

Etihad Etisalat (Mobily)

Robust revenue growth coupled with operational efficiency boosted profit

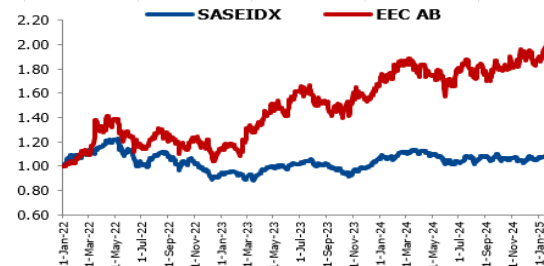
Current Price
SAR 60.00

Target Price
SAR 66.50

Upside/Downside (%)
+11%

Rating
ACCUMULATE

- Revenue grew 9.1% YOY in 4Q24 to SAR 4,697 Mn and is further expected to increase by mid to high-single-digit in 2025.
- Mobile subscriber base increased 3.9% YOY to 12.3 Mn, while FTTH subscriber declined 2.7% YOY to 0.3 Mn 4Q24.
- Mobily's net debt decreased from SAR 6.9 Bn in 3Q24 to SAR 6.4 Bn in 4Q24, while the net debt to EBITDA fell from 0.98x in 3Q24 to 0.89x in 4Q24 and is expected to remain at 1.0x in 2025.
- Mobily incurred a capex of SAR 2.6 Bn in FY2024 to expand its IoT infrastructure, data centers, submarine cables, and 5G presence.
- The company announced a final cash dividend of SAR 1.30 per share for 2H24, expected to be paid in April 2025.



4Q24 Net Profit higher than our estimate

Etihad Etisalat (Mobily/the Company) recorded a significant growth in net profit of 31.3% YOY to SAR 979 Mn in 4Q24, higher than our estimate of SAR 679 Mn. The growth in net profit is mainly attributed to an increase in gross profit coupled with a decline in selling & marketing and finance expenses partially offset by a growth in general & administrative expenses, D&A expenses and lower finance income. The net profit also benefitted from reversal on accounts receivable and zakat benefit in 4Q24.

P&L Highlights

Mobily's service revenue grew 9.1% YOY to SAR 4,697 Mn in 4Q24 attributable to strong expansion across all the revenue segments. Revenue from the Consumer segment increased 5.0% YOY to SAR 2,992 Mn in 4Q24, while the Business segment revenue increased substantially 20.8% YOY to SAR 1,134 Mn. Similarly, the Wholesale segment revenue increased 10.6% YOY to SAR 466 Mn in 4Q24. Outsourcing segment income grew 7.5% YOY to SAR 106 Mn in 4Q24. The Company's cost of services increased 19.0% YOY to SAR 2,192 Mn in 4Q24. Thus, the Company's gross profit rose 1.7% YOY to SAR 2,505 Mn, while the gross profit margin declined 389 bps to 53.3% in 4Q24. Furthermore, operating expenses declined significantly 19.8% YOY to SAR 461 Mn in 4Q24 owing to a 40.3% YOY fall in selling & marketing expenses to SAR 320 Mn partially offset by a sharp increase in G&A expenses to SAR 141 Mn. D&A expenses rose 11.9% YOY to SAR 989 Mn in 4Q24. Mobily recorded a reversal from accounts receivable of SAR 3 Mn in 4Q24 compared to an impairment on accounts receivable of SAR 22 Mn in 4Q23. Thus, Mobily's operating profit increased 7.6% YOY to SAR 1,058 Mn in 4Q24, while operating profit margin stood at 22.5%. Furthermore, the Company's EBITDA grew 9.6% YOY to SAR 2,047 Mn in 4Q24,

Stock Information

Market Cap (SAR, Mn)	46,200.00
Paid Up Capital (Mn)	7,700.00
52 Week High	64.50
52 Week Low	46.75
3M Avg. daily value(SAR)	62,682,220

4Q24 Result Review (SAR, Mn)

Total Assets	38,515
Total Liabilities	19,640
Total Equity	18,875
EBITDA	2,047
Net Profit	979

Financial Ratios

Dividend Yield (12m)	3.00
Dividend Pay-out (%)	54.52
Price-Earnings Ratio(x)	14.86
Price-to-Book Ratio (x)	2.45
Book Value (SAR)	24.51
Return-on Equity (%)	17.02

