

Emirates Telecommunications Corporation- Etisalat

Tickers:

ETEL.AD (Reuters)

ETISALAT UH (Bloomberg)

June, 2009

Listing:

Abu Dhabi Stock Market (ADSM)

Buy

Fair Value:

AED16.80

CMP:

AED10.00 (As of June 23, 2009)

Key Data

CMP (AED)#	10.00
EPS (AED)*	1.19
BVPS (AED)*	5.51
P/E (x)	8.4
P/BV (x)	1.8
12M Avg.vol.	923,132
52 week Lo / Hi (AED)	9.53-20.20

Source: Global Research

As on June 23, 2009

* 2009 projected

Highlights

- Despite intense competition, and global market conditions, **Etisalat** reported consolidated revenues of AED26.1bn in 2008, an increase of 22.4% over 2007 revenues. Revenues from international operations increased by 147.1% and formed 9% of the group's revenues compared to 4% in 2007.
- Consolidated net profit stood at AED8.66bn, increasing by 19% on a y-o-y basis. During 2008, Etisalat reported a one-time gain of AED1.78bn from selling part of its stake in Saudi's Mobily. Accordingly, we expect a slight decline of 1.4% in net profit to reach AED8.54bn in 2009 which is lower than 2008 net profit due to that one time gain.
- Etisalat posted consolidated revenues of AED7.11bn for Q1 2009, an increase of 13% over AED6.28bn reported in Q1 2008. Net profit increased by 4% to reach AED2.1bn compared to AED2.0bn reported in the same period in 2008.
- Despite the loss of Iran's license, Etisalat recently acquired 45% of Swan Telecom, a recently licensed mobile operator in India for UD\$900mn. Etisalat India is expected to launch GSM services during 2009.
- We believe that UAE would still be the main revenue driver for Etisalat, however, the key growth area in the UAE would be data and internet services. A strong financial position will enable Etisalat to continue pursuing its expansion strategy and eye strategic acquisitions.
- At the current market price (June 23 2009), Etisalat trades at 8.4x and 7.9x its earnings and 1.8x and 1.6x its book value for 2009F and 2010F respectively. We have used Sum-Of-The Parts (SOTP) valuation method for the company's operations in different countries. Based on the consolidation of the individual company operations, our SOTP valuation estimates the fair value of Etisalat's stock at AED16.80, which is 68% higher than the current market price of the stock. We therefore reiterate our "**Buy**" recommendation for Etisalat.

Financial Performance and Outlook

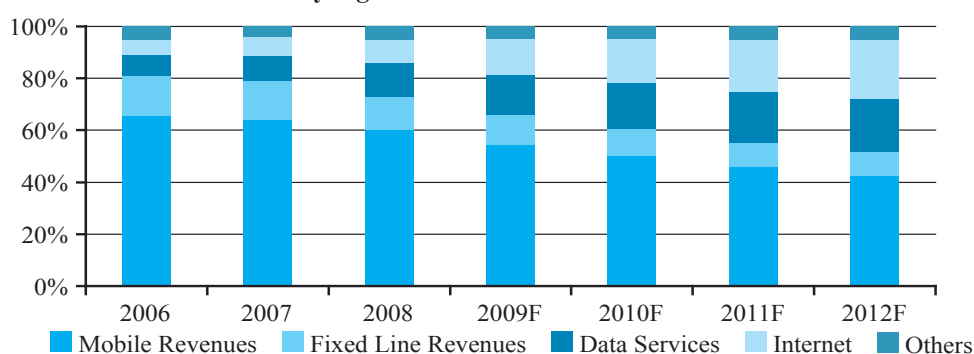
Increase in international revenues...

Despite intense competition, and global market conditions, Etisalat reported consolidated revenues of AED26.1bn in 2008, an increase of 22.4% over 2007 revenues. Revenues from international operations increased by 147.1% and formed 9% of the group's revenues compared to 4% in 2007, while revenues from UAE operations grew by 16.7% on a y-o-y basis.

