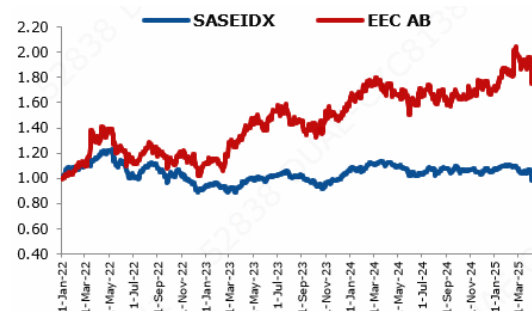


Etihad Etisalat (Mobily)

Expansion of the subscriber base, Ramadan seasonality, and signing of new agreements drove profitability

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 61.00	SAR 66.50	+9.0%	HOLD

- Revenue grew 5.1% YOY to SAR 4.7 Bn in 1Q25 due to the expansion of the overall customer base, Ramadan seasonality, and the signing of new agreements.
- Mobile subscriber base increased 5.7% YOY to 13.0 Mn, while FTTH subscriber declined 2.6% YOY to 290K Mn in 1Q25.
- Capex rose significantly from SAR 223 Mn in 1Q24 to SAR 2.1 Bn in 1Q25 due to investments towards 5G infrastructure and frequency spectrums.
- The Company distributed a cash dividend of SAR 1.30 per share for 2H24, resulting in total dividend of SAR 2.2 per share for 2024.



Stock Information

Market Cap (SAR, Mn)	47,971.00
Paid Up Capital (Mn)	7,700.00
52 Week High	64.50
52 Week Low	46.75
3M Avg. daily value (SAR)	74,232,090

1Q25 Net Profit higher than our estimate

Etihad Etisalat (Mobily/the Company) net profit grew 7.8% YOY to SAR 767 Mn in 1Q25, higher than our estimate of SAR 711 Mn. The rise in net profit is attributed to an increase in service revenue and a reduction in tax charges, partially offset by a rise in the cost of services.

P&L Highlights

Mobily's service revenue rose 5.1% YOY to SAR 4,777 Mn in 1Q25, 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. Revenue growth across the Consumer segment is mainly attributable to an increase in 5G subscriptions and a rise in roaming services due to the Ramadan season. Moreover, the revenue growth across the Wholesale segment is driven by new agreements with international clients and partnerships with hyperscalers. The Company's cost of services increased 5.8% YOY to SAR 2,223 Mn in 1Q25. As a result, Mobily's gross profit rose 4.5% YOY to SAR 2,505 Mn, while the gross profit margin marginally reduced 32 bps YOY to 53.5% in 1Q25. Mobily's operating profit increased 12.9% YOY to SAR 850 Mn in 1Q25, while operating profit margin rose 122 bps YOY to 17.8% in 1Q25. The Company's EBITDA grew from SAR 1,651 Mn in 1Q24 to SAR 1,775 Mn in 1Q25 and the EBITDA margin increased from 36.3% in 1Q24 to 37.1% in 1Q25. Mobily's finance expenses marginally decreased 0.6% YOY to SAR 166 Mn in 1Q25 as a result of decline in interest rate. Furthermore, the Company's zakat charges fell from SAR 35 Mn in 1Q24 to SAR 21 Mn in 1Q25.

1Q25 Result Review (SAR, Mn)

Revenues	4,777
Operating Profit	850
EBITDA	1,775
Net Profit	767
Net Profit Margin (%)	16.1%

Financial Ratios

Dividend Yield (12m)	3.53
Dividend Pay-out (%)	54.52
Price-Earnings Ratio(x)	14.81
Price-to-Book Ratio (x)	2.54
Book Value (SAR)	24.51
Return-on Equity (%)	17.02

Stock Performance

5 Days	0.32%
1 Months	5.24%
3 Months	8.35%
6 Months	22.16%
1 Year	20.04%
Month to Date (MTD%)	2.13%
Quarter to Date (QTD%)	2.13%
Year to Date (YTD%)	16.67%

Balance Sheet Highlights

The Company's capex surged from SAR 223 Mn in 1Q24 to SAR 2.1 Bn in 1Q25 due to the ongoing investment in spectrum frequencies. As a result, the capex/revenue surged 39.6% YOY to 44.6% in 1Q25. The Company's gross debt rose 8.8% YOY to SAR 10.9 Bn in 1Q25, while the net debt marginally increased 3.1% YOY to SAR 7 Bn in 1Q25. The Company's net debt to EBITDA ratio fell from 1.01x in 1Q24 to 0.95x in 1Q25.

