

Rating **Neutral**
12- Month Target Price **SAR 20.00**

MOBILY
1Q2019 First Look

Expected Total Return

Price as on April-21, 2019	SAR 23.34
Upside to Target Price	(14.3%)
Expected Dividend Yield	-
Expected Total Return	(14.3%)

Market Data

52 Week H/L	SAR 23.38/14.82
Market Capitalization	SAR 17,972 mln
Shares Outstanding	770 mln
Free Float	55%
12-Month ADTV	2,904,574
Bloomberg code	EEC AB

1-Year Price Performance



Source: Bloomberg



1Q2019 (SAR mln)	Actual	RC Forecast
Revenue	3,201	2,852
Gross Profit	1,839	1,611
Net Income	67	(95)
EPS (SAR)	0.09	(0.12)

Net Profit Surprises Market

Mobily positively surprised the market yesterday posting a net profit of SAR 67 million for 1Q2019. This ran counter to the market and our expectations of a net loss of SAR (108) million and SAR (95) million respectively. Revenue growth was the primary driver for the deviation versus our estimates; gross margins were recorded at 57.5%, slightly better than our 56.5% estimate. Mobily managed to record a topline of SAR 3.2 billion, up +13% Y/Y and +1% Q/Q, led by subscriber growth and a better mix. Gross profit came in at SAR 1.84 billion, up +11% on a yearly basis while EBITDA margins widened to 40% compared to 37% last year. Second consecutive net profit gives renewed hopes of sustaining bottomline in the black. We revise our target price from SAR 18.00 to SAR 20.00 on tweaking of revenue and margin assumptions. However, maintain our Neutral stance. We prefer to wait one more quarter to gauge business strength and profit sustainability before revisiting our assumptions thoroughly.

Revenue growth encouraging

On a sequential basis, Mobily has now managed to achieve topline growth for the sixth consecutive quarter. Revenues for the quarter have been recorded at SAR 3.2 billion, up by +13% Y/Y and +1% Q/Q. This has resulted from an increase and improvement in subscriber's base and quality respectively. Growth of the fiber-optic base as well as business and wholesale sales have contributed positively. According to management, the business segment added almost 11% to total revenues in 1Q, this is a welcome development as margins on this segment are much better than retail. Gross profit has risen +11% Y/Y and +33% Q/Q on the back of a higher topline which absorbed the impact of new government royalties. Gross margins was recorded at 57.5%, higher than 43.8% in the previous quarter but lower than 58.7% last year.

EBITDA rises +23% Y/Y

EBITDA has increased by +23% Y/Y to SAR 1.27 billion on the back of adoption of IFRS 16 which has changed classification of some items (ex-IFRS, EBITDA growth would have been +8% Y/Y). EBITDA margin was at 40% for the quarter versus 37% last year. IFRS implementation has also resulted in a rise in financing charges by +13% Y/Y to SAR 212 million (ex-IFRS, there would have been a -5% Y/Y decrease). Capex for 1Q19 decreased to SAR 782 million compared to SAR 814 million last year as the Company capitalized spectrum costs last year.

Target price raised to SAR 20

Mobily achieve a net profit for the second quarter in a row. Bottomline for 1Q reached SAR 67 million versus a loss of SAR (93) million last year and a profit of SAR 80 million in the preceding quarter. Mobily beat market and our expectations of a loss of SAR (108) million and SAR (95) million respectively driven mainly by growth in revenue and cost management. While details are awaited, we believe the adoption of IFRS 16 may have also helped. Investors showed their excitement with the stock rising 5% at the Tadawul yesterday. We raise our target price from SAR 18.00 to SAR 20.00 on tweaking of revenue and margin assumption but maintain a Neutral stance.

Key Financial Figures

FY Dec31 (SAR mln)	2018A	2019E	2020E
Revenue	11,865	12,861	13,129
EBITDA	4,531	4,783	4,808
Net Profit	(123)	(26)	(12)
EPS (SAR)	(0.16)	(0.04)	(0.02)
DPS (SAR)	-	-	-

Key Financial Ratios

FY Dec31	2018A	2019E	2020E
BVPS (SAR)	18.51	18.01	18.00
ROAE	(0.9%)	(0.2%)	(0.1%)
ROAA	(1.7%)	(0.3%)	(0.1%)
EV/EBITDA	5.1x	4.5x	4.1x
P/B	1.0x	1.0x	1.0x

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than 15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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