2017

CFC Project

Palestine Telecommunication

(PALTEL)

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Contents

1. Investment Summary

Palestine Telecommunication (PALTEL) is a Palestine-based public shareholding company that was established in 1995, engaged in local and international telephone services, mobile, internet, data communications and other related products and services across the country. PALTEL has five business segments (subsidiaries): Wireless segment, Media and Marketing segment, Digital Services segment, Investment segment (managing the company's investments).

PALTEL is one of the most successful company that appeared in the history of Palestine, as it contributes more than 29% of the Palestinian Gross National Product (GNP) and a 33% contribution of the Palestinian Stock Exchange (PEX).

In 2015, PALTEL generated revenues of JD 332.27 million with a decrease of 6.6% compared to the same period in 2014. Gross Profit was JD 276.96 million compared to JD 293.16 million in 2014 (shrank by 5.8%). Moreover, the company's net income has been decreasing in the last two years reaching JD 85.07 million and JD 83.043 million in 2014 and 2015 respectively. This is mainly due to a slight drop in the local market as a whole which in turn has affected the company's revenues.

However, the telecom sector in Palestine has a lot of opportunities and a company like PALTEL will most probably utilize any available opportunity that comes in its way leading to a growth in the company's performance and operations.

On the other hand, in accordance to the expected Global Growth of the Telecomm Industry. The core telecommunication businesses are expected to present an increasing number of challenges and growth opportunities in the near future. Furthermore, constant innovation pertaining to the emergence of various non-traditional business models, such as Mobile Payments and Internet of Things (IoT) will be an addition to the pre-existing challenges and opportunities. The telecommunication sector has continuously been at the epicentre for innovation, growth, and disruption.

It is found that PALTEL's stock price is considered to be undervalued in the market as the derived Fair Value of the Company is JD 6.34 per share compared to a Market Price of JD 5.55 on December 31st 2015. Therefore, we recommend investing **(Buy)** in the company's shares as the Market Price is undervalued and could have a positive growth in the price movement leading to generate profits by booking capital gains.

2. Industrial Analysis

Introduction

In the context of technology-related businesses, it must be noted that telecommunication industry surpasses all other industries in terms of encompassing the local, as well as the long-distance communications services, including the internet, satellites, fibre optics, and wireless communications. The telecommunication industry is essentially entwined with various sources of entertainment, as a result of which it has become more of a necessity instead of a luxury across the world. The recent advances, couples with the continuous momentum in the core telecommunication businesses is expected to present an increasing number of challenges and growth opportunities in the near future. Furthermore, constant innovation pertaining to the emergence of various non-traditional business models, such as Mobile Payments and Internet of Things (IoT) will be an addition to the pre-existing challenges and opportunities. The telecommunications sector has continuously been at the epicentre for innovation, growth, and disruption. The mobile devices and other internet-related devices have embedded increasingly in the societal fabric, as a result of which, they have emerged as the key drivers in modern trends, such as mobile payments and live-streaming.

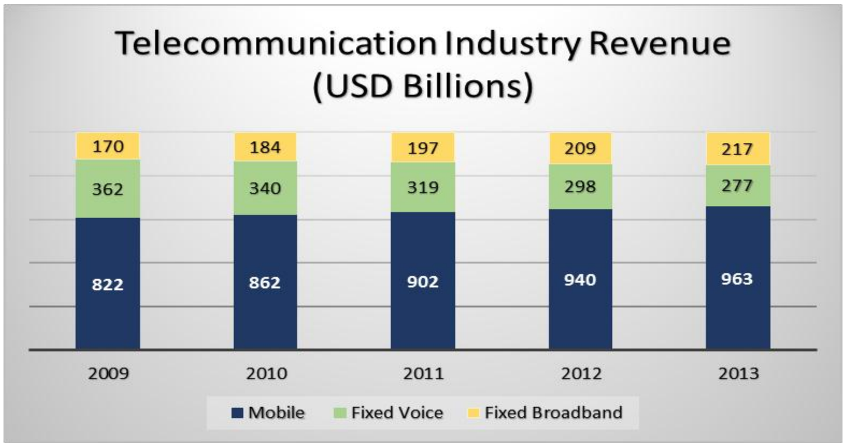
It is essential to note that the increase in the number of mobile devices in use is bound to result in an increase in the number of opportunities to alleviate their revenues through sale of network equipment and network connectivity. The core objective of this analysis is to shine a light on the global telecommunication industry, as well as the persistent situations in the Palestinian region. This analysis will, therefore, comprise a detailed discussion in the context of telecommunication industry, along with an overview of Palestine Telecommunications (PALTEL) in the similar context.

Global Market

The global telecommunication market generated revenue in excess of $960 million in the year 2014 and has reported to have more than seven billion mobile users. The highest percentage of revenue generated by the telecommunications industry comes from the basic texts and voice calls. In the year 2016, it was reported that the demand for data services increased to approximately 28%, which is more than double of the demand in the year 2009 reported to be around 13%. The demand for mobile services across the globe has grown strongly and it was reported that the number of mobile users increased by 9% per year in each of the last three years. The mobile penetration, similarly, increased from 69% in the year 2009 to 98% by the end of the year 2013. A significant percentage of such increase is attributed to the increase in the number of users, especially from the emerging markets because of the presence of favourable growth drivers. The global telecommunication industry presents a highly competitive environment, wherein a large number of alternative service providers exist, as a result of which the customer have a wide array of service providers to choose from. It is essential to note that within each emerging market, at least three to four telecommunication service providers exist, as a result of which, the competition is significantly high. The telecom service providers further face competition from internet-based companies and software developers who offer communication services of alternative nature, such as voice over internet protocol (VoIP), along with various instant messaging services. The international telecommunication industry, it must be noted, is subjected to heavy regulations, which in turn, are imposed by several national and super national authorities.

