



Results Review

Etisalat

Rating: Outperform

Etisalat Q2 2010 Results

- Etisalat reported Q2 2010 results with net income of AED 1,872mn (-6.1% qoq, -22.5% yoy), 6.1% below our expectations, with EPS of AED 0.23 and a net income margin of 23.2%.
- Revenues grew marginally qoq to reach AED 8,065mn (+1.5% qoq, -1% yoy) and were in line with our expectations.
- Whilst revenues are in line, net income has been below expectations. as opex has increased by 8.7% qoq. This has resulted in EBITDA of AED 4,119mn (-6.4 qoq, -26.4% yoy) and pushed quarterly EBITDA margins down to 51.1% from 54.3%. The increase in opex is mainly due to a foreign exchange loss of AED 267mn in Q2 2010. This also pushed down operating profits to AED 3,408mn (-6.1% qoq, -22.5% yoy) and EBIT margins to 42.3%. As start up operations such as India start contributing revenue we expect margins to improve.
- Capex for Q2 2010 came to AED 653mn, (8% of sales). Whilst Q2 2010 capex is lower than that of Q1 2010 (AED 1,540mn), overall capex for H1 2010 (AED 2,193mn) is in line with H1 2009 capex (AED 2,044mn) as Etisalat continues with its national FTTH deployment.
- UAE mobile subscribers grew by 90,000 in Q2 2010 to 7.8mn. We believe this is off the back of Etisalat promotion of mobile internet packages at AED 99/month for the first 3 months, and a lesser extent the launch of the 3G Apple ipad.
- UAE internet subscribers increased by 10,000 to 1.39mn (+0.7% qoq, +13% yoy) whilst UAE fixed line subscribers declined by 20,000 to 1.28mn (-1.5% qoq, -3.8% yoy).
- Despite a weak quarter, based on our projections, Etisalat is trading on a 2010 EV/EBITDA of 3.9x, a discount of 32% respectively relative to its peer group. We maintain our *Outperform* rating on the company, with a target price of AED 14.66, giving 42% upside to the current price.

Equity Data

Current Price (AED)	10.35
Target Price (AED)	14.66
Upside/Downside	41.6%
12 Month Performance	8.9%
12 Month High (AED)	11.59
12 Month Low (AED)	8.64
Market Cap. (AED bn)	74.4
Dividend Yield	6.7%
Enterprise Value (AED bn)	74.8
RIC	ETELAD
Bloomberg	ETISALAT UH



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	5.6%	6.1%	7.3%	8.7%	10.5%	12.6%
Estimates	Etisalat					
Valuation Multiples	2009A	2010E	2011E	2012E	2013E	2014E
PE	8.4	9.4	9.1	8.7	8.2	7.8
EV/EBITDA	3.8	3.9	3.8	3.7	3.6	3.4
P/BV	1.6	1.5	1.4	1.3	1.2	1.2
BV/Share	6.54	6.86	7.44	7.91	8.28	8.47

Irfan Ellam
T+971 4 360 11 17
irfan.ellam@almalcapital.com

Downtown Burj Dubai
Emaar Square
Building 4. Office # 302
Sheikh Zayed Road
P. O. Box 119930
Dubai, United Arab Emirates
T +971 4 360 1111
F +971 4 360 1122
www.almalcapital.com

**Al Mal Securities Group****Institutional Sales & Trading**

Jalal Faruki +971 4 360 11 03

Zahed Chowdhury +971 4 360 11 09

Khamis Shinnawi +971 4 360 11 10

Kamal Samarraï +971 4 360 11 05

Carlo Dalafu +971 4 360 11 04

All Desks Number +971 4 360 11 00**Al Mal Capital Research****Equity Research Analysts**

Irfan Ellam +971 4 360 11 53

Ghada Abdel Kader +971 4 360 11 47

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