

ORACA TMT MORNING NOTE

Wednesday, 28 July, 2010

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1 Portugal Telecom (PTC.PL, PTC.LS) Eyes Alternative Brazilian Telco

Stock/Source	ADR/US ORDS	Close Price	VR Δ vs. C/P %	Value Range
BLMG/ORACA	N/A / N/A	EUR 8.3	N/A to N/A	N/A to N/A

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Portugal Telecom (PTC.PL, PSI20), Portugal's former incumbent telco, is close to completing talks over the acquisition of a stake in Brazilian telco, Oi's, holding company, Tele Norte, according to a report by Bloomberg this morning.

- Oi is an integrated telco (mobile, fixed, ISP and pay-tv).
- Tele Norte is currently controlled by, Telemar Participacoes, a privately held company with a consortium of investors which include AG Telecom, La Fonte Telecom and a pension fund.

Stock: Portugal Telecom
Currency: EUR
Mkt Cap (m): 7,441.05
Shares (m): 897
Close: 8.30
FY Trail P/E 10.9
52wkLo: 6.48
Lo date: 07/05/10
% change low: 28.1%
52wkHi: 8.93
Hi date: 22/06/10
% change high: 7.1%
RoE 12m %: 0.0
Index: PSI 20
Beta vs Index: 0.858
Vol (m): 3.952
Freefloat %: 69%
Bloomberg: PTC.PL
Rtrs: PTC.LIS
ISIN: PTPTCOAM0009
SEDOL: 42292

Year end	EV/Sales	EV/EBITDA	EV/EBIT	P/E	SALES GR (%)	EBITDA M (%)	NI M (%)
12/2009							
LTM	1.9x	5.8x	16.2x	10.9x		33.6%	10.2%
2010E	1.8x	5.0x	11.8x	13.9x	8.8%	35.6%	7.4%
2011E	1.8x	4.9x	10.4x	12.1x	1.9%	35.9%	8.3%
TELCO MEDIAN 010E	1.6x	5.4x	10.5x	10.4x	0.6%	28.5%	6.2%
% SECTOR VAR 09E	18.9%	7.8%	54.0%	4.3%		18%	64%
Reporting : QTRLY	Next Results 22/07/2010						



If confirmed, PTC will have done the only thing it could after its weaknesses were exposed by TEF's bid for control of Vivo – take decisive action and find a growth asset it can control.

2 Telekomunikacja Polska (TPS.PW, TPSA.WA) 2Q10A Results

Stock/Source	ADR/US ORDS	Close Price	VR Δ vs. C/P %	Value Range
TPS/ORACA	N/A / N/A	PLN 15.26	N/A to N/A	N/A to N/A

Wednesday, 28 July 2010



Telekomunikacja Polska (TPS.PW, WIG20), a Polish telco, this morning released 2Q10A results.

Results 2Q10A:

- Revenue PLN 3.99bn, down 198m or 4.7% vs. 4.19bn yoy
- EBITDA PLN 1.47bn, down 84m or 5.4% vs. 1.56bn yoy. Margin 36.9%, down 30bps vs. 37.2% yoy.
- Net Income PLN 325m, down 50m or 13.3% vs. 375m yoy. Margin 8.1%, down 80bp vs. 8.9% yoy.
- FCF PLN 711m, down 244m or 25.5% vs. 955m yoy. Margin 17.8%, down 5pp vs. 22.8% yoy.

Guidance FY10E:

TPS expects 10E revenue to decline by less than 4%, 2H10E EBITDA margin of 36-37%, CAPEX increases delayed to 4Q10E with overall 16-18% CAPEX/Sales unchanged, increased FCF to PLN 3.2bn from 2bn.

Stock:	Telekomunikacja Pols
Currency:	PLN
Mkt Cap (m):	20,382.00
Shares (m):	1,336
Close:	15.26
FY Trail P/E	14.9
52wkLo:	14.10
Lo date:	23/06/10
% change low:	8.2%
52wkHi:	19.04
Hi date:	26/10/09
% change high:	19.9%
RoE 12m %:	0.0
Index:	WIG
Beta vs Index:	0.716
Vol (m):	1.583
Freefloat %	46%
Blmbg:	TPS.PW
Rtrs	BC79.L
ISIN:	PLTLKPL00017
SEDOL:	KPL0001

