

Palestine Telecommunications (PALTEL)

Quotes

PSE: PALTEL

Bloomberg: PALTEL:PS

ISIN: PS5002111951

Sector: Services

Trading Currency: JOD

Key Market Data

Date: 28/08/2014

Closing: JD5.58

YTD: -3.79%

52 High/ Low: 6.77 / 4.94

Free Float at 50.15%

Forward PE: 7.64x

P/BV: 1.47x

Financial Performance in H1 2014

- Palestine Telecommunications PALTEL – the largest company by market capitalization- posted JD 48.05 million net profits for the first six months of 2014 ;up by 5.97% compared to JD 45.34 million in H1 2013. This growth came following 0.62% increase in the company's subscriber's base compared to the end of 2013. Net margin recorded 26.29% in H1 2014 compared to 24.78% in H1 2013.
- PALTEL recorded a slight decrease of 0.10% in its revenues to stand at JD182.77 million in H1 2014 compared to JD182.96 million in the same period of 2013. Despite this decrease, the total subscribers' base increased by 0.62% to reach 3.27 million subscribers in H1 2014 compared to 3.25 million subscribers at the end of 2013, whereby wireless-mobile subscribers increased by 0.08% to settle at 2.63 million in H1 2014, contributing about 80.49% from total subscribers' base supported by several acquisition campaigns and new products and services that targeted existing and prospective customers, in parallel, the average revenues per user ARPU for the wireless mobile subscribers per month reached JD8.3 in H1 2014 down by 5.5% compared to JD8.8 at the end of 2013 affected by larger customer base, low ARPU of new customers in addition to offering larger discounts to the customers and exchange rate differentiations.
- Moreover, fixed line subscribers increased by 0.20% to stand at 0.40 million in H1 2014, while the fixed line ARPU declined by 9.00% in H1 2014 to hit JD12.20 compared to JD13.40 at the end of 2013. Data services subscribers increased by 8.00% to reach 0.23 million subscribers. This increase in customer base was accompanied by an increase of 5.00% in data services ARPU which reached JD 10.6 in H1 2014 compared to the end of 2013.
- Cost of revenues which represents: telecommunications services costs, license fees and other costs decreased by 19.01% to hit JD30.71 million in H1 2014 compared to JD37.91 million in H1 2013. Telecommunication services costs that mainly comprise of interconnection costs and international roaming due to other telecommunications companies declined by 26.58% hitting JD10.50 million and accounting for 34.21% of total cost of revenues. Moreover, license fees decreased by 5.26% standing at JD13.30 million in H1 2014 compared to JD14.00 in H1 2013, whereby PALTEL pays the Palestinian National Authority PNA a license fee of 7% on all wireline and wireless operating revenues, while other costs that represent mainly: commissions paid to employees and dealers, cost of mobile handsets sold, cost of SIM cards and prepaid scratch cards, cost of media services and others decreased by 27.88% standing at JD6.89million in H1 2014 compared to JD9.56 million in H1 2013. Recording a gross profit of JD152.06 million in H1 2014 compared to 145.04 million in H1 2013 and a gross margin of 83.20% in H1 2014.

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Financial Performance in H1 2014

- Besides, PALTEL recorded investment gains during H12014 of JOD 5.48 million compared to noticeable losses of JD0.6 million in H1 2013. This gain came as a result of improved investment portfolio revaluation and higher cash dividends.
- Tax expense increased by 38.73% to record JD7.89 million in H12014 in parallel to the increase in operations recording an effective tax rate of 14.11% in H1 2014 compared to 22.13% in H12013. Noting that Net profit before tax reached JOD 55.94 million in H12014 compared to JOD58.23 million in H1 2013, down by 3.39%, recording an EBIT Margin of 30.14% in H1 2014 compared to 31.27% in H1 2013.

Subscribers base

Sector	2013	H1 2014	Δ	Contribution
Wireless	2,630,000	2,632,000	0.08%	80.49%
Fixed Lines	403,000	404,000	0.25%	12.35%
Data Services	213,000	230,000	7.98%	7.03%
Total	3,250,000	3,270,000	0.62%	100.00%

Key financial ratios

Item—Semi Annual Data	H1 2013	H1 2014	Δ
Current Ratio	1.38	0.96	-30.25%
Quick Ratio	0.96	0.70	-27.03%
Cash Ratio	0.31	0.18	-42.15%
Net Working Capital	0.07	-0.01	-111.01%
Debt to Equity Ratio	34.01%	49.07%	44.27%
Equity Ratio	74.62%	67.08%	-10.10%
Loans to equity	5.14%	17.12%	233.21%
Loans to assets	3.83%	11.49%	199.56%
Fixed Assets to Equity	44.89%	35.73%	-20.40%
Interest Coverage	56.09	64.12	14.33%
Total Assets Turnover Ratio	31.07%	24.60%	-20.82%
Fixed Assets Turnover Ratio	92.75%	102.61%	10.64%
Working Capital Turnover	419.79%	-3018.55%	-819.07%
Gross Margin	79.28%	83.20%	4.95%
Operating Margin	31.93%	30.97%	-3.01%
Net Margin	24.78%	26.29%	6.07%
ROA	7.70%	6.47%	-16.02%
ROE	10.32%	9.64%	-6.58%

Key market ratios

Item	H1 2013	H1 2014	Δ
EPS	0.344	0.365	5.97%
BV	3.34	3.79	13.43%
P/BV	1.44	1.43	-0.82%
Q Ratio	1.07	0.96	-10.84%
Cash to Market Cap	5.64%	4.40%	-21.85%

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Key Financial Highlights

Income Statement Items

Item (JD)	H1 2013	H1 2014	Δ
Revenues	182,956,000	182,773,000	-0.10%
Gross Profit	145,043,000	152,067,000	4.84%
Operating Profit	58,423,000	56,610,000	-3.10%
EBIT	57,209,000	55,083,000	-3.72%
Net Income	45,341,000	48,046,000	5.97%

Balance Sheet Items

Item (JD)	2013	H1 2014	Δ
Property, Plant and equipment	187,091,000	178,117,000	-4.80%
Available-for-sale investments	149,927,000	166,867,000	11.30%
Cash and cash equivalents	42,600,000	21,533,000	-49.45%
Total assets	666,212,000	743,035,000	11.53%
Loans	7,090,000	85,344,000	1103.72%
Total Liabilities	163,525,000	244,581,000	49.57%
Paid in capital	131,625,000	131,625,000	0.00%
Retained earnings	312,575,000	294,808,000	-5.68%
Shareholders' equity	502,687,000	498,454,000	-0.84%

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