



Research Note

Etisalat

Rating: Outperform

Etisalat Q3 2009 Preview

- Revenues are projected to fall by 9.9% qoq and 3.6% yoy to AED 6.87bn, driven by population easing in the UAE, which should be reflected in declining active mobile subscriber numbers (-0.7% qoq) for Q3 2009. The top line will also be impacted by the seasonal effects of summer (lower tourism), Ramadan and less business travel due to the current economic climate.
- Currency exchange rates have, for the most part, remained stable in Q3 2009, which should prove positive for revenues from overseas operations and results from associates.
- EBITDA is projected at AED 4.50bn, -2.1% yoy and -15.5% qoq. EBITDA margins are expected to decline to 63% for Q3 2009 compared to 65.5% for Q2 2009, as a function of declining revenues and operating expenses increasing by 2% in the quarter
- We project Etisalat to earn net profits of AED 2.22bn (AED 0.31 per share), -7.8% qoq but +4.2% yoy, compared to AED 2.41bn qoq (AED 0.34 per share) and AED 2.13bn yoy (AED 0.30 per share).
- Whilst these results are expected to reflect the impact of population easing in the UAE and increasing competition from du, we believe the worst is behind Etisalat. A majority of people who have had to leave the UAE for economic reasons, we believe, have done so. Whilst competition from du will remain, an increasing proportion of revenue and profits should come from overseas operations. With an EV/EBITDA of 4.5x for 2010, we maintain our *Outperform* rating on Etisalat, with a target price of AED 17.11, giving 42.6% upside to the current price.

Equity Data		Etisalat
Current Price (AED)	12.00	
Target Price (AED)	17.11	
Upside/Downside	42.6%	
12 Month Performance	-35.0%	
12 Month High (AED)	17.00	
12 Month Low (AED)	7.75	
Market Cap. (AED bn)	86.2	
Dividend Yield	4.8%	
Enterprise Value (AED bn)	86.6	
RIC	ETELAD	
Bloomberg	ETISALAT UH	

Estimates		Etisalat					
	2008A	2009E	2010E	2011E	2012E	2013E	
Revenues (AED mn)	26,119	28,640	30,627	33,327	36,087	38,303	
EBITDA (AED mn)	17,257	18,350	19,317	20,686	22,039	23,009	
EBITDA Margin	66.1%	64.1%	63.1%	62.1%	61.1%	60.1%	
Net Income (AED mn)	8,665	8,895	10,019	11,002	11,940	12,941	
Net Income Margin	33.2%	31.1%	32.7%	33.0%	33.1%	33.8%	
EPS (AED)	1.45	1.24	1.39	1.53	1.66	1.80	
Net Debt/Equity	-15.8%	-50.3%	-53.2%	-58.5%	-63.5%	-66.9%	
Interest Cover	35.6	34.2	(26.7)	(22.2)	(18.1)	(15.4)	
Dividend/Share (AED)	0.60	0.58	0.69	0.83	0.99	1.19	
Dividend Yield	5.0%	4.8%	5.8%	6.9%	8.3%	9.9%	

Estimates		Etisalat					
Valuation Multiples	2008A	2009E	2010E	2011E	2011E	2011E	
PE	8.3	9.7	8.6	7.8	7.2	6.7	
EV/EBITDA	5.0	4.7	4.5	4.2	3.9	3.8	
P/BV	2.4	2.2	1.9	1.7	1.6	1.5	
BV/Share	4.96	5.56	6.24	6.87	7.46	8.01	

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