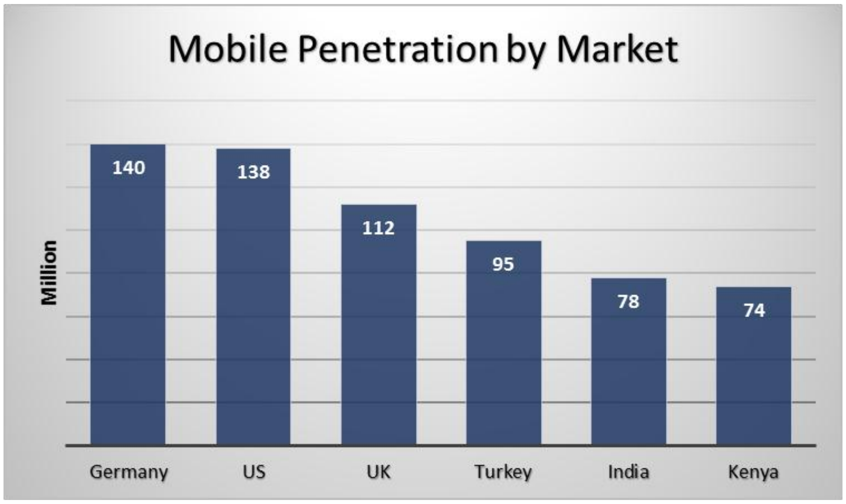
The graphs below present a perspective of the global telecommunication industry in terms of revenue generated, mobile penetration, global mobile users and the percentage of revenues accounted for digital services:

Figure (1):



Source : https://www.vodafone.com

Figure (2):



Source : https://www.vodafone.com

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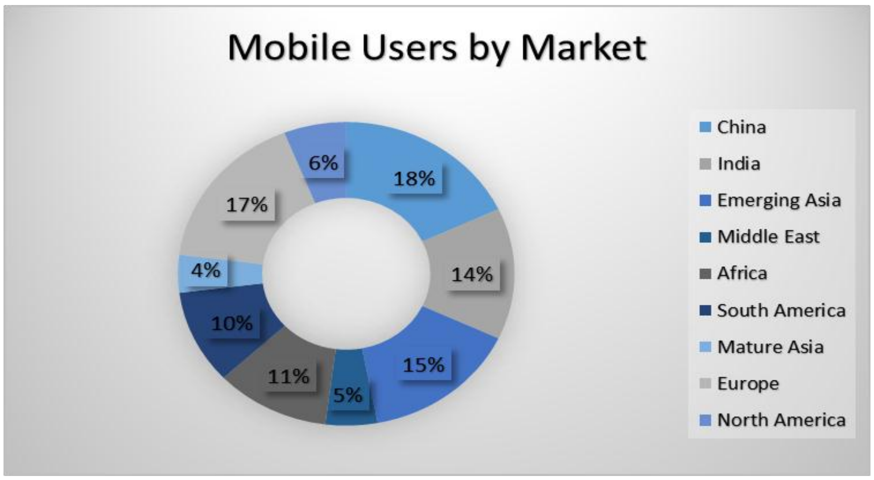

Source : https://www.vodafone.com

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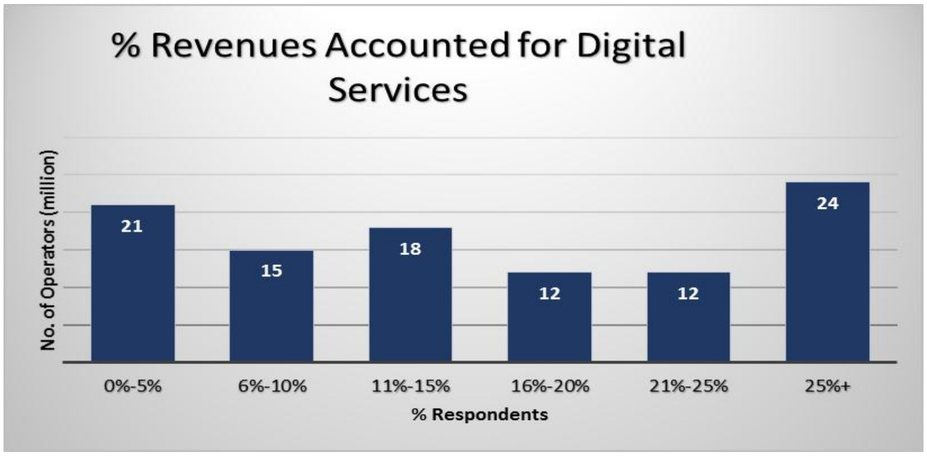


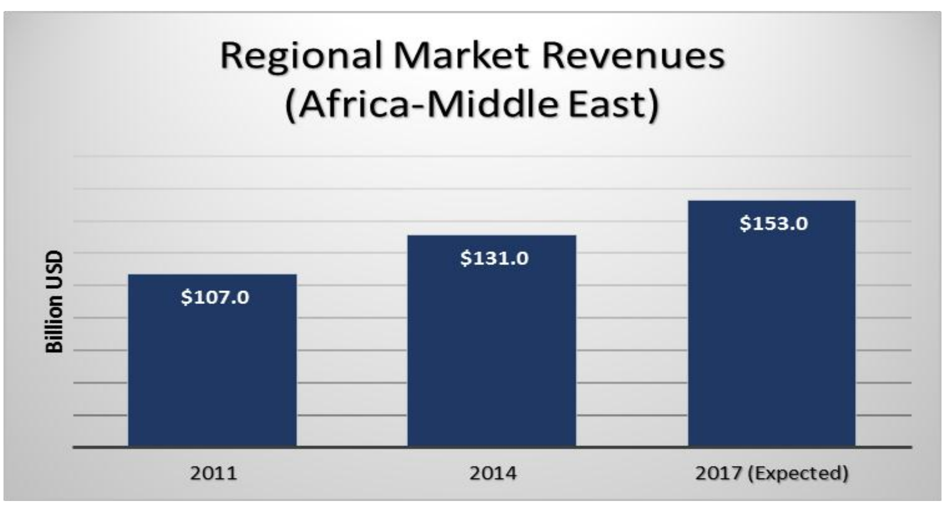
Source :

https://www.vodafone.com

Regional Market

It has been estimated that the Middle-Eastern telecommunication industry will remain one of the most crucial elements in the formulation of operators' strategy in the region. The number of mobile users and the users of broadband internet services have been on the rise constantly. It is further estimated that the number of mobile internet services will increase to 161.4 million by the end of the year 2017, which in turn, is further expected to increase exponentially to 259.0 million by the year 2020. The revenue generation since the year 2011 and the projected revenue for the year 2017 for the telecommunication industry in Africa and the Gulf Region is presented in the graph below:

Figure (5):