Stock Performance

5 Days	-3.23%
1 Months	4.53%
3 Months	11.32%
6 Months	19.05%
1 Year	10.29%
Month to Date (MTD%)	-3.23%
Quarter to Date (QTD%)	12.36%
Year to Date (YTD%)	12.36%

while the EBITDA margin increased from 43.3% in 4Q23 to 43.6% in 4Q24. Mobily's other income grew from negative SAR 44 Mn in 4Q23 to a positive SAR 12 Mn in 4Q24. Finance expenses decreased 15.6% YOY to SAR 152 Mn in 4Q24, whereas finance income fell 20.5% YOY to SAR 45 Mn in 4Q24. Mobily recorded a zakat benefit of SAR 6 Mn in 4Q24 compared to an expense of SAR 95 Mn in 4Q23.

Balance Sheet Highlights

The Company continued to enhance its digital offerings and expand its IoT infrastructure, FTTH, and 5G presence resulting in a capex of SAR 1.5 Bn in 4Q24 and a 11.2% YOY growth in capex to SAR 2.6 Bn in FY2024. As a result, Mobily's capex/revenue expanded from 13.8% in FY2023 to 14.2% in FY2024. The Company's gross debt declined 18.0% YOY to SAR 9.6 Bn in FY2024. Net debt declined from SAR 7.9 Bn in FY2023 to SAR 6.4 Bn in FY2024 in line with the Company's deleveraging plan. As a result, the net debt to EBITDA ratio fell from 1.20x in FY2023 to 0.89x in FY2024. The Company's free cash flow rose 7.2% YOY to SAR 4.6 Bn in FY2024.

Target Price and Rating

We maintain our ACCUMULATE rating on Mobily with a revised target price of SAR 66.50. The Company's share price rose 6.25% since our last rating. Mobily's revenue grew 8.6% YOY to SAR 18.2 Bn in FY2024 owing to a healthy growth across all segments, especially in Business segment, which benefited from significant contributions from government, large enterprises, and small to medium-sized enterprises (SMEs). The company recorded a 3.9% rise in its mobile subscribers to 12.3 Mn subscribers including 10.3 Mn prepaid subscribers and 2.0 Mn postpaid subscribers as of FY2024. Mobily's FTTH subscribers stood at 0.3 Mn in FY2024. The Company further expects its revenue to grow by mid to high-single digit in 2025. Additionally, the company's EBITDA grew 8.6% YOY to SAR 7.2 Bn in FY2024, primarily supported by robust revenue growth and operational efficiency. Furthermore, Mobily's net profit rose significantly 39.2% YOY to SAR 3.1 Bn in FY2024, mainly attributable to higher EBITDA, cost efficiency, decline in finance expenses and lower zakat expenses. The company secured a 15-year license for the 120 MHz frequency spectrum in FY2024, expanding its technological infrastructure to meet the increasing demand for high-speed data services across retail and business markets. It also accelerated its 5G network expansion growing the total number of sites to more than 6,600 in 61 cities, enabling the company to achieve over 87% 5G coverage in seven major cities across Saudi Arabia. Mobily incurred a capex of SAR 2.6 Bn in FY2024 to expand its IoT infrastructure, data centers, submarine cables, and 5G presence. Additionally, the Company continues to deleverage as the gross debt declined 18.0% YOY to SAR 9.6 Bn in FY2024 resulting in lower finance cost. Mobily also announced a final cash dividend of SAR 1.30 per share for 2H24. Moreover, the Company heavily invested in cutting edge infrastructure, IOT applications and state-of-the-art data center developments which is expected to contribute to the top line growth. Thus, based on our analysis, we assign a ACCUMULATE rating on the stock.

Mobily - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	60.16	43.98	28.44	21.11	15.17	14.59
PB	3.26	3.10	2.88	2.67	2.50	2.31
EV/EBITDA	10.77	10.02	8.72	7.80	6.97	6.81
Dividend yield	0.8%	1.4%	1.9%	2.4%	3.6%	3.6%

