US$11.9bn	71.99%	US$19.6mn
Market Cap.	Free Float	Avg. Daily Value traded

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Etihad Etisalat - Mobily

TP raised to SAR 69/sh; maintain OW

Overweight

Price Target (SAR): 69.3

Current: 57.9
Upside/Downside: 19.7% above current

Valuation Multiples	24A	25E	26E
P/E (x)	14.3	13.0	12.1
P/B (x)	2.4	2.2	2.1
EV/EBITDA (x)	7.1	6.7	6.2

Major Shareholders	% Ownership
Emirates Telecommunications Group	27.99

Price Performance	1M	3M	YTD
Absolute	-6.6%	-8.1%	8.4%
Relative to TASI	-4.5%	0.7%	14.5%

Earnings

(SAR mn)	2024	2025E	2026E	2027E
Revenue	18,206	19,566	20,757	22,015
y-o-y	*8.6%*	*7.5%*	*6.1%*	*6.1%*
Gross Profit	9,894	10,551	11,214	11,893
GM Margin	*54.3%*	*53.9%*	*54.0%*	*54.0%*
y-o-y	*6.9%*	*6.6%*	*6.3%*	*6.1%*
EBITDA	7,195	7,538	8,017	8,503
EBITDA Margin	*39.5%*	*38.5%*	*38.6%*	*38.6%*
Net Income	3,107	3,427	3,692	4,006
Net Income Margin	*17.1%*	*17.5%*	*17.8%*	*18.2%*
y-o-y	*39.2%*	*10.3%*	*7.7%*	*8.5%*
EPS	4.04	4.45	4.80	5.20
DPS	2.20	2.67	3.12	3.64
P/E	14.3x	13.0x	12.1x	11.1x
EV/EBITDA	7.1x	6.7x	6.2x	5.7x
ROE	16.5%	16.9%	17.1%	17.6%

Source: Company data, Al Rajhi Capital estimates

- ***We expect Mobily's FY25 revenue to grow by 7.5% y-o-y (in line with management guidance of mid-to-high single digit)***
- ***Mobily generates industry-leading EBITDA margins driven by sustained operational efficiency gains. We expect FY25 EBITDA margins to slightly surpass management guidance of 37-38%***
- ***We note the solid deleveraging over the last few years and expect it to continue, supported by strong FCF generation. With net leverage of 0.95x, we believe the company is well-positioned to lift dividend payout or pursue organic/ inorganic growth opportunities***
- ***The stock is currently trading at an attractive valuation of 13.0x on our FY25E earnings. We expect earnings grow at a CAGR of ~7.8% during FY25-28***
- ***We reiterate our "Overweight" rating on Mobily with an upgraded TP of SAR 69/sh***

Revenue growth to be underpinned by B2B and Wholesale segment: We expect Mobily's FY25 revenues to grow by 7.5% (guided for mid-to-high-single digit) driven by continued growth in the business segment (+18.0% y-o-y) and wholesale segment (+12.0% y-o-y). Moreover, the consumer segment grew 4.6% y-o-y in FY24, after nearly three years of stagnation. We expect 3.0% growth in consumer segment in FY25. The management remains committed to diversify the revenue base and focus on capitalizing on the Kingdom's shift towards digitization. We note that the company has demonstrated the ability to continuously secure projects from the Government, large companies and SMEs. This is evident in business segment revenue growth CAGR of ~22% during FY19-24. As a result, the contribution of the business segment to the overall topline has jumped from 11.9% in FY19 to 23.8% in FY24.

Industry- leading EBITDA margins: Despite falling gross margins, Mobily has been able to improve EBITDA margins driven by operational efficiencies achieved over the years. Of note, SG&A expenses (as % of sales) reduced gradually to 14.0% in FY24 from 20.7% in FY19. Therefore, the company has been able to generate above-peer margin levels. During FY23-24, Mobily generated EBITDA margins of 39.5% versus STC's FY23/24 margins of 31.3%/31.5% and Zain's FY23/24 margins of 30.1%/32.1%, respectively. This is well above their guided range of 37-38% in FY24. Going forward, we expect EBITDA margins to remain in the range of 38.0-38.5% (FY25 guidance: 37-38%).

Strong free cashflows to support continued deleveraging: Mobily has delivered an average FCF of ~SAR 3.5bn over the last three years. This has helped company achieve deleveraging and surpass its net leverage guidance of 1.1x in FY24 (vs. actual 0.89x). Going forward, we expect FY25 FCF to be slightly down at ~SAR 3.7bn driven by higher capex and expect it to grow thereafter at a CAGR of ~10.0% over the next five years. Notably, we assume FY25 capex at mid-point of the guided range - 16-18%.

