



Research Note

Etisalat

Rating: Outperform

Etisalat Q1 2009 Earnings

- Etisalat reported Q1 2009 results in accordance with IFRS for the first time. The company reported net income after minority interests of AED 2,178mn (AED 0.30 per share) marginally below our estimate of AED 2,211mn (AED 0.31 per share), representing net income and EPS increases of 3.9% yoy and 3.4% yoy respectively. Net income margins at 30.6% are flat qoq having declined from 33.4% a year ago.
- Revenue for the quarter increased to AED 7.12bn, up 13.4% yoy and 1% qoq, with 90% of revenue coming from the UAE. UAE mobile subscribers increased to 7.34mn, representing 56,000 net additions, an increase of 0.8% qoq. UAE internet subscribers continued to grow to reach 1.20mn subscribers, a growth of 4.5% qoq. Overall subscriber growth rates for the mobile and internet segments are lower than Q1 2008, but are in line with our projections.
- UAE fixed lines declined by 9,000 lines qoq to 1.35mn subscribers, a qoq decline of 0.7%, as fixed-mobile substitution impacted fixed line numbers. However the number of lines lost was lower than our estimate loss of 29,000 for the quarter.
- Capex for the quarter decreased to AED 270mn, (4% of sales) versus AED 995mn in Q4 2008 (14% of sales) and AED 901mn in Q1 2008 (15% of sales). Lower capex has resulted in Etisalat's cash and cash equivalents increasing 29% qoq to AED 14.61bn.
- The commercial launch of Indian operations is expected in the H2 2009 and Etisalat intends to continue its overseas expansion, with Syria and Lebanon as key targets for 2009.
- We view Etisalat's Q1 2009 results as solid in the context of the current economic environment, with top and bottom line growth both on a qoq and yoy basis, despite growth rates having decreased compared to Q1 2008. These results are in 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 15.57, giving 55.8% upside to the current price.

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Equity Data		Etisalat
Current Price (AED)		9.99
Target Price (AED)		15.57
Upside/Downside		55.8%
12 Month Performance		-44.7%
12 Month High (AED)		18.33
12 Month Low (AED)		7.75
Market Cap. (AED bn)		71.8
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	8,560	9,122	10,027	10,897	11,826
Net Income Margin		33.2%	29.9%	29.8%	30.1%	30.2%	30.9%
EPS (AED)		1.45	1.19	1.27	1.40	1.52	1.65
Net Debt/Equity		-15.0%	-18.6%	-21.9%	-27.6%	-32.8%	-36.4%
Interest Cover		35.6	34.3	40.3	51.8	97.0	350.0
Dividend/Share (AED)		0.60	0.58	0.69	0.83	0.99	1.19
Dividend Yield		6.0%	5.8%	6.9%	8.3%	9.9%	11.9%

Estimates		Etisalat					
		2008A	2009E	2010E	2011E	2011E	2011E
Valuation Multiples							
PE		6.9	8.4	7.9	7.2	6.6	6.1
EV/EBITDA		4.2	3.9	3.7	3.5	3.3	3.1
P/BV		1.8	1.9	1.7	1.5	1.4	1.3
BV/Share		5.53	5.33	5.99	6.59	7.14	7.65

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