Target Price and Rating

We revise our rating from BUY to HOLD on Mobily with an unchanged target price of SAR 66.50. Mobily's share price rose 6.3% since our previous rating (March 2025). Mobily's revenue grew 5.1% YOY to SAR 4,777 Mn in 1Q25 driven by the expansion of the overall customer base, Ramadan seasonality, and the signing of new agreements. The mobile subscriber base experienced 5.7% YOY growth to 13.0 Mn subscribers in 1Q25, consisting of 11.0 Mn prepaid subscribers and 2.0 Mn postpaid subscribers. However, the FTTH subscriber base reduced from 298K in 1Q24 to 290K Mn in 1Q25. 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 also aims to increase its network quality by expanding its 5G network and IoT infrastructure, improving frequency spectrums, resulting in a rise in capex from SAR 223 Mn in 1Q24 to SAR 2.1 Bn in 1Q25. The Company announced investments of over SAR 3.4 Bn in 1Q25 for submarine cables and data centres, ensuring sustainable future infrastructure. The Company distributed a cash dividend of SAR 1.30 per share for 2H24 accounting to a total dividend of SAR 2.2 per share for 2024 with dividend yield of 3.6%. 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 revise our rating to HOLD on the stock.

Mobily - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	59.97	43.83	28.35	21.04	15.12	14.42
PB	3.25	3.09	2.87	2.67	2.49	2.30
EV/EBITDA	10.75	9.99	8.70	7.77	6.95	6.77
DPS	0.50	0.85	1.15	1.45	2.20	2.45
Dividend yield	0.8%	1.4%	1.9%	2.4%	3.6%	4.0%

FABS Estimates & Co Data

Mobily - P&L

SAR Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Services revenues	4,545	4,697	4,777	4,929	-3.1%	5.1%	1.7%	18,206	19,360	6.3%
Cost of services	-2,101	-2,192	-2,223	-2,282	-2.6%	5.8%	1.4%	-8,312	-8,712	4.8%
Gross profit	2,445	2,505	2,554	2,647	-3.5%	4.5%	2.0%	9,894	10,648	7.6%
Operating Profit	753	1,058	850	836	1.7%	12.9%	-19.6%	3,530	3,680	4.2%
EBITDA	1,651	2,047	1,775	1,760	0.9%	7.5%	-13.3%	7,195	7,376	2.5%
Finance expenses	-167	-152	-166	-142	17.2%	-0.6%	9.2%	-615	-515	-16.3%
Profit before zakat	672	973	788	761	3.6%	17.2%	-19.0%	3,193	3,446	7.9%
Zakat	-35	6	-21	-49	-57.5%	-39.3%	NM	-86	-189	119.6%
Profit attributable	638	979	767	711	7.8%	20.2%	-21.7%	3,107	3,257	4.8%

FABS estimate & Co Data

Mobily – Margins

	1Q24	4Q24	1Q25	YOY	QOQ Ch	2024	2025F	Change
Gross Profit	53.8%	53.3%	53.5%	-32	13	54.3%	55.0%	66
EBITDA	36.3%	43.6%	37.1%	77	-648	39.5%	38.1%	-142
Operating Profit	16.6%	22.5%	17.8%	122	-472	19.4%	19.0%	-38
Net Profit	14.0%	20.9%	16.1%	203	-479	17.1%	16.8%	-24

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	68.79	70.0%	48.15
Relative Valuation (RV)	61.16	30.0%	18.35
Weighted Average Valuation (SAR)			66.50
Current market price (SAR)			61.00
Upside/Downside (%)			+9.0%

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 8.9%. It has arrived after using cost of equity of 9.3% and after-tax cost of debt of 5.8% with debt-to-equity ratio of 13.2%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, 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 6.0% 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)	16,651
Terminal value (SAR, Mn)	42,590
FV to Comon shareholders (SAR, Mn)	59,242
No. of share (Mn)	770
Current Market Price (SAR)	61.00
Fair Value per share (SAR)	68.79

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT	3,739	4,000	4,244	4,424	4,515
D&A	3,696	3,782	3,881	3,988	4,105
Working Capital	-255	-133	-245	-275	-295
(-) Capex	-3,291	-3,481	-3,673	-3,818	-4,031
Free Cash Flow to Firm (FCFF)	3,889	4,168	4,207	4,319	4,294
Discounting Factor	0.94	0.87	0.80	0.73	0.67
Discounted FCFF	3,666	3,608	3,345	3,153	2,879

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	61,356	8.5	8.0	15.9	15.6
Verizon Communication	181,817	7.0	6.8	9.2	9.0
Deutsche Telekom AG	180,090	7.5	7.1	15.6	13.8
Telstra Group Limited	32,589	8.2	7.9	23.1	21.3
Emirates Integrated Telecommunication Company	10,218	5.5	5.4	14.4	14.3
SAFARICOM PLC	5,340	4.4	3.6	11.0	8.5
Average		6.9x	6.5x	14.9x	13.7x
Median		7.2x	6.9x	15.0x	14.1x
Max		8.1x	7.7x	15.8x	15.3x
Min		5.8x	5.7x	11.8x	10.2x

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%

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