Intense Competition in home market...

Despite competition in the group's home market after Du joined the market in 2007, Etisalat still managed to increase its subscribers' base. The UAE still enjoys one of the very high mobile penetration rates which could be attributed to the presence of inactive subscribers coupled with multiple SIM ownership. The company's mobile subscribers grew by 14.3% on y-o-y basis to reach 7.3mn subscribers in 2008 with a market share of 74% compared to a market share of 84% in 2007. Etisalat has been losing market share since Du joined the market in 2007. In addition, competition has put a downward pressure on ARPUs which declined from AED174 (US\$47.3) in 2007 to AED169 (US\$46.0) in 2008. Accordingly, though still dominating revenues, the share of mobile segment revenues in revenues from UAE operations declined from 64% in 2007 to 60% in 2008.

Chart 01: UAE Revenues by segment



Source: Etisalat, Global Research

Competition driving mobile ARPUs down...

We believe however that the mobile market in the UAE is near saturation, especially with current market conditions and the decline in population growth. We project further declines in ARPUs, however, we do not foresee price wars between the current two operators. We believe that the focus would be on providing new value added services. One of the strategies followed by Etisalat in order to boost revenues has been forming synergies in the countries in which it operates such as the roaming alliance between Etisalat UAE, Mobily in KSA, and Etisalat Misr in Egypt.

Fixed lines stabilizing, Internet and data witness highest growth...

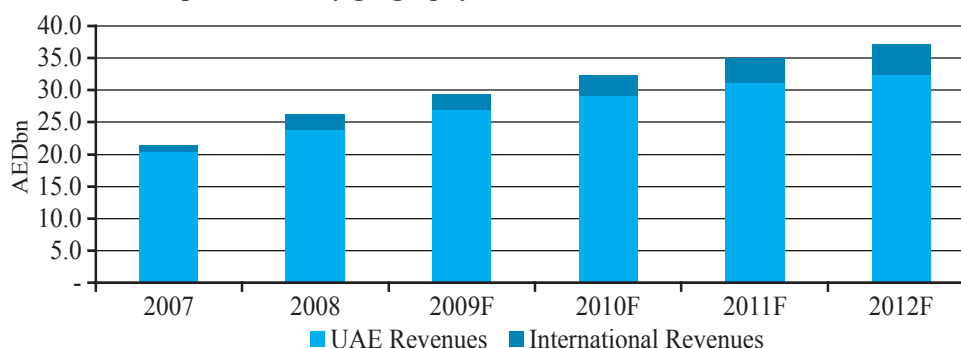
Fixed lines subscribers grew by 2.5% to reach 1.35mn subscribers with a 95% market share. The fixed lines segment also witnessed a declining share in revenues, forming 13% of revenues compared to a share of 15% in 2007. Fixed lines penetration in the UAE has been stable around 30% for the past five years. On the other hand, the internet and data services segments share increased from 17% in 2006 to 22% in 2007, and also witnessed the highest growth rate, growing by 51% on a y-o-y basis.

Future belongs to broadband...

Going forward, we believe that the internet and data services segment will be the key growth area for the group in UAE, giving lower penetration rates and high growth potential. Etisalat has been strengthening its position to capitalize on the opportunities present in the internet and broadband segment. Etisalat upgraded from WCDMA to HSDPA (3.5G) technology, and in January 2008, Etisalat announced that it had completed the first phase of deployment of its Fiber to the Home (FTTH) network. The 3.5G network deployment continued in 2008, and now covers major parts of the country. In April 2008, the company launched a 3.5G router that offers up to 7.2Mbps download speeds. Another major new cable initiative, the IMEWE between India, the Middle East, and Europe will expand the international network. The IMEWE -India, Middle East, and Western Europe will be a three fiber pair, new generation submarine cable system and will cover a distance of approximately 13,000 kilometers. The IMEWE is expected to be available for commercial service by Q4 2009. In addition, the rollout and implementation of Next Generation Networks for triple play services continues with the implementation in Abu Dhabi for full service.

