

May 10, 2010

JORDAN TELECOM (JTEL.AM)

12-Month Fair Value: JOD 4.57

Last Close (10 May, 2010): JOD 5.02

Recommendation: Hold - Risk Level: 4

- Jordan Telecom's (JTG) 1Q2010 total revenues declined by around 1% YoY and by 5% QoQ to JOD 94.1 million. This was 6% below our forecast of JOD 99.7 million. The Jordanian telecom market is witnessing a new price war between mobile operators thus putting more pressure on Jordan Telecom.
- During 1Q2010, fixed-line and Internet services witnessed a 1.2% decrease YoY in revenues and reached JOD 53.4 million. On the other hand, mobile revenues (accounting for 43% of 1Q2010 total revenues) had flat YoY growth and reached JOD 40.7 million.
- For 1Q2010, the company reduced its disclosure and did not provide a breakdown of subscribers which limits our analysis on the performance of the different segments. JTG's total subscriber base (including mobile, Internet and fixed-line) increased by 3.5% QoQ to approximately 2.85 million. Management accredits this growth to the company's competitive product offerings during the quarter and to the growth in mobile and broadband subscribers.
- On the EBITDA front, JTG realized an EBITDA of JOD 41.7 million in 1Q2010, 3.7% below 1Q2009 and 6% below our forecast. The decrease is mainly due to increase in operating expenses (2% YoY); JTG launched a new vision "Together We Can Do More" and launched 3G services. Thus, EBITDA margin inched down from 45.7% in 1Q2009 to 44.3% in 1Q2010.
- Net profit for the year declined by around 10% YoY and by 12% QoQ to JOD 22.8 million. According to management, the decline is due to reductions in operating income and lower interest income (lower interest rates on bank deposits).
- CAPEX in 1Q2010 increased by 67% YoY to JOD 7.2 million, which represents CAPEX to total revenues of 8%.
- Furthermore, the AGM was held on April 21, 2010 and approved the distribution of cash dividend of JOD 0.420 per share. This represent a 101% payout ratio and a yield of 8.37%.
- JTG's results were mostly below our forecasts. However, we find the high cash-dividend recommendation to be a positive for the stock. We plan on issuing an update once we receive the full financial results for 1Q2010. We maintain our 12-month fair value or the stock at JOD 4.57 per share, 9% below the current market price. Hence, our recommendation on the stock is "Hold".

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Related Research

- Jordan Telecom Analyst Comment - 10 February 2010
- Jordan Telecom Analyst Comment - 29 October 2009
- Jordan Telecom Analyst Comment - 04 August 2009
- Jordan Telecom Update - 27 May 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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