

## Etihad Etisalat (Mobily)

Higher Sales supported profitability

### 4Q21 Net profit higher than our estimate

Etihad Etisalat (Mobily) recorded an increase by 30.4% YOY in Net Profit to SAR321 Mn in 4Q21, up from SAR246 Mn in 4Q20, beating our estimate of SAR304 Mn by 5.6%. This was mainly attributed to an increase in Sales.

### P&L highlights

Sales increased by 10.3% YOY to SAR3,897 Mn in 4Q21 from SAR3,533 Mn in 4Q20, Revenues increased by 5.6% YoY to SAR 14,834 Mn in 2021 driven by solid growth in Business unit, Consumer, including Fiber-To-The-Home (FTTH), Subscriber base continued to exhibit healthy growth. Also, the Direct Costs have increased by 4.3% YOY to SAR1,631 Mn in 4Q21, up from SAR1,564 Mn in 4Q20. Resultantly, the Gross Profit increased by 15.1% YOY to SAR2,267 Mn in 4Q21 from SAR1,969 Mn in 4Q20, with a Gross margin equal to 58.2% in 4Q21. Despite the increase by 34.5% YOY in Selling & overhead expenses to SAR883 Mn in 4Q21, the EBITDA has increased by 5.4% YOY to SAR1,384 Mn in 4Q21, up from SAR1,313 Mn in 4Q20. Depreciation & Amortization slightly increased by 0.3% YOY to SAR1,004 Mn in 4Q21, up from SAR1,001 Mn in 4Q20. Whereas the Other income has strongly grown to SAR7 Mn in 4Q21, as compared to SAR3 Mn in 4Q20. As a result, Operating Profit increased by 23% YOY to SAR387 Mn in 4Q21, up from SAR315 Mn in 4Q20. Moreover, Financial charges increased by 3.9% YOY to SAR132 Mn in 4Q21 from SAR127 Mn in 4Q20. Furthermore, the Company has reversed the Impairments in 4Q21 totaling a SAR105 Mn. The Zakat Expense significantly increased to SAR22 Mn in 4Q21 from SAR9 Mn in 4Q20.

### Balance sheet highlights

Mobily's Total Assets increased by 2.5% YOY to SAR39.36 Bn in 4Q21, up from SAR38.41 Bn in 4Q20. Total Liabilities were up by 0.9% YOY to SAR24.17 Bn in 4Q21 from SAR23.96 Bn in 4Q20. Similarly, the Total Equity increased by 5.2% YOY to SAR15.2 Bn in 4Q21, as compared to SAR14.45 Bn in 4Q20.

### Target price and rating

We assign a HOLD rating on Mobily, with a target price of SAR38.50. Etihad Etisalat (Mobily) is the second largest mobile operator in Saudi Arabia. Mobily provides integrated services for three main sectors, namely individuals, business, and carriers. The Company has one of the largest wireless networks by coverage in Saudi Arabia and the region. Additionally, Mobily has one of the widest FTTH networks and one of the largest data center systems worldwide. During the year ended 2021, the Company has reported a growth by 37% YOY in the Net profit hitting SAR 1.07 Bn, as compared to SAR 783 Mn in the same period last year. The increase in the bottom-line was mainly attributed by higher Sales along with lower Financial charges. Company's Sales were up by 5.6% YOY reaching SAR 14.83 Bn, up from SAR 14.05 Bn in 2020, driven by an increase from Consumer, Business, and Wholesale revenues.

**Rating : HOLD**

### First Look Note – 4Q21

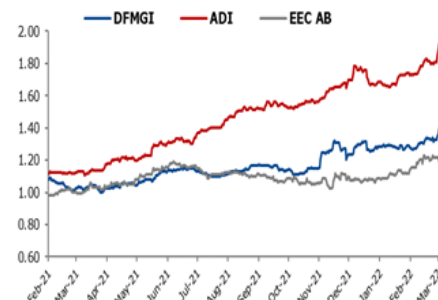
**Sector: Telecom**

#### Recommendation

Current Price (09-Mar)	36.10
Target Price	38.50
Upside/Downside (%)	+6.1%

#### Stock Information

Market Cap (mm)	27,797.00
Paid Up Capital (mm)	7,700.00
52 Week High	36.60
52 Week Low	28.55
3M Avg. daily value (SAR)	55,086,310



#### Financial Ratios

Dividend Yield (12month)	1.39
Dividend Pay-out	61.08
Price-Earning Ratio	25.85
Price-to-Book Ratio	1.83
Book Value	19.74
Return-on Equity	7.23
Earning Per Share (SAR)	1.40
Beta	0.91

#### Stock Performance

5 Days	5.87%
1 Months	6.02%
3 Months	16.45%
6 Months	15.34%
1 Year	25.57%
Month to Date (MTD%)	3.58%
Quarter to Date (QTD%)	16.05%
Year to Date (YTD%)	16.05%

