STOCK BROKERAGE LTD

# **ADN Telecom Limited**

DSE: N/A; Bloomberg: N/A

Sector: IT Sector

Syful Shamsul Alam & Co.

2017

829

(482)

348

(171)

176

(17)

160

(8)

152

(46)

ICB Capital Management Ltd.

2016

757

297

141

(10)

132

(7)

125

(37)

(460)

(156)

448.6

570.0

10.0

June

2018

920

405

(204)

201

(15)

191

(8)

182

(63)

(515)

Analyst: BRAC EPL Research (research@bracepl.com)

2014

513

226

(97)

129

(4)

126

(6)

120

(60)

2

(287)

2015

617

(376)

242

(134)

108

(9)

101

(5)

96

(31)

2

Company Summary

Post IPO No. of Shares (Mn) Post-IPO Paid-up Capital (Mn BDT)\* Pre-IPO Paid-up Capital (Mn BDT)

New Shares Issued (Mn) IPO Proceeds (Mn BDT)

**Income Statement** 

Operating Expenses

Financial Expenses

Profit before provisions

Profit before income tax

Provision for income tax

Gross Profit Margin

Op. Profit margin

Net Profit Margin

Revenue Growth

Op. Profit Growth

Net Debt to Equity

Return on Asset

Return on Equity

Effective Tax Rate

NPAT growth

Debt to Asset

Gross Profit Growth

**Gross Profit** 

**Trading profit** 

Other Income

**Provisions** 

#### Company Background

ADN Telecom (ADNTel) is a leading data and internet connectivity company offering internet service, data service, corporate and private network services to local and international clients, data center service, and IP telephony service using fiber, satellite and wireless solutions. The company's revenue breakdown for FY 2018 is provided below:

Service	Mn BDT	% of Revenue	New Shares Issued (N
Internet Service	77.4	8.4%	IPO Proceeds (Mn BD
Data Service-IPVPN	428.5	46.6%	Face Value (BDT)
IP Telephony Service	17.9	1.9%	Market Lot*
Telehouse and Hosting	0.4	0.0%	Free Float*
Bulk SMS-Digital Business	8.0	0.1%	Accounting Year End
Equipment Sales	5.8	0.6%	Auditor
Total Local Service Revenue (less: VAT)	462.1	50.2%	Issue Manager
Multiprotocol Label Switching (MPLS)	424.0	46.1%	Income Statem
International Private Leased Circuit (IPLC)	34.3	3.7%	Mn BDT
Total Local Service Revenue	458.3	49.8%	Revenue
Total Revenue	920.4	100.0%	Cost of Goods Sold

The company commenced its commercial operation as a private limited company in 2003 and was converted to a public limited company in 2012. As of June 2017, the company's internet bandwidth capacity was 2,390 Mbps with a capacity utilization of ~75% and network capacity was 12,366 Mbps with a capacity utilization of ~77%. Within 2020, the installed bandwidth and network capacity is expected to rise up to 25,000 Mbps and 40,000 Mbps respectively, with an expected capacity utilization of ~78% in both.

The chairman and also the founder of the company, Mr. Asif Mahmud, has experience of more than 27 years in the IT, ICT, and Telecommunication sector. He is also the Managing Director of SEAF Ventures Management. The management team is led by the Managing Director, Mr. Henry Hilton, who is also the Managing Director of Managewell Communications Limited. Prior to joining ADNTel, he worked for Cosmos Group. Heidelberg Cement Bangladesh Limited and Agni Systems Limited. On the basis of the pre-IPO number of shares, the Chairman owns 27.64%, the Systems Limited. On the basis of the pre-IPO humber of sharlers, the Chaliman owns 27.64%, the Managing Director owns 0.28%, other sponsor & directors own 43.42%, institutional investors own 17.00% and individual investors own the reaming 11.66% shares of the company. Notably, ADN Telecom has raised BDT 107.1 million and BDT 45.0 million through the private placements in 2014 and 2017, respectively. ADN Telecom Limited has no subsidiary or holding company but has an associate named MyTel Limited. The company establishes, operates and maintains international gateway (IGW) services. Currently, ANDTel owns 40.0% shares of MyTel

#### **TPO Details**

ADN Telecom Limited will raise BDT 570.0 million as IPO proceeds through the book building method by offering ordinary shares. Proceeds from initial public offering (IPO) will be used for developing infrastructure through BMRE, setting up Data Center and repayment of the loan. The break down of the use of IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
BMRE for infrastructure development	326.7	57.3%
Data Center Setup	93.2	16.4%
Loan Payment	120.6	21.2%
Estimated IPO Expenses	29.5	5.2%
Total	570.0	100.0%

