Analyst Comment

NBK CAPITAL

October 29, 2009

BATELCO (BTEL.BH)

- Batelco reported total revenue of BHD 85.6 million at the end of 3Q2009, a 0.9% increase over the same period last year. This was 6% below our forecast of BHD 91.6 million. This brings the 9M2009 revenue for Batelco up to BHD 256.2 million, an increase of 4.4% YoY.

- According to management, at the end of September 2009, Batelco Group active mobile subscribers grew by 21% YoY, and surpassed 4.8 million. Around 52% of the total mobile subscribers are from the Yemeni operations, while Umniah contributed to 33% of total subscribers. As for its home market, the active subscriber base in Bahrain increased by 6% YoY, and reached around 779,000.

- The gross revenue from Batelco's operation in Bahrain grew by 7.5% YoY at the end of 9M2009, despite facing significant competition in its mobile, broadband and data service business lines, as well as its strained relationship with the telecom regulator in Bahrain.

- According to Batelco's management, its overseas operations contributed to around 30% of total group revenue. Going forward, the company plans on investing in various start-up operations in order to capitalize on future growth prospects. Batelco's most recent start-up acquisition in India, S Tel, is expected to launch full services in 4Q2009. The company's joint venture with Etihad Atheeb to provide broadband services in Saudi Arabia, started operations during 3Q2009.

- During 3Q2009, EBITDA decreased by 4.5%, compared to the same period last year, to around BHD 37 million; this fell short of our forecast of BHD 39.6 million by 7%. EBTIDA margin dropped from 45.8% in 3Q2008 to 43.8% in 3Q2009, versus our forecast of 43.2%. The reason behind this decline in EBITDA is mainly due to the increase in general and administrative expenses, which grew by 47% YoY in 3Q2009.

- Batelco's bottom line declined by 8% to BHD 25.2 million in 3Q2009 compared to the same period last year. This brings the 9M2009 net income to BHD 79.5 million.

- Despite that Batelco's results came in below our expectations this quarter, we still feel that the 4th quarter will boost FY2009 results. Therefore, we maintain Batelco's fair value per share at BHD 0.700, 13% above the share's closing price of BHD 0.620 on October 28, 2009 — hence, our "Accumulate" recommendation.

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Related Research

- Update - 09 Sept. 2009
- Update - 20 Nov. 2008

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