

1Q22 Results Update

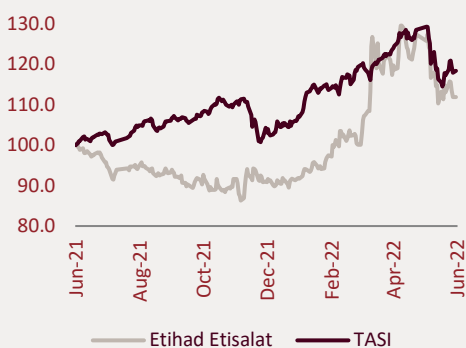
June 6, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	38.0
Target Price (SAR)	41.0
Upside/Downside (%)	7.9%

As of June 5, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	29.3
52-wk High (SAR)	44.7
52-wk Low (SAR)	29.2
Total Outstanding shares (in mn)	770.0
Free Float (%)	72.0%

ETIHAD ETISALAT vs. TASI (Rebased)

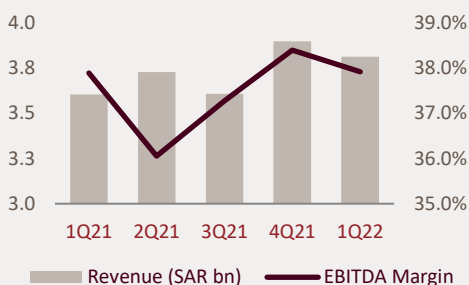


Price Performance (%)	Absolute	Relative
1m	(11.0%)	(2.6%)
6m	23.0%	9.4%
12m	11.9%	(6.5%)

Major Shareholders (%)

Emirates Telecommunications Corp. (Etisalat)	27.99%
--	--------

Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, Yaqaen Capital;
Data as of June 5, 2022

Wholesale, business, and consumer units drive topline, margin improves

Etihad Etisalat Co. (Mobily)'s revenue increased 5.8% YoY to SAR 3.8bn in 1Q22. The growth in the topline was attributable to a 32.7% YoY increase in the wholesale segment, 8.7% YoY increase in the business unit segment, and 1.7% YoY increase in the consumer unit segment, in addition to a healthy rise in the FTTH customer base. The company's gross profit grew 8.0% YoY to SAR 2.2bn, led by a slower rise in cost of sales compared with the topline. Consequently, gross margin expanded 121 bps YoY to 58.7% during the quarter. Mobily's reported EBITDA rose 5.9% YoY to SAR 1.4bn in 1Q22, supported by higher top-line. EBITDA margin improved a marginal 3 bps YoY to 37.9% in 1Q22. Lower finance expense and higher topline offset the rise in zakat expenses and resulted in the company's net profit to rise 41.2% YoY to SAR 319.0mn. Consequently, net margin improved 210 bps YoY to 8.4% during the quarter.

Mobily reported strong performance in 1Q22, which is reflected in the EBITDA margin improvement following the efficiency measures taken by the company. The company's topline was driven by solid growth across the consumer, business, and wholesale segments; FTTH active base; and subscriber base. The consumer segment advanced on increasing postpaid adoption and continual roll-out of 5G across the KSA, while growth in the business segment was attributable to ongoing digitalization and modernization of the IT network. Mobily also gradually reduced its net debt, supported by its ongoing deleveraging strategy and reported improvement in its net-debt-to-EBITDA ratio to 2.06x in 1Q22 from 2.30x in 1Q21. The company's CAPEX increased during the quarter and was primarily utilized for 5G rollout and Internet-of-Things (IOT) infrastructure, which will improve the company's ARPU and drive its topline in the future. However, the company faces several headwinds in the form of stiff competition in the telecom sector, stringent regulations, and reduction in mobile termination rates. Additionally, rising operating expenses could weigh on the company's margins in the upcoming quarters. Considering these factors, we maintain our "Neutral" rating on the stock.

- Mobily's revenue climbed 5.8% YoY SAR 3.8bn in 1Q22, largely driven by increase in revenue contribution across its business segments, supported by a steady rise in its FTTH subscriber base. However, revenue declined 2.2% QoQ from SAR 3.9bn in 4Q21.
- The slow rise in cost of sales led to an 8.0% YoY rise in gross profit to SAR 2.2bn in 1Q22. As a result, gross margin expanded to 58.7% from 57.5% in 1Q21.
- Reported EBITDA increased 5.9% YoY to SAR 1.4bn, while EBITDA margin maintained its strong position and marginally rose to 37.9% in 1Q22 owing to ongoing operational efficiency measures by Mobily.
- Despite higher impairment loss and lower other income, operating income soared 26.7% YoY to SAR 467.7mn in 1Q22, ascribed to higher topline. Consequently, operating margin widened to 12.3% from 10.2% in 1Q21.
- Net profit surged 41.2% YoY to SAR 319.0mn during the quarter on higher topline and lower finance charge, slightly offset by higher zakat expense. As a result, net margin expanded to 8.4% from 6.3% in 1Q21.
- Reported capex expanded 41.9% YoY to SAR 220mn during the quarter owing to continual roll-out of 5G and IOT infrastructure.
- Mobily announced Emirates Telecommunications Group Co. approached it to increase its stake in Mobily to over 50% with an offer price of SAR 47 per share.

Valuation: We revise our target price to a fair value of SAR 41.0 per share and maintain our "Neutral" rating on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	3,811	3,603	5.8%	15,610	14,834	5.2%
Gross Profit (SAR mn)	2,238	2,072	8.0%	9,125	8,672	5.2%
Operating Profit (SAR mn)	468	369	26.7%	1,925	1,668	15.4%
Net Profit (SAR mn)	319	226	41.2%	1,294	1,072	20.8%

1Q22 Results Update

June 6, 2022

EPS Basic (SAR)	0.41	0.29	41.2%	1.68	1.39	20.8%
Gross Margin (%)	58.7%	57.5%	1.2%	58.5%	58.5%	0.0%
Operating Margin (%)	12.3%	10.2%	2.0%	12.3%	11.2%	1.1%
Net Profit Margin (%)	8.4%	6.3%	2.1%	8.3%	7.2%	1.1%

Source: Company Financials, Yaqeen Capital

Yaqeen Capital Rating Methodology

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10% .

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

Yaqeen Capital

Contact us on the below phone numbers:

Customer Services: 8004298888

Brokerage Services: 920004711

Fax or Email us at the below number:

Fax: +966 11 2032546

Email: addingvalue@yaqeen.sa

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

Disclaimer and Risks Warning:

The information in this report was compiled from various public sources believed to be reliable and whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions, future prices and expectations contained herein are fair and reasonable, Yaqeen Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Yaqeen Capital does not represent that the information or expected future prices in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information or the expected prices contained in this report. Yaqeen Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and Yaqeen Capital shall not be in any way responsible for the contents hereof. Opinions, forecasts or price projections contained in this report represent Yaqeen Capital current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results, prices or events will match any such opinions, forecasts or prices projections which represent only one possible outcome and these price estimates may not occur in the future whatsoever. Further, such opinions, forecasts or price projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. Any value or price, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, the person who obtain a copy of this report should understand that this report is not intended to provide personal investment advice and does not take into account his/her financial situation or any specific investment objectives or particular needs which he/she may have. Before making an investment decision the investors should seek advice from an independent financial, investment and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be

1Q22 Results Update

June 6, 2022

reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and price estimates contained; are protected by the intellectual property laws, copyright and publishing rules and regulations applied in the Kingdom of Saudi Arabia.

All rights reserved.

Yaqeen Capital acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.