

Bahrain Telecommunication Company

Tickers:

BTEL.BH (Reuters)

BATEL BI (Bloomberg)

June, 2009

Listing:

Bahrain Stock Exchange

Buy

Fair Value:

BD0.839

CMP:

BD0.580 (As of June 25th, 2009)

Key Data

Mkt cap# (BD)	835.2
EPS* (BD)	0.076
BVPS* (BD)	0.361
P/E (x)	7.7
P / BV (x)	1.6
12M Avg. vol.	393,498
52 week Lo / Hi (BD)	0.530/0.823

Source: Global Research

as at June 25th, 2009

*based on 2009 forecast

Highlights

- Bahrain Telecommunications Company - Batelco's** net income registered BD104.2mn at the end of 2008, up by 2.7% of 2007 level of BD101.5mn. This modest growth in 2008 earning followed a remarkable growth in 2007 of 13.6%. The lower growth in earnings was a result of lower growth in revenues and EBITDA.
- Total revenues increased by 8.9% to reach BD319mn in 2008. The largest revenue source was the mobile segment, with 51.2% (BD163.2mn) of total revenues. Operating expenses grew by 9.2% from BD161.8mn in 2007 to reach BD176mn in 2008.
- Total assets decreased by 2.7% from BD734.5mn in 2007 to record BD714.8mn in 2008, of which current assets and long-term assets composed 32.1% and 67.9% of total assets. The company was financed with 35.2% liabilities and 64.8% equity last year.
- Net income dropped by 4.2% to reach BD27.1mn in 1Q2009 to reach BD28.3mn in 1Q2008. The cause of profits decline can be attributed to drop in finance and other income from BD9.3mn in 1Q2008 to BD1.6mn in 1Q2009. Total assets decreased by 3.6% in 1Q2009 to reach BD688.7mn in 4Q2008.
- Batelco's growth prospects in Bahrain are not as significant as outside its home market. The recent wave of acquisitions outside its home enabled the company to gain access to lucrative markets with promising growth opportunities. However, some of these acquisitions will need time before they show their positive results.
- Based on the current market price of BD0.580 per share (as on June 25, 2009), Batelco is trading at a 2009E P/E and P/BV multiple of 7.7x and 1.6x respectively. Our estimated value for Batelco scrip is worked out to be BD0.839 per share. According to our fair value the company scrip offers an upside of 44.6% on the closing price of BD0.580 per share; we therefore reiterate our "BUY" recommendation on the scrip.

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Recent Development

- Along with other communication companies, Batelco formed a new communication company in Saudi Arabia (Etihad Atheeb) with a capital of SAR1.0bn (US\$267mn) in 2008. Other participants include Atheeb Group and Al-Nahla Group. Its shareholders, Batelco and Atheeb, had previously won the second fixed line license in Saudi Arabia in 2007 ending the monopoly by Saudi Telecom (STC). The license cost SAR522mn (US\$139.2mn). Besides, the company recently launched WiMaX network across Saudi Arabia. The WiMaX network provides internet connectivity at higher speed with lower cost. To finance its operations, the company raised 30% equity stake (SAR300mn or US\$80mn) in January of this year (the largest IPO in the MENA region in 1Q2009). The company was listed in the Saudi stock market in March. Batelco stake's constitutes 15.0%.
- In May 2009, Batelco, along with Dubai Millennium has acquired 49% the Indian telecommunication company, S Tel. The acquisition amounted to US\$225mn. S Tel has mobile licenses in Bihar, Orissa, Jammu and Kashmir, Himachal Pradesh, North-East and Assam. Collectively, these regions have population of 230mn and mobile penetration of less 20%, thus providing great margin for growth. Besides, S Tel also holds class A ISP which allows the company to provide broadband services across India. The other 51% of the company was acquired by the investor, Sivasankaran, who presumes control over the company.

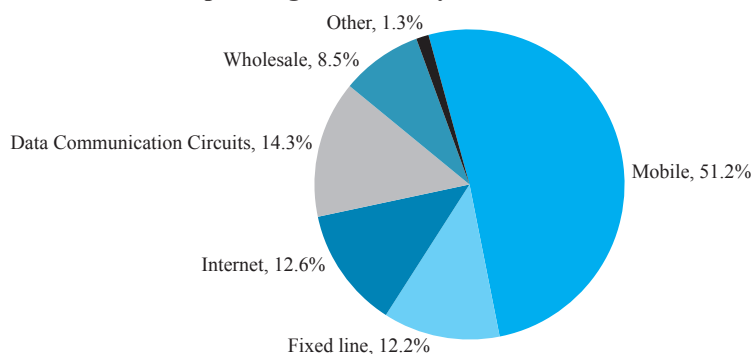
2008 Financial Performance

Revenues...

