

Etihad Etisalat (Mobily)

Expansion of the subscriber base along with growth in all revenue segments drove topline

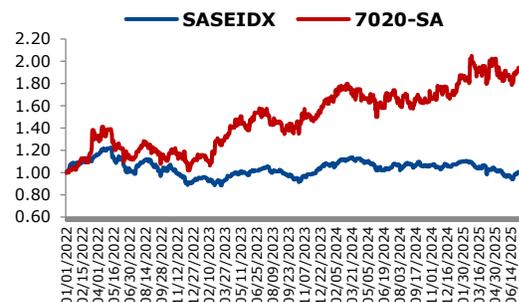
Current Price
SAR 55.20

Target Price
SAR 66.50

Upside/Downside (%)
+20.5%

Rating
BUY

- Revenue grew 8.1% YOY to SAR 4.8 Bn in 2Q25 due to the expansion of the overall customer base and growth in all revenue segments.
- Mobile subscriber base increased 4.9% YOY to 12.8 Mn, while FTTH subscriber declined 3.0% YOY to 289K Mn in 2Q25.
- Capex rose significantly from SAR 386 Mn in 2Q24 to SAR 566 Mn in 2Q25 due to investments towards 5G infrastructure and frequency spectrums.
- The Company announced an interim cash dividend of SAR 1.20 per share for the period of 1H25, resulting in total dividend of SAR 924 Mn.



2Q25 Net Profit higher than our estimate

Etihad Etisalat (Mobily/the Company) net profit grew 25.6% YOY to SAR 830 Mn in 2Q25, higher than our estimate of SAR 794 Mn. The rise in net profit is attributed to an increase in service revenue and a reduction in tax charges along with other expenses, partially offset by a rise in the cost of services.

P&L Highlights

Mobily's service revenue rose 8.1% YOY to SAR 4,828 Mn in 2Q25, driven by growth in all revenue segments along with expansion of the overall subscriber base. The Company's growth in the Business segment is driven by continued business from government, small and medium-sized, and enterprise businesses. The Company's cost of services increased 5.6% YOY to SAR 2,205 Mn in 2Q25. As a result, Mobily's gross profit rose 10.3% YOY to SAR 2,623 Mn. Additionally, the gross profit margin expanded 107 bps YOY to 54.3% in 2Q25. Mobily's operating profit increased 17.4% YOY to SAR 891 Mn in 2Q25, while operating profit margin rose 145 bps YOY to 18.5% in 2Q25. The Company's EBITDA grew from SAR 1,650 Mn in 2Q24 to SAR 1,823 Mn in 2Q25 and the EBITDA margin expanded 80 bps YOY 37.8% in 2Q25. Mobily's net other expenses (includes net finance costs and Company's share in loss of an associate along with other income) declined from SAR 70 Mn in 2Q24 to SAR 39 Mn in 2Q25 as a result of increase in the Company's share of profit from joint ventures partially offset by rise in financial charges as a result of obtaining spectrum licenses. Furthermore, the Company's zakat charges fell from SAR 29 Mn in 2Q24 to SAR 23 Mn in 2Q25.

Stock Information

Market Cap (SAR, Mn)	42,504.00
Paid Up Capital (Mn)	770.00
52 Week High	64.50
52 Week Low	48.65
3M Avg. daily value(SAR)	910,637.4

2Q25 Result Review (SAR, Mn)

Total Equity	19,451
Revenue	4,828
Operating Profit	891
EBITDA	1,823
Net Profit	830

Financial Ratios

Dividend Yield (12m)	4.0
Dividend Pay-out (%)	54.52
Price-Earnings Ratio(x)	13.23
Price-to-Book Ratio (x)	2.18
Book Value (SAR)	24.51
Return-on Equity (%)	17.02

Stock Performance

5 Days	-4.66%
1 Months	-1.95%
3 Months	-10.97%
6 Months	-4.50%
1 Year	1.85%
Month to Date (MTD%)	-6.91%
Quarter to Date (QTD%)	-6.91%
Year to Date (YTD%)	3.37%

Balance Sheet Highlights

The Company's capex surged from SAR 386 Mn in 2Q24 to SAR 566 Mn in 2Q25, allocated to enhancing infrastructure, developing frequency spectrums and expanding 5G network. As a result, the capex/revenue surged 8.6% in 2Q24 to 11.7% in 2Q25. The Company's gross debt rose 9.3% YOY to SAR 10.8 Bn in 2Q25, while the net debt increased 9.2% YOY to SAR 7.5 Bn in 2Q25. The Company's net debt to EBITDA ratio fell marginally from 1.01x in 2Q24 to 1.00x in 2Q25.