Headroom to increase dividend payouts: Mobily has a flexible dividend payout policy with the dividend payout ratio averaging around 54% during FY19-24. In our view, the healthy cashflows coupled with lower leverage levels should support higher dividend payout in the near-to-medium term. We assume payout ratio of 60% in FY25 and expect it to rise in subsequent years to 80% by FY28.

We are updating our estimates for Mobily post 1Q25 reporting: We have revised our sales forecast for FY25/26/27E by 5.3%/6.2%/6.9% respectively assuming higher growth rates for consumer, business and wholesale segments. Our EBITDA estimates for FY25/26/27E are reset by 3.2%/4.0%/4.4% respectively due to higher sales and EBITDA margin gains. These changes combined with lower zakat expenses lead to revised EPS estimates for FY25/26/27E by 19.2%, 12.4% and 11.1% respectively.

Valuations: We use a blended valuation for Mobily, applying DCF (assuming WACC of 9.3%) and relative valuation (EV/ EBITDA). By assigning equal weightage to both methodologies, we arrive at a target price of SAR 69.3/sh, indicating an upside of 19.7% from the last closing price. We assign 6.8x EV/EBITDA multiple to the FY25E EBITDA. Moreover, the estimated dividend yield of ~4.6% contributes positively to our overall upside assessment.

Figure 1 **Valuation Summary**

Valuation Methodology	Fair Value	Weightage	Fair Value (Weighted)
DCF	83.3	50%	41.7
EV/EBITDA	55.2	50%	27.6
Fair Value (SAR /sh)			**69.3**
Current Price			57.9
Upside/Downside			**19.7%**

Source: Company data, Al Rajhi Capital estimates.

Key Risks: The key risks for the company are as follows: 1) Pricing risk which may occur from government regulations, 2) Increased competition from local players as well as entry of global players, and 3) Business segment growth underperforms versus expectations.

1Q25 Results: In 1Q25, Mobily reported a 5.1% y-o-y and 1.7% q-o-q increase in revenues. The mobile subscribers reached 13mn in 1Q25 (vs 12.3mn in 1Q24) with 11mn prepaid and 2mn postpaid subscribers while FTTH subscribers reached 0.290mn compared to 0.298mn in 1Q24. The gross profit increased by 4.5% (2.0% q-o-q) with the margin coming in at 53.5%.1Q25 EBITDA was up 7.5% at SAR 1,775mn with associated margin of 37.1% versus 36.3% in 1Q24.The 20.2% y-o-y rise in net income in 1Q25 is due to lower zakat expenses and higher other income.

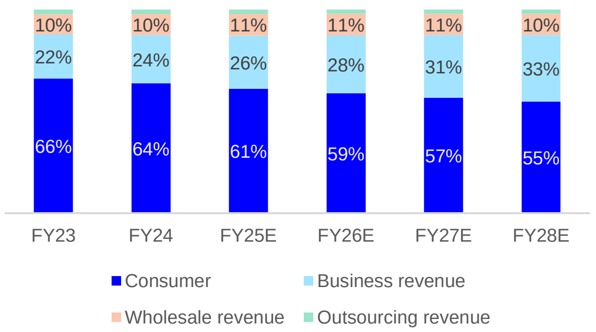
Figure 2 **Earnings Summary 1Q25**

(SAR mn)	Q1 2025	Q4 2024	Q1 2024	*q-o-q*	*y-o-y*	FY24	FY23	*y-o-y*
Revenue	**4,777**	**4,697**	**4,545**	***1.7%***	***5.1%***	**18,206**	**16,763**	***8.6%***
Gross Profit	**2,554**	**2,505**	**2,445**	***2.0%***	***4.5%***	**9,894**	**9,253**	***6.9%***
G. margin	*53.5%*	*53.3%*	*53.8%*			*54.3%*	*55.2%*	
Op. profit	**850**	**1,058**	**753**	***-19.7%***	***12.9%***	**3,530**	**2,977**	***18.6%***
Op. margin	*17.8%*	*22.5%*	*16.6%*			*19.4%*	*17.8%*	
Net profit	**767**	**979**	**638**	***-21.7%***	***20.2%***	**3,107**	**2,232**	***39.2%***
Net margin	*16.1%*	*20.8%*	*14.0%*					
EPS	**1.00**	**1.08**	**0.83**			**4.03**	**2.90**	