Operating revenues increased by 8.9%, from BD293mn in 2007 to reach BD319mn in 2008. The largest operating revenue source was the mobile segment, with 51.2% (BD163.2mn) of total operating revenues. Mobile revenues grew by 9.4% in 2008 from BD149.1mn in 2007. We estimate that most of the growth in this segment was from the Jordanian subsidiary, Umniah, which experienced an increase in its mobile market share from 20% in 2007 to 25.2% in 2008. On the other hand, the company's mobile market share in Bahrain declined from 59.9% in 2007 to reach 55.5%.

Data communication circuits was the second largest source of operating revenue (14.3%), and it was the fastest growing source of revenue with 33.6% growth rate in 2008, increasing from BD34.1mn in 2007 to reach BD45.6mn in 2008.

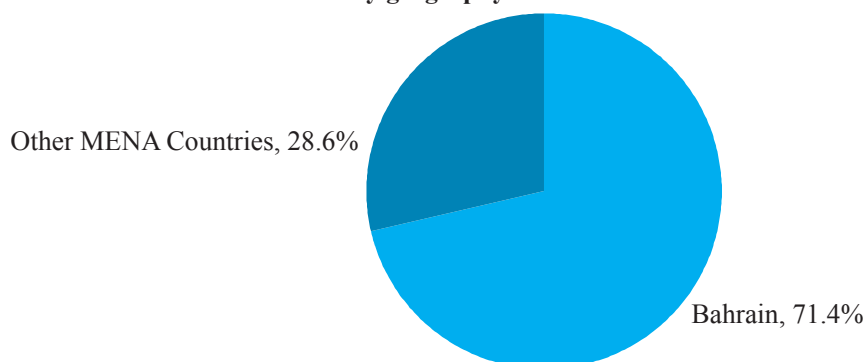
Next follows the internet revenue which constituted 12.6%. The internet revenue growth rate was 9.1% which was lower than most companies in the industry. This was due to Batelco enjoying close to monopoly market share in Bahrain, and more operators are starting to provide broadband services. Nevertheless, the penetration rate is still too low to forbid Batelco from enjoying further growth in this segment inside Bahrain. Besides, Batelco is yet to see its foreign broadband operations flourishing, which will accelerate the internet revenues.

Chart 01: Distribution of Operating Revenues by Source

Source: *Global Research & Company's Reports*

Fixed-line segment revenue dropped slightly by less than 1.0% to reach BD38.8mn in 2008. Batelco provides fixed line services only in Bahrain where the penetration rate was close to 20% at the end of 2008. The market share for Batelco was approximately 93%, and the remaining market share was held by the new operator, Kalaam Telecom. Wholesale revenue experienced a decrease of 14.5%, to reach BD27.1mn at the end of 2008.

Non-operating revenue consisted of share of profits in associates (associates profits), and finance income. We estimate the finance income to decrease this year due to the decline in interest rates. On the other hand, we expect that equity share of profits will increase because of the acquisitions made by Batelco in recent years. Associates profits will be an important part of Batelco recurring revenue in the future.

Chart 02: Distribution of Revenues by geography

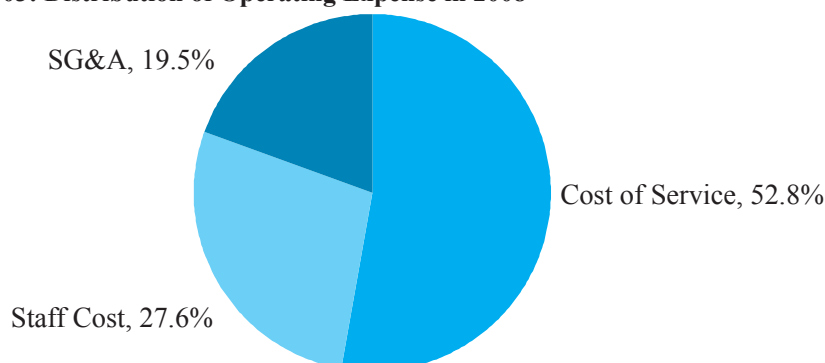
Source: *Global Research & Company's Reports*

In terms of geographical distribution of revenue, Bahrain, the home market was the main source of revenue with 71.4% of total revenue in 2008, while other MENA countries formed the remaining 28.6%. The main foreign revenue source was from Jordan. We expect foreign operations will constitute higher portion of total revenue in the future.