FABS Estimates & Co Data

Mobily – P&L

	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
SAR Mn										
Services revenues	4,306	4,499	4,697	4,572	2.7%	9.1%	4.4%	16,763	18,206	8.6%
Cost of services	-1,842	-1,933	-2,192	-2,107	4.0%	19.0%	13.4%	-7,311	-8,312	13.7%
Gross profit	2,464	2,566	2,505	2,466	1.6%	1.7%	-2.4%	9,452	9,894	4.7%
Selling & marketing exp	-537	-320	-320	-386	-17.0%	-40.3%	0.3%	-1,467	-1,344	-8.4%
G&A expenses	-38	-352	-141	-351	-59.9%	NM	-60.1%	-1,175	-1,209	2.9%
Operating expenses	-575	-672	-461	-738	-37.5%	-19.8%	-31.4%	-2,642	-2,553	-3.4%
Depreciation & amortization	-884	-886	-989	-894	10.6%	11.9%	11.6%	-3,647	-3,664	0.5%
Impairment on receivable	-22	-48	3	-32	NM	NM	NM	-186	-146	-21.2%
Operating profit	983	960	1,058	802	31.9%	7.6%	10.2%	2,977	3,530	18.6%
EBITDA	1,867	1,846	2,047	1,696	20.7%	9.6%	10.9%	6,625	7,195	8.6%
Other income	-44	9	12	7	77.0%	NM	38.7%	-32	59	NM
Share in loss of associate	25	17	10	16	-36.3%	-59.1%	-40.7%	30	44	45.7%
Finance expenses	-180	-167	-152	-156	-2.6%	-15.6%	-9.0%	-690	-615	-10.8%
Finance income	56	38	45	38	17.5%	-20.5%	16.1%	164	175	6.7%
Profit before zakat	841	858	973	708	37.4%	15.8%	13.4%	2,449	3,193	30.4%
Zakat	-95	-29	6	-29	NM	NM	NM	-217	-86	-60.3%
Profit attributable	746	829	979	679	44.2%	31.3%	18.2%	2,232	3,107	39.2%

FABS estimate & Co Data

Mobily – Margins

	4Q23	3Q24	4Q24	YOY	QOQ Ch	2023	2024	Change
Gross Profit	57.2%	57.0%	53.3%	-389	-371	56.4%	54.3%	-204
EBITDA	43.3%	41.0%	43.6%	23	253	39.5%	39.5%	0
Operating Profit	22.8%	21.3%	22.5%	-31	117	17.8%	19.4%	163
Net Profit	17.3%	18.4%	20.9%	353	243	13.3%	17.1%	375

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	68.84	70.0%	48.19
Relative Valuation (RV)	61.04	30.0%	18.31
Weighted Average Valuation (SAR)			66.50
Current market price (SAR)			60.00
Upside/Downside (%)			+11%

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 9.2%. It has arrived after using cost of equity of 9.6% and after-tax cost of debt of 5.8% with debt-to-equity ratio of 11.6%. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 1.0 and equity risk premium of 4.3%. 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 6.0% after adjusting a tax rate arriving at after-tax cost of debt of 5.8%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	17,140
Terminal value (SAR, Mn)	42,139
FV to Comon shareholders (SAR, Mn)	53,006
No. of share (Mn)	770
Current Market Price (SAR)	60.00
Fair Value per share (SAR)	68.84

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT	3,683	4,013	4,283	4,478	4,604
D&A	3,696	3,768	3,841	3,932	4,042
Working Capital	-255	-21	-148	-135	-201
(-) Capex	-3,291	-3,277	-3,457	-3,706	-3,925
Free Cash Flow to Firm (FCFF)	3,832	4,484	4,519	4,569	4,519
Discounting Factor	0.93	0.85	0.78	0.72	0.65
Discounted FCFF	3,565	3,821	3,527	3,267	2,960

Source: FAB Securities

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 7.2x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025E	2026E	2025E	2026E
Saudi Telecom	60,466	9.1	8.0	10.1	15.0
Verizon Communication	1,84,680	7.1	6.9	9.4	9.0
Deutsche Telekom AG	1,81,081	7.4	7.0	16.4	14.7
Telstra Group Limited	30,060	7.9	7.6	21.8	20.2
Emirates Integrated Telecommunication Company	10,059	5.4	5.4	14.2	14.3
Safaricom Plc	5,391	4.4	3.7	10.7	8.8
Average		6.9x	6.4x	13.8x	13.7x
Median		7.2x	6.9x	12.5x	14.5x
Max		7.8x	7.5x	15.9x	14.9x
Min		5.8x	5.7x	10.3x	10.3x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
+971-2-6161777

Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.