Year end	EV/Sales	EV/EBITDA	EV/EBIT	P/E	SALES GR (%)	EBITDA M (%)	NI M (%)
12/2009							
LTM	1.4x	3.8x	11.9x	15.9x		36.8%	7.7%
2010E	1.5x	3.9x	12.0x	15.3x	-4.9%	37.6%	7.9%
2011E	1.5x	3.9x	11.7x	14.7x	-1.3%	38.0%	8.3%
TELCO MEDIAN 010E							
	1.6x	5.4x	10.5x	10.4x	0.6%	28.5%	6.2%
% SECTOR VAR 09E							
	-14.5%	-29.3%	13.1%	52.6%		29%	24%
Reporting : QTRLY				Next Results 28/07/2010			



Poor results vs. the sector so far this reporting season. Negative read through for France Telecom (FTE.FP, CAC) which has a de-facto control stake in TPS.

3 Deutsche Telekom (DTE.GR, DTEGn.DE) Announces Share Buyback Scheme

Stock/Source	ADR/US ORDS	Close Price	VR Δ vs. C/P %	Value Range
DTE/ORACA	N/A / N/A	EUR 10.325	11.4% to 16.2%	EUR 11.5 - 12.00

Wednesday, 28 July 2010



Deutsche Telekom (DTE.GR, DAX), the dominant German telco, on Tuesday announced a share buyback scheme using powers granted by a shareholders meeting held on 3 May 10A.

- The buyback scheme will begin after the publication of DTE's 1H10E results on 5 Aug no earlier than 10 Aug, and be completed by 31 Dec 10E.
- Up to EUR 400m of stock will be purchased based upon DTE's 27 Jul 2010 close price of EUR 10.325, equating to 38.7m or 0.89% of outstanding shares.
- Purchased shares will be cancelled, improving the balance sheet and EPS metric.

Stock:	Deutsche Telekom
Currency:	EUR
Mkt Cap (m):	45,030.63
Shares (m):	4,361
Close:	10.33
FY Trail P/E	127.6
52wkLo:	8.55
Lo date:	07/05/10
% change low:	20.8%
52wkHi:	10.60
Hi date:	04/01/10
% change high:	2.6%
RoE 12m %:	0.0
Index:	DAX
Beta vs Index:	0.617
Vol (m):	14.813
Freefloat %	64%
Blmbg:	DTE.GY
Rtrs	DTE.XE
ISIN:	DE0005557508
SEDOL:	555750

Year end	EV/Sales	EV/EBITDA	EV/EBIT	P/E	SALES GR(%)	EBITDA M(%)	NI M (%)
12/2009							
LTM	1.3x	4.6x	11.9x	127.6x		28.7%	0.5%
2010E	1.4x	4.3x	10.1x	15.0x	-2.2%	31.7%	4.8%
2011E	1.4x	4.3x	10.0x	14.5x	-1.3%	31.9%	5.0%
TELCO MEDIAN 010E							
	1.6x	5.4x	10.5x	10.4x	0.6%	28.5%	6.2%
% SECTOR VAR 09E							
	-18.6%	-13.7%	13.2%	N/A		1%	-91%
Reporting : QTRLY				Next Results 12/05/2010			

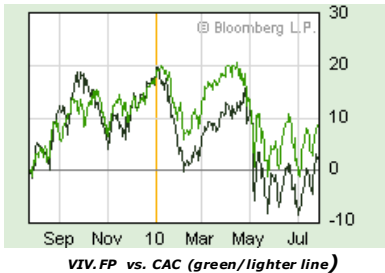


We maintain our DTE Value Range EUR 11.5-12 vs. close 10.325 and welcome the share buy-back.

5 Vivendi's (VIV.FP, VIV.PA) Unit Maroc Telecom 1H10A Results

Stock/Source	ADR/US ORDS	Close Price	VR Δ vs. C/P %	Value Range
IAM/ORACA	N/A / N/A	EUR 18.24	2.5% to 4.2%	EUR 18.7 - 19.00

Wednesday, 28 July 2010



Vivendi's (VIV.FP, CAC), the French media-telco conglomerate's, 53% owned unit Maroc Telecom (IAM.FP, CAC) on Tuesday published 1H10A Results.

Results 1H10A:

- Revenue EUR 15.5bn, up 6% yoy.
- EBITDA EUR 9.0bn, up 4.8% yoy.
- EBIT EUR 6.7bn, up 1.8% yoy.
- NI EUR 4.5bn, up 4.1% yoy.