Also, the Direct Costs have surged by 4.6% YOY to SAR 6.16 Bn in 2021, up from SAR 5.89 Bn in 2020, mainly due to higher Network access charges, besides an increase in the Cost of utilized inventories. Consequently, the Gross profit grew by 6.4% YOY standing at SAR 8.67 Bn, as compared to SAR 8.15 Bn in the end of 2020, with a Gross margin equal to 58.5% in 2021, which is up by 42 bps from 58% in 2020. Similarly, the Selling and Marketing expenses barely reduced YOY to SAR 1.39 Bn at the end of 2021, led by lower Salaries, wages, and employees' benefits. While the General and Administrative expenses have surged by 11% YOY reaching SAR 1.56 Bn in 2021, due to higher Management fees. Despite the increase in the Selling and overhead expenses, the EBITDA were up by 7% YOY to reach SAR 5.72 Bn in 2021 from SAR 5.36 Bn in 2020, where the EBITDA margin stood at 38.6%, up from 38.1% in 2020. Meanwhile, the Depreciation and Amortization expenses have dropped by 1.1% YOY to SAR 3.93 Bn, as compared to SAR 3.97 Bn in the end of 2020. Furthermore, the Other income was up by 45% YOY to SAR 15 Mn at the year ended 2021. As a result, the Operating profit has grown by 29.7% YOY reaching SAR 1.81 Bn in 2021, with an OPM equal to 12.2%, up by 227 bps from 9.9% in 2020. Company's Financial charges have declined by 10% YOY reaching SAR 505 Mn, down from SAR 561 Mn in 2020. The Company has recorded a significant increase in the Total Impairment charges standing at SAR 143 Mn in 2021. The Company's share in loss of an associate stood at SAR 19 Mn at the year ended 2021. Thus, the Profit before zakat increased by 39% YOY to reach SAR 1.15 Bn in 2021. The Zakat Expense strongly increased by 81.8% YOY from SAR 43 Mn in 2020, to SAR 78 Mn in 2021.

On the other hand, Mobily has shown a stable performance on the Balance Sheet, with an increase by 2.5% YOY in the Total Assets to SAR 39.36 Bn in 2021. In addition, the Company's Total shareholders' equity increased by 5.2% YOY reaching SAR 15.2 Bn at the year ended 2021. At the year ended 31 December 2021, Net debt was down by 7.4% YOY standing at SAR 11.9 Bn, mainly driven by lower Gross debt and higher Cash and cash equivalents. Resultantly, the Net debt to EBITDA ratio improved to 2.17x, compared to 2.45x in 2020. On November 2021, the Board of Directors have proposed a cash dividend of SAR 0.85 per share amounting to SAR 654.5 Mn, while the proposed dividend for the full year 2021 was not approved yet by the General Assembly. Based on our analysis, we assign a HOLD rating on the stock.

#### Mobily - Relative Valuation

(At CMP)	2017	2018	2019	2020	2021
P/E	-39.29	-225.94	903.75	35.44	26.01
P/B	1.95	2.01	2.02	1.93	1.83
Dividend yield	0%	0%	0%	1.4%	2.4%

FABS estimate & Co data

**Mobily - P&L**

SAR mm	4Q20	3Q21	4Q21	4Q21F	Var	YOY Ch	QOQ Ch	2020	2021	Change
Sales	3,533	3,606	3,897	3,841	1.5%	10.3%	8.1%	14,046	14,834	5.6%
Direct costs	-1,564	-1,420	-1,631	-1,513	7.8%	4.3%	14.8%	-5,894	-6,163	4.6%
<b>Gross profit</b>	<b>1,969</b>	<b>2,186</b>	<b>2,267</b>	<b>2,327</b>	<b>-2.6%</b>	<b>15.1%</b>	<b>3.7%</b>	<b>8,152</b>	<b>8,672</b>	<b>6.4%</b>
Selling & overhead exp	-656	-713	-883	-748	18.1%	34.5%	23.9%	-2,798	-2,950	5.4%
<b>EBITDA</b>	<b>1,313</b>	<b>1,473</b>	<b>1,384</b>	<b>1,580</b>	<b>-12.4%</b>	<b>5.4%</b>	<b>-6.1%</b>	<b>5,355</b>	<b>5,721</b>	<b>6.9%</b>
D & A	-1,001	-966	-1,004	-1,048	-4.2%	0.3%	4.0%	-3,970	-3,927	-1.1%
Other income	3	-4	7	8	-11.0%	NM	NM	11	15	45.1%
<b>Operating profit</b>	<b>315</b>	<b>503</b>	<b>387</b>	<b>540</b>	<b>-28.3%</b>	<b>23.0%</b>	<b>-23.1%</b>	<b>1,396</b>	<b>1,810</b>	<b>29.7%</b>
Investment & other income	2	1	1	1	40.5%	-19.3%	19.7%	21	5	-74.8%
Total Impairment loss	65	-80	105	-82	NM	61.0%	NM	-29	-143	NM
Financial charges	-127	-125	-132	-135	-2.4%	3.9%	5.1%	-561	-505	-10.0%
Company's share in loss of an associate	0	0	-19	0	NA	NA	NA	0	-19	NA
<b>Profit before zakat</b>	<b>255</b>	<b>299</b>	<b>343</b>	<b>324</b>	<b>5.9%</b>	<b>34.5%</b>	<b>14.7%</b>	<b>826</b>	<b>1,149</b>	<b>39.1%</b>
Zakat	-9	-18	-22	-20	10.0%	NM	22.7%	-43	-78	81.8%
<b>Profit attributable</b>	<b>246</b>	<b>281</b>	<b>321</b>	<b>304</b>	<b>5.6%</b>	<b>30.4%</b>	<b>14.2%</b>	<b>783</b>	<b>1,072</b>	<b>36.8%</b>

FABS estimate & Co Data

**Mobily - Margins**

%	4Q20	3Q21	4Q21	YOY Ch	QOQ Ch	2020	2021	Change
Gross margin	55.7%	60.6%	58.2%	242	-246	58.0%	58.5%	42
Operating margin	8.9%	14.0%	9.9%	102	-403	9.9%	12.2%	227
Net profit margin	7.0%	7.8%	8.2%	127	44	5.6%	7.2%	165

FABS estimate & Co Data

**Research Rating Methodology:**

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Above +10% to +15%
HOLD	Between +10% to -5%
REDUCE	Below -5% to -15%
SELL	Lower than -15%

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