



Earnings Update

Etisalat

Rating: Outperform

Etisalat Q2 2009 Results

- Etisalat reported Q2 2009 results with net income after minority interests of AED 2,415mn (AED 0.34 per share) marginally above our estimate of AED 2,393mn (AED 0.33 per share), representing net income and EPS increases of 10.9% qoq and a decrease of 18.1% yoy respectively. Net income margins at 31.7% improved from 30.6% qoq, having declined from 41.4% a year ago. However Q2 2008 results included a gain from the sale of a stake in Mobily, the exclusion of which results in underlying net income growth of 17.3% yoy.
- Revenue for the quarter increased to AED 7.63bn, up 7.0% yoy and 7.1% qoq, with UAE revenues growing 5.6% qoq and international revenues by 20.7% qoq. The UAE still remains the main revenue contributor to the group (89.6% in H1 2009). UAE mobile subscribers decreased to 7.26mn, representing a net loss of 81,000 subscribers, a decrease of 1.1% qoq, we believe as a result of the impact of population easing. Fixed line subscribers continued to show a decline to 1.33mn, down 1.4% qoq. UAE internet subscribers continued to grow to reach 1.23mn, a growth of 2.3% qoq. The H1 2009 decline in UAE revenue from mobile voice and fixed line (down AED 213mn yoy) has however been more than offset by growth in internet and data revenues (up AED 812mn yoy).
- Opex has been managed well, and at 30.5% of revenue, is lower both on a qoq (35.4% of revenue) and yoy basis (31.4% of revenue).
- Capex for the quarter increased to AED 1.39bn, (18% of sales) versus AED 270mn in Q1 2009 (4% of sales) and AED 901mn in Q2 2008 (16% of sales). A majority of capex spend was incurred in the UAE in the FTTH network, which should lead to revenue generation from triple play services in the latter half of the year.
- We view Etisalat's Q2 2009 results as solid in the context environment, with top and underlying bottom line growth both on a qoq and yoy basis. These results are line with our forecasts and we remain positive on the company. We maintain our *Outperform* rating on the company, with a target price of AED 17.44, giving 66.9% upside to the current price.

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Equity Data

Etisalat

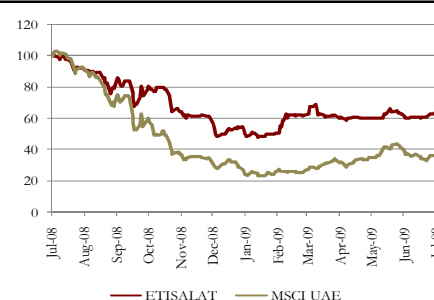
Current Price (AED)	10.45
Target Price (AED)	17.44
Upside/Downside	66.9%
12 Month Performance	-35.0%
12 Month High (AED)	17.00
12 Month Low (AED)	7.75
Market Cap. (AED bn)	75.1
Dividend Yield	5.5%
Enterprise Value (AED bn)	75.5

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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%
Dividend/Share (AED)	0.60	0.58	0.69	0.83	0.99	1.19
Dividend Yield	5.7%	5.5%	6.6%	7.9%	9.5%	11.4%
Valuation Multiples	2008A	2009E	2010E	2011E	2011E	2011E
PE	7.2	8.4	7.5	6.8	6.3	5.8
EV/EBITDA	4.4	4.1	3.9	3.6	3.4	3.3
P/BV	2.1	1.9	1.7	1.5	1.4	1.3
BV/Share	4.96	5.56	6.24	6.87	7.46	8.01

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