

April 21, 2010

BATELCO (BTEL.BH)

12-Month Fair Value: BHD 0.700

Last Close (21 April, 2010): BHD 0.600

Recommendation: Accumulate - Risk Level: 4

- Batelco Group reported gross revenue of BHD 85.90 million for 1Q2010, an increase of 3% YoY, and in line with our forecast of BHD 85.91 million. According to Batelco's management, Batelco's overseas operation contributed to 32% of total revenues.
- At the end of March 2010, Batelco Group's mobile subscribers reached 6.4 million, a 35% growth compared to the same period last year. This is mainly due to increase in mobile and broadband subscribers across all markets, including a million subscribers from the Indian operation.
- On the EBITDA front, Batelco Group realized an EBITDA of around BHD 37.5 million, 5% above 1Q2009, and 8% above our forecast. The EBITDA margin expanded from 43% in 1Q2009 to 44% in 1Q210. Batelco's overseas operations accounted for 22% of total EBITDA.
- Ahead of the entry of STC into the Bahraini market, Batelco has introduced new products and services, for example, SimSim customers are benefiting from 92% discount on international calls using prepaid VoIP services.
- Batelco Group reported a net profit of BHD 24.3 million in 1Q2010, 7% below 1Q2009 due to the funding of the start-up operations in Saudi Arabia and India.
- We view this set of results positively; our fair value per share for Batelco (BHD 0.700) is now 16% over the closing price of 21 April 2010 (BHD 0.600), hence, our current recommendation on the stock is "Accumulate". We will issue an update report on Batelco after the release of the full financial statements.

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Related Research

- Batelco Analyst Comment - 01 February 2010
- Batelco Analyst Comment - 29 October 2009
- Batelco Update - 09 September 2009

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK		HIGH RISK		
1	2	3	4	5

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