Source: http://marketrealist.com/

Local Market

The development of telecommunication industry in Palestine is highly dependent on the power struggle between the Palestinian National Authority and Israel. It is essential to note that the telecommunication agreement acknowledges the Palestinian right to develop their own telecommunication infrastructure; however, it gives Israel the unilateral right to control the international gateways of telecommunication, as well as the frequency spectrum and the telephone numbering plan. It must be noted that Palestinian Telecommunications Company (PALTEL) was awarded the license to build and operate the telecommunications infrastructure, along with the permission to own all the cellular networks, landlines, public telephones, and data communications. Such agreement, however, did not lead to the termination of Palestine's reliance on Israel for domestic, as well as international communications. At present, the Palestinian telecommunications network is not fully independent since it is highly reliant on the Israeli networks for smooth functioning. In the context of PALTEL, it must be noted that the management of the company is extensively focused on keeping up with and adopting the technological developments to increase their profits, which in turn, has further received a boost owing to the company's adoption of cost-reduction strategies, such as outsourcing a large number of their services. Palestine granted their first and second telephone services license in the years 2006 and 2008, respectively. The two mobile services providers engaged in provision of second-generation (2G) services to the consumers, as they were not permitted to provide 3G services in the sectors of Gaza and West Bank owing to the imposition of Israeli restrictions on the allocation of frequency.

Even though the telecommunication industry in Palestine was seized by Israel and competition from the Israeli operators continues to persist, PALTEL has successfully managed to operate more than 400,000 fixed communication lines in Gaza and West Bank. In respect to the provision of 2G services, Jawwal, a telecommunications service provider facilitates the provision of more than two million fixed lines; whereas, its competitor Wataniya provides approximately 700,000 fixed lines in West Bank. Internet penetration in Palestine, at present, is estimated to be approximately 60%. PALTEL managed the provision of telecommunication services in the region through its subsidiary

Hadara till the year 2010, at which point twelve new internet service providers (ISPs) were established for the purpose of sharing the market with Hadara. Recently, the administration wing of the Israeli Military agreed to allow Watanya the use of 2G frequencies to be used in Gaza. The Israeli military also agreed to release 3G frequencies to be used by Watanyia and Jawwal for the purpose of provision of 3G services in Gaza, as well as West Bank. At the moment, there is still a budding scepticism in the telecom services providers since the Israeli military is yet to honour the agreement. It is expected that the provision on 4G services in the two regions is expected to be available for public use by mid-2017.

- Regional and Local Competitors:

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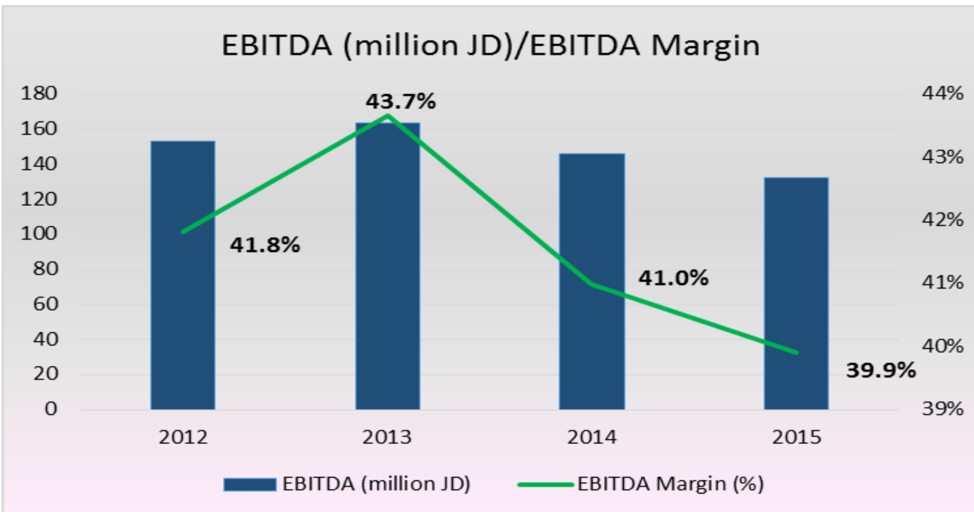

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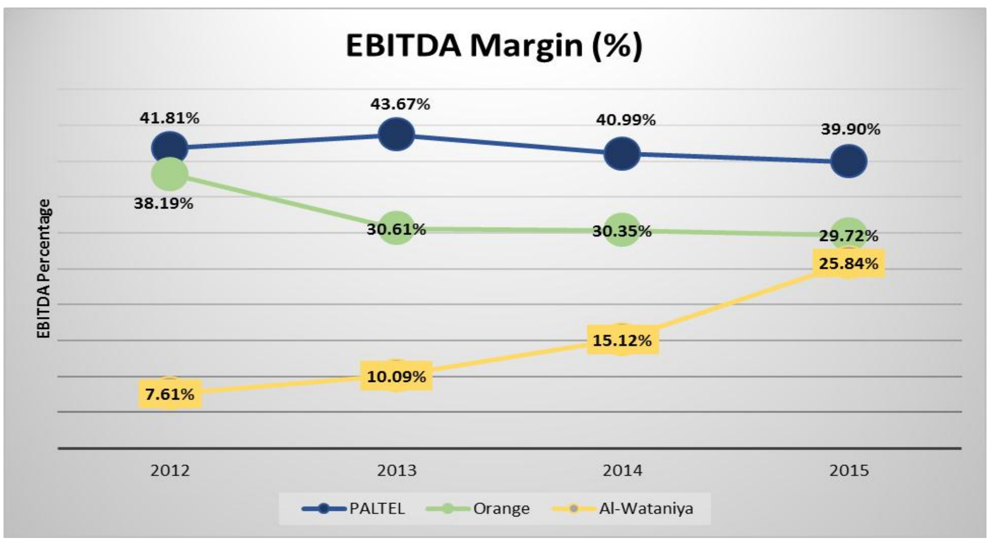

