

Report Date: 18-May-25

## JORDAN TELECOM

ASE: JTEL



Price as of 18-May-25

JD 2.95/Share

Quarterly Earnings: 31/03/2025

Annual Earnings: 31/12/2024

### RATING:



Initiated Coverage 18/05/2025

We project that JTEL will perform in line with the market over the next 6-12 months. This projection is based on our analysis of four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

### Target Price

JD 3.00

Previous Rating:					52- Week Price Range	Market Capitalization	Div. Yield	Last Div.	Forward P/E
1	2	3	4	5	23/04/25 JD 2.76- JD 3.12	JD 553.1 M	7.46%	JD 0.22/share	14.28x

P/BV:1.76x

Founded: 1996

Shares Outstanding: 187.5 M

Employees: 1644

Sector: Telecom

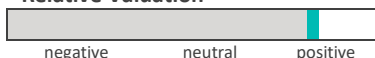
Industry: Technology and Communication

**Jordan Telecom Company** (hereinafter referred to as “JTEL” or the “Company”) is a public shareholding company established in 1996, where it later adopted France Telecom Group's commercial brand “Orange” in 2007. JTEL specializes in providing fixed telephone service, data and voice transfer, 5G services, international calls, contact center services, etc. **On April 30, 2025, JTEL's Board of Directors announced the distribution of 22% cash dividends to its shareholders.**

### Recommendation Summary

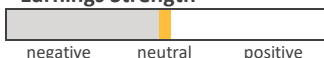
UFICO's **HOLD** recommendation of JTEL is the result of our systematic analysis of four basic characteristics mentioned above. While the company offers a dividend yield above the market average and appears undervalued on a P/BV and EV/EBITDA basis, its P/E suggests overvaluation. Earnings declined by 25.42% in Q1 2025 year-over-year, and the stock is trading near its 200-day moving average with technical signals pointing toward an oversold condition. Given these mixed fundamentals and technicals, a Hold rating is appropriate until clearer upside drivers emerge.

#### Relative Valuation



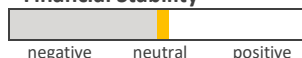
The stock is **overvalued** based on the sector's P/E ratio, but **undervalued** based on the P/BV. EV/EBITDA and EV/Sales. Also, dividend yield **exceeds** the average of dividend payers in the market.

#### Earnings Strength



JTEL's Q1 2025 net income declined by 25.42%, despite revenue remaining flat, indicating margin compression. This decline is primarily attributed to higher depreciation, interest expenses, and provisioning, which are non-operational but impact net profitability.

#### Financial Stability



JTEL remains fundamentally sound, but its short-term liquidity position and rising leverage warrant caution and closer monitoring.

#### Price Movement



The stock is traded almost daily. At its current 14-Day RSI, it is approaching the oversold territory, and is rated a **Sell** at its 200-Day MA.

### Major Risks & Rewards

- **Technological Disruption:** If JTEL manages to change or invest wisely in developing technologies, it may threaten its business model. For example, upgrades to 5G technology or changes in consumer communication service preferences could require significant financial investments.
- **Rising Debt:** The debt/equity ratio increased from 42.45% at the end of 2024 to 46.87% during Q1 2025, indicating a significant increase in debt reliance, which may negatively impact the Company's financial health and stability, but is not atypical of a telecom operator.
- **Interest Rate Risk:** The Company's earnings decreased by 25.42% during Q1 2025, due mainly to rising interest expenses. If interest rates remain high or rise further, financing expenses may continue to reduce profitability, creating a risk to future profits performance.
- **Regulatory Environment:** Changes in Jordan's telecom regulatory rules could have an influence on JTEL's operations. Government efforts, such as licencing laws, influence the sector's competitiveness and pricing tactics.
- **Dividend:** JTEL's consistent dividend payments reflect a strong commitment to shareholder returns, contributing to a dividend yield that exceeds market averages. This sustained payout policy enhances the Company's appeal as a stable, income-generating investment..
- **Agreement with TRC:** JTEL reversed excess provisions for revenue sharing booked prior to 2022, as the agreement requires only 50% of the previously calculated payments and allows for the offset of previous deposits. This resulted in an only once revenue increase in 2022 and 2023. At the end of 2024 JTEL extended critical strategic agreements, including a 15-year extension of its public telecommunications individual license, which maintained long-term regulatory stability.