Guidance:

IAM's customer base rose 20% to 23.6m in 1H10A. IAM targets moderate growth in revenue and maintaining a high level of profitability.

Stock: Vivendi
Currency: EUR
Mkt Cap (m): 22,423.29
Shares (m): 1,229
Close: 18.24
FY Trail P/E 27.0
52wkLo: 16.29
Lo date: 01/07/10
% change low: 12.0%
52wkHi: 21.41
Hi date: 04/01/10
% change high: 14.8%
RoE 12m %: 0.0
Index: CAC 40
Beta vs Index: 0.752
Vol (m): 5.218
Freefloat % 91%
Blmbg: VIV.FP
Rtrs VIV.PA
ISIN: FR0000127771
SEDOL: 14490

Year end	EV/Sales	EV/EBITDA	EV/EBIT	P/E	SALES GR(%)	EBITDA M(%)	NI M (%)
12/2009							
LTM	1.2x	4.1x	6.6x	27.0x		28.3%	3.1%
2010E	1.1x	3.9x	5.9x	9.5x	2.4%	28.9%	8.5%
2011E	1.1x	3.9x	5.7x	8.9x	1.7%	29.1%	8.9%
MEDIA MEDIAN 010E							
% SECTOR VAR 09E	-35.5%	-55.1%	-54.7%	37.9%		38%	-42%
Reporting : QTRLY				Next Results 11/05/2010			

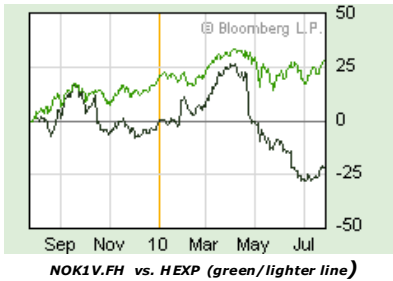


Positive uptick in results suggesting acceptable economic growth and raising expectations for other telco results. It also highlights the poor performance of TPS (see item 2 above) and highlights the relative merits of VIV vs. FTE.

6 NOKIA (NOK1V.FH, NOK1V.HE) Indian Messaging Services Stop Request.

Stock/Source	ADR/US ORDS	Close Price	VR Δ vs. C/P %	Value Range
ET/ORACA	N/A / N/A	EUR 7.21	N/A to N/A	N/A to N/A

Wednesday, 28 July 2010



NOKIA (NOK1V.FH, OMX), the Finnish phone manufacturer, was today reported to be the subject of a request by India's domestic intelligence agency to the country's telecommunications ministry to stop NOK1V messaging services until they can be monitored by the intelligence agency.

- The Economic Times (ET) cited a representative of NOK1V saying the infrastructure sought by the agency was being put in place.

Stock: Nokia
Currency: EUR
Mkt Cap (m): 27,001.14
Shares (m): 3,745
Close: 7.21
FY Trail P/E 30.2
52wkLo: 6.61
Lo date: 29/06/10
% change low: 9.1%
52wkHi: 11.70
Hi date: 07/04/10
% change high: 38.4%
RoE 12m %: 0.0
Index: OMX
Beta vs Index: 1.367
Vol (m): 21.206
Freefloat % 98%
Blmbg: NOK1V.FH
Rtrs NOKA.AS
ISIN: FI0009000681
SEDOL: 13791

Year end	EV/Sales	EV/EBITDA	EV/EBIT	P/E	SALES GR(%)	EBITDA M(%)	NI M (%)
12/20							
LTM	0.6x	5.4x	9.3x	24.2x		10.2%	2.7%
2010E	0.5x	5.0x	6.6x	12.4x	3.2%	10.9%	5.1%
2011E	0.5x	4.2x	5.4x	9.7x	5.0%	12.3%	6.3%
TECH MEDIAN 010E	1.2x	10.1x	11.0x	13.5x	11.5%	12.4%	1.8%
% SECTOR VAR 09E	-52.8%	-46.0%	-15.6%	79.6%		-17%	52%
Reporting : QTRLY	Next Results 22/07/2010						



NOK1V would in the normal course of events be able to brush off and perhaps bury such stories but because of its poor performance this year any story is news. We are not unduly concerned by this issue if it is rapidly corrected to India's satisfaction we assume that the introduction of kit that will allow monitoring is a simple activity by network standards. Nevertheless, we watch with interest in the hope of seeing a smooth resolution to this interruption to service, which has a negative impact on NOK1V's brand.