Revenues from international operations jump by 147%...

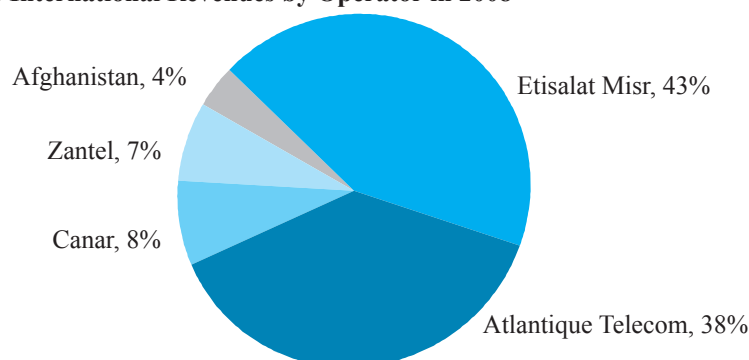
Revenues from international operations jumped from AED935mn in 2007 to AED2.31bn in 2008, forming 9% of the group's revenues in 2008. Etisalat is now present in 17 countries in the Middle East, Asia and Africa and services covering a total population of around 1.7bn people. During 2008, Etisalat had five subsidiaries that contributed to the group's consolidated revenues, Etisalat Misr (Egypt), Atlantique Telecom (West Africa), Canar (Sudan), Zantel (Tanzania) and Etisalat Afghanistan.

Chart 02: Group Revenues by geography

Source: Etisalat, Global Research

Etisalat Misr and AT contributes the most to international operations revenues...

Etisalat Misr contributed the most to international revenues, forming 43% of international revenues in 2008. Etisalat Misr was launched in 2007, and had 6.8mn subscribers by the end of 2008. Its 2G network covers 96% of the population, while its 3G network covers 70%. Etisalat is currently focusing on enhancing its position in the broadband segment in Egypt. The second biggest contributor to the group's international revenues was Atlantique Telecom (AT) which has several subsidiaries spanning over several countries in West Africa contributing 38% to international revenues. Through its subsidiaries AT currently covers 47% in the countries in which it operates, and plans to cover 68% in 2009. Following Etisalat Misr, and Atlantique Telecom, Canar contributed 8% to international revenues, while Zantel's contribution stood at 7%, and Afghanistan 4%.

Chart 03: International Revenues by Operator in 2008

Source: Etisalat, *Global Research*

Mobily contributes the most to income from associates...

Though the majority of Etisalat's international operations are start-up operations, income from other associates also jumped by 24% to reach AED472.6mn in 2008 compared to AED380.0mn in 2007. Income from other associates consists of income from Mobily (Saudi), PTCL (Pakistan), Etisalat Nigeria, Excelcomindo Pratama (Indonesia), and Thuraya (UAE). The major contributor to the group's income from associates is Mobily.

Increasing contribution from international operations...

We expect the contribution of international operations to the group's top-line will increase from 9% to reach 13% in 2012. Etisalat is planning to further increase its global footprint. Etisalat recently announced that it is targeting opportunities in Syria and Lebanon to expand its business but will grow more conservatively in 2009 due to the global economic crisis. The group had also recently bid for Iran's third mobile license which was won by Zain of Kuwait.

Etisalat India to start in 2009...

Despite the loss of Iran's license, Etisalat recently acquired 45% of Swan Telecom, a recently licensed mobile operator in India, for UD\$900mn. Etisalat India (Swan Telecom) has a Unified Access Service License (UASL) to operate in 13 of 22 telecom circles in India, and is in the process of acquiring two more licenses. These licenses enable Etisalat to provide a full spectrum of telecom services, including GSM services, covering a population of over 900 mn across India. Etisalat India is expected to launch GSM services in these circles during 2009. Despite a crowded mobile market with 12 mobile operators in 2008, the Indian market has huge potential with a population of around 1.1bn, and with over 94% of the population below the age of 65. In addition, total wireless subscribers stood at 346.89mn subscribers at the end of 2008 with a penetration rate of 30%.

