

# Flash Result Report

Palestine Telecommunications Company (PALTEL)



2/24/2010  
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# Palestine Telecommunications Company

## Company Overview

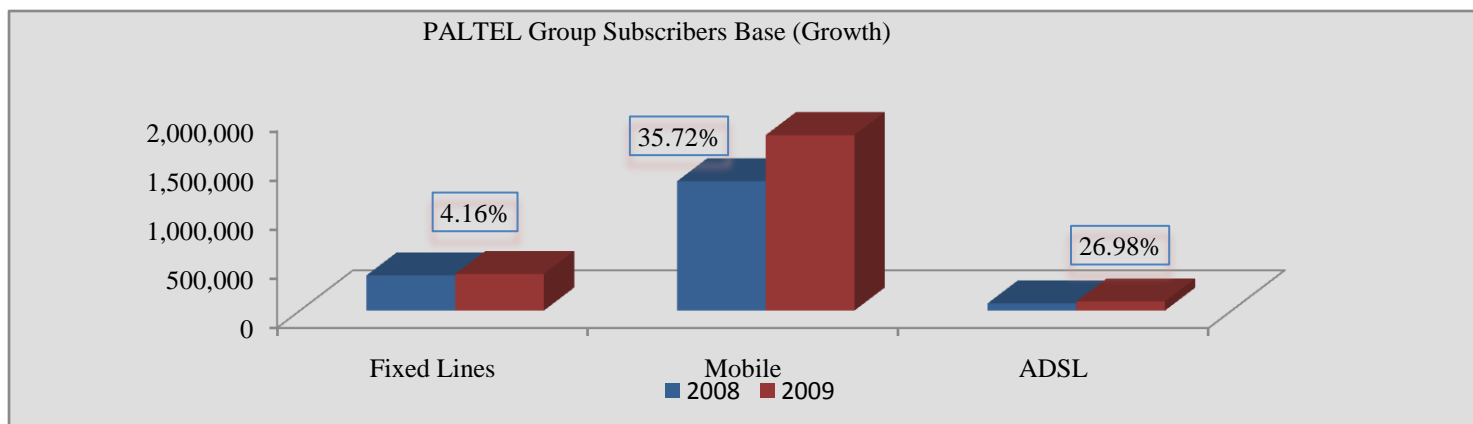
Palestinian Telecommunications Company (Paltel) is a Palestine-based public shareholding company engaged in the provision of telecommunications, data communications, mobile, payphone and other related products and services across the Palestinian Territories. The Company operates through its wholly owned subsidiaries: Palestine Cellular Communication Ltd (Jawwal), which provides mobile telecommunications services; Hadara Technology Investments Co, which provides Internet services; Palestine Media Co (Palmedia), which offers media services, and Solutions for Information Technology Co, which provides information technology service. Paltel offers fixed line, Internet and other value-added services targeting businesses and individuals, through two main divisions, namely Business Services and Home Services. The Company is listed on Palestine Securities Exchange and Abu Dhabi Securities Market.

Ticker	Market Price	Market Capitalization (USD)	52 week High	52 week Low	P/E	Services Sector PE	Market PE
PALTEL	JD 5.57	1,034,063,650	JD 6.55	JD 5.00	10.51	10.60	11.20

## Subscribers Base

Palestine telecommunications subscribers' base reached 2.249 million subscribers at the end of 2009; a growth of %28.89 comparing to 2008 despite the illegal competition from the illegitimate operators of internet and data communications, and the entrance of VOIP providers in addition to launching the operations of the second mobile operator.