Operating Expenses...

Operating expense grew by 9.2% from BD162mn in 2007 to reach BD176mn in 2008. Cost of services increased from BD85.9mn in 2007 to reach BD93.0mn in 2008, up by 8.3% to constitute 52.8% of total operating expenses.

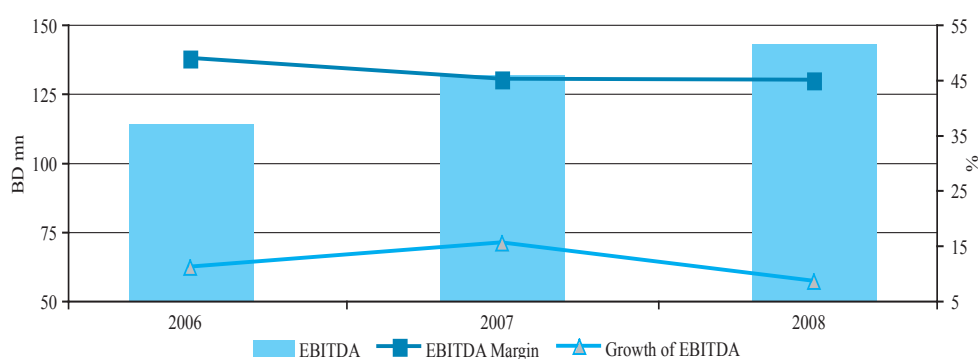
On the other hand, other costs were composed of staff cost (27.6%) and selling, general, & administrative expense (SG&A) (19.5%). Staff cost grew by 7.0% from BD45.4mn in 2007 to reach BD48.6mn in 2008, while SG&A rose by 15.2% from BD29.8mn in 2007 to record BD34.4mn in 2008.

Chart 03: Distribution of Operating Expense in 2008

Source: **Global Research & Company's Reports**

EBITDA...

Earnings before interest, taxes, depreciation, & amortization (EBITDA) climbed up by 8.5% from BD131.9mn in 2007 to reach BD143.1mn in 2008. This growth rate was lower than 2007 rate of 15.4% because operating revenue was too high in 2007 (25.0%) to be sustained. Still, the revenue performance was still remarkable in 2008. EBITDA margin was 44.8% in 2008, slightly lower than where it was in 2007 level of 45.0%.

Chart 04: EBITDA and its Measures

Source: **Global Research & Company's Reports**

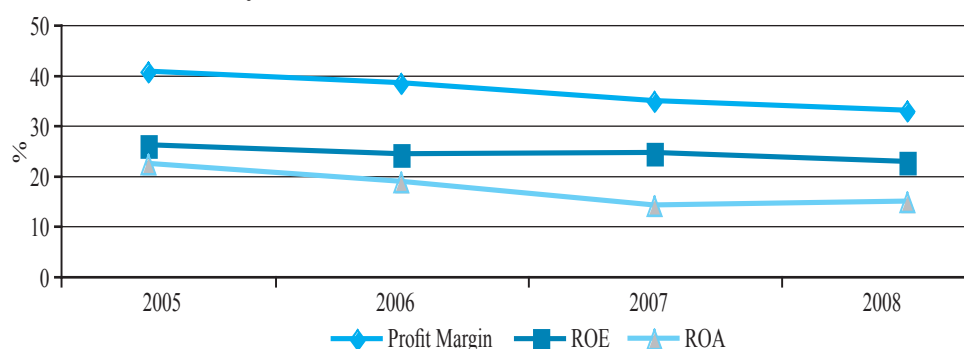
Bottom line...

Batelco's net income registered BD104.2mn at the end of 2008, up by 2.7% from 2007 level of BD101.5mn. This modest growth in 2008 earning followed a remarkable growth in 2007 of 13.6%. The lower growth in earnings was a result of lower growth in revenues and EBITDA, in addition to the increase in depreciation expense by approximately 17% (BD44.3mn).

Net profit margin has been steadily and slowly declining over the last few years. It dropped from 40.5% in 2005 to reach 32.7% at the end of 2008. The direct root for declining profit margins is due to the increase competition on the telecommunication sector. In addition, the industry is reaching mature level where growth opportunities will be scarce at home and outside.