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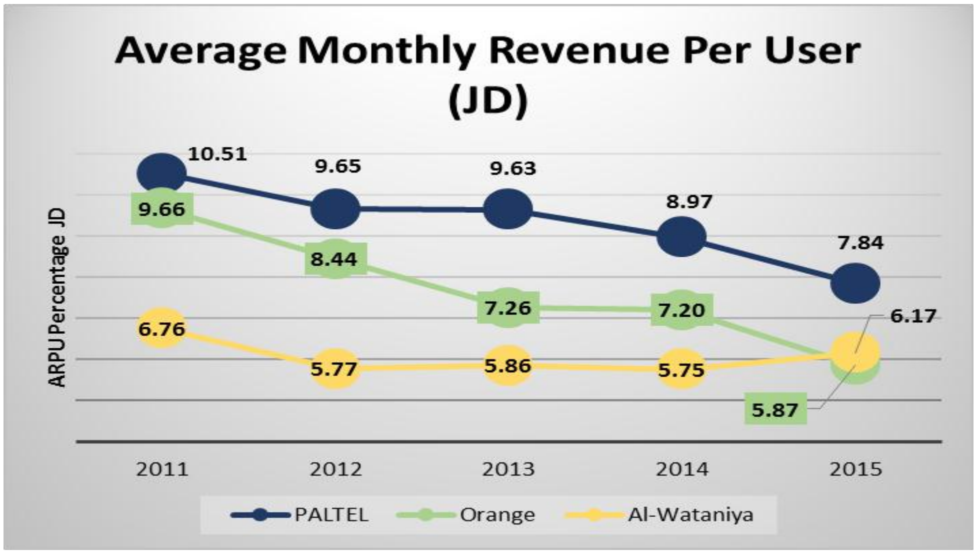


- Compared to peer companies in the region, PALTEL has maintained stable and high EBITDA level; outperforming most of its competitors in the last few years, indicating a better ability to generate earnings from its core operations.
- From another point of view, PALTEL's total revenues have also fluctuated over the past 5 year period, but have generally remained between JD 330 million and JD 380 million. Revenues fell to JD 333 million in 2015.
- Despite that, PALTEL has outperformed comparable telecommunication companies in the region and registered higher average ARPUs, which could indicate relatively higher operating efficiency.

Major Advantages & Disadvantages of Telecomm Industry:

It is essential to shine a light on the positive and negative implications of provision of services in the telecommunication industry. The key advantages are:

- Enabling rapid and highly accessible means of communication
- Time saving, as it prevents the need of travelling from one place to another

- Enables communication between two or more individuals at the same time
- Enables the end-users to communicate and share relevant information, such as data and
- software electronically
- Sharing of technological services between several end users across the enterprises
- Enables the enhancement of flow of communication and collaboration between individuals inside and outside of an organisation

The most significant disadvantages of the telecommunications industry are:

- Cultural barriers, such as language of communication and accent
- Relatively expensive
- Lack of identity and facial expressions as the participants are rarely able to see each other
- Rural areas may be cut-off since they lack the infrastructure to afford the technical equipment
- Less connectivity after a natural disaster, such as a storm

3. Company Overview

Palestinian Telecommunication (PALTEL) was founded in the year 1995. At present, the company employs more than 3,000 employees and is the largest private-sector company in Palestine. After its incorporation, the company acquired landline network Paltel Co, which, serves now as one of its subsidiaries, along with Hadara- the leading internet service provider in Palestine. As reported at the end of the year 2015, the Paltel Group contributes to more than 29% of the Palestinian Gross National Product, as it accounts for more than 33% of the Palestinian Stock Exchange. The growth of the company can be considered as one of the most successful in the history of Palestine.

Moreover, when the company was established, it was reported that approximately 3% of the Palestinian population owned a telephone. The management of the company planned to invest an amount of $600 million initially during the first three years, as it aimed to increase the number of its customers three-fold to 250,000 from the paltry 85,000 Customers.

The company achieved tremendous success, as it acquired technological expertise from Cable and Wireless in the year 1997; Sony Ericsson supplied a GSM network to the company in the year 1998, subsequently. It was in the year 1998 that Paltel emerged as the sole service provider to the mobile users in the regions of West Bank and Gaza. Most recently, in the year 2015 Paltel became the first company in Israel to provide 3g services to the mobile users.

4. Strategic Breakdown

PESTLE Analysis

PESTLE analysis is one of the most commonly and frequently used concept pertaining to the principles of marketing. It is used as the primary tool by various companies to examine the environment within which they operate, especially in the circumstances where the management is planning to introduce a new service, product, or project. PESTLE analysis of the telecommunications industry in Palestine is presented as below:

Political

- The telecommunication industry in Palestine is subject to strict government regulations, since the government now acknowledges access to internet as a fundamental human right.

Economic

- The inflation rate and interest rates in Palestine affect the telecommunication industry. As a larger section of the population uses telecommunication services, the company's chances of driving the revenues increase exponentially.

Social

- Telecommunication growth is relatively difficult to achieve in the rural sectors in Palestine.

Technological

- The requirements for provision of telecommunication services are increasing rapidly, which in turn leads to an increasing investment in the companies that hold prominence in the industry.

Legal

- Legal restrictions on the companies in the telecommunication sector are relatively high; however, the government has allowed import and export of telecommunication services lately.

Environmental

- It is essential for the companies' employees to adapt to the environmental changes rapidly in order to ensure long-term sustainability.

SWOT Analysis

SWOT analysis is one of the most common, yet one of the most powerful and significant techniques used to ascertain the strengths, weaknesses, opportunities, and threats in respect to a business organisation. A SWOT analysis for PALTEL is presented as the following:

5. Financial Performance & Ratio Analysis

PALTEL has been performing financially well in the last couple of years with a solid balance sheet which is reflected to its income statement although there has been a slight decrease in the numbers over the last 3 years.

On the other hand, there are two major problems that are affecting PALTEL's revenues and earnings one of them is the exchange rate risk and the other one is the 4G network license as the company is expected to pay a huge amount to the government to acquire the license in 2016.

PALTEL is subject to exchange rate risk due to the JD denominated financial statement while revenues are received in foreign currency, mainly ILS. This led to a drop in revenues and earnings over the last years.

In 2015, the company's FX losses were around JD 0.28 million compared to losses of JD 10.90 million in 2014. The decrease in losses was due to the appreciation of USD/ILS in 2015. Moreover, it is expected that the company will make FX profits in 2016 as further appreciation of USD/ILS is expected to improve profits in 2016.

The table below shows the FX impact on income statement:

FX Impact (thousand JD)	2012	2013	2014	2015
FX Profits (losses)	1,687	5,041	(10,895)	(0.28)
USD/ILS Change	2.02%	-6.97%	12.24%	-0.18%

Source : Bloomberg

Meanwhile, on the income side, total revenues reached JOD 250.4 million in in first nine months of 2016 compared to JOD 251.1 million during the same period in 2015, a drop by 0.28%. As for the net income , the company registered JD 63.1 million in the first nine months of 2016 compared to JD 63.9 million in the same period last year (shrank by 1.30%).

