FY21 Results Update

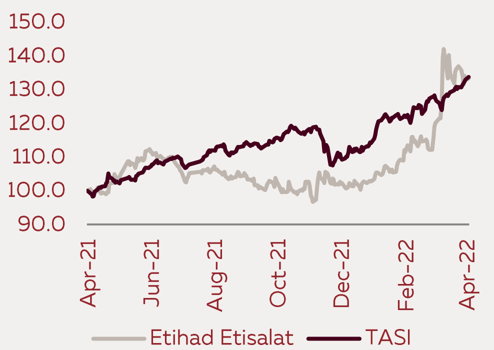
April 10, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	40.4
Target Price (SAR)	39.0
Upside/Downside (%)	(3.5%)

As of April 10, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	31.1
52-wk High (SAR)	43.1
52-wk Low (SAR)	29.2
Total Outstanding shares (in mn)	770.0
Free Float (%)	72.0%

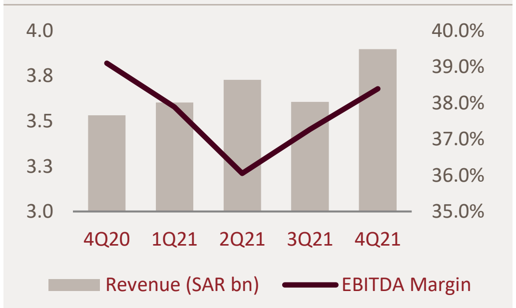
ETIHAD ETISALAT vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	10.7%	5.1%
6m	31.8%	16.0%
12m	33.3%	(0.5%)

Major Shareholders (%)	
Emirates Telecommunications Corp. (Etisalat)	27.99%

Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 10, 2022

Topline, EBITDA stand at eight-year high on improved efficiency levels

Etihad Etisalat Co. (Mobily)'s revenue climbed 5.6% YoY to SAR 14.8bn in FY21. The rise in the topline was mainly driven by a 27.7% YoY increase in Business segment and 1.7% YoY increase in Consumer Unit segment, in addition to an expanding FTTH customer base. A slower rise in cost of sales compared to the topline led to a 6.4% YoY increase in gross profit to SAR 8.7bn. Subsequently, gross margin expanded 42 bps YoY to 58.5% in FY21. Mobily's reported EBITDA improved 4.6% YoY to SAR 5.6bn in FY21. However, EBITDA margin shrank 38 bps YoY to 37.7% in FY21. Lower finance expense and the higher topline resulted in the company's net profit rising 36.8% YoY to SAR 1.1bn. Consequently, net margin improved 165 bps YoY to 7.2% during the year.

Mobily recorded better performance in FY21, reporting its highest revenue in the last eight years, despite the challenges posed by COVID-19. The company's topline growth was supported by solid growth across segments, FTTH active base, and subscriber base. The company reported its highest EBITDA levels in the last eight years, driven by ongoing operational efficiency measures. Mobily also managed to gradually reduce its net debt, supported by its ongoing deleveraging strategy and improvement of its net-debt-to-EBITDA ratio to 2.3x in 4Q21 from 2.5x in 4Q20. The Consumer segment is expected to further recover, following the ease in COVID-19 restrictions. Additionally, the company reduced its CAPEX after meeting its strategic objectives. In 2021, CAPEX was primarily utilized for 5G rollout, which will improve the company's ARPU and drive its topline in future. However, the company faces several headwinds in the form of stiffer competition in the telecom sector, stringent regulations, and reduction in mobile termination rates. Considering these factors, we maintain "Neutral" rating on the stock.

- Mobily's revenue increased 5.6% YoY SAR 14.8bn in FY21, led by growth across its business segments as well as a steady rise in its FTTH subscriber base. In 4Q21, revenue rose 10.3% YoY to SAR 3.9bn.
- Gross profit climbed 6.4% YoY to SAR 8.7bn in FY21 as cost of sales grew at a slower pace (up 4.6% YoY to SAR 6.2bn) compared to the topline during the year. As a result, gross margin expanded to 58.5% from 58.0% in FY20.
- Reported EBITDA increased 4.6% YoY to SAR 5.6bn, reaching an eight-year high and reflecting the company's operating efficiency. However, EBITDA margin tightened to 37.7% in FY21 from 38.1% in FY20.
- Operating income surged 22.0% YoY to SAR 1.7bn in FY21, ascribed to lower depreciation expense. Consequently, operating margin widened to 11.2% from 9.7% in FY20.
- Net profit went up 36.8% YoY to 1.1bn in FY21 on a higher topline and lower finance charge, slightly offset by higher zakat expense. As a result, net margin expanded to 7.2% from 5.6% in FY20.
- The company reported net debt at SAR 12.1bn in 4Q21 as against SAR 13.1bn in 4Q20, while net-debt-to-EBITDA contracted to 2.3x from 2.5x in 4Q20.
- Reported capex declined 25.1% YoY to SAR 2.1bn in FY21 due to the completion and achievement of strategic objectives and new CAPEX was primarily focused on the ongoing rollout of 5G.
- On November 24, Mobily's Board of Directors recommended an 8.5% cash dividend for 2021, at SAR 0.85 per share, amounting to SAR 654.5mn.
- Mobily announced it has joined the SEA-ME-WE 6 consortium to build a 19,200-km-long subsea cable system that will connect Saudi Arabia with another 10 countries in the Middle East, South Asia, and West Europe.
- SAMA granted license to Etihad Fintech Co. (Mobily Pay), a wholly owned subsidiary of Mobily, to provide e-wallet payment services in Saudi Arabia.

Valuation: We revise our target price to a fair value of SAR 39.0 per share and maintain "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	3,897	3,533	10.3%	15,470	14,834	4.3%
Gross Profit (SAR mn)	2,267	1,969	15.1%	9,012	8,672	3.9%
Operating Profit (SAR mn)	492	380	29.5%	1879	1668	12.6%
Net Profit (SAR mn)	321	246	30.4%	1278	1072	19.3%
EPS Basic (SAR)	0.42	0.32	30.4%	1.66	1.39	19.3%
Gross Margin (%)	58.2%	55.7%	2.4%	58.3%	58.5%	(0.2%)
Operating Margin (%)	12.6%	10.8%	1.9%	12.1%	11.2%	0.9%
Net Profit Margin (%)	8.2%	7.0%	1.3%	8.3%	7.2%	1.0%

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 ≥ 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 ≥ 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

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