

February 01, 2010

## BATELCO (BTEL.BH)

**12-Month Fair Value: BHD 0.700**

**Last Close (31 January, 2010): BHD 0.595**

**Recommendation: Accumulate - Risk Level: 4**

- Batelco Group reported total revenue of BHD 346.9 million for FY2009, 8.7% above 2008, and in line with our forecast of BHD 346.9 million. Batelco Group's overseas operation accounted for 31% of gross revenue. As for 4Q2009, total revenue stood at BHD 90.8 million, reflecting a 23% YoY growth, and a 6% QoQ growth; this was above our forecast of BHD 87.4 million (4% difference).
- According to management, at the end of December 2009, Batelco Group's mobile subscribers reached 5.1 million, fueled by the company's expansion strategy. Umniah, in Jordan, contributed to 32% of the total mobile subscribers. As for its home market, Batelco increased its subscriber base by 7% to 822,000.
- On the EBITDA front, Batelco Group realized an EBITDA of BHD 150.3 million in 2009, 5% above 2008, and 1% above our forecast of BHD 149 million. The EBITDA margin inched down from 45% in 2008 to 43% in 2009. Despite healthy top line growth (9%), the company witnessed a 12% increase in network operating expenses, and a 32% increase in general and administrative expenses. Batelco's overseas operations accounted for 22% of EBITDA. As for 4Q2009, EBITDA reached BHD 38.8 million, reflecting a 1% YoY growth; and 4% above our forecast.
- Batelco Group reported a net profit of BHD 105 million in 2009, 1% above 2008. Net profit in 4Q2009 stood at around BHD 26 million, reflecting a decline of 1% YoY, and a growth of 1% QoQ.
- Batelco launched its operation in India through its partnership with STel; the company began to roll out mobile services in December 2009 and within six weeks of launch, its customer base in India has reached 450,000. Also, in Saudi Arabia, Batelco, together with Atheeb, launched broadband and voice services under the "GO" brand.
- Batelco Group's board of directors has recommended to pay BHD 0.050 per share as cash dividend for 2009 (BHD 0.020 per share was announced and paid in July 2009), a payout ratio of 68.5%, representing a dividend yield of 8.4%.
- Our fair value per share for Batelco (BHD 0.700) is now 18% over the closing price of 31 January 2010 (BHD 0.595); hence, we reiterate our "Accumulate" recommendation. We will issue an update report on Batelco after the release of the full financial statements.

**Lisa Fernandes**

**T.** +971 4365 2856

**E.** [lisa.fernandes@nbkcapital.com](mailto:lisa.fernandes@nbkcapital.com)

## Related Research

- Batelco Update - 09 September 2009
- Batelco Update - 20 November 2008

## NBK CAPITAL

### Kuwait

#### Head Office

17th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O.Box 4950, Safat 13050  
Kuwait  
T. +965 2224 6900  
F. +965 2224 6905

#### MENA Research

19th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq,  
P.O.Box 4950, Safat 13050, Kuwait  
T. +965 2224 6663  
F. +965 2224 6905  
E. menaresearch@nbkcapital.com.kw

#### Brokerage

8th Floor, Dar Al-Awadi Building  
Ahmed Al-Jaber Street, Sharq  
P.O. Box 4950, Safat 13050, Kuwait  
T. +965 2224 6964  
F. +965 2224 6978  
E. brokerage@nbkcapital.com

### United Arab Emirates

#### NBK Capital Limited

Precinct Building 3, Office 404  
Dubai International Financial Center  
P.O.Box 506506, Dubai,  
UAE  
T. +971 4 365 2800  
F. +971 4 365 2805

### Turkey

#### NBK Capital

Arastima ve Musavirlik AS,  
Sun Plaza, 30th Floor,  
Dereboyu Sk. No.24  
Maslak 34398, Istanbul, Turkey  
T. +90 212 276 5400  
F. +90 212 276 5401

---

## DISCLAIMER:

The information, opinions, tools, and materials contained in this report (the "Content") are not addressed to, or intended for publication, distribution to, or use by, any individual or legal entity who is a citizen or resident of or domiciled in any jurisdiction where such distribution, publication, availability, or use would constitute a breach of the laws or regulations of such jurisdiction or that would require Watani Investment Company KSCC ("NBK Capital") or its subsidiaries or its affiliates to obtain licenses, approvals, or permissions from the regulatory bodies or authorities of such jurisdiction. The Content, unless expressly mentioned otherwise, is under copyright to NBK Capital. Neither the Content nor any copy of it may be in any way reproduced, amended, transmitted to, copied, or distributed to any other party without the prior express written consent of NBK Capital. All trademarks, service marks, and logos used in this report are trademarks or service marks or registered trademarks or registered service marks of NBK Capital.

The Content is provided to you for information purposes only and is not to be used, construed, or considered as an offer or the solicitation of an offer to sell or to buy or to subscribe for any investment (including but not limited to securities or other financial instruments). No representation or warranty, express or implied, is given by NBK Capital or any of its respective directors, partners, officers, affiliates, employees, advisors, or representatives that the investment referred to in this report is suitable for you or for any particular investor. Receiving this report shall not mean or be interpreted that NBK Capital will treat you as its customer. If you are in doubt about such investment, we recommend that you consult an independent investment advisor since the investment contained or referred to in this report may not be suitable for you and NBK Capital makes no representation or warranty in this respect.

The Content shall not be considered investment, legal, accounting, or tax advice or a representation that any investment or strategy is suitable or appropriate for your individual circumstances or otherwise constitutes a personal recommendation to you. NBK Capital does not offer advice on the tax consequences of investments, and you are advised to contact an independent tax adviser.

The information and opinions contained in this report have been obtained or derived from sources that NBK Capital believes are reliable without being independently verified as to their accuracy or completeness. NBK Capital believes the information and opinions expressed in this report are accurate and complete; however, NBK Capital gives no representations or warranty, express or implied, as to the accuracy or completeness of the Content. Additional information may be available upon request. NBK Capital accepts no liability for any direct, indirect, or consequential loss arising from the use of the Content. This report is not to be relied upon as a substitution for the exercise of independent judgment. In addition, NBK Capital may have issued, and may in the future issue, other reports that are inconsistent with and reach different conclusions from the information presented in this report. Those reports reflect the different assumptions, views, and analytical methods of the analysts who prepared the reports, and NBK Capital is under no obligation to ensure that such other reports are brought to your attention. NBK Capital may be involved in many businesses that relate to companies mentioned in this report and may engage with them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions, and estimates contained in this report reflect a judgment at the report's original date of publication by NBK Capital and are subject to change without notice.

The value of any investment or income may fall as well as rise, and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price, or income of that investment. In the case of investments for which there is no recognized market, it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

NBK Capital has not reviewed the addresses of, the hyperlinks to, or the websites referred to in the report and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to NBK Capital's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such websites or following such links through this report or NBK Capital's website shall be at your own risk.

## © COPYRIGHT NOTICE

This is a publication of NBK Capital. No part of this publication may be reproduced or duplicated without the prior consent of NBK Capital.