

July 28, 2010

JORDAN TELECOM (JTEL.AM)

12-Month Fair Value: JOD 4.57

Last Close (27 July, 2010): JOD 5.11

Recommendation: Reduce - Risk Level: 4

- Jordan Telecom announced its 2Q2010 results with revenues remaining flat YoY and growing by 8% QoQ to JOD 101.9 million. Revenues for the quarter are in line with our forecast of JOD 101.8 million. Jordan Telecom has been able to maintain its revenue levels despite the price war in the Jordanian telecommunications market.
- The operator's overall subscriber base grew by 7% from 2.75 million at the end of 2009 to 2.94 million at the end of 1H2010 on the back of Jordan Telecom's monopoly over the 3G market.
- The 2Q2010 EBITDA came in at JOD 42.8 million declining by 3% YoY, but increasing by 3% QoQ. The quarterly EBITDA comes in 4% below our forecast of JOD 44.4 million. EBITDA margin for the quarter stood at 42% versus 43% in 2Q2009. The decline in EBITDA margin relates to increased marketing costs stemming from the launch of new advertising campaigns (supporting the operator's new offers and consumer loyalty promotions) and higher inter-connection costs.
- Net profit for the quarter declined by 12% YoY, while remaining stable QoQ at JOD 22.8 million. The decline is attributable to the lower EBITDA levels, as well as lower finance income during the quarter. The 1H2010 CAPEX increased by 10.2% YoY to JOD 16.4 million, representing 8.4% of sales versus 7.6% in 1H2009.
- Overall we believe that Jordan Telecom's results are in-line with our forecasts. We maintain our 12-month fair value for the stock at JOD 4.57 per share, 11% below the last close. Hence, our recommendation on the stock is "Reduce".

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Related Research

- Jordan Telecom Analyst Comment - 10 May 2010
- 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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