Other profitability measures show the same pattern. Return on assets (ROA) decreased from 22.1% in 2005 to reach 14.6% in 2008, while return on equity decline was less significant, from 25.9% to 22.5% over the same period.

Chart 05: Profitability Measures



Source: *Global Research & Company's Reports*

Assets...

Total assets decreased by 2.7% from BD734.5mn in 2007 to record BD714.8mn in 2008, of which current assets and long-term assets composed 32.1% and 67.9% of total assets. Receivables, including amounts due from other operators, grew significantly by 28.8% to reach BD70.1mn, constituting 9.6% of total assets at the end of 2008. The biggest asset was Plant, property, & equipment (PP&E) with 29.6% of total assets (BD211.4mn), even though it declined slightly by 1.5%.

On the other hand, cash & equivalents declined by 28.1% in 2008 to reach BD153.5mn from BD213.7mn in 2007. The decline in cash, which constituted 21.5% of total assets in 2008, was because of acquisitions made by Batelco. As a result, associate account grew by 37.1% in 2008 to register BD85.6mn. The company acquired a 6.9% of Sabafon – Yemen, in addition to its participation on the establishment of Etihad Atheeb, which. Associates accounted for 12.0% of total assets.

The company was financed with 35.2% liabilities and 64.8% equity last year. Total liabilities decreased by 20.8% in 2008 to reach BD251mn, due to the decline in long-term debt by BD75mn to reach BD38.6mn at the end of 2008. 45.0% (BD113.4mn) of total liabilities was composed of debt. On the other hand, shareholder's equity rose by 11.1% to record BD416.8mn at the end of 2008.

1Q2009 Financial Performance

Net income dropped by 4.2% to reach BD27.1mn in 1Q2009 to reach BD28.3mn in 1Q2008. The decline in profits can be attributed to the drop in finance and other income from BD9.3mn in 1Q2008 to BD1.6mn in 1Q2009. This BD7.7mn fall was directly the result of interest rates decline, in addition to the decrease in the company's cash holdings. Despite the drop in bottom line, EBITDA witnessed an increase of 12.3%. This increase in operating profits was caused by the increase in operating revenue by 7.1% which higher was than the increase in operating expenses (3.8%). Operating Revenues stood at BD83.7mn in 1Q2009, as compared to BD78.1mn in 1Q2008.

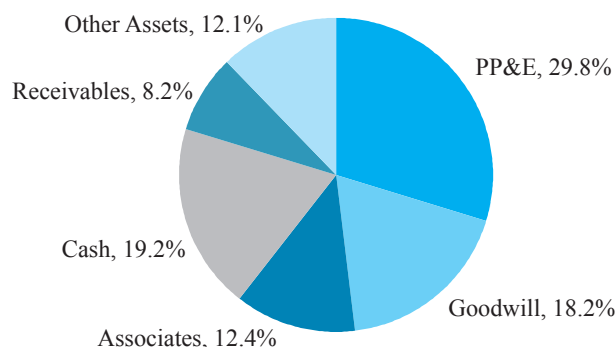
Table 01: Batelco's Income Statement Snapshot (BD mn)

	1Q2009	1Q2008	Growth
Operating Revenue	83.7	78.1	7.1%
Non-Operating Revenue	2.7	9.7	-71.8%
Operating Expenses	(49.6)	(47.8)	3.8%
Non-Operating Expenses	(9.5)	(11.2)	-15.6%
EBITDA	34.1	30.4	12.31%
Profits	27.1	28.3	-4.21%

Source: **Global Research & Company's Reports**

Total assets decreased by 3.6% in 1Q2009 to reach BD688.7mn from 4Q2008 level of BD714.8mn. This asset decline was led by cash & equivalents which declined by 13.7% over 1Q2009 to reach BD132.5mn. Still, cash was the second largest asset, consisting 19.2% of total assets. However, the largest asset was the property, plant, & equipment (PP&E), which constituted 29.8% (BD205.1mn) of the overall assets.

Chart 06: Assets Distribution in 1Q2009



Source: **Global Research & Company's Reports**

The company was financed with 34.8% liabilities and 65.2% equity at the end of 1Q2009. Total liabilities decreased by 4.8% in 1Q2009 to reach BD239678mn, of which 47.1% (BD112.9mn) was debt. In contrast, shareholder's equity declined by 3.0% to record BD449.0mn at the end of 1Q2009.