Source: Company data, Al Rajhi Capital.estimates

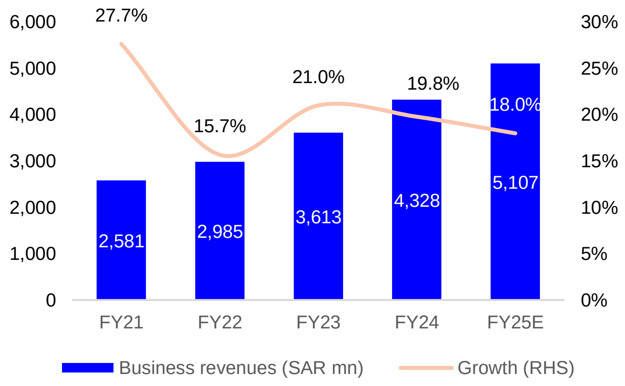
Key Charts

Figure 3 **Revenue mix evolution**



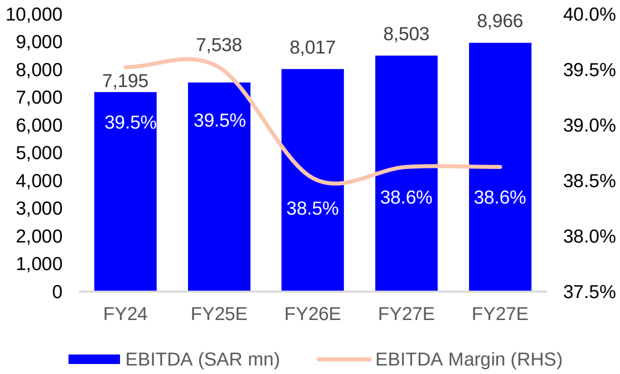
Source: Company Data, Al Rajhi Capital estimates

Figure 4 **Business revenues growth holding strong**



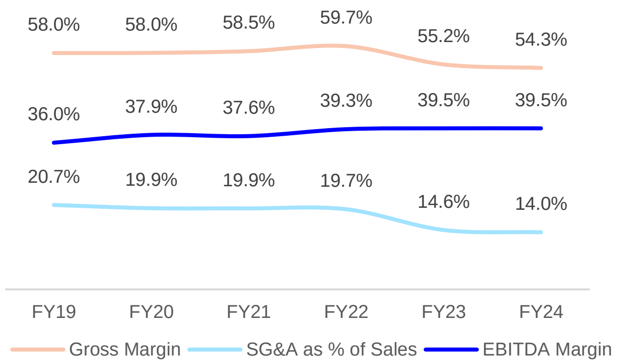
Source: Company Data, Al Rajhi Capital estimates

Figure 5 **Industry leading EBITDA margin**



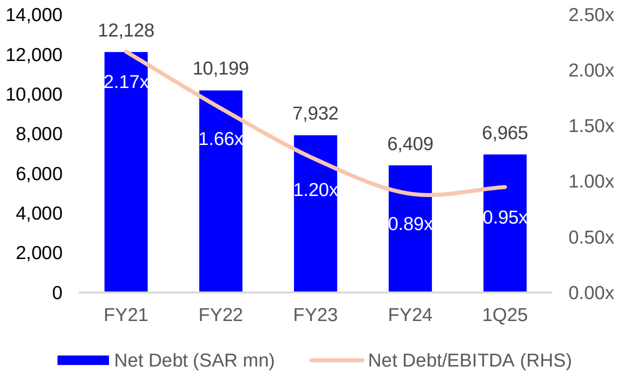
Source: Company Data, Al Rajhi Capital estimates

Figure 6 **Operational efficiencies more than offset gross margin contraction**



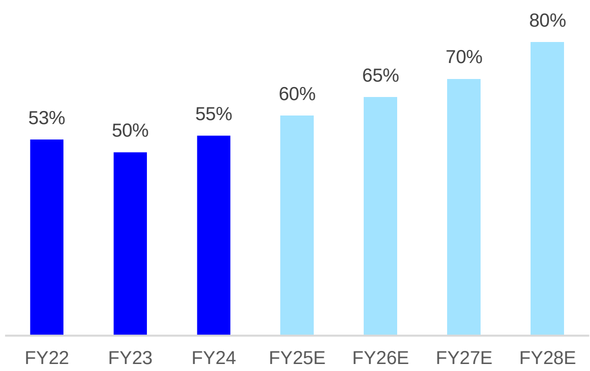
Source: Company Data, Al Rajhi Capital estimates