Target Price and Rating

We maintain our BUY rating on Mobily with a target price of SAR 66.50. Mobily's revenue grew 8.1% YOY to SAR 4.8 Bn in 2Q25 driven by the expansion of the overall customer base. The mobile subscriber base experienced 5.0% YOY growth to 12.8 Mn subscribers in 2Q25, consisting of 10.8 Mn prepaid subscribers and 2.0 Mn postpaid subscribers. However, the FTTH subscriber base reduced from 298K in 2Q24 to 289K in 2Q25. Furthermore, the Company expects the revenue to grow by mid to high-single digit in 2025 and the EBITDA margin to range between 37.0% to 38.0%. Mobily's CAPEX reached SAR 566 Mn in 2Q25, primarily directed towards strengthening infrastructure, advancing frequency spectrum capabilities, and accelerating the expansion of its 5G network. Mobily continues to reinforce its leadership in the TMT sector through innovative digital solutions that align with evolving customer expectations. In 2025, the Company played an important role in enabling seamless connectivity during the Hajj season, ensuring a reliable and fully integrated experience for pilgrims through advanced infrastructure and exceptional network performance. Mobily's robust financial and operational results reflect strong revenue growth and rising EBITDA and net income. The Business segment strengthened digital infrastructure by launching two new data centers to meet increasing demand. In the Consumer segment, Mobily enhanced user experiences through strategic partnerships and loyalty program initiatives. Meanwhile, the Wholesale segment advanced its offerings in telecommunications services and reaffirmed Mobily's leadership in digital transformation by participating as a Platinum Digital Partner in the 2025 SAMENA Telecommunications Council Leaders Summit. The Company announced a cash dividend of SAR 1.20 per share for 1H25 accounting to a total dividend of SAR 924 Mn. The expanding customer base with investment in digital infrastructure is expected to benefit the Company's top line in the near term. Thus, based on our analysis, we maintain our BUY rating on the stock.

Mobily - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	54.27	39.67	25.65	19.04	13.68	13.39
PB	2.94	2.80	2.60	2.41	2.25	2.09
EV/EBITDA	9.91	9.19	7.98	7.10	6.32	6.23
DPS	0.500	0.850	1.150	1.450	2.200	2.450
Dividend yield	0.9%	1.5%	2.1%	2.6%	4.0%	4.4%

FABS Estimates & Co Data

Mobily - P&L

SAR mm	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Services revenues	4,465	4,777	4,828	4,795	0.7%	8.1%	1.1%	18,206	19,360	6.3%
Cost of services	-2,087	-2,223	-2,205	-2,225	-0.9%	5.6%	-0.8%	-8,312	-8,751	5.3%
Gross profit	2,378	2,554	2,623	2,570	2.0%	10.3%	2.7%	9,894	10,609	7.2%
Operating Profit	759	850	891	898	-0.8%	17.4%	4.8%	3,530	3,613	2.3%
EBITDA	1,650	1,775	1,823	1,822	0.0%	10.5%	2.7%	7,195	7,308	1.6%
Profit before zakat	690	787	853	818	4.3%	23.7%	8.3%	3,193	3,361	5.2%
Zakat	-29	-21	-23	-25	-6.3%	-19.5%	10.6%	-86	-187	NM
Profit attributable	661	767	830	794	4.6%	25.6%	8.3%	3,107	3,174	2.1%

FABS estimate & Co Data

Mobily – Margins

	2Q24	1Q25	2Q25	YOY	QOQ Ch	2024	2025F	Change
Gross Profit	53.3%	53.5%	54.3%	107	86	54.3%	54.8%	46
EBITDA	37.0%	37.1%	37.8%	80	62	39.5%	37.8%	-177
Operating Profit	17.0%	17.8%	18.5%	145	66	19.4%	18.7%	-73
Net Profit	14.8%	16.0%	17.2%	239	114	17.1%	16.4%	-67

FABS estimate & Co Data

Valuation:

We use Discounted Cash Flow (DCF), and Relative Valuation (RV) method to value Mobily. We have assigned 70% weight to DCF, and the remaining 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	70.04	70.0%	49.03
Relative Valuation (RV)	58.24	30.0%	17.47
Weighted Average Valuation (SAR)			66.50
Current market price (SAR)			55.20
Upside/Downside (%)			+20.5%

1) DCF Method:

Mobily is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 9.1%. It has arrived after using cost of equity of 9.5% and after-tax cost of debt of 5.8% with debt-to-equity ratio of 14.3%. Cost of equity is calculated by using 10-year government bond yield of 5.2%, beta of 1.0 and equity risk premium of 4.2%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. The cost of debt is calculated using the cost of 6.2% after adjusting a tax rate arriving at after-tax cost of debt of 6.1%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	16,527
Terminal value (SAR, Mn)	43,002
FV to Comon shareholders (SAR, Mn)	53,932
No. of share (Mn)	770
Current Market Price (SAR)	55.20
Fair Value per share (SAR)	70.04

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT	3,635	3,977	4,263	4,455	4,577
D&A	3,696	3,775	3,861	3,956	4,069
Working Capital	-225	-52	-148	-135	-201
(-) Capex	-3,291	-3,379	-3,565	-3,706	-4,017
Free Cash Flow to Firm (FCFF)	3,815	4,321	4,412	4,570	4,428
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Discounted FCFF	2,753¹	3,811	3,567	3,387	3,009

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used regional and international peers to value Mobily, and it is valued using the EV/EBITDA multiple. It is valued at EV/EBITDA multiple of 6.9x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025E	2026E	2025E	2026E
Saudi Telecom	55,778	7.8	7.5	15.2	14.3
Verizon Communication	179,149	6.9	6.7	9.0	8.8
Deutsche Telekom AG	172,866	6.9	6.6	15.2	13.5
Telstra Group Limited	36,646	8.8	8.4	25.4	23.3
Emirates Integrated Telecommunication Company	12,155	6.2	6.0	16.4	15.8
SAFARICOM PLC	8,193	5.3	5.8	11.7	12.0
Average		7.0x	6.8x	15.5x	14.6x
Median		6.9x	6.6x	15.2x	13.9x
Max		7.6x	7.3x	16.1x	15.5x
Min		6.4x	6.2x	12.5x	12.4x

Source: FAB Securities