Outlook & Valuation

Batelco growth opportunities are diminishing in its home market, Bahrain. Two segments have already reached their maturity in the kingdom. The mobile segment has reached penetration rate of 131% in 2008, whereas the fixed-line penetration has been fluctuating at around 20% in the last four years. The fixed-line segment is dominated by Batelco, but a new comer into the market, Kalaam telecom, has started operations in 2006. However, Kalaam telecom uses Voice Over IP (VOIP) phone technology to provide fixed-line service, which requires broadband connection that is not available in most of the country. In addition, user adoptability to the new technology will be an obstacle in attracting new subscribers, since no tangible added-value over the existing fixed-line services. In summary, the mobile market is mature, and the fixed-line segment is under no major threat from the new operator. Thus, no exponential growth is expected in these two segments.

By contrast, the internet segment is the most promising segment in terms of growth. Even though more and more players are entering into this market, the penetration rate is expected to continue on the track of double digit growth rates. The expected increase in penetration rate would result in higher market demand, which would compensate Batelco for the loss of market shares resulting from increased competition.

Because of the limited growth opportunities in Bahrain, Batelco sought to expand outside its home market, and it made some major acquisitions. Either as an associate or subsidiary, Batelco is now present many in MENA countries, such as, Jordan, Yemen, Kuwait, Egypt, Saudi Arabia, and most recently India.

The company main foreign market is Jordan, where Batelco is the second largest mobile operator under the name of Umniah. The Jordanian subsidiary has been successful in achieving the desired growth, and it is expected to continue its growth rate. In addition to mobile services, the company also provides broadband services. Not only the company is enjoying internet revenue growth, but also the internet market, as a whole, is growing at a fast pace in Jordan. Currently, the company has 19,000 broadband subscribers. Finally, the company also provides business solutions services, and it is still small part compared to overall subsidiary operations, but the market is a promising one. All in all, the Batelco subsidiary, Umniah, provides three business services in the Jordanian market, of which all of them are expected to bring more revenue in the foreseeable future.

The Saudi associate is the second fixed-line operator in the country and it also provides internet services through its newly launch Wimax network. It will take some time before the company start making profits. Nevertheless, Saudi Arabia is one of the most attractive markets in the region, given the scale of economy, and the size of Saudi population. The Kuwaiti associate, quality net, is a dominant player in the DSL market. However, the wireless broadband services provided by the telecom companies through the 3G technology has been adversely affected the DSL segment. Still, Quality net associate is a dominant player in the broadband market.

In summary, Batelco's growth prospects in Bahrain are not as significant as outside its home market. The recent wave of acquisitions outside its home enabled the company to gain

access to lucrative markets with promising growth opportunities. However, some of these acquisitions will need time before they show their positive results.

To value Batelco, we used two methods: Discounted Cash Flows (DCF), and Earnings Multiple (P/E) of comparable companies. DCF has yielded a fair value of BD0.858 per share. On the other hand, the comparable companies had a P/E multiple of 10.10, yielding a fair value of BD0.764 per share. We have put 80% weight on DCF, and 20% on P/E.

Based on the current market price of BD0.580 per share (as on June 25, 2009), Batelco is trading at a 2009E P/E and P/BV multiple of 7.7x and 1.6x respectively. Our estimated value for Batelco scrip is worked out to be BD0.839 per share. According to our fair value the company scrip offers an upside of 44.6% on the closing price of BD0.580 per share; we therefore reiterate our “**BUY**” recommendation on the scrip.

