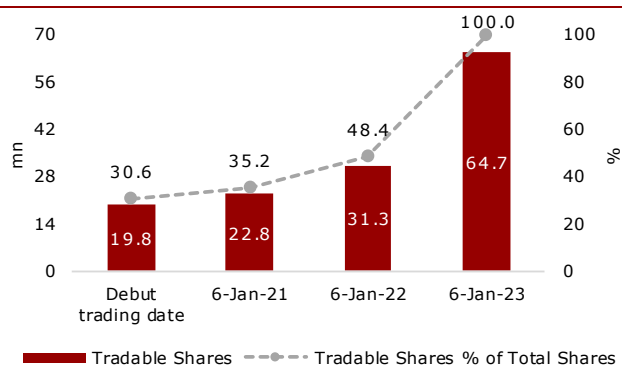


# ADN Telecom Limited

**Issued 11.9mn shares at cut-off price of BDT 30 and 7.9mn shares at offer price of BDT 27**

We initiate an IPO note on ADN Telecom Limited (ADNTELE) with no assigned rating. The company plans to raise BDT 570mn through initial public offering (IPO) under book-building method. The fund would be utilized for BMRE for infrastructure development (57.3%), loan repayment (21.2%), data center setup (16.4%) and IPO expenses (5.2%). In FY18, gross profit margin (GPM), EBIT margin and net profit margin (NPM) stood at 44.0%, 21.9% and 13.0% respectively. Return on equity (ROE) and return on asset (ROA) stood at 14.2% and 8.4% respectively in FY18. Presently, ADNTELE doesn't have any subsidiary or associate company.

## Lock-in Provision



Source: IPO Prospectus

- Pre-IPO shares of ADNTELE (44.9mn) is classified into two categories - sponsors & directors and other than sponsors & directors. In post-IPO basis, total number of shares would increase by 19.8mn to 64.7mn. Of post-IPO shares: sponsors & directors, general public and institution would hold 33.3mn, 19.4mn and 11.9mn shares respectively.
- 100% of the shares issued at IPO (19.8mn) will be tradable on the first trading date which implies that on debut trading day total tradable shares as % of total shares will be 30.6%. All shares purchased by general public (7.9mn) and institutional investors (11.9mn) purchased at IPO would be tradable on that day.
- On 6 January 2021, tradable shares will increase by 2.97mn shares and on 6 January, 2022 tradable shares will further increase by 8.55mn shares. On 6 January, 2023 shares of sponsors and directors will become tradable, increasing total tradable shares by 33.34mn.

ADN Telecom Limited | Information Technology

## IPO Summary

IPO type	Book Building
DSE ticker	ADNTELE
Face value (BDT)	10
Cut-off price (BDT)	30
Public offer price (BDT)	27
Authorized capital (BDT mn)	2,000
Issue manager	ICB Capital Management Limited
Underwriters	ICB Capital Management Limited
Auditor	Syful Shamsul Alam & Co.
Pre-IPO paid-up capital (BDT mn)	449
IPO size at face value (BDT mn)	198
<b>Post-IPO paid-up capital (BDT mn)</b>	<b>647</b>
Pre-IPO number of shares (mn)	44.9
IPO issue size (no. of shares in mn)	19.8
<b>Post-IPO number of shares</b>	<b>64.7</b>
<b>Tradable shares at debut trading Day (mn)</b>	<b>19.8</b>

Shareholding Structure	Pre-IPO			Post-IPO		
	Shares (mn)	BDT Mn	%	Shares (mn)	BDT Mn	%
Sponsors	33.3	333.4	74.3	33.3	333.4	51.6
Institute	-	-	-	11.9	118.8	18.4
Public	11.5	115.2	25.7	19.4	194.4	30.1
<b>Total</b>	<b>44.9</b>	<b>448.6</b>	<b>100.0</b>	<b>64.7</b>	<b>646.5</b>	<b>100.0</b>

## Utilization of IPO proceed

Particulars	BDT mn	%
BMRE for infrastructure development	326.7	57.3
Loan repayment	120.6	21.2
Data center setup	93.2	16.4
IPO expenses	29.5	5.2
<b>Total</b>	<b>570.0</b>	<b>100.0</b>

