

## Telcom

**Neutral: 12M TP @ 59**

**Downside -4.8%**

### Valuation Summary (TTM)

Price (SAR)	62.0
PER TTM (x)	14.0
P/Book (x)	2.5
P/Sales (x)	2.5
EV/Sales (x)	2.9
EV/EBITDA (x)	7.2
Dividend Yield (%)	4.0
Free Float (%)	68%
Shares O/S (mn)	770
YTD Return (%)	16%
Beta	1.1

(mn)	SAR	USD
Market Cap	47,740	12,724
Enterprise Value	53,829	14,346
<b>Price performance (%)</b>	<b>1M</b>	<b>3M</b>
Etihad Etisalat Co	4%	2%
Tadawul All Share Index	-3%	-4%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	81,567	58,937	70,122
Avg Daily Volume (,000)	1,172	1,012	1,182

52 week	High	Low	CTL*
Price (SAR)	64.50	48.65	27.4

\* CTL is % change in CMP to 52wk low

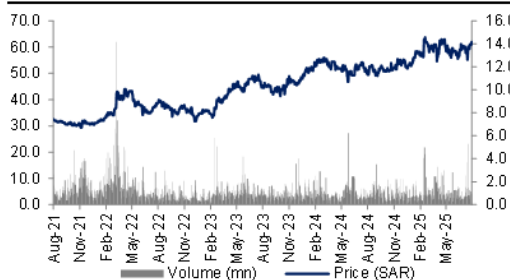
### Major shareholders

Emirates Telecom	28.0%
Blackrock Inc	2.2%
Vanguard Group Inc	2.1%
Others	67.7%

### Other details

Exchange	Saudi Arabia
Sector	Telecommunications
Index weight (%)	2.1%

Key ratios	2022	2023	2024
EPS (SAR)	2.15	2.90	4.03
BVPS (SAR)	21.24	22.89	24.51
DPS (SAR)	1.15	1.45	2.20
Payout ratio (%)	53%	50%	55%



## Mobily: Performance comes better than expected

Etihad Etisalat Company (Mobily) reported an 8.1% YoY increase in revenue for 2Q25, reaching SAR 4.8 bn, in line with our expectations. This growth was supported by improvements across all segments, with the wholesale business leading the way, rising 17.9% YoY. Key contributors to this performance included seasonal demand during Hajj, continued infrastructure investments, and strategic partnerships aimed at delivering innovative services. The business segment grew by 8.0% YoY, driven by Mobily's efforts to expand its footprint in this vertical. Meanwhile, the consumer segment posted a 6.1% YoY increase, supported by a 5% YoY rise in the mobile subscriber base, which reached 12.8 mn in 2Q25. Growth in this segment was fuelled by both prepaid and postpaid services and further bolstered by the Hajj and Umrah season. Other revenues grew by a robust 18.4% YoY, primarily driven by strong performance in the fintech space. Gross profit rose 10.3% YoY to SAR 2.6 bn, with gross margins improving to 54.3% from 53.3% in 2Q24, exceeding our expectations. Operating expenses increased by 6.9% YoY due to higher general and administrative costs, though selling and depreciation expenses remained under control. Finance costs surged by 32.1% YoY, reflecting increased debt levels. Overall, net income rose 25.5% YoY to SAR 830 mn, outperforming our estimate of SAR 715 mn. In addition to strong revenue growth and improved margins, the company's bottom line benefited from higher profits from joint ventures.

In 1H25, Mobily reported capital expenditures of SAR 2.7 bn, accounting for 28.1% of revenue. This elevated investment level was driven by ongoing initiatives to enhance the 5G network and upgrade frequency spectrums. Despite the high second-quarter capex, management has reiterated its full-year guidance of a capex intensity between 16-18% for 2025e, indicating a likely moderation in spending during 2H25. Mobily has also maintained its outlook for mid- to high-single-digit revenue growth for the full year, following a 6.6% topline increase in 1H25. Additionally, the company continues to project EBITDA margins in the range of 37-38%, which aligns closely with the 37.5% margin achieved in 1H25. While the 2Q25 performance exceeded our forecast, Mobily's 1H25 operating results were broadly in line with expectations, leading us to maintain our 2025e estimates, with only minor tweaks.