Balance Sheet

BD'000		Bahrain Telecommunication Company					
	2006	2007	2008	2009F	2010F	2011F	2012F
Assets							
Cash and Cash Equivalents	45,756.0	213,657.0	153,540.0	117,077.6	125,484.1	135,829.6	183,459.9
Other Investments	754.0	4,524.0	2,666.0	3,732.4	4,852.1	6,307.8	8,200.1
Inventories	1,213.0	4,474.0	3,115.0	2,706.8	4,707.6	5,011.1	5,273.4
Trade and Other Receivables	42,775.0	49,468.0	54,403.0	56,833.6	58,251.4	73,757.9	68,496.6
Amounts Due from Telecom Operators	3,527.0	4,926.0	15,645.0	11,733.8	12,907.1	11,616.4	13,358.9
Total Current Assets	94,025.0	277,049.0	229,369.0	192,084.1	206,202.3	232,522.7	278,788.9
Property, Plant and Equipment	203,038.0	214,636.0	211,381.0	215,259.0	220,487.6	226,964.2	234,227.4
Goodwill	124,380.0	124,380.0	125,317.0	125,317.0	125,317.0	125,317.0	125,317.0
Intangible Assets	32,181.0	33,758.0	30,744.0	29,206.8	30,667.1	29,133.8	30,590.5
Investment in Associate	-	62,446.0	85,583.0	132,252.2	138,864.8	145,808.0	153,098.4
Other Investments	27,074.0	22,255.0	32,397.0	40,496.3	50,620.3	63,275.4	79,094.2
Total Non-Current Assets	386,673.0	457,475.0	485,422.0	542,531.2	565,956.8	590,498.3	622,327.6
Total Assets	480,698.0	734,524.0	714,791.0	734,615.3	772,159.1	823,021.0	901,116.5
Liabilities							
Trade and other payables	78,143.0	104,533.0	104,173.0	114,546.0	129,513.7	112,073.9	118,200.5
Amounts due to telecom operators	3,616.0	4,073.0	19,424.0	9,712.0	7,284.0	8,376.6	6,282.5
Current tax liabilities	-	1,350.0	2,889.0	2,889.0	2,889.0	2,889.0	2,889.0
Current portion of debt	3,659.0	77,420.0	74,757.0	73,120.0	32,904.0	29,778.1	28,289.2
Total Current Liabilities	85,418.0	187,376.0	201,243.0	200,267.0	172,590.7	153,117.7	155,661.2
Trade and other payables	10,741.0	10,177.0	6,085.0	6,997.8	8,747.2	9,621.9	10,103.0
Non current portion of debt	6,342.0	113,709.0	38,671.0	1,933.6	1,836.9	1,653.2	1,983.8
Deferred tax liabilities	7,033.0	6,456.0	5,879.0	5,879.0	5,879.0	5,879.0	5,879.0
Total Non Current Liabilities	24,116.0	130,342.0	50,635.0	14,810.3	16,463.1	17,154.1	17,965.8
Share Capital	120,000.0	120,000.0	144,000.0	144,000.0	144,000.0	144,000.0	144,000.0
Statutory Reserve	60,000.0	68,434.0	74,208.0	74,208.0	74,208.0	74,208.0	74,208.0
General Reserve	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0
Foreign Currency Translation	113.0	558.0	(884.0)	(884.0)	(884.0)	(884.0)	(884.0)
Fair Value Reserve	-	1,595.0	288.0	288.0	288.0	288.0	288.0
Retained Earnings	167,563.0	200,942.0	219,653.0	273,486.3	333,851.3	399,996.4	470,989.3
Minority Interest	8,488.0	10,277.0	10,648.0	13,439.8	16,642.1	20,140.8	23,888.2
Total Equity	371,164.0	416,806.0	462,913.0	519,538.0	583,105.4	652,749.3	727,489.5
Total Liabilities	109,534.0	317,718.0	251,878.0	215,077.3	189,053.8	170,271.8	173,627.0
Total Equity and Liabilities	480,698.0	734,524.0	714,791.0	734,615.3	772,159.1	823,021.0	901,116.5