Table 01: Wireless Operators in India by Market Share

1	Bharti	24.69%
2	Reliance	17.68%
3	Vodafone	17.56%
4	BSNL	13.33%
5	Idea	9.86%
6	Tata	9.16%
7	Aircel	4.64%
8	MTNL	1.21%
9	Spice	1.10%
10	BPL	0.56%
11	HFCL	0.11%
12	Shyam	0.11%

Source: Telecom Regulatory Authority of India

Start-up operations still pressuring EBITDA margin...

EBITDA margin for the entire group declined from 73% in 2007 to 66% in 2008. This is due to the fact that most of Etisalat's operations are in the start-up phase. We expect the Group's EBITDA margin to continue its declining trend, however at a decreasing rate as international operations break-even. Etisalat Misr turned EBITDA positive in 2008 with an EBITDA of AED997mn compared to a negative EBITDA of AED467mn in 2007, while AT's EBITDA improved significantly from AED7mn in 2007 to AED883mn. In addition, we expect improvement in EBITDA margin of the UAE operations following the rollout of the FTTH network, which is provided through optic fiber cable across the country, which should decrease operating costs.

One off gain from selling a stake in Mobily in 2008...

Consolidated net profit stood at AED8.66bn, increasing by 19% on a y-o-y basis. During 2008, Etisalat reported a one-time gain of AED1.78bn from selling part of its stake in Saudi's Mobily, reducing Etisalat's stake in Mobily to 26.35% from 35%. Accordingly, we expect a slight decline of 1.4% in net profit to reach AED8.54bn in 2009 which is lower than 2008 net profit due to that one time gain.

Increasing capex in line with foreign investments...

The group's consolidated capex to sales ratio stood at 14% in 2008 compared to 16.2% in 2007. Capex to sales ratio have been high for the past two years compared to a capex to sales ratio of 8.8% in 2006 on the back of increasing capex for the group's start-up international operations. Going forward, we expect increasing capex for international operations in line with the group's expansion strategy. Etisalat plans to invest US\$1bn in India's operations.

Strong Balance Sheet, Low Leverage...

Etisalat has a strong financial position enabling it to pursue its strategic expansion and infrastructure investments. Balance sheet grew by 18% to reach AED62bn in 2008, with a debt to assets ratio of 4% in 2008 compared to 10% in 2007. Cash stood at AED11.2bn in 2008 and formed 18.2% of total assets. Etisalat was rated 'Stable' by three rating agencies. Moody's awarded the Group an 'Aa2', S&P awarded 'A+', and Fitch awarded an 'AA-'.

Stable dividends...

Etisalat distributes semi-annual dividends. It distributed AED0.25 in the first half of 2008, and AED0.35 in the second half of 2008, raising the total dividend AED0.60 for 2008. Etisalat also distributed a 20% bonus shares in 2009, increasing paid up capital to AED7.1bn.

Revenue growth of 13% in Q1 2009...

Etisalat posted consolidated revenues of AED7.11bn for Q1 2009, an increase of 13% over AED6.28bn reported in Q1 2008. Net profit increased by 4% to reach AED2.1bn compared to AED2.0bn reported in the same period in 2008.

Outlook & Valuation

With the UAE mobile market approaching saturation, we believe that the two mobile operators will focus on high quality value added services. The migration to NGN (Next Generation Network) in UAE will enable Etisalat to further introduce more value added services. We believe that UAE would still be the main revenue driver for Etisalat, however, the key growth area in the UAE would be data and internet services. A strong financial position will enable Etisalat to continue pursuing its expansion strategy and eye strategic acquisitions.

