 2010. We maintain our *Outperform* rating on the company, with a target price of AED 16.64, giving 51% upside to the current price.

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Equity Data

Current Price (AED)	11.05
Target Price (AED)	16.64
Upside/Downside	50.6%
12 Month Performance	33.2%
12 Month High (AED)	12.65
12 Month Low (AED)	7.84
Market Cap. (AED bn)	79.4
Dividend Yield	5.2%
Enterprise Value (AED bn)	79.8
RIC	ETELAD
Bloomberg	SALAT UH



Estimates

	2010E	2011E	2012E	2013E	2014E
Revenues (AED mn)	31,541	33,610	35,667	37,507	40,172
EBITDA (AED mn)	19,577	20,189	20,712	21,031	21,721
EBITDA Margin	62.1%	60.1%	58.1%	56.1%	54.1%
Net Income (AED mn)	9,255	9,751	10,144	10,663	11,053
Net Income Margin	29.3%	29.0%	28.4%	28.4%	27.5%
EPS (AED)	1.29	1.36	1.41	1.48	1.54
Net Debt/Equity	-22.0%	-25.5%	-27.4%	-27.9%	-25.9%
Interest Cover	40.4	46.8	61.6	66.5	58.0
Dividend/Share (AED)	0.69	0.83	0.99	1.19	1.43
Dividend Yield	6.2%	7.5%	9.0%	10.8%	12.9%

Estimates

Valuation Multiples	2010E	2011E	2011E	2011E	2011E
PE	8.6	8.1	7.8	7.4	7.2
EV/EBITDA	4.1	4.0	3.9	3.8	3.7
P/BV	1.8	1.7	1.6	1.5	1.4
BV/Share	6.01	6.62	7.12	7.52	7.67

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