



Results Preview

Etisalat

Rating: Outperform

Etisalat Q2 2010 Preview

- Revenue is expected to grow 1.9% qoq and 6.1% yoy to reach AED 8.09bn. Etisalat has launched some very attractive promotions in Q2 2010 in the both the fixed and mobile broadband segment, which we believe should help boost quarterly revenue.
- EBITDA is projected to grow to AED 4.61bn, +6.9% qoq but -13% yoy. EBITDA margins are expected to improve qoq to 57% in Q2 2010 from 54% in Q1 2010 and compared to 69.5% in Q2 2009.
- We expect Etisalat to earn net profits of AED 2.10bn (AED 0.27 per share), +8% qoq, and -20.6% yoy compared to AED 1.99bn qoq (AED 0.25 per share) and AED 2.42bn yoy (AED 0.31 per share).
- A potential catalyst for the telecoms sector is the opening up of the fixed and broadband segment throughout the UAE. The TRA has announced that both Etisalat and du are technically ready to share fixed line infrastructure and services would be launched shortly without giving a specific date. In 2009 Etisalat had an 85% revenue market share of this AED 6.55bn segment and whilst we expect du to gain market share in the longer term, infrastructure sharing will also open up the lucrative areas of “New Dubai” to Etisalat, which will help stabilise market share in the short term.
- With an EV/EBITDA of 3.9x for 2010, a strong cash position and a sustainable dividend we maintain our *Outperform* rating on Etisalat, with a target price of AED 14.66, giving 40% upside to the current price.

Equity Data

Current Price (AED)	10.45
Target Price (AED)	14.66
Upside/Downside	40.3%
12 Month Performance	15.0%
12 Month High (AED)	11.59
12 Month Low (AED)	8.64
Market Cap. (AED bn)	75.1
Dividend Yield	6.6%
Enterprise Value (AED bn)	75.5
RIC	ETEL:AD
Bloomberg	ETISALAT UH



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Estimates	Etisalat					
	2009A	2010E	2011E	2012E	2013E	2014E
Revenues (AED mn)	30,831	31,125	32,768	35,088	37,197	40,481
EBITDA (AED mn)	19,504	19,329	19,694	20,386	20,868	21,900
EBITDA Margin	63.3%	62.1%	60.1%	58.1%	56.1%	54.1%
Net Income (AED mn)	8,836	8,718	9,008	9,442	9,991	10,501
Net Income Margin	28.7%	28.0%	27.5%	26.9%	26.9%	25.9%
EPS (AED)	1.23	1.10	1.14	1.19	1.26	1.33
Net Debt/Equity	-5.8%	-7.1%	-9.5%	-10.7%	-10.6%	-8.0%
Interest Cover	29.7	26.6	24.5	26.7	25.3	22.9
Dividend/Share (AED)	0.58	0.63	0.75	0.90	1.08	1.30
Dividend Yield	5.5%	6.0%	7.2%	8.6%	10.4%	12.4%
Estimates	Etisalat					
Valuation Multiples	2009A	2010E	2011E	2012E	2013E	2014E
PE	8.5	9.5	9.2	8.8	8.3	7.9
EV/EBITDA	3.9	3.9	3.8	3.7	3.6	3.4
P/BV	1.6	1.5	1.4	1.3	1.3	1.2
BV/Share	6.54	6.86	7.44	7.91	8.28	8.47

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