



Flash Note

Etisalat

Rating: Outperform

Etisalat – Iranian License Loss

- Press reports state that the Tamin -Etisalat consortium has been stripped of the third mobile in Iran. According to Iranian officials from the Telecommunications Ministry the consortium has been stripped of the license as it has not fulfilled its commitments in terms of providing the necessary guarantees, nor paid the license fees on time.
- With a population of 72mn, estimated mobile penetration rate of 55% for 2008YE and 50% of the population under the age of 24 the Iranian mobile market remains attractive to mobile operators. The license is now expected to be awarded to the runner up in the tender process - a consortium led by Zain, partnered by 2 state run pension funds.
- Etisalat announced the win of the third mobile license in December 2008. The license was to be valid for a period of 15 years at a cost of Euro 300mn, together with revenue sharing of 23.6% of an agreed business plan with the Iranian government. The license also gave the consortium 3G exclusivity for a period of 2 years.
- Whilst the loss of the license is a blow to Etisalat's international expansion plans, it will have very little impact on net earnings for Etisalat as a whole. We projected Iranian operation to make a loss of AED 176mn in 2009, growing to a profit of AED 162mn by 2013. In the context of projected total group earnings of AED 8.64bn in 2009E and AED 11.78bn in 2013 this is minimal. The loss of the license should also save Etisalat US\$ 5bn in terms of license fee, opex and capex over a 5 year period.
- Pending further clarification from Etisalat we maintain our *Outperform* rating on Etisalat, with a target price of AED 15.59, giving 56% upside to the current price.

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Equity Data		Etisalat					
Current Price (AED)	10.00						
Target Price (AED)	15.59						
Upside/Downside	55.9%						
12 Month Performance	-44.7%						
12 Month High (AED)	18.33						
12 Month Low (AED)	7.75						
Market Cap. (AED bn)	71.9						
Dividend Yield	5.0%						
Enterprise Value (AED bn)	72.2						
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	8,648	9,300	10,244	11,099	11,781
Net Income Margin		33.2%	30.2%	30.4%	30.7%	30.8%	30.8%
EPS (AED)		1.45	1.20	1.29	1.43	1.54	1.64
Net Debt/Equity		-15.0%	-19.0%	-22.7%	-28.8%	-34.0%	-37.1%
Interest Cover		35.6	34.3	41.7	57.9	136.8	(1,274.8)
PE		6.9	8.3	7.7	7.0	6.5	6.1
EV/EBITDA		3.1	3.1	3.1	3.1	3.1	3.1

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