

February 10, 2010

## JORDAN TELECOM (JTEL.AM)

**12-Month Fair Value: JOD 4.57**

**Last Close (09 February, 2010): JOD 5.48**

**Recommendation: Reduce- Risk Level: 4**

- Jordan Telecom Group (JTG) reported total revenue of JOD 400.1 million for FY2009, 0.3% below FY2008, and slightly below our forecast of JOD 409 million (2% difference). The telecom market in Jordan is witnessing increased competition between operators which put pressure on prices. As for 4Q2009, total revenue witnessed a slight decrease of 1% compared to 4Q2008.
- For FY2009, the company reduced its disclosure by not providing revenues' breakdown between fixed-line and Internet like it used to. Fixed-line and Internet services did not witness any growth in revenue in 2009; however, it remains the main contributor to total revenues (54% of total revenue). As for mobile revenues, it slightly grew by 0.6% in 2009 compared to 2008.
- During 2009, total JTG subscribers grew by 9.2%, and settled at around 2.75 million. The rise is driven mainly by the 10% growth in mobile subscribers.
- On the EBITDA front, JTG realized an EBITDA of JOD 180.7 million in 2009, 1% above 2008, and 1% below our forecast. Through better cost control, OPEX slightly decreased by 1% in 2009. Thus, EBITDA margin inched up from 44.6% in 2008 to 45.2% in 2009.
- JTG reported a net profit of JOD 104 million in 2009, 3.7% above 2008. Net profit in 4Q2009 stood at around JOD 25.79 million, no growth compared to 2008.
- CAPEX increased from 13.9% of sales in 2008 to 25.8% in 2009 and reached JOD 103.2 million. In 2009, JTG won exclusively the 3G license and paid in September 2009 around JOD 50.3 million. According to JTG's management, the plan is to expand and improve the mobile and broadband network.
- JTG's results were mostly in-line with our forecasts. We plan on issuing an update once we receive the full financial results for 2009. Since our latest update on JTG (27th May, 2009), the stock price has risen by 13% from JOD 4.86 to JOD 5.48 (as of 9th February, 2010); this is 20% above our fair value of JOD 4.57. Our current recommendation on the stock is "Reduce."

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### Related Research

- Jordan Telecom Update - 27 May 2009
- Jordan Telecom Update - 20 November 2008

**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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