PALTEL Group Subscribers Base			
Category	2008	2009	Growth
Fixed Lines	357,509	372,371	4.16%
Mobile	1,314,406	1,783,941	35.72%
ADSL	72,834	92,482	26.98%
Total	1,744,749	2,248,794	28.89%

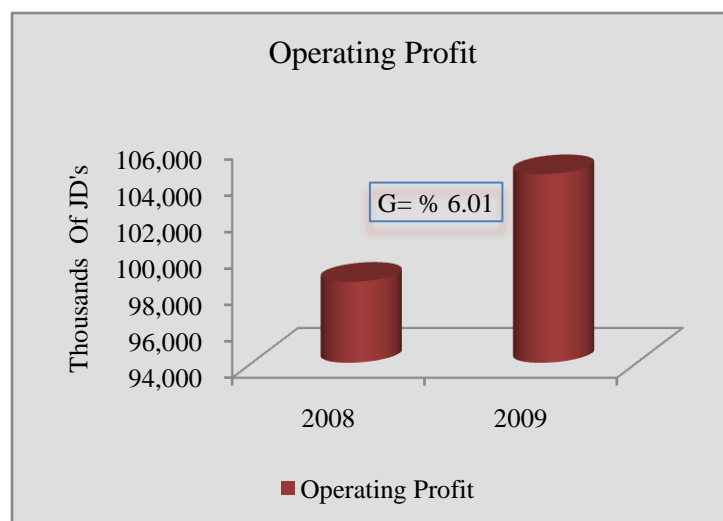


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## Financial Performance in 2009

Income Statement Summary JD 000s			
Category	2008	2009	Growth
Revenues	299,064	315,092	5.36%
Gross Profit	235,222	239,275	1.72%
<b>Gross Margin</b>	<b>78.65%</b>	<b>75.94%</b>	<b>-3.45%</b>
Operating Expenses	136,779	134,920	-1.36%
Operating Profit	<b>98,443</b>	<b>104,355</b>	<b>6.01%</b>
<b>Operating Profit Margin</b>	<b>32.92%</b>	<b>33.12%</b>	<b>0.61%</b>
Net Profit	89,180	70,335	-21.13%
<b>Profit Margin</b>	<b>29.82%</b>	<b>22.32%</b>	<b>-25.14%</b>
<b>Earning Per Share (EPS)</b>	<b>0.678</b>	<b>0.534</b>	<b>-21.13%</b>

- Palestine telecommunications recorded an increase of %6.01 in operating profit due to the growth in operating revenues by %5.36 and the reduction in operating expenses by %1.36.
- Despite the positive operating indicators, the company recorded a decline in the net profit of 2009 of %21.13, this was attributed to the increase in “investment losses” when reached JD 16.28 million at the end of the year comparing to JD 1.59 million in 2008, due to the realized losses by VTEL which PALTEL owns %25 of its shares; approximately %88 of investment losses was incurred from VTEL.