We expect the share of international operations of the group's top line results to increase from 9% in 2008 to 13% in 2012. We also expect revenues from international operations to grow by a CAGR of 19% during our forecast period (2009-2012), while a CAGR of 8% is expected for revenues from the UAE operations during the same period. We are particularly bullish on the group's operations in West Africa, Egypt, and India, and we believe that they will be the main contributors to the group's international revenues, and will also witness the highest growth rates in subscribers and revenues.

At the current market price (June 23 2009), Etisalat trades at 8.4x and 7.9x its earnings and 1.8x and 1.6x its book value for 2009F and 2010F respectively. We have used Sum-Of-The Parts (SOTP) valuation method for the company's operations in different countries. Based on the consolidation of the individual company operations, our SOTP valuation estimates the fair value of Etisalat's stock at AED16.80, which is 68% higher than the current market price of the stock. We therefore reiterate our **"Buy"** recommendation for Etisalat.

Balance Sheet

AED '000		Emirates Telecommunications Corporation «Etisalat»					
	2006	2007	2008	2009F	2010F	2011F	2012F
Fixed assets	8,495,580	11,875,953	14,108,228	14,852,847	16,355,652	17,981,424	19,423,026
Intangibles	-	1,686,847	2,825,583	3,531,979	4,061,776	4,671,042	5,371,698
Licenses	11,230,398	12,199,498	12,642,732	13,059,277	13,511,740	14,000,861	14,527,491
Investments in joint ventures and associates	11,853,648	13,407,470	15,169,656	17,130,634	19,158,430	21,779,001	22,958,259
Other investments	365,210	365,210	471,366	479,338	485,045	486,471	486,828
Loans to associated undertaking	410,175	-	10,287	-	-	-	-
Deferred tax asset	-	12,124	56,944	71,180	88,975	111,219	139,023
Total long term assets	32,355,011	39,547,102	45,284,796	49,125,254	53,661,617	59,030,019	62,906,326
Stores	65,857	175,207	202,845	243,414	279,926	307,919	338,711
Debtors and prepayments	1,090,684	2,046,838	2,917,051	3,792,166	4,550,600	5,460,719	6,006,791
Dues from associates	1,721,489	210,470	495,380	619,225	743,070	854,531	939,984
Loans to associates	56,270	-	-	-	-	-	-
Amounts due from other telecommunication administrations	315,118	1,035,477	1,876,938	2,440,019	2,928,023	3,513,628	3,864,991
Bank and cash balances	10,304,033	9,432,564	11,294,868	10,963,726	11,184,118	10,452,212	12,581,677
Total current assets	13,553,451	12,900,556	16,787,082	18,058,551	19,685,737	20,589,008	23,732,154
Total assets	45,908,462	52,447,658	62,071,878	67,183,805	73,347,354	79,619,027	86,638,479
Creditors and accruals	8,568,450	13,230,521	16,330,169	15,400,060	15,636,714	15,833,584	15,842,602
Amounts due to other telecommunications administrations	932,494	1,299,178	1,637,545	1,965,054	2,259,812	2,485,793	2,734,373
Amounts payable on acquisition of investments and licenses	978,883	1,045,734	2,063,249	978,883	978,883	978,883	978,883
Short term loans from investment partners	1,537,426	-	-	-	-	-	-
Bank borrowings	-	343,000	722,305	2,835,098	2,268,078	1,436,449	909,751
Proposed dividend	1,588,125	1,746,937	2,096,325	-	-	-	-
Total current liabilities	13,605,378	17,665,370	22,849,593	21,179,094	21,143,488	20,734,710	20,465,609
Bank borrowings	6,980,600	3,140,921	1,648,311	1,987,037	2,185,740	2,404,314	2,644,746
Advances from investment partners	551,059	608,863	608,863	608,863	608,863	608,863	608,863
Long term loans from investment partners	-	1,642,955	387,246	387,246	387,246	387,246	387,246
Amounts payables on acquisition of investments and licenses	2,936,653	2,057,634	1,044,028	1,252,834	1,503,400	1,804,080	2,164,896
Provision for staff terminal benefits	440,295	533,808	786,723	944,068	1,038,474	1,059,244	1,080,429
Deferred tax liability	-	146,895	306,074	336,681	370,350	407,384	448,123
Non current portion of creditors	-	756,220	840,080	856,992	942,691	1,036,960	1,140,656
Total long term liabilities	10,908,607	8,887,296	5,621,325	6,373,720	7,036,765	7,708,092	8,474,959
Total liabilities	24,513,985	26,552,666	28,470,918	27,552,815	28,180,252	28,442,802	28,940,568
Share capital	4,537,500	4,991,250	5,989,500	7,187,400	7,187,400	7,187,400	7,187,400
Reserves	14,418,604	18,876,586	22,754,138	27,027,354	31,590,238	36,414,330	41,397,566
Gain on dilution of interest in an associate	163,425	163,425	203,861	183,475	174,301	165,586	157,307
Unappropriated profit	67,168	25,725	97,009	866,188	1,687,507	2,555,844	3,452,826
Minority interest	2,207,780	1,838,006	4,556,452	4,366,574	4,527,656	4,853,066	5,502,812
Total equity	21,394,477	25,894,992	33,600,960	39,630,990	45,167,102	51,176,225	57,697,912
Total liabilities & equity	45,908,462	52,447,658	62,071,878	67,183,805	73,347,354	79,619,027	86,638,479