Earnings before tax, interest, depreciation and amortization (EBITDA), which strips away the impact of interest, tax, and capital expenses on the company's earnings, shows that the

Core operations of PALTEL has fluctuated over the last 5 years but has been generating a stable earnings of around 130-160 JD million.

As can be seen from the table above, PALTEL enjoys good profitability ratios as they are considered above market averages when compared to other companies in the same sector although there was a slight decrease in the ratios especially for the first nine months of 2016 when compared to the same time period of last year.

Furthermore, PALTEL's liquidity ratios have improved in 2015 compared to high debt in 2014. As for the first nine months of 2016 the company had the ability to cover and repay all its long term debt and decreased its short term debt which has reflected positively on its liquidity ratios.

In addition, the net income margin of PALTEL has remained stable at around 24% during the past 4 years, indicating that all of the company's cost and expenses makes up to 75% of its revenues.

Ratio Charts Gallery

Figure (9):

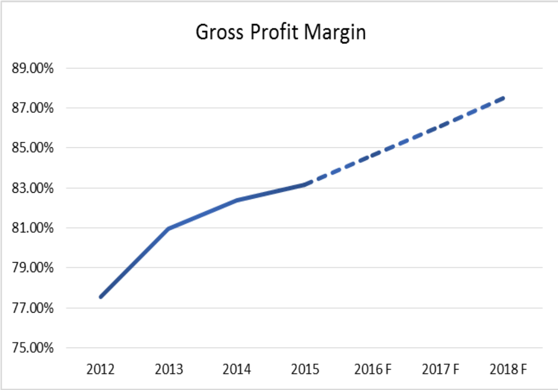


Figure (10):

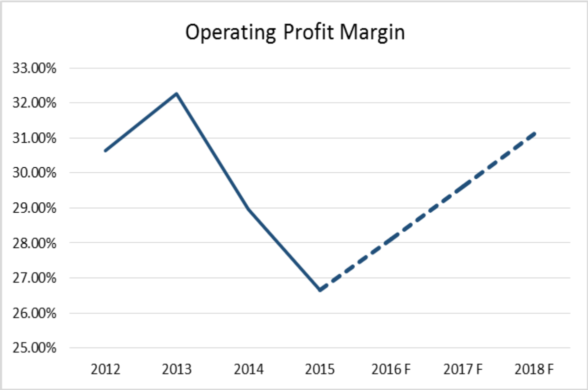


Figure (11):

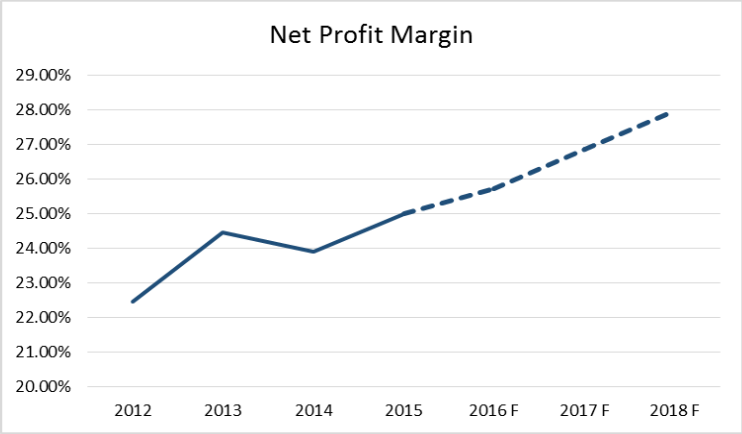


Figure (12):

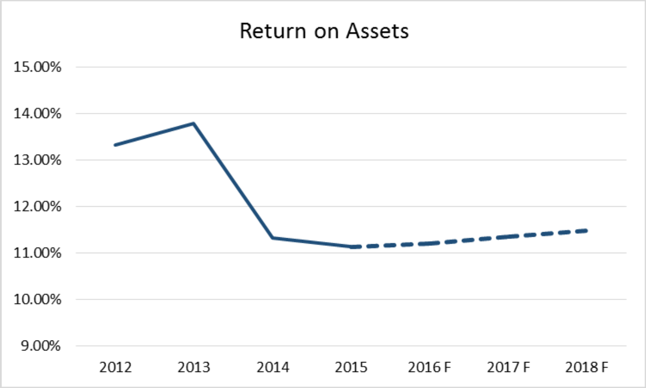


Figure (13):

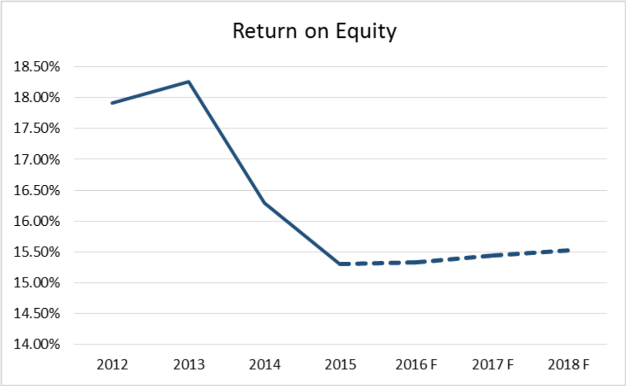


Figure (14):

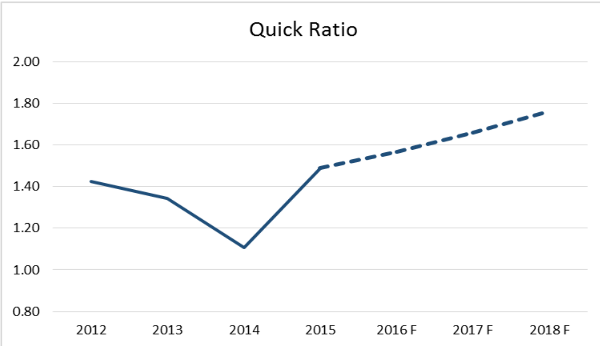


Figure (15):