**Investment thesis and valuations:** Mobily continues to benefit from its strong market position as the second-largest telecom operator in Saudi Arabia. While we see limited growth potential in the consumer segment, this area continues to provide operational stability. Short- to medium-term growth is expected to be driven by the business and wholesale segments, supported by Mobily's initiatives to strengthen its market position and expand its share in these verticals. Looking ahead, medium to long-term growth will hinge on the company's ability to scale its data center and fintech operations. At a valuation of 15.4x 2025e EPS and offering a dividend yield of c.4%, we see limited upside potential for the stock at current levels. We therefore maintain our target price of **SAR 59 per share** and reiterate our **Neutral** rating on the stock.

Income Statement (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	14,046	14,834	15,717	16,763	18,206	19,276	20,177	20,805	21,214
Cost of sales	(5,894)	(6,163)	(6,336)	(7,509)	(8,312)	(9,195)	(9,624)	(9,924)	(10,119)
<b>Gross profit</b>	<b>8,152</b>	<b>8,672</b>	<b>9,381</b>	<b>9,253</b>	<b>9,894</b>	<b>10,082</b>	<b>10,553</b>	<b>10,881</b>	<b>11,095</b>
Operating expenses	(6,782)	(7,018)	(7,053)	(6,276)	(6,364)	(6,609)	(6,842)	(7,039)	(7,200)
<b>Operating profit</b>	<b>1,370</b>	<b>1,654</b>	<b>2,328</b>	<b>2,977</b>	<b>3,530</b>	<b>3,473</b>	<b>3,711</b>	<b>3,842</b>	<b>3,894</b>
Other income	(4)	(3)	12	(2)	103	196	198	200	202
Finance expenses - Net	(540)	(500)	(561)	(526)	(441)	(473)	(451)	(401)	(351)
<b>Earnings before tax</b>	<b>826</b>	<b>1,151</b>	<b>1,779</b>	<b>2,449</b>	<b>3,193</b>	<b>3,196</b>	<b>3,457</b>	<b>3,641</b>	<b>3,745</b>
Tax	(43)	(79)	(122)	(217)	(86)	(86)	(93)	(98)	(101)
<b>Net income</b>	<b>783</b>	<b>1,072</b>	<b>1,657</b>	<b>2,232</b>	<b>3,107</b>	<b>3,109</b>	<b>3,364</b>	<b>3,543</b>	<b>3,644</b>