## **Key Points**

- ADNTel has reported a top line CAGR of 16.4% from 2013 to 2018 with an average gross profit margin of 42.3%. The bottom line CAGR was 18.6% with an average net profit
- Since ADNTel's ~43.0% revenue in 2016-17 was from two foreign customers, Singapore Telecommunications Limited and Equant Network Systems Limited, it indicates a significant dependency on these two companies, the management believes they can easily diversify its customer bases as it has alliances with other major international carriers.
- ADNTel procures secondary transmission capacity from Grameenphone Limited and Bangladesh Telecommunication Company Limited, internet bandwidth from Managewell Communication Limited, BD Link Communications Limited, and Bangladesh Submarine Cable Company Limited, and fiber lease rent and transmission capacity from Summit Communications Limited and Fiber@Home Limited.
- ADNTel's alliances with leading global telecom operators such as SingTel, TATA Communications and Orange Business Service and also with the Bharti Airtel and Srilanka Telecom portrays its ability to provide end-to-end solutions, both domestically and
- The bonus issuance of shares and new issuance of shares in the year 2017 resulted in a substantial change in the debt to equity as it went down from 27% in FY 2016 to 6% in FY 2017. As a result, ADNTel's financial risk also reduced.
- At present, the number of internet subscribers in Bangladesh is around 90.5 million which grew by almost 150 times in less than 10 years as the subscriber count was 0.6 million in 2009. However, the major share of almost 94% is held by mobile operators and only 5.7 million people are subscribed with the internet service providers. Currently, there are 499 internet service providers' license holders in Bangladesh and with new licenses being issued regularly, the sector is becoming highly competitive, compared to only 180 internet service providers in 2005. Moreover, the growth of the mobile internet is the major threat for internet service providers
- The associate company, MyTel Limited, has incurred losses for the last few years. However, ADNTel reported a profit of BDT 0.6 million from MyTel in FY18.

#### Comparable & Trading Multiples

Trailing P/E multiples of o	ther listed comparable stock	s in the IT sector are given l	pelow:
DSE Ticker	Market Cap*	TTM Earnings*	P/E**
AAMRATECH	1,539.3	107.2	14.47x
AGNISYSL	1,289.9	73.8	18.28x
BDCOM	1,209.576	64.127	18.94x
DAFODILCOM	1,791.850	120.757 t	14.79x
ITC	4,526.262	126.956	35.76x

Provision for income tax	(60)	(31)	(31)	(40)	(63)
Profit after income tax	60	65	88	106	120
EPS	1.34**	1.44**	1.96**	2.36**	2.67**
Balance Sheet					
Mn BDT	2014	2015	2016	2017	2018
Non-Current Assets	544	569	703	744	858
PP&E	536	560	692	734	847
Intangible Assets	C			1	1
Investment	8	7	9	9	10
Current Assets	378		366	496	571
Inventories	6		2	2	2
Accounts Receivable	125	182	210	239	331
Advances & Deposits	126	126	144	149	179
Cash & Cash Equivalent	122	61	9	106	58
Total Assets	923	950	1,069	1,241	1,429
Shareholders' Equity	445	509	594	724	843
Share Capital	209	209	209	449	449
Share Premium	71	71	69	83	83
Retained Earnings	164	229	316	192	312
Non-Current Liabilities	270		241	226	223
Long Term Loan	197			93	64
Deferred Tax Liabilities	73			133	159
Current Liabilities	208		233	291	362
Trade & Other Payable	146	117	180	190	230
Long Term Loan-Current Portion	27	20	23	33	37
Short Term Ioan	27	38	14	23	25
Provisions			-	8	9
Provision for Tax	8	15	16	37	61
Total Equity and Liabilitie	s 923	950	1,069	1,241	1,429
Cash Flow Statement					
Mn BDT	201	4 2015	2016	2017	2018
Operating Activities	6	1 9	204	156	153
Investing Activities	(130	,	(174)	(93)	(177)
Financing Activities	5	٠,	(32)	34	(23)
Net Cash Flow	(10	) (33)	(2)	96	(47)
Ratios					
			2016	2017	2018
One and Description	4.40/	200/	200/	400/	4.40/

44%

25%

12%

19%

15%

10%

18%

27%

29%

7%

14%

50%

39%

17%

10%

20%

7%

-16%

23%

32%

7%

13%

33%

7%

39%

19%

12%

23%

23%

31%

36%

16%

27%

8%

15%

30%

42%

21%

13%

10%

17%

25%

21%

12%

6%

9%

15%

30%

44%

22%

13%

11%

17%

14%

13%

9%

8%

8%

14%

34%



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