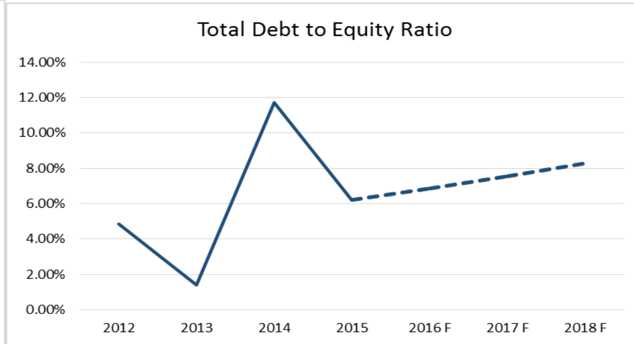


Figure (16):

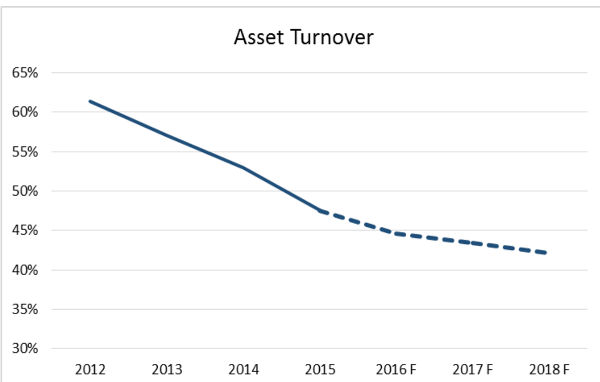


Figure (17):

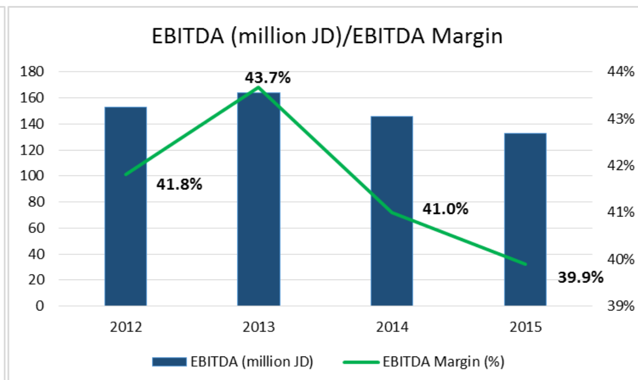


Figure (18):

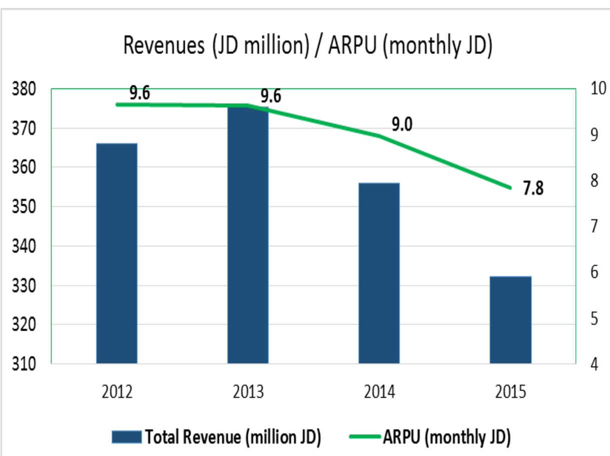
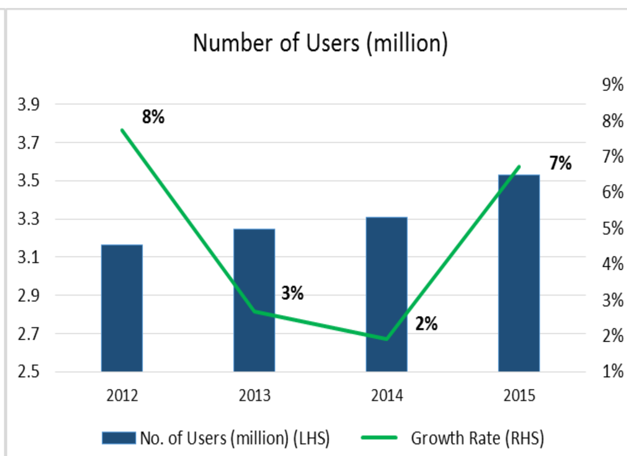


Figure (18):



6. Assumptions & Valuation

Assumptions and Approach

This chapter shows the major assumptions and approach used in this study to compute PALTEL's Fair Value.

Capital Asset Pricing Model (CAPM) were used in this study in order to obtain PALTEL's Cost of Equity.

- The tables below show the assumptions that have been used along with the valuation:

Risk Free (Rf)	3.50%
Market Return (Rm)	0.05%
Beta	3.04%
Cost of Equity (CAPM)	4.85%
Cost of Debt	21.08%
Weighted Average Cost of Capital (WACC)	13.32%
Tax Rate	10.0%
Cash Flow Constant Growth Rate	1.0%

FCF Valuation (JOD)	2012	2013	2014	2015	2016	2017	2018
EBIT	112,059,000	121,054,000	103,086,000	88,591,000	91,220,356	93,755,741	96,199,596
Tax Rate	22%	25%	14%	11%	10%	10%	10%
NOPAT	87,123,409	90,777,896	88,666,759	78,516,902	82,098,321	84,380,167	86,579,637
Net Operating Working Capital	102,687,000	90,506,000	81,521,000	115,689,000	128,814,618	144,219,942	162,348,945
Net Fixed Assets	198,651,000	187,091,000	161,334,000	151,650,000	148,162,050	144,754,323	141,424,973
Total Operating Capital	301,338,000	277,597,000	242,855,000	267,339,000	276,976,668	288,974,265	303,773,919
NOPAT		90,777,896	88,666,759	78,516,902	82,098,321	84,380,167	86,579,637
Net Operating Working Capital		(23,741,000)	(34,742,000)	24,484,000	9,637,668	11,997,597	14,799,653
Free Cash Flows (FCF)		***67,036,896***	***53,924,759***	***54,032,902***	***72,460,653***	***72,382,569***	***71,779,983***

Fair Value of PALTEL

Based on the assumptions mentioned above and projections of the future earnings, the Fair Value of Palestine Telecommunication equivalent to JD 6.34 per share

Value of Operations at the end of 2015	582,542,085
Add: Value of Non-Operating Assets	289,232,000
Total Corporate Value JD	871,774,085
Less: Value of Interest-Bearing Debt	38,751,000
Intrinsic Value of the Firm's Equity JD	833,023,085
Number of Shares Outstanding	131,625,000
Intrinsic Value Per Share	***JD 6.34***

- According to the above fair value and compared to the closing price of JD 5.55 on December 31st 2015, it is recommended to **'Buy'** PALTEL shares as the market price is considered to be undervalued compared to the company's performance and operations.

