

## Etihad Atheeb Telecommunication Co. (ATHEEB TELECOM)

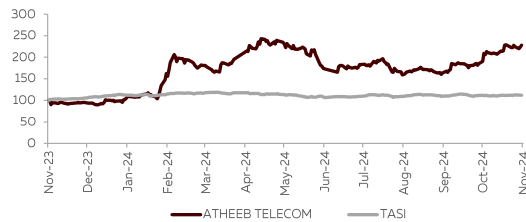
Target Price: SAR 119.9/share

Upside: 4.5%

Recommendation	Hold
Current Market Price (SAR)	116.8
52wk High / Low (SAR)	127.0/44.8
Mkt. Cap. (USD/SAR Mn)	1,058/3,971
Shares Outstanding (mn)	34.0
Free Float (%)	99.0%
3m Average Vol. (000)	1,136
3m Avg Daily Turnover (SAR'000)	111,065.20
P/E'25e (x)	19.1
EV/EBITDA'25e (x)	1.1

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	FY2023	FY2024	FY2025e	FY2026e
Revenue	630	1,016	1,321	1,387
Gross profit	183	305	390	409
Gross margin (%)	29%	30%	30%	30%
EBIT	58	199	202	214
EBIT margin (%)	9%	20%	15%	15%
EBITDA	115	275	259	290
EBITDA margin (%)	18%	27%	20%	21%
Net Income	42	195	204	216
Net margin (%)	7%	19%	15%	16%
EPS (SAR)	1.4	6.4	6.0	6.3
RoE (%)	45%	91%	49%	35%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

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

## Net income soars amid strong wholesale and B2B growth

- Atheeb Telecom's net income rose by 22.4% YoY to SAR 59mn in 2Q FY2025, driven by increased revenues and reduced financing expenses that offset higher costs in revenue, selling and marketing, impairment provisions, administrative expenses, zakat, and lower other revenues. QoQ, net income increased by 25.4%, as revenue growth outpaced rising costs, with gains in other revenues and reduced financing expenses from Islamic deposits. Net income margin fell by 3.2ppts YoY but improved by 1.8ppts QoQ, reaching 16.9% in 2Q FY2025.
- Revenue surged by 45.8% YoY, reaching SAR 347mn in 2Q FY2025 due to a 108% growth in wholesale revenues and a 42% rise in B2B revenues. QoQ, revenue rose by 11.8%, mainly due to increased wholesale and business sector revenues.
- Gross profit in 2Q FY2025 grew by 38.4% YoY and 21.9% QoQ to SAR 107mn due to higher revenues. However, gross margin fell by 1.7ppts YoY but improved by 2.5ppts QoQ, reaching 30.9%.
- Operating profit in 2Q FY2025 increased by 11.0% YoY and 13.5% QoQ to SAR 59mn, driven by higher gross profit, though growth was capped by increased operating expenses. Operating profit margin decreased to 16.9%, down by 5.3ppts YoY but up by 0.2ppts QoQ.
- In 1H FY2025, net income rose by 4.8% YoY to SAR 105mn despite a one-time financing profit of SAR 21mn in the prior year and a new SAR 3mn provision for zakat. Net income margin dropped by 6.6ppts YoY to 16.0%.
- Revenue in 1H FY2025 grew by 47.9% YoY to SAR 657mn, largely due to a 108% increase in wholesale sales and a 42% rise in business sector sales, despite a 2% decline in individual sales.

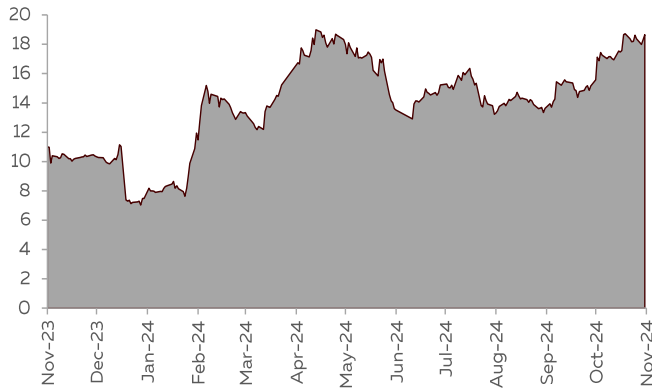
**Outlook & Valuation:** KSA's growing and youthful population, along with rising income levels, is driving a strong demand for the convenience and efficiency of data services. The widespread adoption of smartphones and increased digitalization by businesses further amplify the need for telecom solutions. As a prominent market player, Atheeb Telecom is well-positioned to capitalize on this opportunity. We maintain an optimistic outlook on Atheeb Telecom, expecting a solid growth trajectory and future success. Based on comparable valuations, we arrive at a fair value of SAR 119.9/share, an upside potential of 4.5% from the current market price. Hence, we recommend a Hold rating on the stock.

## Financial Summary

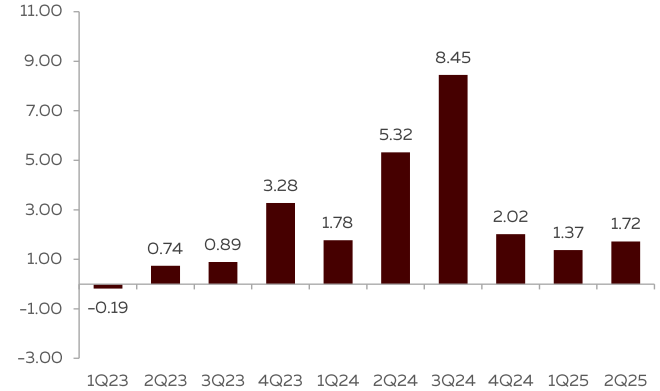
SAR (mn)	2Q FY25	2Q FY24	YoY	1Q FY25	QoQ
Revenue	347	238	46%	310	12%
Gross profit	107	78	38%	88	22%
Gross margin (%)	31%	33%		28%	
EBIT	59	53	11%	52	14%
EBIT margin (%)	17%	22%		17%	
EBITDA	84	87	-3%	69	22%
EBITDA margin (%)	24%	37%		22%	
Net Income	59	48	22%	47	25%
Net margin (%)	17%	20%		15%	
EPS (SAR)	1.7	5.3	-68%	1.4	25%

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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