



Research Note

Etisalat

Rating: Outperform

Etisalat Q1 2009 Preview

- Revenue is expected to grow 18.2% yoy and 1.6% qoq to reach AED 7.16bn. We do not expect population easing in the UAE or start up costs of Indian and Iranian operations to impact Q1 2009 results. However, we do expect foreign exchange weakness to marginally impact top line revenue and income from associates.
- EBITDA is projected to grow to AED 4.69bn, +6.6% yoy and +31.2% qoq. EBITDA margins are, however, expected to continue to decline to 65.5% for Q1 2009 compared to 66.1% for full year 2009.
- It should be noted Q1 2009 EBITDA and net income appear strong compared to Q4 2008, but this is due, in the most part, to the AED 1.3bn of provisions related to receivables, doubtful debts and inventory booked in Q4 2008.
- We expect Etisalat to earn net profits of AED 2.21bn (AED 0.31 per share), +4.2% yoy and 56.5% qoq, compared to AED 1.41bn qoq (AED 0.20 per share) and AED 2.12bn yoy (AED 0.30 per share).
- 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 15.57, giving 50% upside to the current price. We have adjusted our target price to take account of the recent 20% bonus share issue which had a record date of 2nd April 2009.

Equity Data		Etisalat
Current Price (AED)		10.35
Target Price (AED)		15.57
Upside/Downside		50.4%
12 Month Performance		-42.6%
12 Month High (AED)		18.38
12 Month Low (AED)		7.75
Market Cap. (AED bn)		74.4
Dividend Yield		4.8%
Enterprise Value (AED bn)		74.8
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	8,560	9,122	10,027	10,897	11,826
Net Income Margin		33.2%	29.9%	29.8%	30.1%	30.2%	30.9%
EPS (AED)		1.45	1.19	1.27	1.40	1.52	1.65
Net Debt/Equity		-15.0%	-18.6%	-21.9%	-27.6%	-32.8%	-36.4%
Interest Cover		35.6	34.3	40.3	51.8	97.0	350.0
Dividend/Share (AED)		0.60	0.58	0.69	0.83	0.99	1.19
Dividend Yield		5.8%	5.6%	6.7%	8.0%	9.6%	11.5%

Estimates		Etisalat					
Valuation Multiples		2008A	2009E	2010E	2011E	2011E	2011E
PE		7.2	8.7	8.2	7.4	6.8	6.3
EV/EBITDA		4.3	4.1	3.9	3.6	3.4	3.2
P/BV		1.9	1.9	1.7	1.6	1.5	1.4
BV/Share		5.53	5.33	5.99	6.59	7.14	7.65

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