Annualized EPS (BDT)	Offer price (BDT)	Theoretical market price (BDT)							
1.76	27.0	20.0	25.0	30.0	35.0	40.0	45.0	50.0	
Trailing P/E (x)	15.3	11.4	14.2	17.0	19.9	22.7	25.6	28.4	

## Financials summary

Particulars (BDT mn)	FY16	FY17	FY18
Revenue	757	829	920
EBITDA	182	226	262
EBIT	141	177	201
Net profit after tax	88	106	120
Total assets	1,069	1,241	1,429
Total liabilities	474	517	585
EPS (post IPO) (BDT)	1.36	1.64	1.85
OCF/share (post IPO) (BDT)	3.1	2.4	2.4
NAV per share (post IPO) (BDT)	9.19	11.20	13.05

**Analyst**

Shadman Sadique Kamal

Research Associate

shadman.kamal@ucb.com.bd

## COMPANY BACKGROUND

ADNTEL is a leading internet service (ISP), multi-protocol label switching (MPLS), international private leased circuit (IPLC) and IP Telephony service provider in Bangladesh. The company owns a diverse access network across the country through wireless, fiber and satellite infrastructure. ADNTEL was incorporated on September 22, 2003 as a private limited company and started commercial operation on the same day. Later, the company was converted to public limited company on July 25, 2012.

## NATURE OF BUSINESS

The company provides seamless, secured data & internet connectivity to various grades of customers using fiber, satellite and wireless solutions. ADNTEL is the prime service provider for domestic and international connectivity services and solutions duly authorized by Bangladesh Telecommunication Regulatory Commission (BTRC). The company deliver services to mostly corporate, B2B, government, financial institutions etc.

## REVENUE AND CLIENT BASE

Locally provided services contributed 57.67% to total revenue and export of services contributed the rest. The company has been maintaining a renowned local corporate client base including multinational companies as well as government agencies and embassies. Unilever Bangladesh, Samsung Bangladesh, Chevron, British American Tobacco, British High Commission in Dhaka, Janata Bank Ltd., Sonali Bank Ltd., Agrani Bank Ltd., Rupali Bank Ltd., Dutch Bangla Bank Ltd., BRAC Bank Ltd. And GE Health Care are some of the major customers of ADNTEL.

## BOARD OF DIRECTORS

Sl. No.	Name	Designation
1	Asif Mahmood	Chairman
2	Henry Hilton	Managing Director
3	Md. Moinul Islam	Director
4	Md. Mahfuz Ali Sohel	Director
5	Khandaker Mahmooda Saeed	Director
6	Ghulam Rasool	Independent Director
7	Khondkar Atique-E-Rabbani	Independent Director

## IPO PROCEEDS UTILIZATION

Use of proceeds	Approximate date of completion	BDT mn
BMRE for infrastructure development	W/I 12 months after receiving IPO Proceeds	326.7
Loan repayment	W/I 30 days after receiving IPO Proceeds	120.6
Data center setup	W/I 9 months after receiving IPO Proceeds	93.2
IPO expenses	As and when required	29.5
<b>Total</b>		<b>570.0</b>

## COMPETITORS

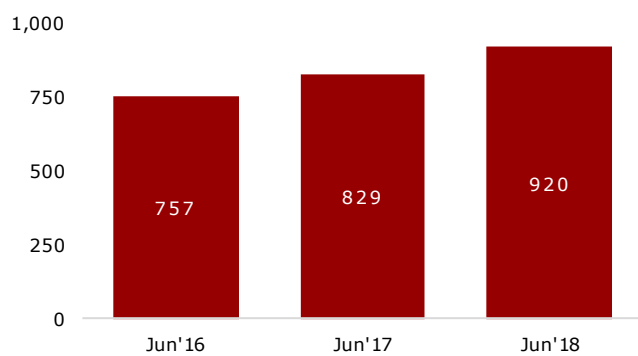
Sl. No.	Company	Listing Status in DSE
1	aamra technologies limited	Listed
2	Agni Systems Limited	Listed
3	BDCOM Online Limited	Listed
4	Daffodil Computers Limited	Listed
5	Intech Limited	Listed
6	Information Services Network Limited	Listed
7	IT Consultants Limited	Listed