7. **Appendix**

Income Statement

Income Statement (JD)	2012	2013	2014	2015	2016 F	2017 F	2018 F
Revenues	365,852,000	375,257,000	355,870,000	332,273,000	324,371,327	316,657,561	309,127,233
Total Costs	82,095,000	71,430,000	62,707,000	55,977,000	49,909,720	44,018,169	38,297,958
Gross profit	283,757,000	303,827,000	293,163,000	276,296,000	274,461,606	272,639,392	270,829,275
Operating and administrative expenses	171,698,000	182,773,000	190,077,000	187,705,000	183,241,250	178,883,651	174,629,679
Profits (losses) from investments	(6,845,000)	3,866,000	3,031,000	122,000	119,099	116,267	113,502
Financing costs	1,478,000	1,450,000	1,843,000	1,872,000	5,353,661	5,952,595	6,623,763
Other income (expense)	1,903,000	(1,017,000)	(5,372,000)	6,876,000	6,712,484	6,552,857	6,397,026
Profit before income tax	105,639,000	122,453,000	98,902,000	93,717,000	92,698,278	94,472,269	96,086,360
Income tax expense	23,507,000	30,626,000	13,834,000	10,657,000	9,269,828	9,447,227	9,608,636
Profit for the year	82,132,000	91,827,000	85,068,000	83,060,000	83,428,450	85,025,042	86,477,724

Balance Sheet

Assets (JD)	2012	2013	2014	2015	2016 F	2017 F	2018 F
Property, plant and equipment	198,651,000	187,091,000	161,334,000	151,650,000	148,043,662	144,523,085	141,086,230
Intangible assets	34,264,000	32,552,000	30,222,000	26,716,000	26,080,676	25,460,460	24,854,993
Projects in progress	3,503,000	2,492,000	2,670,000	3,039,000	2,966,731	2,896,180	2,827,307
Materials	15,827,000	10,195,000	14,308,000	7,542,000	7,362,646	7,187,558	7,016,633
Investments in subsidiaries	38,290,000	38,676,000	35,676,000	42,688,000	41,672,851	40,681,843	39,714,402
Investment available for sale	84,718,000	149,927,000	157,332,000	154,306,000	150,636,501	147,054,264	143,557,216
Real Estate investments	7,138,000	7,610,000	23,009,000	35,716,000	34,866,650	34,037,498	33,228,063
Other non-current financial assets	51,826,000	55,938,000	138,628,000	89,199,000	87,077,788	85,007,021	82,985,497
Total non-current assets	434,217,000	484,481,000	563,179,000	510,856,000	498,707,504	486,847,908	475,270,341
Inventories	8,881,000	3,031,000	3,622,000	3,454,000	3,079,625	2,716,093	2,363,134
Account receivables	89,500,000	80,490,000	90,775,000	78,614,000	76,744,507	74,919,471	73,137,836
Other assets	30,296,000	46,701,000	53,183,000	81,247,000	79,314,892	77,428,731	75,587,425
Financial assets held for trading	7,414,000	8,909,000	8,849,000	8,671,000	8,897,279	9,129,462	9,367,705
Cash and cash equivalents	46,213,000	42,600,000	31,097,000	63,491,000	75,622,913	90,073,002	107,284,225
Overdraft	-	-	-	-	2,141,734	7,488,775	9,781,370
Total Current assets	182,304,000	181,731,000	187,526,000	235,477,000	245,800,950	261,755,535	277,521,695
Total Assets	616,521,000	666,212,000	750,705,000	746,333,000	744,508,454	748,603,443	752,792,035

Liabilities & Owners Equity							
Liabilities (JD)	**2012**	**2013**	**2014**	**2015**	**2016 F**	**2017 F**	**2018 F**
Long-term loans and borrowings	7,090,000	0	26,650,000	8,881,000	9,395,411	9,939,618	10,515,347
End of service provision	29,151,000	30,655,000	35,583,000	38,518,000	37,602,016	36,707,815	35,834,879
Total non-current liabilities	36,241,000	30,655,000	62,233,000	47,399,000	46,997,427	46,647,433	46,350,226
Account payables	41,907,000	35,615,000	43,973,000	29,870,000	26,632,427	23,488,624	20,436,251
Short-term loans and borrowings	15,198,000	7,090,000	34,448,000	24,778,000	27,998,593	31,637,791	35,750,005
Provision for income tax	4,373,000	12,552,000	14,394,000	15,320,000	14,955,680	14,600,024	14,252,826
Other current liabilities	60,229,000	77,613,000	73,318,000	85,916,000	83,872,860	81,878,308	79,931,187
Total current liabilities	121,707,000	132,870,000	166,133,000	155,884,000	153,459,560	151,604,747	150,370,269
Total liabilities	157,948,000	163,525,000	228,366,000	203,283,000	200,456,987	198,252,180	196,720,494
Shareholders' Equity (JD)							
Paid-in capital	131,625,000	131,625,000	131,625,000	131,625,000	131,625,000	131,625,000	131,625,000
Statutory reserves	32,906,000	32,906,000	32,906,000	32,906,000	32,906,000	32,906,000	32,906,000
Voluntary reserves	6,756,000	6,756,000	6,756,000	6,756,000	6,756,000	6,756,000	6,756,000
Special reserves	7,950,000	7,950,000	7,950,000	7,950,000	7,950,000	7,950,000	7,950,000
Foreign currencies discrepancy	(50,000)	(92,000)	(34,000)	(65,000)	(69,406)	(74,111)	(79,135)
Reserves available for sale	(593,000)	10,967,000	11,306,000	8,219,000	7,647,188	7,115,158	6,620,142
Retained earnings	279,979,000	312,575,000	331,830,000	355,659,000	357,236,685	364,073,216	370,293,534
Total shareholders' equity	458,573,000	502,687,000	522,339,000	543,050,000	544,051,467	550,351,263	556,071,541
Total shareholders' equity and liabilities	616,521,000	666,212,000	750,705,000	746,333,000	744,508,454	748,603,443	752,792,035