Source: Company Reports and Global Research

Income Statement

<i>AED '000</i>	Emirates Telecommunications Corporation «Etisalat»					
	2006	2007	2008	2009F	2010F	2011F
Revenues	16,290,257	21,339,852	26,119,134	29,310,336	32,285,440	35,041,796
COGS	(3,387,399)	(5,134,248)	(8,194,564)	(9,379,308)	(10,573,482)	(12,544,963)
Gross profit	12,902,858	16,205,604	17,924,570	19,931,029	21,711,958	22,496,833
Regulatory expenses	(388,215)	(644,316)	(667,488)	(792,435)	(863,242)	(894,448)
EBITDA	12,514,643	15,561,288	17,257,082	19,138,594	20,848,716	21,602,385
Amortization	(5,729)	(593,756)	(809,283)	(982,956)	(1,017,013)	(1,053,828)
Depreciation expense	(1,391,349)	(1,368,182)	(1,708,289)	(1,896,870)	(2,113,870)	(2,352,571)
Net operating profit	11,117,565	13,599,350	14,739,510	16,258,768	17,717,833	18,195,986
Interest expense	(261,692)	(503,139)	(413,564)	(424,646)	(404,863)	(368,548)
Interest income	475,704	622,715	425,804	677,692	657,824	671,047
Share of results of associated undertakings	267,018	380,042	472,694	602,991	756,132	1,453,106
Other income	71,049	40,398	1,783,686	48,478	58,173	63,990
Minority interest	49,850	576,218	498,568	189,878	(161,083)	(325,409)
Net profit before taxes and royalty fees	11,719,494	14,715,584	17,506,698	17,353,161	18,624,016	19,690,173
Taxes	-	(122,296)	(176,730)	(260,297)	(372,480)	(393,803)
Net profit before royalty fees	11,719,494	14,593,288	17,329,968	17,092,864	18,251,536	19,296,369
Royalty fees	(5,859,747)	(7,296,644)	(8,664,984)	(8,546,432)	(9,125,768)	(9,648,185)
Net profit	5,859,747	7,296,644	8,664,984	8,546,432	9,125,768	9,648,185
Retained earnings (Beg.)	76,306	67,168	25,725	97,009	866,188	1,687,507
Net profit	5,859,747	7,296,644	8,664,984	8,546,432	9,125,768	9,648,185
Dividends	(2,722,500)	(2,994,750)	(3,593,700)	(3,504,037)	(3,741,565)	(3,955,756)
Reserves	(3,146,250)	(4,827,273)	(5,000,000)	(4,273,216)	(4,562,884)	(4,824,092)
Bonus shares	-	-	-	-	-	-
Transfer to statutory reserve	(135)	(3,273)	-	-	-	-
Adjustments		487,209	-	-	-	-
Retained earnings (End.)	67,168	25,725	97,009	866,188	1,687,507	2,555,844