## KEY SUPPLIERS

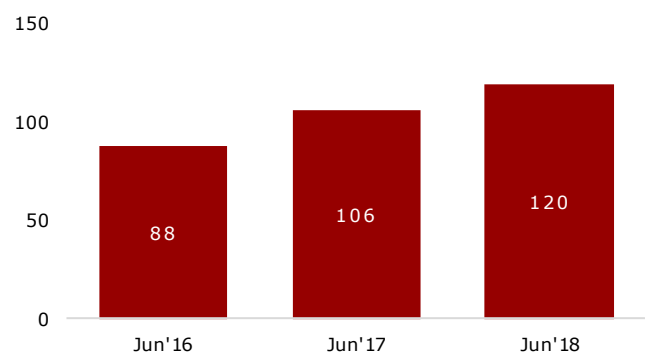
Sl. No.	Name of Suppliers	Category of Supply
1	Grameenphone Limited	Co-location/Secondary transmission capacity
2	Managewell Communication Limited	Internet Bandwidth
3	BD Link Communications Limited	Internet Bandwidth
4	Summit Communications Limited	Fiber lease rent (underground cable) and transmission capacity
5	Fiber @ Home Limited	Fiber lease rent (underground cable) and transmission capacity

## PERFORMANCE ANALYSIS

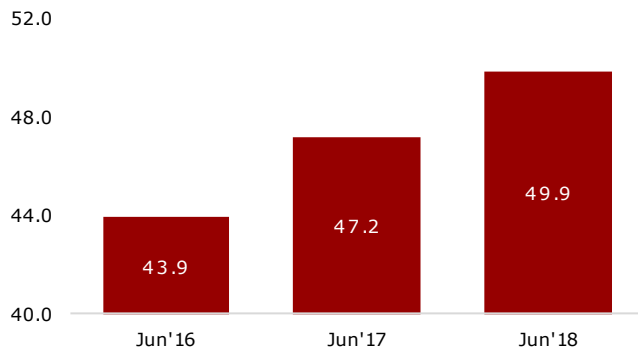
Revenue ( BDT mn)



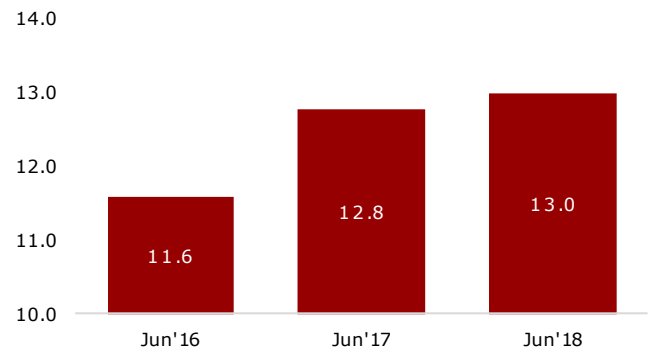
Net profit after tax ( BDT mn)



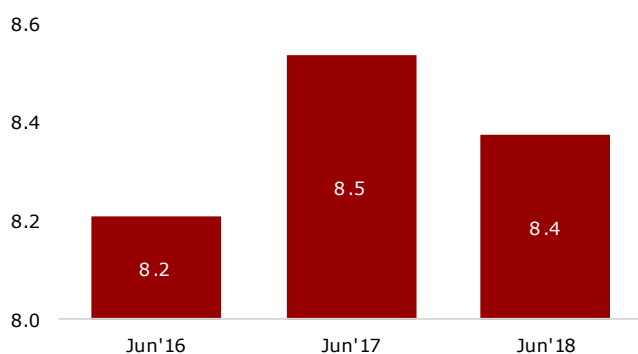
Gross profit margin (%)