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**Peers Group Comparison**

Ticker	Peer Name	Country	Price	Mkt Cap*	EPS	P/E	P/BV	EV/Sales	EV/EBITDA
			18/5/2025	18/5/2025	(Forward)	(Forward)	(MRQ)	(TTM)	(TTM)
JTEL	Jordan Telecom	Jordan	<b>JD 2.95</b>	<b>553.13</b>	<b>JD 0.21</b>	<b>14.28x</b>	<b>1.76x</b>	<b>1.78x</b>	<b>4.09x</b>
7020	Etihad Etisalat	Saudi Arabia	JD 11.05	8,507	JD 0.75	14.69x	2.42x	10.39x	11.88x
ZAINBH	Zain Bahrain Bsc	Bahrain	JD 0.22	81.0	JD 0.02	9.24x	4.24x	2.06x	67.64x
ORDS	Ooredoo QPSC	Qatar	JD 2.40	7,702	JD 0.23	10.51x	1.49x	6.90x	7.48x
ETEL	Telecom Egypt	Egypt	JD 0.50	850.9	JD 0.15	3.24x	1.31x	5.30x	4.69x
OTEL	Oman Telecommunication Co	Oman	JD 1.52	1,142.6	JD 0.64	2.39x	0.97x	3.68x	6.38x
PALTEL	Palestine Telecommunications	Palestine	JD 4.25	559.4	JD 0.24	17.73x	2.49x	9.67x	12.41x
<b>Weighted Average (Peers)</b>						<b>11.78x</b>	<b>1.91x</b>	<b>8.27x</b>	<b>9.68x</b>
<b>Sector Average</b> ( <a href="http://www.msci.com">www.msci.com</a> )						<b>13.98x</b>	<b>1.80x</b>	-	-
<b>Median</b>						<b>9.87x</b>	<b>1.95x</b>	<b>6.10x</b>	<b>9.68x</b>

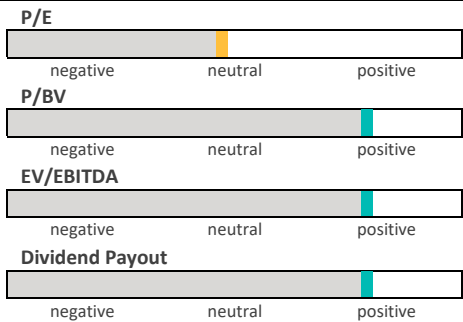
\*In JD Millions
**Past Performance**

	2020	2021	2022	2023	2024	1Q24	1Q25
Net Profit Margin	5.52%	7.83%	12.67%	12.68%	11.48%	13.37%	<b>9.97%</b>
Earning/ Share (JD)	0.09	0.14	0.23	0.24	0.22	0.06	<b>0.05</b>
Debt to Equity	34.26%	29.96%	23.38%	23.99%	42.45%	23.51%	<b>46.87%</b>
Gross Profit Margin	60.95%	64.99%	63.94%	63.35%	65.06%	63.92%	<b>64.97%</b>
Dividend/Share (JD)	0.10	0.14	0.21	0.22	0.22	-	-

**Relative Valuation: POSITIVE**

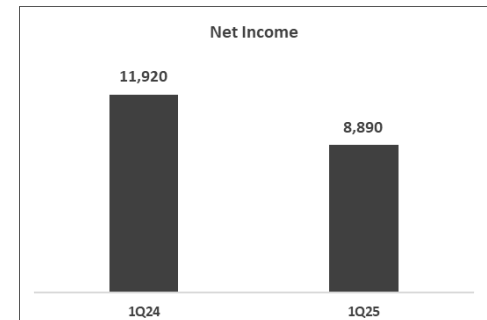
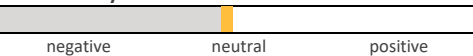
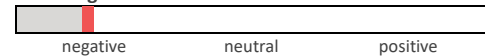
Last Price	Mkt Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
18/05/2025	18/05/2025	(Forward)	(Forward)	(MRQ)	(MRQ)	(2024)	18/05/2025
JD 2.95	JD 553.1 M	JD 0.21	14.28x	JD 1.67	1.76x	JD 0.22	7.46%

- **P/E vs. Industry:** is above than the peers' and sector's average which indicate an overvaluation,
- **P/BV vs. Industry:** is below the industry weighted average, the sector's average and the peers' median.
- **EV/EBITDA vs. Industry:** is below the industry weighted average and median, which indicates undervaluation.
- **Dividend Yield** is high and exceeds the average of dividend payers in the Jordanian market.
- **Dividend Payout Ratio** is 116%, indicates payments are well covered by earnings.