Ratio Analysis

DuPont Analysis	2012	2013	2014	2015	2016 F	2017 F	2018 F
Net Profit Margin	22.45%	24.47%	23.90%	25.00%	25.72%	26.85%	27.97%
Asset Turnover Ratio	61%	57%	53%	47.5%	44.6%	43.4%	42.1%
Leverage Ratio	1.34	1.33	1.44	1.37	1.37	1.36	1.35
Return On Equity	0.00%	18.50%	18.20%	16.33%	15.69%	15.86%	15.95%

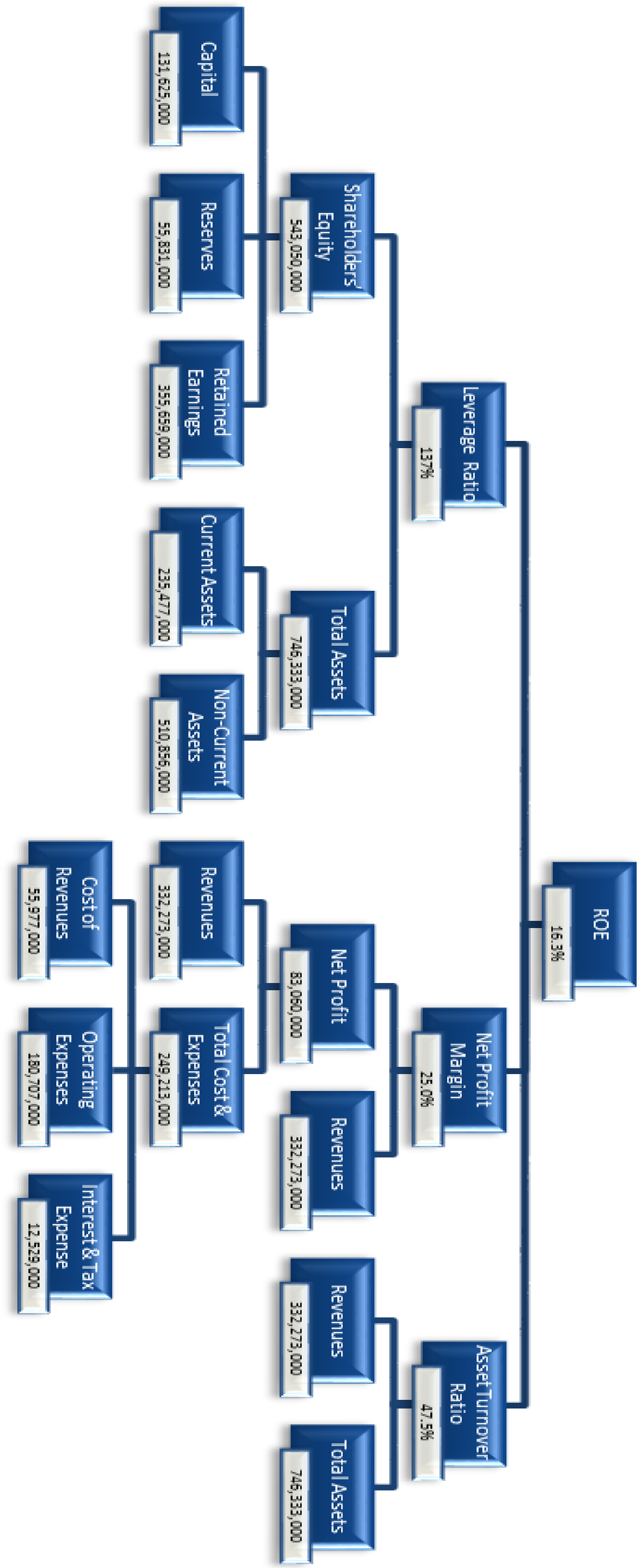
Profitability Ratios	2012	2013	2014	2015	2016 F	2017 F	2018 F
Gross Profit Margin	77.56%	80.97%	82.38%	83.15%	84.61%	86.10%	87.61%
Operating Profit Margin	30.63%	32.26%	28.97%	26.66%	28.12%	29.61%	31.12%
Net Profit Margin	22.45%	24.47%	23.90%	25.00%	25.72%	26.85%	27.97%
Return on Assets	13.32%	13.78%	11.33%	11.13%	11.21%	11.35%	11.47%
Return on Equity	17.91%	18.27%	16.29%	15.30%	15.33%	15.43%	15.52%
Payout Ratio	72.12%	64.50%	69.63%	71.31%	71.00%	69.66%	68.49%
EBDITA Margin	41.81%	43.67%	40.99%	39.90%	-	-	-
EPS	0.624	0.698	0.646	0.631	0.634	0.646	0.657

Liquidity Ratios	2012	2013	2014	2015	2016 F	2017 F	2018 F
Current Ratio	1.50	1.37	1.13	1.51	1.59	1.68	1.78
Quick Ratio	1.42	1.34	1.11	1.49	1.57	1.66	1.76

Leverage Ratios	2012	2013	2014	2015	2016 F	2017 F	2018 F
Total Debt Ratio	25.62%	24.55%	30.42%	27.24%	26.92%	26.46%	26.10%
Total Debt to Equity Ratio	4.86%	1.41%	11.70%	6.20%	6.87%	7.55%	8.30%
Dividend Coverage Ratio	1.39	1.55	1.55	1.55	1.41	1.44	1.46

Asset Management Ratios	2012	2013	2014	2015	2016 F	2017 F	2018 F
Account Receivables Turnover	4.48	4.4	4.2	3.9	4.2	4.2	4.2
Asset Turnover	61%	57%	53%	48%	45%	43%	42%

DuPont Analysis Tree



PALTEL Profile

Established Date	1995
Listing Date	06/05/1997
Market	First
Status	Active
General Manager	Mr. Ammar Aker
Termination Date of Board	28/03/2020
Head Offices Location	Nablus – Palestine
No. of Branches	67
Auditors	Ernst & Young
Sector	Services
Telephone	00970 2 2944019
Fax	00970 2 2350305
E-mail	ir@paltelgroup.ps
Website	www.paltel.ps

Source : Palestine Stock Exchange (PEX)

Definitions of Global Equity Ratings:

Equity Rating	Definition
Buy	Fair Value is > 10% from the current Market Price
Hold	Fair Value is between +10% and -10% from current Market Price
Sell	Fair Value is < -20% from current Market Price
Reduce	Fair Value is between -10% and -20% from current Market Price

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