Source: Company Reports and Global Research

Cash Flow Statement

	Emirates Telecommunications Corporation «Etisalat»						
AED '000	2006	2007	2008	2009F	2010F	2011F	2012F
Net profit	5,859,747	7,296,644	8,664,984	8,546,432	9,125,768	9,648,185	9,966,473
Depreciation	1,391,349	1,368,182	1,708,289	1,896,870	2,113,870	2,352,571	2,594,752
Amortisation of licenses	5,729	593,756	809,283	982,956	1,017,013	1,053,828	1,093,467
Other adjustments	(538,352)	(896,711)	(2,423,411)	(289,594)	9,228	49,756	404,221
Operating cash flows before changes in working capital	6,718,473	8,361,871	8,759,145	11,136,663	12,265,879	13,104,339	14,058,913
Stores	38,688	(46,960)	(27,638)	(40,569)	(36,512)	(27,993)	(30,792)
Debtors and prepayments	(375,655)	(262,364)	(494,944)	(875,115)	(758,433)	(910,120)	(546,072)
Amounts due from/to other telecom administrators	(81,008)	(353,675)	(503,094)	(235,572)	(193,246)	(359,623)	(102,783)
Creditors and accruals	2,208,252	3,175,454	3,119,591	(930,109)	236,654	196,869	9,018
Net cash from operating activities	8,508,750	10,874,326	10,853,060	9,055,298	11,514,342	12,003,473	13,388,284
Proceeds from disposal of an investment	-	-	2,324,994	-	-	-	-
Investments	(4,823,902)	(2,488,938)	(2,128,196)	(1,968,950)	(2,033,503)	(2,621,998)	(1,179,614)
Intangibles	-	-	-	(706,396)	(529,797)	(609,266)	(700,656)
Dividends received	259,796	194,931	136,371	-	-	-	-
Purchases of fixed assets	(1,432,084)	(3,460,275)	(3,661,196)	(2,641,489)	(3,616,675)	(3,978,343)	(4,036,354)
Acquisition of subsidiaries	-	(754,466)	-	(875,560)	250,567	300,680	360,816
License fees paid	(11,236,127)	(126,696)	-	(1,399,501)	(1,469,476)	(1,542,950)	(1,620,097)
Interest income received	475,704	622,715	425,804	677,692	657,824	671,047	627,133
Net cash used in investing activities	(16,756,613)	(6,012,729)	(2,902,223)	(6,914,203)	(6,741,060)	(7,780,830)	(6,548,772)
Due from associates	-	1,174,579	(256,616)	(123,845)	(123,845)	(111,461)	(85,453)
Loans to associates	(422,105)	-	-	10,287	-	-	-
Loans instalments repaid by associates	-	130,495	-	-	-	-	-
Advances/loans from investment partners	2,088,485	57,804	180,665	-	-	-	-
Repayment/proceeds from bank borrowings, net	6,980,600	(4,131,956)	(2,164,545)	2,468,430	(282,617)	(518,786)	(182,571)
Amounts contributed by minority shareholders	2,175,321	124,165	-	-	-	-	-
Finance costs paid	(129,038)	(443,462)	(413,564)	(424,646)	(404,863)	(368,548)	(355,768)
Dividends paid	(2,041,875)	(2,835,938)	(3,244,312)	(5,600,362)	(3,741,565)	(3,955,756)	(4,086,254)
Net cash from financing activities	8,651,388	(5,924,313)	(5,898,372)	(2,472,236)	(4,552,889)	(4,954,550)	(4,710,045)
Net change in cash	403,525	(1,062,716)	2,052,465	(331,142)	220,392	(731,907)	2,129,466
Beginning cash	9,658,510	10,304,033	9,432,564	11,294,868	10,963,726	11,184,118	10,452,212
Exchange differences on translation of overseas operations	241,998	191,247	(190,161)	-	-	-	-
Cash at end	10,304,033	9,432,564	11,294,868	10,963,726	11,184,118	10,452,212	12,581,677