Source: Company Reports & Global Research

Income Statement

Bahrain Telecommunications Company							
BD'000	2006	2007	2008	2009F	2010F	2011F	2012F
Revenue	234,445.0	293,079.0	319,076	338,344.7	362,121.0	385,467.2	405,647.6
Network operating expense	(61,016.0)	(85,904.0)	(93,013.0)	(102,349.3)	(108,636.3)	(116,025.6)	(120,071.7)
Gross profit	173,429.0	207,175.0	226,063.0	235,995.4	253,484.7	269,441.6	285,575.9
Staff Cost	(34,917.0)	(45,439.0)	(48,617.0)	(52,781.8)	(56,490.9)	(60,132.9)	(63,281.0)
General and administrative expense	(24,177.0)	(29,837.0)	(34,378.0)	(36,202.9)	(39,471.2)	(42,594.1)	(46,243.8)
EBITDA	114,335.0	131,899.0	143,068.0	147,011	157,523	166,715	176,051
Depreciation and amortization	(29,922.0)	(37,875.0)	(44,292.0)	(42,971.7)	(44,905.6)	(46,868.4)	(48,822.5)
EBIT	84,413.0	94,024.0	98,776.0	104,039.1	112,617.1	119,846.2	127,228.6
Finance Costs	(445.0)	(6,430.0)	(6,040.0)	(1,876)	(1,737)	(1,810)	(1,877)
Finance Income	4,030.0	5,038.0	5,479.0	461	1,463	2,823	3,735
Share of profit of associate net of tax	-	1,911.0	3,592.0	8,621	12,931	16,164	17,780
Other income	2,837.0	10,815.0	8,304.0	2,706.8	5,431.8	5,782.0	6,084.7
Profit before tax	90,835.0	105,358.0	110,111.0	113,950.9	130,706.5	142,805.2	152,952.1
Taxes	-	(1,259.0)	(2,210.0)	(2,279.0)	(2,614.1)	(2,856.1)	(3,059.0)
Profit for the year	90,835.0	104,099.0	107,901.0	111,671.9	128,092.4	139,949.1	149,893.0
Minority interest	1,500.0	2,606.0	3,694.0	2,791.8	3,202.3	3,498.7	3,747.3
Net Profit Attributable to Equity holders	89,335.0	101,493.0	104,207.0	108,880.1	124,890.1	136,450.3	146,145.7
P&L Appropriation account							
Opening Balance of Retained Earnings	157,514.0	167,563.0	200,942.0	219,653.0	273,486.3	333,851.3	399,996.4
Profit for the year	89,335.0	101,493.0	104,207.0	108,880	124,890	136,450	146,146
Dividends paid	(25,000.0)	(33,600.0)	(24,000.0)	(25,747)	(31,223)	(34,113)	(36,536)
Bonus Shares	(20,000.0)	-	(24,000.0)	-	-	-	-
Donations	(1,757.0)	(1,750.0)	(2,537.0)	(1,750)	(1,750)	(1,750)	(1,750)
Directors remuneration paid	(275.0)	(330.0)	(385.0)	(330)	(330)	(330)	(330)
Transfer to statutory reserve	(8,254.0)	(8,434.0)	(5,774.0)	-	-	-	-
Interim dividend	(24,000.0)	(24,000.0)	(28,800.0)	(27,220)	(31,223)	(34,113)	(36,536)
Closing Balance of Retained Earnings	167,563.0	200,942.0	219,653.0	273,486.3	333,851.3	399,996.4	470,989.3

Source: Company Reports & Global Research

Cashflow Statement

<i>BD '000</i>	Bahrain Telecommunications Company					
	2006	2007	2008	2009F	2010F	2011F 2012F
Operating Activities						
Net Income	89,335	101,493	104,207	108,880	124,890	136,450 146,146
Depreciation	29,922	37,875	44,292	42,972	44,906	46,868 48,822
Other Income	(6,867)	(17,764)	(17,375)	(11,788)	(19,826)	(24,769) (27,600)
Interest Cost	445	6,430	6,040	1,876	1,737	1,810 1,877
Other Operating Cash Flows	(1,985)	(40)	(5,671)	(2,080)	(2,080)	(2,080) (2,080)
Minority Interest	1,500	2,606	3,694	2,792	3,202	3,499 3,747
Change in Net Working Capital	23,104	16,267	1,658	2,550	7,948	(30,866) 7,289
Total Operating Cash Flows	135,454	146,867	136,845	145,202	160,776	130,912 178,201
Investing Activities						
Purchase of Plant & Property	(81,736)	(49,473)	(41,037)	(46,850)	(50,134)	(53,345) (56,086)
Intangible Assets	(32,181)	(1,577)	3,014	1,537	(1,460)	1,533 (1,457)
Investment in Associates	-	(62,446)	(23,137)	(46,669)	(6,613)	(6,943) (7,290)
Purchase of Investments	7,965	4,819	(10,142)	(8,099)	(10,124)	(12,655) (15,819)
Other Investment Activities	(118,267)	13,994	18,296	10,722	18,707	23,314 25,708
Total Investment Activities	(224,219)	(94,683)	(53,006)	(89,359)	(49,624)	(48,096) (54,944)
Financing Activities						
Current portion of debt	3,659	73,761	(2,663)	(1,637)	(40,216)	(3,126) (1,489)
Trade and other payables	10,741	(564)	(4,092)	913	1,749	875 481
Non current portion of debt	6,342	107,367	(75,038)	(36,737)	(97)	(184) 331
Interest Cost	(445)	(6,430)	(6,040)	(1,876)	(1,737)	(1,810) (1,877)
Minority Interest	477	(817)	(3,323)	-	-	- -
Final Dividend Paid	(25,000)	(33,600)	(24,000)	(25,747)	(31,223)	(34,113) (36,536)
Interim Dividend Paid	(24,000)	(24,000)	(28,800)	(27,220)	(31,223)	(34,113) (36,536)
Total Financing Activities	(28,226)	115,717	(143,956)	(92,305)	(102,745)	(72,470) (75,627)
Opening Balance	162,747	45,756	213,657	153,540	117,078	125,484 135,830
Total Change in Cash	(116,991)	167,901	(60,117)	(36,462)	8,406	10,345 47,630
Ending Balance	45,756	213,657	153,540	117,078	125,484	135,830 183,460