Figure 7 **Successful deleveraging over time**



Source: Company Data, Al Rajhi Capital estimates

Figure 8 **Rising dividend payout**



Source: Company Data, Al Rajhi Capital estimates

Key Financials

Figure 9 **Income Statement**

SAR mn	2024	2025E	2026E	2027E	2028E
Revenue	**18,206**	**19,566**	**20,757**	**22,015**	**23,214**
y-o-y growth	*8.6%*	*7.5%*	*6.1%*	*6.1%*	*5.4%*
Cost of Sales	(8,312)	(9,015)	(9,543)	(10,122)	(10,673)
Gross Profit	**9,894**	**10,551**	**11,214**	**11,893**	**12,541**
y-o-y growth	*6.9%*	*6.6%*	*6.3%*	*6.1%*	*5.4%*
margins	*54.3%*	*53.9%*	*54.0%*	*54.0%*	*54.0%*
Operating Expenses	(2,553)	(2,847)	(3,021)	(3,204)	(3,378)
D&A	(3,664)	(3,723)	(3,953)	(4,191)	(4,534)
Others	(146)	(166)	(176)	(187)	(197)
Operating Profit	**3,530**	**3,814**	**4,064**	**4,311**	**4,431**
y-o-y growth	*18.6%*	*8.0%*	*6.5%*	*6.1%*	*2.8%*
margins	*19.4%*	*19.5%*	*19.6%*	*19.6%*	*19.1%*
Interest income	175	195	170	169	161
Interest expenses	(615)	(585)	(508)	(431)	(354)
Share of profit in JV	44	74	45	40	40
Other income/expense	59	20	21	22	23
Pre-Tax Income	**3,193**	**3,518**	**3,790**	**4,112**	**4,302**
Zakat	(86)	(91)	(99)	(107)	(112)
Net Income	**3,107**	**3,427**	**3,692**	**4,005**	**4,190**
y-o-y growth	*39.2%*	*10.3%*	*7.7%*	*8.5%*	*4.6%*
margins	*17.1%*	*17.5%*	*17.8%*	*18.2%*	*18.0%*
EPS	4.04	4.45	4.80	5.20	5.44

Source: Al Rajhi Capital estimates

Figure 10 **Balance sheet**

SAR mn	2024	2025E	2026E	2027E	2028E
Cash	1,400	1,519	1,865	2,106	1,974
Short-term investment	1,786	1,786	1,786	1,786	1,786
Contract Assets	1,003	1,003	1,003	1,003	1,003
Accounts Receivables	3,930	4,598	5,085	5,394	5,803
Due from related parties	107	107	107	107	107
Inventories, net	213	225	239	253	267
Prepaid expenses and others	1,057	1,182	1,254	1,330	1,402
TOTAL CURRENT ASSETS	**9,496**	**10,422**	**11,341**	**11,980**	**12,344**
Property & Equipment	18,851	19,400	19,792	20,121	20,334
License acquisition fees	5,531	5,265	4,983	4,683	4,384
Goodwill	1,467	1,467	1,467	1,467	1,467
Contract Assets	94	94	94	94	94
Investment in JV	52	127	172	212	252
Financials and others	305	305	305	305	305
Right of use assets	2,719	2,821	2,888	2,918	2,949
TOTAL NON-CURRENT ASSETS	**29,019**	**29,479**	**29,701**	**29,799**	**29,785**
TOTAL ASSETS	**38,515**	**39,901**	**41,042**	**41,779**	**42,130**
Current portion of Long term loans	460	460	460	460	460
Lease liabilities	1,213	1,295	1,380	1,469	1,561
Contract liabilities	831	831	831	831	831
Accounts payable	3,604	3,908	3,965	4,038	4,094
Due to related parties	193	193	193	193	193
Accrued expenses and others	3,282	3,424	3,632	3,743	3,830
Zakat Provision	117	158	200	246	293
Provision	369	369	369	369	369
Financial liabilities and others	342	342	342	342	342
CURRENT LIABILITIES	**10,412**	**10,982**	**11,374**	**11,692**	**11,975**
Long term loans	5,725	4,975	4,225	3,225	2,225
Lease liabilities	2,062	2,201	2,346	2,497	2,653
Employee termination benfits	601	658	719	786	859
Others	840	840	840	840	840
NON-CURRENT LIABILITIES	**9,228**	**8,673**	**8,129**	**7,347**	**6,576**
SHAREHOLDERS EQUITY	**18,875**	**20,246**	**21,539**	**22,740**	**23,579**
TOTAL LIABILITIES & EQUITY	**38,515**	**39,901**	**41,042**	**41,779**	**42,130**

Source: Al Rajhi Capital estimates

Figure 11 **Cash Flow Statement**

SAR mn	2024	2025E	2026E	2027E	2028E
Cash flow from Operations	6,337	6,814	7,397	8,053	8,453
Cash flow from Investing	(1,956)	(3,326)	(3,300)	(3,368)	(3,552)
Cash flow from Financing	(4,622)	(3,369)	(3,750)	(4,444)	(5,034)
Change in cash	(241)	120	346	241	(132)

Source: Al Rajhi Capital estimates

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Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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