

July 05, 2010

## MOBINIL (EMOB.CA)

**12-Month Fair Value: EGP 194**

**Last Close (04 July, 2010): EGP 162.06**

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

- On 04 July, 2010, Mobinil announced the completion of the purchase of Orascom Telecom's Internet services arm LINKdotNET and Link Egypt. The deal is a cash transaction, based on an enterprise value of USD 130 million. Mobinil's cash balance stood at USD 51 million and it had a debt-to-equity ratio of 1.8x as at the end of 1Q2010. The transaction is part of a larger agreement between Orascom and France Telecom regarding companies' joint ownership in Mobinil, signed on 14 April, 2010.
- The sale excludes the non-internet service provider part of Link Egypt's business and affects LINKdotNET's Egyptian operations only. The other non-connectivity business, LINK Development, LINKonLINE, Connect Ads, Arab Finance Brokerage Company and Arpu+ will continue to be owned by Orascom Telecom.
- Combined, the businesses, generated for Orascom Telecom in 2009, a revenue of USD 49.6 million (versus Mobinil's FY2009 revenues of USD 1.9 billion) and an EBITDA of USD 9.4 million (versus Mobinil's FY2009 EBITDA of USD 900 million).
- This purchase will enable Mobinil to provide broadband and corporate communications services to its existing 26 million mobile customers. Mobinil will now be in direct competition with the Egyptian Internet operators TE Data (Telecom Egypt's subsidiary) and Nile Online and EgyNet (Etisalat Egypt's subsidiaries).
- As we mentioned, in our update dated 19 May 2010, the acquisition of LINKdotNET and Link Egypt, is expected to help Mobinil in expanding the company's Internet and Data segment, and boost Mobinil's mobile broadband offering.
- We will incorporate the impact of the subject transaction in our next update. For now, we maintain our fair value per share for Mobinil at EGP 194 per share which is currently 20% above the closing price as of 04 July, 2010 (EGP 162.06); hence, we reiterate our "Accumulate" recommendation.

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## Related Research

- Mobinil Update - 19 May 2010

## 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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