Source: Company Reports & Global Research

Fact Sheet

Bahrain Telecommunications Company							
	2006	2007	2008	2009F	2010F	2011F	2012F
Liquidity Ratios							
Current ratio (times)	1.1	1.5	1.1	1.0	1.2	1.5	1.8
Quick ratio (times)	1.1	1.5	1.1	0.9	1.2	1.5	1.8
Cash ratio (times)	0.5	1.1	0.8	0.6	0.7	0.9	1.2
Profitability Ratios							
Gross Margin	74.0%	70.7%	70.8%	69.8%	70.0%	69.9%	70.4%
EBITDA Margin	48.8%	45.0%	44.8%	43.5%	43.5%	43.3%	43.4%
EBIT Margin	36.0%	32.1%	31.0%	30.7%	31.1%	31.1%	31.4%
Net Profit Margin	38.1%	34.6%	32.7%	32.2%	34.5%	35.4%	36.0%
ROE	24.1%	24.4%	22.5%	21.0%	21.4%	20.9%	20.1%
ROA	18.6%	13.8%	14.6%	14.8%	16.2%	16.6%	16.2%
Efficiency Ratios							
A/R Turnover (times)	6.1	6.4	6.1	6.1	6.3	5.8	5.7
Inventory Turnover (times)	58.5	30.2	24.5	35.2	29.3	23.9	23.4
A/P Turnover (times)	0.60	0.76	0.80	0.79	0.84	0.93	0.94
COGS/Sales	26.0%	29.3%	29.2%	30.3%	30.0%	30.1%	29.6%
SG&A /Sales	10.3%	10.2%	10.8%	10.7%	10.9%	11.1%	11.4%
Financing Ratios							
Debt to equity (times)	0.03	0.46	0.25	0.14	0.06	0.05	0.04
Debt to total assets	2.1%	26.0%	16%	10%	4%	4%	3%
Dividends payout ratio	0.0%	0.0%	0%	0%	0%	0%	100%
Growth Rates							
Revenue growth rate	10.8%	25.0%	8.9%	6.0%	7.0%	6.4%	5.2%
Net income growth rate	4.4%	13.6%	2.7%	4.5%	14.7%	9.3%	7.1%
Equity growth rate	12.2%	12.3%	11.1%	12.2%	12.2%	11.9%	11.5%
Total assets growth rate	24.2%	52.8%	-2.7%	2.8%	5.1%	6.6%	9.5%
Valuation Ratios							
Number of shares (in 000)	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000	1,440,000
Par Value per share (BD)	0.083	0.083	0.100	0.100	0.100	0.100	0.100
BV per share (BD)	0.258	0.289	0.321	0.361	0.405	0.453	0.505
EPS (BD)	0.062	0.070	0.072	0.076	0.087	0.095	0.101
Market price share (BD)	0.792	0.804	0.626	0.580	0.580	0.580	0.580
Market capitalization (BD 000)	1,140,480	1,157,760	901,440	835,200	835,200	835,200	835,200
Enterprise Value (BD 000)	1,104,725	1,135,232	861,328	793,176	744,457	730,802	682,013
EV / EBITDA	9.7	8.6	6.0	5.4	4.7	4.4	3.9
P/E ratio	12.8	11.4	8.7	7.7	6.7	6.1	5.7
P/BV ratio	3.1	2.8	1.9	1.6	1.4	1.3	1.1

Source: Company Reports & Global Research

Historical P/E & P/B multiples pertain to respective year-end prices, while those for future years are based on closing price as at June 25, 2009.

The following is a comprehensive list of disclosures which may or may not apply to all our researches. Only the relevant disclosures which apply to this particular research has been mentioned in the table below under the heading of disclosure.

Disclosure Checklist

Company	Recommendation	Ticker	Price	Disclosure
Bahrain Telecommunication Co.	Buy	BTEL.BH (Reuters) BATEL BI (Bloomberg)	BD0.580	1, 10
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Global Rating	Definition
Buy	Fair value of the stock is >10% from the current market price
Hold	Fair value of the stock is between +10% and -10% from the current market price
Reduce	Fair value of the stock is between -10% and -20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

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