**Earning Strength: NEUTRAL**

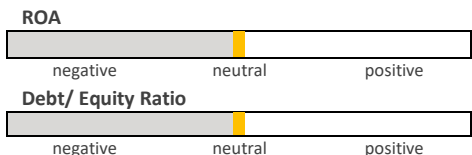
Q1 2025 Results	Revenues	Net Income	ROE	NPM
(TTM)	JD 89.15 M (-0.02%)	JD 8.9 M (-25.42%)	11.49%	9.97%

- **Earnings Trend:** shows a significant decrease in comparison with that in Q1 2024. While gross profit margins remain stable, the hit to net income suggests bottom-line pressure from rising costs and financial liabilities.
- **Return on Equity** remains respectable, but below prior-year levels, reflecting the income drop.
- **Net Profit Margin** is lower than that achieved in Q1 2024, mainly due to the decrease in the net income for the quarter.


**Profitability**

**Earnings Trend**

**Financial Stability: NEUTRAL**

Q1 2025 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
(MRQ)	JD 818.9 M	JD 313.9 M	4.43%	46.87%	0.75x

- **ROA** is within an acceptable range for investors, indicating that the Company is efficient in using its assets to generate income.



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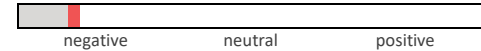
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- **Debt/ Equity Ratio** is considered high in comparison to historical results due to an increase in bank loans, but not unusual to telecom companies.
- **Current Ratio** is higher than that in Q1 2024, but it is still low indicating that JTEL's current assets might not be able to always cover its short-term obligations.

### Current Ratio



### Price Movement: NEUTRAL

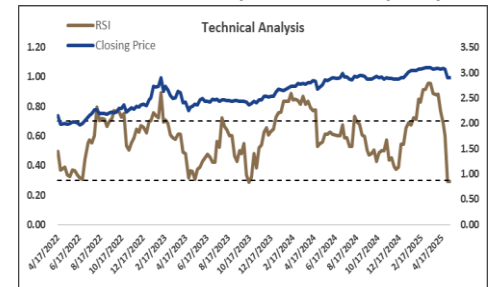
Annual Volatility:	14-Day RSI:	200-Day MA:	Average Volume (3M):
+/-12.89%	42.872	2.963	197,036 shares

- **Price Volatility** indicates a low level of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** suggests the stock is approaching oversold territory indicating a potential buying opportunity. Traditionally, a stock is considered overbought or overvalued when RSI is above 70 and oversold or undervalued when it is below 30.
- **Moving Averages (MA):** The stock price currently trades just below its 200-day MA, which indicates a **Sell** signal. The MA for the 50-Day and 100-Day are 3.045 and 3.024, accordingly, indicating a **Sell** signal.
- **Average Volume (3-Months)** indicating moderate-low trade activity with 14.1% free float.

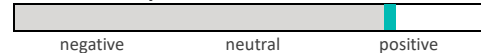
JTEL is trading just below its 200-day MA. The stock is approaching key support levels at JD 2.90 and JD 2.87, while facing resistance at JD 3.08 and JD 3.12, with JD 3.00 acting as a critical psychological level. A breakout above JD 3.00 with strong volume could signal a bullish move.

UFICO advises existing investors to hold and watch for a breakout above JD 3.00, which could signal further upside toward JD 3.08– JD 3.12. New investors are encouraged to enter only if the price moves above JD 3.00 with strong volume. The stock offers a cautiously optimistic short-term opportunity if key levels are breached.

### Stock Price is up 6.88% in the past year



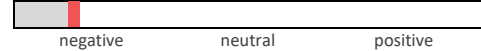
### Price Volatility



### 14-Day RSI



### Moving Average (MA)



### Average Volume (3-Months)



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1	2	3	4	5	<b>Strong Buy</b>	Significantly Satisfactory
1	2	3	4	5	<b>Buy</b>	Satisfactory
1	2	3	4	5	<b>Hold</b>	Average
1	2	3	4	5	<b>Sell</b>	Unsatisfactory
1	2	3	4	5	<b>Strong Sell</b>	Significantly Unsatisfactory

**Relative Valuation:** Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

**Earnings Strength:** Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

**Financial Stability:** Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

**Recent Price Movement:** Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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