

Etihad Atheeb Telecommunication Co. (ATHEEB TELECOM)

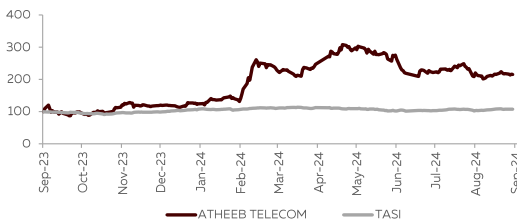
Target Price: SAR 102.9/share

Upside: 17.9%

Recommendation	Buy
Current Market Price (SAR)	87.3
52wk High / Low (SAR)	127.0/34.7
Mkt. Cap. (USD/SAR Mn)	775/2,907
Shares Outstanding (mn)	34.0
Free Float (%)	99.0%
3m Average Vol. (000)	1,469
3m Avg Daily Turnover (SAR'000)	135,252.00
P/E'25e (x)	15.9
EV/EBITDA'25e (x)	0.9

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	FY2023	FY2024	FY2025e	FY2026e
Revenue	630	1,016	1,169	1,227
Gross profit	183	305	351	369
Gross margin (%)	29%	30%	30%	30%
EBIT	58	199	185	197
EBIT margin (%)	9%	20%	16%	16%
EBITDA	115	275	242	273
EBITDA margin (%)	18%	27%	21%	22%
Net Income	42	195	187	198
Net margin (%)	7%	19%	16%	16%
EPS (SAR)	1.4	6.4	5.5	5.8
RoE (%)	45%	91%	46%	33%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Bahrain Telecommunications Company (Batelco).	15.00%
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Source: Bloomberg, Yaqeen Capital

Revenue jumped amid significant growth in Wholesale sector

- Atheeb Telecom reported a decrease of 11.2% YoY in net income for 1Q FY2025, although it saw a significant QoQ increase of 157.8%. The YoY drop is partly due to a one-off finance income of SAR 21.7mn in 1Q FY2024, resulting from a settlement with the CST. The company's net income margin declined by 10.4ppts YoY but improved by 9.1ppts QoQ, reaching 15.1% in 1Q FY2025.
- Revenue surged by 50.3% YoY and an impressive 306.5% QoQ, reaching SAR 310.2mn in 1Q FY2025. This growth was primarily driven by the Wholesale sector, with strong performance in voice and fiber optic connectivity services. The B2B segment saw a significant boost, thanks to a more effective go-to-market strategy and enhanced products tailored to customer needs. Meanwhile, revenue from the B2C retail sector showed only a marginal increase.
- In 1Q FY2025, gross profit grew by 24.5% YoY and 19.3% QoQ, reaching SAR 88.0mn. However, the gross margin decreased by 5.9ppts YoY but improved by 4.3ppts QoQ, standing at 28.4%.
- In 1Q FY2025, operating profit soared by 44.0% YoY and 75.4% QoQ to SAR 51.6mn. This growth occurred despite higher costs for services, general and administrative expenses, impairments on trade receivables, and zakat and income tax expenses, driven by increased revenue and lower selling and marketing expenses. However, the operating profit margin declined to 16.6%, down by 0.7ppts YoY but up by 7.0 ppts QoQ.

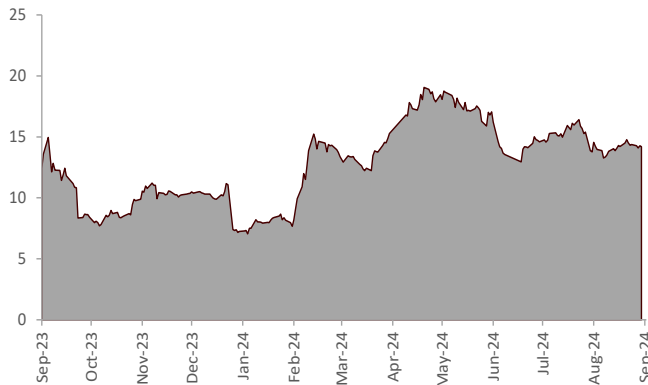
Outlook & Valuation: The growing and youthful population in KSA, along with rising income levels, is keen to embrace the convenience and efficiency of data services. The widespread adoption of smartphones and digitalization by businesses further boosts the demand for telecom solutions. As a leading market player in KSA, Atheeb Telecom is well positioned to seize this opportunity. The company is actively working to modernize its offerings and upgrade its network infrastructure. For instance, Atheeb increased its capital through a SAR 250mn rights issue to improve its capital structure and enhance its business systems. Overall, our outlook on Atheeb Telecom remains optimistic, with a growth trajectory and future success anticipated. Based on comparable valuations, we arrive at a fair value of SAR 102.9/share, an upside potential of 17.9% from the current market price. Hence, we recommend a Buy rating on the stock.

Financial Summary

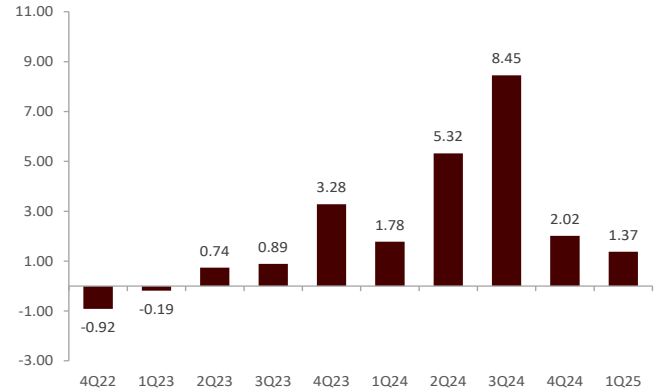
SAR (mn)	1Q FY25	1Q FY24	YoY	4Q FY24	QoQ
Revenue	310	206	50%	306	1%
Gross profit	88	71	25%	74	19%
Gross margin (%)	28%	34%		24%	
EBIT	52	36	44%	29	75%
EBIT margin (%)	17%	17%		10%	
EBITDA	69	52	31%	50	38%
EBITDA margin (%)	22%	25%		16%	
Net Income	47	53	-11%	18	158%
Net margin (%)	15%	25%		6%	
EPS (SAR)	1.4	1.8	-23%	2.0	-32%

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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