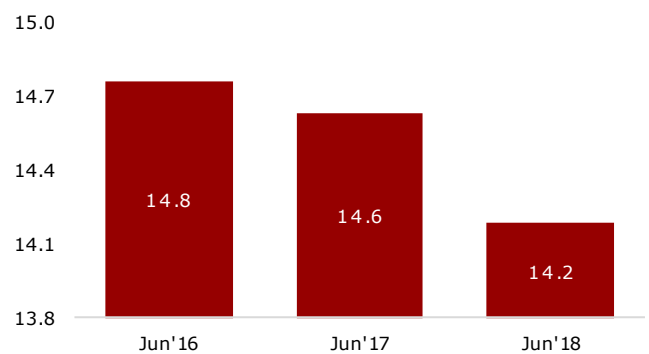
Net profit margin (%)



ROA (%)



ROE (%)



Source: Prospectus

## FINANCIALS

### Statement of Comprehensive Income

Particulars (BDT mn)	FY16	FY17	FY18
<b>Revenue</b>	<b>757</b>	<b>829</b>	<b>920</b>
Cost of goods sold & services*	425	438	461
<b>Gross profit</b>	<b>333</b>	<b>392</b>	<b>459</b>
Administrative expenses*	83	93	111
Distribution and marketing expenses	68	72	87
<b>EBITDA</b>	<b>182</b>	<b>226</b>	<b>262</b>
Depreciation & amortization	41	49	61
<b>EBIT</b>	<b>141</b>	<b>177</b>	<b>201</b>
Other non-operating income	1	1	4
Financial expense	10	18	15
<b>Profit before WPPF</b>	<b>132</b>	<b>160</b>	<b>191</b>
WPPF	7	8	9
Share of profit/(loss) of associates	0	0	1
<b>Profit before Tax</b>	<b>125</b>	<b>152</b>	<b>182</b>
<b>Tax Expenses</b>	<b>37</b>	<b>46</b>	<b>63</b>
Current year	16	22	37
Prior year	0	0	0
Deferred tax	22	25	26
<b>Net profit after tax</b>	<b>88</b>	<b>106</b>	<b>120</b>
No of shares (mn) - Pre IPO			<b>44.9</b>
No of shares (mn) - Post IPO			<b>64.7</b>
<b>EPS (BDT) - Pre IPO</b>	<b>1.96</b>	<b>2.36</b>	<b>2.67</b>
<b>EPS (BDT) - Post IPO</b>	<b>1.36</b>	<b>1.64</b>	<b>1.85</b>

\*Adjusted for depreciation and amortization

### Statement of Financial Position

Particulars (BDT mn)	FY16	FY17	FY18
<b>Non-current assets</b>	<b>703</b>	<b>744</b>	<b>858</b>
Property, plant and equipment	692	734	847
Intangible assets	1	1	1
Investment	9	9	10
<b>Current assets</b>	<b>366</b>	<b>496</b>	<b>571</b>
Inventories	2	2	2
Trade and other receivables	213	239	331
Advances, deposits and prepayments	141	149	179
Cash and cash equivalents	9	106	58
<b>Total assets</b>	<b>1,069</b>	<b>1,241</b>	<b>1,429</b>
<b>Shareholder's equity</b>	<b>594</b>	<b>724</b>	<b>843</b>
Share capital	209	449	449
Share premium	69	83	83
Retained earnings	316	192	312
<b>Non-current liabilities</b>	<b>210</b>	<b>226</b>	<b>223</b>
Term loan	99	89	55
Lease liabilities	3	4	9
Deferred tax liability	108	133	159
<b>Current liabilities</b>	<b>265</b>	<b>291</b>	<b>362</b>
Current portion of term loan	23	32	34
Current portion of lease liabilities	1	1	3
Short term loan	14	23	25
Accrued expenses	49	70	56
Provision for WPPF	7	8	9
Trade and other payables	156	120	175
Provision for tax liability	16	37	61
<b>Total liabilities</b>	<b>474</b>	<b>517</b>	<b>585</b>
<b>Total liability &amp; shareholder's equity</b>	<b>1,069</b>	<b>1,241</b>	<b>1,429</b>
<b>BVPS (Pre IPO)</b>	<b>0.34</b>	<b>0.87</b>	<b>10.48</b>
<b>BVPS (Post IPO)</b>	<b>0.29</b>	<b>0.75</b>	<b>9.11</b>

