

Telecommunications

UAE to suspend BlackBerry services

More than a million BlackBerry users may have key services in Saudi Arabia and the UAE cut off after authorities stepped up demands on smartphone maker Research In Motion (RIM) for access to encrypted messages sent over the device.

Key recommendations & forecasts

	Reuters	Year end	Recom	Price	Target price	EPS 1fcst	PE 1fcst
Du	DU.DU	Dec 2010	Hold	Dh2.04	Dh2.35	0.12	17.40
Etisalat	ETEL.DU	Dec 2010	Buy	Dh10.10	Dh13.60	1.06	9.60

Source: Company data, Rasmala forecasts

UAE regulator to cut BlackBerry services, Saudi Arabia may follow soon

The Telecommunications Regulatory Authority (TRA) of the UAE announced yesterday its plan to suspend certain BlackBerry services from 11 October. Both Emirates Integrated Company (Du) and Etisalat, the UAE's two telecom operators, have been informed of the TRA's decision, and announced today that BlackBerry Email, BlackBerry web browsing, social networking and instant messaging services on BlackBerry devices that are supported as part of the BlackBerry service, will be suspended. However, customers will be able to continue using their BlackBerry devices for Voice, SMS, MMS and web browsing. Other applications, which do not use the BlackBerry services will not be affected. Both Etisalat and Du said they would seek to provide users with alternatives.

Security concerns behind TRA decision

The TRA's decision came following concerns that the devices could be used in crime. BlackBerry's Messenger application has spread rapidly in the Gulf Arab region but because the data is encrypted and sent to offshore servers, it cannot be tracked locally, and security cannot be monitored. The move from the TRA comes days after an official in India said that country may ban BlackBerry e-mail use and reports that Saudi Arabia could take similar steps. Bianca Limwatana, a spokeswoman for RIM based in the UAE, said the company had no immediate comment and was working on a statement, according to Bloomberg. Saudi Arabia ordered phone providers to suspend BlackBerry's Messenger service, Reuters reported yesterday, citing unidentified industry sources. Saudi Telecom Co, has not been informed of any such request, said Hisham Ismail, a consultant to the company for technical affairs.

Prolonged suspension will negatively affect telecom operators' performance

Given MENA operators' recent focus on the potential offered by the mobile broadband market, particularly the cash-rich UAE and Saudi Arabia, we believe that the prolonged suspension of the BlackBerry services without a viable alternative, will negatively affect operators' performance for FY10. However, at this point it is difficult to quantify the full impact, since for users of the BlackBerry device this could mean disruptions for companies and individuals who rely on the services, including almost 700,000 in Saudi Arabia and some 500,000 in the UAE, according to Reuters. According to the ITU, mobile broadband subscriptions in UAE reached a penetration rate of 40.3% at the end of 2008, equivalent to about 1.8m users. Saudi Arabia's mobile broadband users reached a penetration rate of 9.4% at the end of 2008, equivalent to about 2.4m users.

Important disclosures can be found in the Disclosures Appendix.

Distributed outside MENA by The Royal Bank of Scotland N.V. and its affiliates under a strategic alliance with Rasmala Investment Bank Ltd.

Analyst

Shrouk Diab
 United Arab Emirates
 +971 552 248 033
 shrouk.diab@rasmala.com

Dubai International Financial Centre,
 The Gate Village, Building 10, Level 1,
 P.O. Box 31145, Dubai, United Arab
 Emirates

www.rasmala.com

Recommendation structure

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Market or sector view: This view is the responsibility of the strategy team and a relative call on the performance of the market/sector relative to the region. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Valuation and risks to target price

For a discussion of the valuation methodologies used to derive our price targets and the risks that could impede their achievement, please refer to our latest published research on those stocks at <http://research.rbsm.com>

Disclaimer

This report is prepared by Rasmala Investment Bank Limited ("RIB"). RIB is regulated by the Dubai Financial Services Authority ("DFSA"). RIB products or services are only made available to customers who RIB is satisfied meet the regulatory criteria to be a "Professional Client", as defined under the Rules and Regulations of the Dubai International Financial Centre ("DIFC").

Our investment recommendations take into account both risk and expected return. We base our long-term fair value estimates on a fundamental analysis of a company's future prospects, after having taken perceived risks into consideration. We have conducted reasonable research to arrive at our investment recommendations and fair value estimates for the company or companies mentioned in this report. Although the information in this report has been obtained from sources that RIB believes to be reliable, we have not independently verified such information thus it may not be accurate or complete. RIB does not represent or warrant, either expressly or impliedly, the accuracy or completeness of the information or opinions contained within this report and no liability whatsoever is accepted by RIB or any other person for any loss howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith.

Readers should understand that financial projections, fair value estimates and statements regarding future prospects may not be realized. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice. This research report is prepared for general circulation and is intended for general information purposes only. It is not intended as an offer or solicitation or advice with respect to the purchase or sale of any securities referred to in the report. It is not tailored to the specific investment objectives, financial situation or needs of any specific person that may receive this report. We strongly advise potential investors to seek financial guidance when determining whether an investment is appropriate to their needs.

RIB is not registered with the U.S. Securities and Exchange Commission, or any U.S. state authority, as a broker-dealer or investment advisor. This report has not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States, the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits or the accuracy or adequacy of this report.

RIB and its group entities (together and separately, "Rasmala") does and may seek to do business with companies covered in its reports. As a result, users should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Rasmala and its respective employees, directors and officers shall not be responsible or liable for any liabilities, damages, losses, claims, causes of action, or proceedings (including without limitation indirect, consequential, special, incidental, or punitive damages) arising out of or in connection with the use of this report or any errors or omissions in its content.

The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.