Balance Sheet (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	21,321	20,380	19,508	19,012	18,851	19,533	20,272	21,018	21,735
Intangibles	8,240	7,911	7,608	7,316	6,998	6,697	6,414	6,146	5,892
Right to use assets	2,321	2,730	2,703	2,730	2,719	2,739	2,779	2,829	2,881
Other non-current assets	50	259	235	259	451	651	853	1,057	1,263
<b>Total non-current assets</b>	<b>31,932</b>	<b>31,279</b>	<b>30,053</b>	<b>29,317</b>	<b>29,019</b>	<b>29,621</b>	<b>30,319</b>	<b>31,050</b>	<b>31,771</b>
Contract assets	485	876	1,209	1,424	1,363	1,461	1,529	1,576	1,607
Receivables	3,895	4,593	3,338	3,391	3,930	4,160	4,355	4,490	4,579
Inventories	73	108	109	151	213	236	247	254	259
Cash & Cash Equivalents	929	1,051	828	1,641	1,400	2,170	2,612	3,051	3,501
Investments	300	1,000	2,014	2,128	1,786	1,786	1,786	1,786	1,786
Other current assets	793	457	628	839	804	812	820	829	837
<b>Total current assets</b>	<b>6,476</b>	<b>8,085</b>	<b>8,125</b>	<b>9,574</b>	<b>9,496</b>	<b>10,625</b>	<b>11,350</b>	<b>11,987</b>	<b>12,570</b>
<b>Total assets</b>	<b>38,408</b>	<b>39,364</b>	<b>38,178</b>	<b>38,891</b>	<b>38,515</b>	<b>40,246</b>	<b>41,668</b>	<b>43,037</b>	<b>44,341</b>
Share Capital	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700
Total reserves	6,745	7,496	8,659	9,923	11,175	12,419	13,765	15,182	16,640
<b>Total equity</b>	<b>14,445</b>	<b>15,196</b>	<b>16,359</b>	<b>17,623</b>	<b>18,875</b>	<b>20,119</b>	<b>21,465</b>	<b>22,882</b>	<b>24,340</b>
Short term borrowings	1,349	1,211	1,313	1,611	460	425	391	357	323
Short term lease liabilities	769	928	1,010	1,179	1,213	578	593	609	609
Trade payables	4,669	4,606	2,941	3,415	3,604	3,986	4,172	4,302	4,387
Contract liabilities	1,067	738	695	786	831	919	962	992	1,012
Other current liabilities	3,130	3,601	4,106	4,280	4,304	4,663	4,843	4,971	5,059
<b>Total current liabilities</b>	<b>10,985</b>	<b>11,083</b>	<b>10,065</b>	<b>11,271</b>	<b>10,412</b>	<b>10,571</b>	<b>10,962</b>	<b>11,232</b>	<b>11,389</b>
Long term debt	10,134	9,624	8,310	6,700	5,725	5,300	4,874	4,449	4,023
Long term lease liabilities	1,836	2,193	2,211	2,045	2,062	2,771	2,844	2,923	3,015
Other non-current liabilities	1,008	1,268	1,233	1,253	1,441	1,485	1,523	1,552	1,574
<b>Total non-current liabilities</b>	<b>12,978</b>	<b>13,085</b>	<b>11,755</b>	<b>9,998</b>	<b>9,228</b>	<b>9,556</b>	<b>9,242</b>	<b>8,924</b>	<b>8,612</b>
<b>Total Liabilities</b>	<b>23,963</b>	<b>24,168</b>	<b>21,820</b>	<b>21,268</b>	<b>19,640</b>	<b>20,127</b>	<b>20,204</b>	<b>20,155</b>	<b>20,002</b>
<b>Equity and liabilities</b>	<b>38,408</b>	<b>39,364</b>	<b>38,178</b>	<b>38,891</b>	<b>38,515</b>	<b>40,246</b>	<b>41,668</b>	<b>43,037</b>	<b>44,341</b>

Cash Flows (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	4,170	4,729	5,684	5,752	6,337	7,174	7,178	7,412	7,574
Cash from investments	(2,866)	(2,916)	(3,406)	(2,017)	(1,956)	(3,516)	(3,680)	(3,795)	(3,869)
Cash from financing	(1,626)	(1,692)	(2,501)	(2,922)	(4,622)	(2,888)	(3,056)	(3,178)	(3,255)
Net changes in cash	(322)	121	(223)	814	(242)	770	442	438	450
<b>Closing balance (C/b)</b>	<b>929</b>	<b>1,051</b>	<b>828</b>	<b>1,641</b>	<b>1,400</b>	<b>2,170</b>	<b>2,612</b>	<b>3,051</b>	<b>3,501</b>