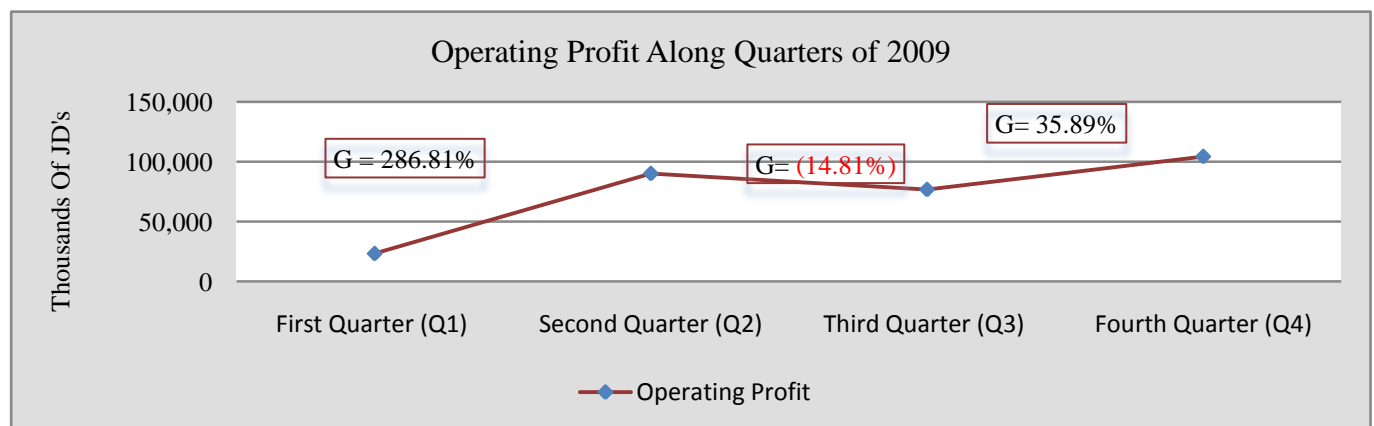
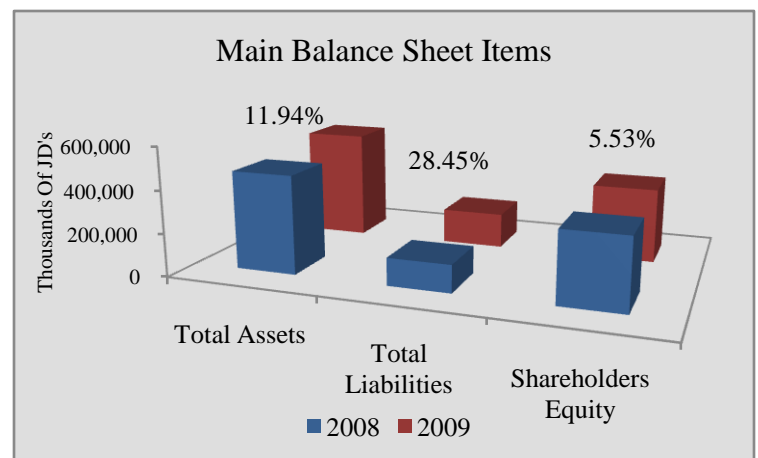


Financial Performance Of PALTEL Quarterly ( Profit Development)							
Category	First Quarter (Q1)	Second Quarter (Q2)	Q1 to Q2	Third Quarter (Q3)	Q2 to Q3	Fourth Quarter (Q4)	Q3 to Q4
Revenues	71,915,415	197,826,000	175.08%	229,312,000	15.92%	315,092,000	37.41%
Operating Profit	23,302,856	90,137,000	286.81%	76,791,000	-14.81%	104,355,000	35.89%
Net Income	19,176,023	62,347,000	225.13%	72,022,000	15.52%	70,335,000	-2.34%

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Balance Sheet Summary JD 000s			
Category	2008	2009	Growth
Current Assets	190,637	184,110	-3.42%
Non-current Assets	271,313	332,980	22.73%
<b>Total Assets</b>	<b>461,950</b>	<b>517,090</b>	<b>11.94%</b>
Current Liabilities	102,870	93,627	-8.99%
Non-current Liabilities	26,292	72,278	174.90%
<b>Total Liabilities</b>	<b>129,162</b>	<b>165,905</b>	<b>28.45%</b>
<b>Shareholders' Equity</b>	<b>332,788</b>	<b>351,185</b>	<b>5.53%</b>
<b>Paid Up Capital</b>	<b>131,625</b>	<b>131,625</b>	<b>0.00%</b>

- Palestine telecommunications registered a growth in assets by %11.94, represented in a remarkable growth in the non-current assets by %22.73 that was characterized in the “prepayment on account” that reached JD 56.72 million which constitutes the fees payment to the Palestinian Authority to extent the “mobile operator license” from 2018 to 2023, also the investment value in undergoing projects increased by %42.11. On the opposite, current assets dropped by %3.42 due to the decline of %77.58 in inventories.
- The company recorded an increase in liabilities of %28.45, which was attributed to the sharp growth of long term liabilities by %174.90 which is represented in the increase of loans and borrowing in effect of the attained loan during 2008 for financing the fees of mobile operator license. While current liabilities declined by %8.99, resulting from the reduction of accounts payables by %24.06.
- Shareholders' equity increased by %5.53, this was ascribed to the growth in the retained earnings of the company by %11.45 to reach JD172 million at the end of 2009.