### Statement of Cash Flows

Particulars (BDT mn)	FY16	FY17	FY18
Operating cash flow	203	156	153
Investing cash flow	-173	-93	-177
Financing cash flow	-32	34	-23
<b>Net changes in cash</b>	<b>-2</b>	<b>96</b>	<b>-47</b>
Cash & cash equivalents (beginning)	11	9	106
<b>Cash &amp; cash equivalents (ending)</b>	<b>9</b>	<b>106</b>	<b>58</b>
<b>OCF per share (BDT) (Pre-IPO)</b>	<b>4.52</b>	<b>3.47</b>	<b>3.40</b>
<b>OCF per share (BDT) (Post-IPO)</b>	<b>3.14</b>	<b>2.41</b>	<b>2.36</b>

### Key Ratios

Growth YoY	FY17	FY18
Revenue growth (%)	9.5	11.0
Gross profit growth (%)	17.7	17.3
EBITDA growth (%)	24.6	15.8
EBIT growth (%)	25.4	13.8
Net profit growth (%)	20.7	12.9

Margins	FY16	FY17	FY18
Gross profit margin (%)	43.9	47.2	49.9
EBITDA margin (%)	24.0	27.3	28.5
EBIT margin (%)	18.6	21.3	21.9
PBT margin (%)	16.5	18.3	19.8
Net profit margin (%)	11.6	12.8	13.0

Per share data	FY16	FY17	FY18
EPS (BDT) - Pre IPO	1.96	2.36	2.67
EPS (BDT) - Post IPO	1.36	1.64	1.85
BVPS (BDT) - Pre IPO	13.25	16.13	18.80
BVPS (BDT) - Post IPO	9.19	11.20	13.05
OCFPS - Pre IPO (BDT)	4.52	3.47	3.40
OCFPS - Post IPO (BDT)	3.14	2.41	2.36

Return and valuation	FY16	FY17	FY18
Return on equity (%)	14.8	14.6	14.2
Return on assets (%)	8.2	8.5	8.4
Debt-to-equity (x)	0.23	0.21	0.15

DuPont Analysis	FY16	FY17	FY18
Net profit margin (%)	11.6	12.8	13.0
Total asset turnover (x)	0.71	0.67	0.64
Equity multiplier (x)	1.8	1.7	1.7

Cash conversion analysis	FY16	FY17	FY18
Days receivables outstanding	102.8	105.0	131.2
Days inventory outstanding	0.8	1.0	1.0
Days payables outstanding	75.0	53.0	69.2
Cash conversion cycle (days)	28.6	53.0	62.9

Efficiency	FY16	FY17	FY18
Receivable turnover (x)	3.6	3.5	2.8
Inventory turnover (x)	481.6	350.9	383.6
Payables turnover (x)	4.9	6.9	5.3
Interest coverage (x)	13.9	9.8	13.8

## Disclaimer

### GENERAL DISCLOSURE

This research report has been prepared by UCB Capital Management Limited (UCB Capital), a company authorized to engage in broker-dealer activities in Bangladesh. UCB Capital is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

NOTICE TO RECIPIENTS: This email (including all attachments) is intended only for the named recipient. If you have received this email in error, please delete the email plus any copies of it and immediately notify the sender by return email.

The information contained herein has been prepared and issued by UCB Capital to its clients, and all intellectual property relating to the Research vests with UCB Capital unless otherwise noted. The Research is provided on an as is basis, without warranty (express or implied).

