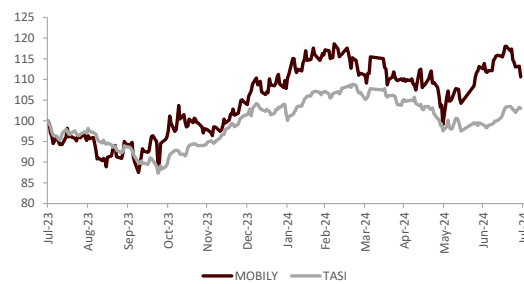


Etihad Etisalat Co. (Mobily)

Recommendation	Buy
Current Market Price (SAR)	50.9
52wk High / Low (SAR)	57.0/40.3
Mkt. Cap. (USD/SAR Mn)	10,445/39,193
Shares Outstanding (mn)	770.0
Free Float (%)	90.2%
3m Average Vol. (000)	1,066.1
3m Avg Daily Turnover (SAR'000)	54,427
P/E'24e (x)	15.7
EV/EBITDA'24e (x)	6.3

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	15,669	16,763	17,469	18,268
Gross profit	9,363	9,452	9,413	9,935
Gross margin (%)	60%	56%	54%	54%
EBIT	2,310	2,977	3,086	3,106
EBIT margin (%)	15%	18%	18%	17%
EBITDA	6,272	6,810	6,600	6,747
EBITDA margin (%)	40%	41%	38%	37%
Net Income	1,657	2,232	2,492	2,605
Net margin (%)	11%	13%	14%	14%
EPS (SAR)	2.15	2.90	3.24	3.38
RoE (%)	10%	13%	12%	5%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Emirates Telecommunications Group Co.	27.99%
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Source: Bloomberg, Yaqeen Capital

Net income jumped on higher operating income

- Mobily's net income surged by 32.9% YoY and 3.7% QoQ to SAR 661mn in 2Q2024, due to higher operating income and lower zakat expenses. The net margin for 1Q2024 improved by 3.1ppts YoY and 0.8ppts QoQ, reaching 14.8%.
- Revenue increased by 5.1% YoY to SAR 4,456mn in 2Q2024, driven by the expansion of all revenue streams, particularly the business segment. However, on a QoQ basis, revenue declined by 1.8% due to a drop in consumer revenue.
- Gross profit decreased by 2.4% YoY and 2.7% QoQ to SAR 2,378mn in 2Q2024 due to a higher cost of sales as a percentage of revenue. Consequently, the gross profit margin fell by 4.1ppts YoY and 0.5ppts QoQ, settling at 53.3%.
- Operating income rose by 15.7% YoY and 0.4% QoQ to SAR 759mn in 2Q2024, driven by a reduction in SG&A expenses. The operating margin improved by 1.6ppts YoY and 0.4ppts QoQ, reaching 17.0%.
- EBITDA amounted to SAR 1,650mn in 2Q2024, marking a 4.0% YoY increase due to lower SG&A expenses, though it declined by 0.1% QoQ due to lower revenue. The EBITDA margin decreased by 1.1ppts YoY but improved by 0.5ppts QoQ to 38.0%.
- Financial charges decreased by 26.2% YoY and 22.3% QoQ in 2Q2024, amounting to SAR 130mn, attributed to a reduction in the debt portfolio.
- For 1H2024, net profit increased by 35.0% YoY to SAR 1,299mn, driven by higher revenue, better margins, and lower financial charges and zakat and income tax expenses. Consequently, the net margin improved by 2.9ppts YoY to 14.4%.
- For 1H2024, revenue grew by 8.1% YoY to SAR 9,011mn, attributed to the expansion of all revenue streams, with the business segment being the main driver.

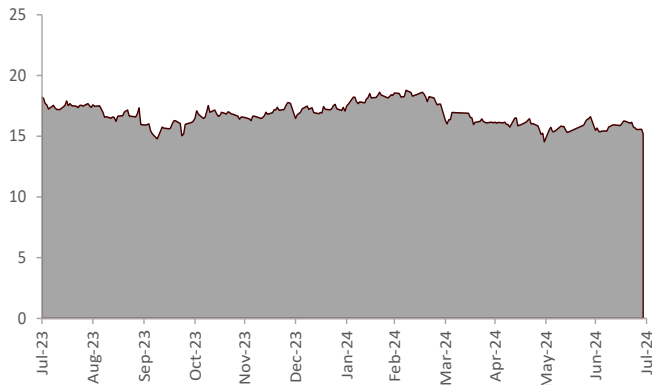
Outlook & Valuation: Since 2018, the company has consistently demonstrated robust growth in both revenue and profitability, fueled by a growing subscriber base and increasing contributions from the business segment. A sustained emphasis on cost optimization has also improved margins, especially in recent quarters. Looking ahead, we anticipate that this positive earnings momentum will persist in the coming years, driven by continued growth in the business segment due to rising demand for digitization solutions and supported by an expected increase in the subscriber base. Based on equal weighted valuation using DCF and P/E methodologies, we arrive at a fair value of SAR 57.4/share, offering a limited upside of 12.8% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

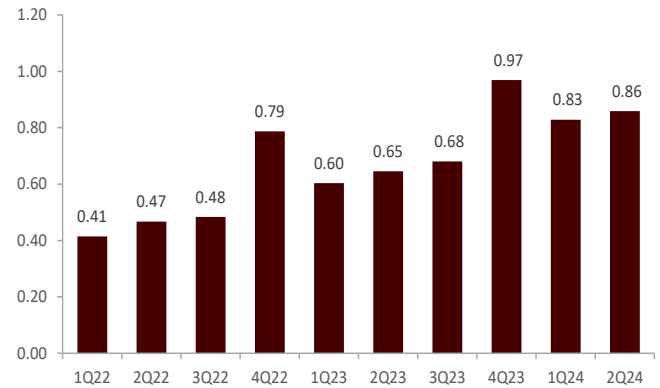
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	4,465	4,248	5%	4,545	-2%
Gross profit	2,378	2,435	-2%	2,445	-3%
Gross margin (%)	53%	57%		54%	
EBIT	759	656	16%	753	1%
EBIT margin (%)	17%	15%		17%	
EBITDA	1,650	1,586	4%	1,651	0%
EBITDA margin (%)	37%	37%		36%	
Net Income	661	497	33%	638	4%
Net margin (%)	15%	12%		14%	
EPS (SAR)	0.86	0.65	33%	0.83	4%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

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

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

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

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