Ratios	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<b><u>Per Share (SAR)</u></b>									
EPS	1.0	1.4	2.2	2.9	4.0	4.0	4.4	4.6	4.7
BVPS	18.8	19.7	21.2	22.9	24.5	26.1	27.9	29.7	31.6
DPS	0.5	0.9	1.2	1.5	2.2	2.4	2.6	2.8	2.8
FCF/share	1.7	2.4	3.0	4.9	5.7	4.8	4.5	4.7	4.8
Revenue/share	18.2	19.3	20.4	21.8	23.6	25.0	26.2	27.0	27.6
<b><u>Valuations</u></b>									
M.Cap (SAR mn)	20,688	23,736	28,218	33,363	46,208	47,740	47,740	47,740	47,740
EV (SAR mn)	33,547	35,640	38,222	41,128	52,482	52,858	52,044	51,240	50,422
P/E	26.4	22.2	17.0	14.9	14.9	15.4	14.2	13.5	13.1
EV/EBITDA	6.3	6.4	6.2	6.2	7.3	7.3	6.9	6.6	6.3
EV/Sales	2.4	2.4	2.4	2.5	2.9	2.7	2.6	2.5	2.4
P/BV	1.4	1.6	1.7	1.9	2.4	2.4	2.2	2.1	2.0
P/S	1.5	1.6	1.8	2.0	2.5	2.5	2.4	2.3	2.3
Div. yield	1.9%	2.8%	3.1%	3.3%	3.7%	3.9%	4.2%	4.5%	4.6%
FCF yield	6.3%	7.6%	8.1%	11.2%	9.5%	7.7%	7.3%	7.6%	7.8%
<b><u>Liquidity</u></b>									
Cash Ratio	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3
Current ratio	0.6	0.7	0.8	0.8	0.9	1.0	1.0	1.1	1.1
Quick ratio	0.6	0.7	0.8	0.8	0.9	1.0	1.0	1.0	1.1
<b><u>Return ratio</u></b>									
ROA	2.0%	2.7%	4.3%	5.7%	8.1%	7.7%	8.1%	8.2%	8.2%
ROE	5.4%	7.1%	10.1%	12.7%	16.5%	15.5%	15.7%	15.5%	15.0%
ROCE	4.8%	5.7%	8.0%	10.2%	12.5%	11.9%	12.3%	12.3%	12.1%
<b><u>Cash cycle</u></b>									
Contract asset turnover	29.0	16.9	13.0	11.8	13.4	13.2	13.2	13.2	13.2
Payables turnover	1.3	1.3	2.2	2.2	2.3	2.3	2.3	2.3	2.3
Contract liabilities turnover	5.5	8.4	9.1	9.6	10.0	10.0	10.0	10.0	10.0
Receivables turnover	3.6	3.2	4.7	4.9	4.6	4.6	4.6	4.6	4.6
Inventory turnover	80.4	57.2	58.1	49.8	39.0	39.0	39.0	39.0	39.0
Contract asset days	13	22	28	31	27	28	28	28	28
Payable days	289	273	169	166	158	158	158	158	158
Contract liabilities days	66	44	40	38	36	36	36	36	36
Receivables days	101	113	78	74	79	79	79	79	79
Inventory days	5	6	6	7	9	9	9	9	9
Cash Cycle	(237)	(176)	(98)	(92)	(79)	(79)	(79)	(79)	(79)
<b><u>Profitability ratio</u></b>									
Gross margins	58.0%	58.5%	59.7%	55.2%	54.3%	52.3%	52.3%	52.3%	52.3%
EBITDA margins	38.0%	37.6%	39.3%	39.5%	39.5%	37.5%	37.5%	37.5%	37.5%
Operating margins	9.8%	11.2%	14.8%	17.8%	19.4%	18.0%	18.4%	18.5%	18.4%
PBT margins	5.9%	7.8%	11.3%	14.6%	17.5%	16.6%	17.1%	17.5%	17.7%
Net margins	5.6%	7.2%	10.5%	13.3%	17.1%	16.1%	16.7%	17.0%	17.2%
Effective tax rate	5.2%	6.9%	6.8%	8.9%	2.7%	2.7%	2.7%	2.7%	2.7%
<b><u>Leverage</u></b>									
Total debt (SAR mn)	14,089	13,955	12,845	11,534	9,460	9,074	8,703	8,337	7,970
Net debt (SAR mn)	13,159	12,904	12,017	9,893	8,060	6,904	6,091	5,286	4,468
Debt/Capital	49.4%	47.9%	44.0%	39.6%	33.4%	31.1%	28.8%	26.7%	24.7%
Debt/Total assets	36.7%	35.5%	33.6%	29.7%	24.6%	22.5%	20.9%	19.4%	18.0%
Debt/Equity	1.0	0.9	0.8	0.7	0.5	0.5	0.4	0.4	0.3
Debt/EBITDA	2.6	2.5	2.1	1.7	1.3	1.3	1.2	1.1	1.0
Net debt/EBITDA	2.5	2.3	1.9	1.5	1.1	1.0	0.8	0.7	0.6

## Key contacts

### Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

## Rating Criteria and Definitions

Rating	Rating Definitions
 <b>Strong Buy</b>	<b>Strong Buy</b> This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
 <b>Buy</b>	<b>Buy</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
 <b>Hold</b>	<b>Hold</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
 <b>Neutral</b>	<b>Neutral</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
 <b>Sell</b>	<b>Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
 <b>Strong Sell</b>	<b>Strong Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
<b>Not rated</b>	<b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe

## Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.