



Research Note

Etisalat

Rating: Outperform

Etisalat 3Q 2008 Earnings & Revised Target Price: AED 19.15

- Etisalat reported third quarter earnings over the weekend. The company reported net income after minority interests of AED 2,134mn (AED 0.36 per share) marginally below our estimate of AED 2,253mn (AED 0.38 per share), representing an EPS increase of 19.7% yoy.
- Revenue for the quarter increased to AED 6.62bn, up 24.4% yoy and 3.8% qoq, driven by an increase in both UAE and international revenue. UAE mobile subscribers increased to 7.05mn, representing 0.22mn net additions, an increase of 3.2% qoq. UAE fixed line growth remained stagnant at 1.36mn subscribers, a qoq growth of 0.7%. UAE internet subscriber continued to grow to reach 1.08mn subscribers, a growth of 5.9% qoq.
- Capex for the quarter decreased to AED 625mn, (9.4% of sales) versus AED 1.14bn in Q2 2008 (17.9% of sales), bringing total capex for 9 months 2008 to AED 2.66bn (14% of sales).
- Etisalat continues to gain additional subscribers across all segments in the UAE. The company expects to complete its Swan Telecom acquisition in Q4 2008 and continues to explore further overseas opportunities. Etisalat's balance sheet remains strong, with AED 12bn cash balances and no net debt, giving it ample funds for capex investment in India as well as further overseas acquisitions.
- We are adjusting our risk free rate and equity risk premium to better reflect the current turmoil in debt and equity markets. We are increasing our risk free rate to 6.85% from 5.29%, based on the 30 year Qatar Sovereign Bond rate, and our ERP to 5.5% from 5%, giving a revised cost of equity of 12.1%, up from 10%.
- These results are broadly line with our forecast and we remain positive on the company. We maintain our Outperform rating on the company, with a revised target price of AED 19.15, giving 24% upside to the current price.

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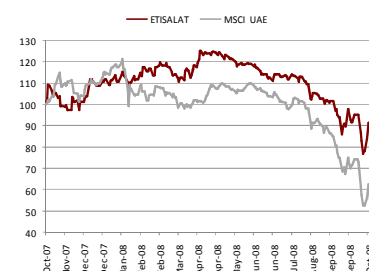
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Equity Data

Current Price (AED)	15.40
Target Price (AED)	18.77
Upside/downside	21.9%
12 Mo. Performance	-14.2%
12 Month High (AED)	22.20
12 Month Low (AED)	12.50
Market Cap. (AED bn)	92.2
Div Yield	3.2%
Enterprise Value (AED bn)	92.6

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Estimates	2007A	2008E	2009E	2010E	2011E
Revenues (AEDmn)	21,339	27,337	29,206	31,285	32,778
EBITDA (AED mn)	14,722	18,587	19,565	20,646	21,303
EBITDA Margin	69.0%	68.0%	67.0%	66.0%	65.0%
Net Income (AED mn)	7,202	9,675	9,123	9,527	9,892
Net Income Margin	33.8%	35.4%	31.2%	30.5%	30.2%
EPS (AED)	1.20	1.62	1.52	1.59	1.65
Net Debt/Equity	-0.8%	-9.6%	-6.6%	-4.7%	-6.1%
Interest Cover	25.4	23.1	22.7	19.4	16.8
Div/Share (AED)	0.50	0.58	0.66	0.83	1.03
Div Yield	3.2%	3.7%	4.3%	5.4%	6.7%
Estimates	2007A	2008E	2009E	2010E	2011E
Valuation Multiples					
PE	12.8	9.5	10.1	9.7	9.3
EV/EBITDA	6.3	5.0	4.7	4.5	4.3
P/BV	3.6	3.0	2.5	2.1	1.9
BV/Share	4.32	5.20	6.26	7.26	8.20

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