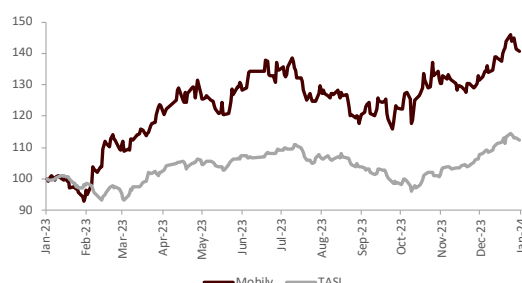


Etihad Etisalat Co. (Mobily)

Recommendation	Hold
Current Market Price (SAR)	50.2
52wk High / Low (SAR)	52.7/33.1
Mkt. Cap. (USD/SAR Mn)	10,342/38,808
Shares Outstanding (mn)	770.0
Free Float (%)	90.2%
3m Average Vol. (000)	1,048.0
3m Avg Daily Turnover (SAR'000)	49,468
P/E'24e (x)	7.1%
EV/EBITDA'24e (x)	5.6

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	14,834	15,669	16,713	17,527
Gross profit	8,672	9,363	9,610	10,060
GPM (%)	58%	60%	58%	57%
EBIT	1,654	2,310	2,795	3,194
EBIT margin (%)	11%	15%	17%	18%
EBITDA	5,723	6,272	6,694	7,002
EBITDA margin (%)	39%	40%	40%	40%
Net Income	1,072	1,657	2,101	2,571
Net margin (%)	7%	11%	13%	15%
EPS (SAR)	1.39	2.15	2.73	3.34
RoE (%)	7%	10%	11%	12%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

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

Net income soars on higher revenues and better margins

- Mobily net income jumped 40.6% YoY (+5.3% QoQ) to SAR 524mn in 3Q2023, propelled by robust top-line growth and expanded margins. The net margin for 3Q2023 improved by 304bps YoY (+107bps QoQ) to 12.8%.
- Revenue was up by 7.1% YoY to SAR 4,100mn (-3.5% QoQ) in 3Q2023, primarily due to the growth in the overall subscriber base and robust Business segment revenues (~22% of 3Q revenues, +35% YoY). Business segment momentum reflects the increasing emphasis on digitization among corporates. Additionally, the Wholesale segment (11%, +11% YoY) contributed to the top-line growth. Meanwhile, the Consumer segment (65%) experienced subdued performance.
- Gross profit increased by a modest 2.7% YoY (-3.0% QoQ) to SAR 2,362mn in 3Q2023 as the benefit from the higher top-line was constrained by a reduction in the gross margin (-250bps YoY to 57.6%).
- Operating income surged 31.2% YoY to SAR 689mn (+5.0% QoQ) in 3Q2023 supported by lower SGA costs and a decline in depreciation & amortization expenses. Consequently, the operating margin improved by 309bps YoY (+135bps QoQ) to 16.8% in 3Q2023.
- In 3Q2023, EBITDA reached SAR 1,596mn, marking an 8.0% YoY rise (+0.6% QoQ). The margin remained healthy at 38.9% (+32bps YoY), led by the continued focus on operational efficiencies.
- Free cash flow increased by 12.8% YoY to SAR 1,221mn in 3Q2023 aided by solid EBITDA and lower capex (-5.4% YoY).
- In 3Q2023, net debt decreased by 19.9% YoY to SAR 8,813mn, reflecting the company's persistent focus on deleveraging. Simultaneously, the net debt/EBITDA ratio improved to 1.36x, compared to 1.86x in 3Q2022.
- For 9M2023, net income came higher by 41.4% YoY to SAR 1,486mn, with the margin rising to 12.0% (+288bps YoY).

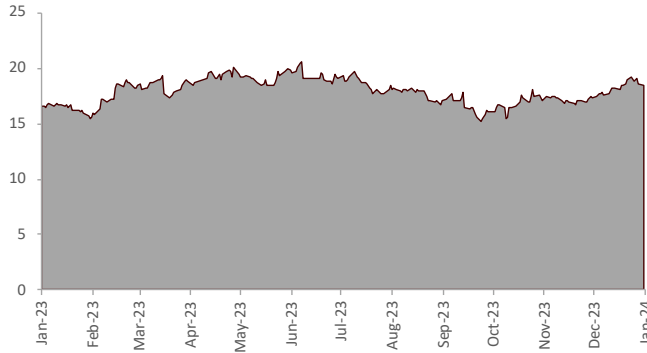
Outlook & Valuation: Since 2018, the company has consistently demonstrated robust growth in both revenues and profitability, driven by an expanding subscriber base and an increasing contribution from the business segment. The sustained focus on cost optimization has further bolstered margins, particularly in recent quarters. Looking ahead, we anticipate the positive earnings momentum to persist in the coming years, fueled by the continuous growth in the business segment, spurred by the rising demand for digitization solutions, and supported by an expected increase in the subscriber base. However, most of these positives seem to be already priced into the stock, which has seen a remarkable 44% gain over the last 12 months. Based on equal weighted valuation using DCF and P/E methodologies, we arrive at a fair value of SAR 53.5/share, offering a limited upside of 6.6% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

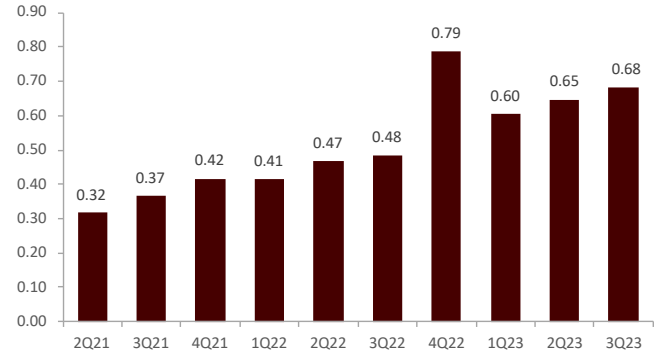
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	4,100	3,828	7%	4,248	-3%
Gross profit	2,362	2,300	3%	2,435	-3%
GPM (%)	58%	60%		57%	
EBIT	689	525	31%	656	5%
EBIT margin (%)	17%	14%		15%	
EBITDA	1,648	1,495	10%	1,660	-1%
EBITDA margin (%)	40%	39%		39%	
Net Income	524	373	41%	497	5%
Net margin (%)	13%	10%		12%	
EPS (SAR)	0.68	0.48	41%	0.65	5%

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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