Source: Company Reports and Global Research

Fact Sheet

	Emirates Telecommunications Corporation «Etisalat»					
	2006	2007	2008	2009F	2010F	2011F
LIQUIDITY RATIOS						
Current ratio (times)	1.0	0.7	0.7	0.9	0.9	1.0
Cash ratio (times)	0.8	0.5	0.5	0.5	0.5	0.5
PROFITABILITY RATIOS						
Gross Margin	79.2%	75.9%	68.6%	68.0%	67.3%	64.2%
EBITDA Margin	76.8%	72.9%	66.1%	65.3%	64.6%	61.6%
EBIT Margin	71.9%	69.0%	67.0%	59.2%	57.7%	54.9%
Net Profit Margin	36.0%	34.2%	33.2%	29.2%	28.3%	27.5%
ROAE	31.6%	30.9%	29.1%	23.3%	21.5%	20.0%
ROAA	12.8%	13.9%	14.0%	12.7%	12.4%	11.5%
ACTIVITY RATIOS						
A/R Turnover (times)	7.74	13.60	10.52	8.74	7.74	7.00
A/P Turnover (times)	1.6	3.3	3.3	2.8	2.5	2.5
LEVERAGE RATIOS						
Debt to equity (times)	0.40	0.23	0.11	0.15	0.13	0.10
Debt to total assets	0.19	0.11	0.06	0.09	0.08	0.07
Dividends payout ratio	46.5%	41.0%	41.5%	41.0%	41.0%	41.0%
GROWTH RATES						
Revenue growth rate	26.6%	31.0%	22.4%	12.2%	10.2%	8.5%
Net income growth rate	37.7%	24.5%	18.8%	-1.4%	6.8%	5.7%
Equity growth rate	36.0%	21.0%	29.8%	17.9%	14.0%	13.3%
Total assets growth rate	88.7%	14.2%	18.4%	8.2%	9.2%	8.6%
RATIOS USED FOR VALUATION						
Number of shares (in 000)	4,537,500	4,991,250	5,989,500	7,187,400	7,187,400	7,187,400
Par Value per share (AED)	1.0	1.0	1.0	1.0	1.0	1.0
BV per share- Adjusted (AED)	3.57	4.32	5.61	5.51	6.28	7.12
EPS - Adjusted (AED)	0.98	1.22	1.45	1.19	1.27	1.34
Market price share (AED)	10.74	16.01	9.93	10.00	10.00	10.00
Market capitalization (AED 000)	48,732,750	79,909,913	59,475,735	71,874,000	71,874,000	71,874,000
Enterprise Value (AED 000)	46,946,743	76,360,445	51,778,809	66,976,646	66,473,637	64,374,722
EV / EBITDA (times)	3.75	4.91	3.00	3.50	3.19	3.09
P/E ratio	11.0	13.1	6.9	8.4	7.9	7.4
P/BV ratio	3.0	3.7	1.8	1.8	1.6	1.4

* Market price for 2009 and subsequent years as on June 23, 2009

Source: Company Reports and Global Research

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
Emirates Telecommunications Corporation- Etisalat	Buy	ETEL.AD (Reuters) ETISALAT UH (Bloomberg)	AED10.00	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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