The Research is based on public data obtained in good faith from sources believed by UCB Capital to be reliable, but no representations, guarantees or warranties are made by UCB Capital with regard to accuracy, completeness or suitability of the data and under no circumstances will any of UCB Capital, its officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content. UCB Capital has not performed any independent review or due diligence of publicly available information. The opinions and estimates contained herein reflect the current judgment of the analyst(s) on the date of this Research and are subject to change without notice. The opinions do not necessarily correspond to the opinions of UCB Capital. UCB Capital does not have an obligation to update, modify or/(and) amend this Research or otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or/(and) estimate set forth herein, changes or subsequently becomes inaccurate.

This Research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is intended to be distributed in its entirety. It does not constitute a personal recommendation or takes into account the particular investment objectives, financial situations, or needs of individual investors. Investors should consider whether any advice or recommendation in this Research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice and ensure they obtain, read and understand any applicable offer document. The price and value of investments referred to herein and the income from them may fluctuate. Past performance is not an indicator or guarantee of future returns, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this Research. Our asset management area, principal trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this Research. Neither UCB Capital nor its representatives, will receive (directly or indirectly) any commission, fee, benefit or advantage, pecuniary or otherwise, nor be influenced, either directly or indirectly, in connection with the making of any recommendation or preparation of any Research.

The analysts named in this report may have from time to time discussed with our clients, including UCB Capital salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this Research may not be achieved due to multiple

UCB Capital may provide hyperlinks to websites of entities mentioned in this Research, however the inclusion of a link does not imply that UCB Capital endorses, recommends or approves any material on the linked page or accessible from it. UCB Capital does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of UCB Capital. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

#### **IMPORTANT DISCLOSURES FOR U.S. PERSONS ONLY**

This research report is a product of UCB Capital Management Ltd. which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by UCB Capital Management Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, UCB Capital Management Ltd. has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

#### **EQUITY RECOMMENDATION STRUCTURE (ABSOLUTE RATINGS)**

<b>Recommendation Type</b>	<b>Holding period (if not otherwise mentioned)</b>	<b>Absolute Return Potential</b>
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

#### **ANALYST CERTIFICATION**

Respective analyst(s) identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. The research analyst(s) named on this report are not registered / qualified as research analysts with FINRA.

*It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price.*

## Contact Us

### Research Team

Rajib Kumar Das	Head of Research	rajib.das@ucb.com.bd	+880 1730 797 728
Md. Sakib Chowdhury, CFA	Deputy Head of Research	sakib.chowdhury@ucb.com.bd	+880 1713 205 698
Md. Nazmus Sakib	Research Associate	nazmus.sakib@ucb.com.bd	+880 1701 205 073
Anik Mahmood Ibne Anwar	Research Associate	anik.mahmood@ucb.com.bd	+880 1701 205 074
Shadman Sadique Kamal	Research Associate	shadman.kamal@ucb.com.bd	+880 1701 205 096
Md. Asif Muntasir Shakkhor	Research Associate	asif.muntasir@ucb.com.bd	+880 1713 205 696

### Investment Strategist

Syed Adnan Huda, CFA	Vice President	adnan.huda@ucb.com.bd	+880 1730 325 232
Md. Hasib Reza, CFA	Assistant Vice President	hasib.reza@ucb.com.bd	+880 1755 658 997

### Institutional & Foreign Trade

Sonchoy Saha, CFA	Head of Institutional Sales	sonchoy.kumer@ucb.com.bd	+880 1755 615 313
Tahmidur Rahman	Senior Executive Officer	tahmid@blomberg.net rahman.tahmidur@ucb.com.bd	+880 1726 995 520

### Office Premises

<b>Head Office</b> 6, Dilkusha C/A 1st Floor Dhaka- 1000	<b>Corporate Office</b> Bulus Center (Level-2) Plot-CWS(A)-1, Road No-34 Gulshan Avenue	<b>DSE Extension Office</b> Room # 633, 9/E DSE Annex Building (5 th Floor) Motijheel C/A, Dhaka 1000 Bangladesh
<b>Extension of Main Office</b> NIK Tower, 55 Dilkusha C/A, (4th Floor), Dhaka-1000.	<b>Chattogram Office</b> Muntasir Centre (5th Floor), 253, Wasa Circle, Dampara Khulshi, Chattogram.	

Find our research on Bloomberg <BRC> Go