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## Ratio Analysis

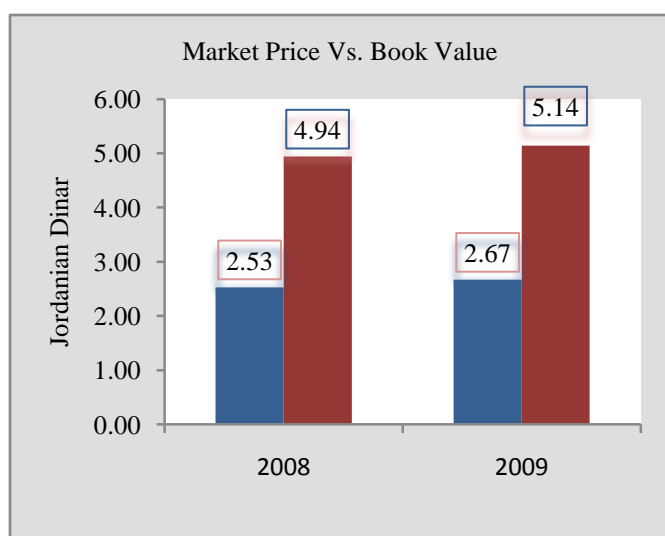
Category	2008	2009
Assets to Equity	1.39	1.47
Debt Ratio	27.96%	32.08%
Return On Assets	19.31%	13.60%
Return On Equity	26.80%	20.03%
Current Ratio	1.85	1.97
Total Assets Turnover	0.65	0.61
Working Capital	87,767	90,483
Working Capital Turnover	3.41	3.48
Quick Ratio	1.79	1.85

## Stock Indicators

Category	2008	2009
Market Capitalization (\$)	917,105,000	954,235,000
Volume Traded	50,671,360	19,622,320
Turnover Ratio	38.50%	14.91%
Book Value	2.53	2.67
Price To Book Value	1.95	1.93
P/E	7.29	9.62
Market Price 30 Dec	4.94	5.14

## DuPont Analysis

ROE = Profit Margin * Total Asset Turnover * Equity Multiplier			
Return On Equity	Profit Margin	Total Asset Turnover	Equity Multiplier
20.03%	22.32%	0.61	1.47



## Dividends Ratios

Category	Year 2008
Dividend Per Share	JD 0.40
Dividend Payout	59.04%
Dividend Yield	8.10%

