

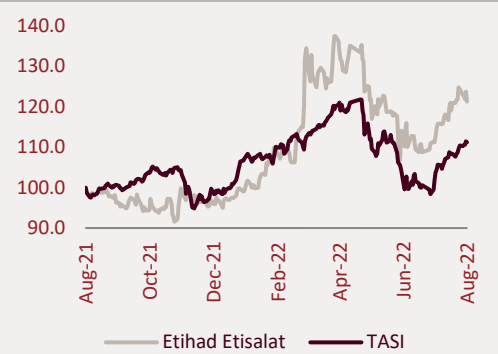
2Q22 Results Update

August 19, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	38.8
Target Price (SAR)	42.0
Upside/Downside (%)	8.2%
<i>As of August 18, 2022</i>	
Key Data (Source: Bloomberg)	

Market Cap (SAR bn)	29.9
52-wk High (SAR)	44.7
52-wk Low (SAR)	29.2
Total Outstanding shares (in mn)	770.0
Free Float (%)	72.0%

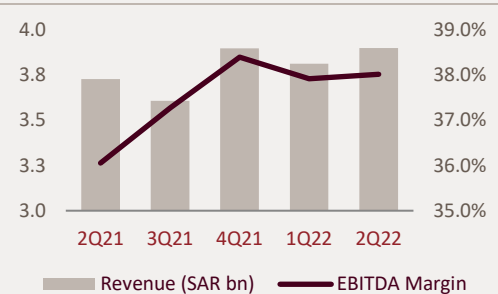
ETIHAD ETISALAT vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	9.0%	(0.2%)
6m	11.3%	10.2%
12m	21.3%	10.0%

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

Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;
Data as of August 18, 2022

Improvement in wholesale and business segments drives top line, net income to seven-year high

EtiHAD Etisalat Co. (Mobily)'s revenue expanded 4.6% YoY to SAR 3.9bn in 2Q22, driven by 28.7% YoY surge in the wholesale segment and 5.9% YoY growth in the business segment. The rise in the top line was also supported by a healthy rise in the FTTH customer base and overall subscriber base. Cost of sales fell 1.0% YoY during the quarter, leading to 8.7% YoY surge in gross profit to SAR 2.3bn. Consequently, gross margin expanded 225 bps YoY to 59.8% during the quarter. Reported EBITDA rose 10.3% YoY to SAR 1.5bn in 2Q22, reflecting rise in the top line and operational efficiency. EBITDA margin expanded by 196 bps YoY to 38.0% in 2Q22. Increase in finance and zakat expense was offset by the higher top line, leading to 47.5% YoY growth in the net profit to SAR 359.5mn. Consequently, the net margin improved 268 bps YoY to 9.2% during the quarter.

Mobily reported strong performance in 2Q22, as the company reported its highest quarter revenues and net income for the past seven years. The company recorded high EBITDA which reflects the efficiency measures implemented. Resilient growth in wholesale and business segments, FTTH active base and subscriber base drove the company's topline during the quarter. Growth in the business segment was supported by product innovation, digital solutions, and expansion in projects. Increase in the top line and operational efficiency helped Mobily report the highest gross margin in the sector. Debt reduced by more than SAR 1bn in the last 12 months, driven by Mobily's continued focus on its deleveraging strategy. Consequently, the net-debt-to-EBITDA ratio improved to 2.06x in 2Q22 from 2.40x in 2Q21. CAPEX surged 18.2% YoY and 45.3% QoQ during the quarter and was primarily utilized for 5G rollout and Internet-of-Things (IOT) infrastructure. The company faces several headwinds in the form of stiff competition in the telecom sector and stringent regulations. Despite lower debt levels, Mobily's finance cost increased during the quarter owing to rise in SAIBOR rates amid rate hikes by SAMA. Finance charges are likely to increase further during the year as more rate hikes are anticipated, which will put pressure on the bottom line. Considering these factors, we maintain our "Neutral" rating on the stock.

- Mobily's revenue rose 4.6% YoY SAR 3.9bn in 2Q22, due to increase in revenue contribution mainly from the wholesale and business segments. On a quarterly basis, revenue increased 2.3% from SAR 3.8bn in 1Q22.
- Gross profit soared 8.7% YoY to SAR 2.3bn as cost of sales declined by 1.0% YoY to SAR 1.6bn during the quarter. As a result, gross margin expanded to 59.8% from 57.6% in 2Q21.
- Reported EBITDA surged 10.3% YoY to SAR 1.5bn, while EBITDA margin expanded to 38.0% in 2Q22 from 36.1% in 2Q21, owing to the ongoing operational efficiency measures.
- Decline in impairment loss and higher other income led to 35.3% YoY rise in operating income to SAR 518.9mn in 2Q22. Consequently, operating margin widened to 13.3% from 10.3% in 2Q21.
- The net profit surged 47.5% YoY to SAR 359.5mn during the quarter, despite rise in finance cost and zakat expenses. As a result, the net margin expanded to 9.2% from 6.5% in 2Q21.
- Reported CAPEX increased 18.2% YoY to SAR 319mn during the quarter owing to continual roll-out of 5G and IOT infrastructure.

Valuation: We revise our target price to a fair value of SAR 42.0 per share but maintain our "Neutral" rating on the stock.

	2Q22	2Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	3,899	3,728	4.6%	15,501	14,834	4.5%
Gross Profit (SAR mn)	2,333	2,147	8.7%	9,077	8,672	4.7%
Operating Profit (SAR mn)	519	384	35.3%	1,900	1,668	13.9%
Net Profit (SAR mn)	360	244	47.5%	1,298	1,072	21.1%
EPS Basic (SAR)	0.47	0.32	47.5%	1.69	1.39	21.1%
Gross Margin (%)	59.8%	57.6%	2.2%	58.6%	58.5%	0.1%
Operating Margin (%)	13.3%	10.3%	3.0%	12.3%	11.2%	1.0%
Net Profit Margin (%)	9.2%	6.5%	2.7%	8.4%	7.2%	1.2%

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 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.