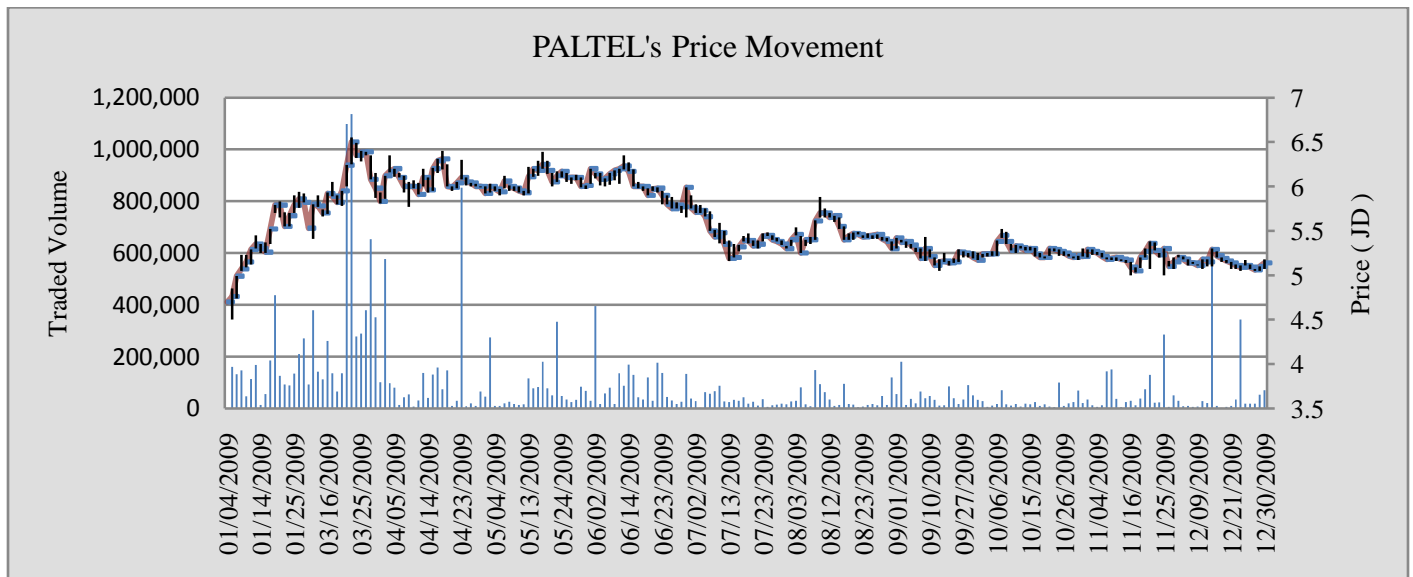
- PALTEL reported an increase in its share's book value by %5.53, due to the growth in the retained earnings.
- Working Capital Turnover increased by %2.20; this resulted from the higher growth of the company's revenues in parallel to the growth in working capital.
- Liquidity ratios of PALTEL registered a growth comparing to the previous year, to indicate the company's good ability to turn short-term assets into cash to cover debts without affecting the operating activities.
- PALTEL reported ROA & ROE – profitability ratios- lower than 2008's, this decline referred only to the incurred investment losses. Nevertheless, the reported ratios outperformed the services sector's averages.
- Debt ratios increased in 2009, attributed to the contributed loan during the year.

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## Palestine Telecommunications vs. Jordan Telecommunications

PALTEL Vs. JTEL				
Category	PALTEL	Variance between (2008-2009)	JTEL	Variance between (2008-2009)
Capital (JD 000 )	131,625	<b>0.00%</b>	250,000	<b>0.00%</b>
Revenues (JD 000)	315,092	<b>5.36%</b>	400,050	<b>-0.30%</b>
Operating Profit (JD 000)	104,355	<b>6.01%</b>	180,700	<b>0.90%</b>
Profit for the year (JD 000)	70,335	<b>-21.13%</b>	104,000	<b>3.70%</b>
Earnings Per Share	0.53	<b>-25.14%</b>	0.42	<b>3.70%</b>
Last Market Price	5.60	<b>4.05%</b>	5.49	<b>7.26%</b>
P/E	10.57	-	13.20	-
Total Subscribers	2,248,794	<b>28.89%</b>	2,751,900	<b>9.20%</b>

- PALTEL and JTEL have a converging base of subscribers, yet PALTEL recorded a growth in its base exceeds JTEL's by %214. Market penetration ratio for telecommunications in Palestine based on three years average reached %40; in theory this would mean a good sign for growth in telecommunications industry, comparing to %100 in the same market penetration ratio in Jordan.
- Operating performance of PALTEL was noticeable in comparison to JTEL's, when PALTEL recorded a higher growth in operating profits which resulted also from the reported higher growth in its revenues.
- After PALTEL's reported investment losses, PALTEL's earnings per share reached JD0.53 at the end of 2009 comparing to JD0.42 for JTEL.
- The P/E ratio for PALTEL in comparison to services sector' is approximately close, and it is lower than JTEL's.



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