



Etihad Etisalat Co. (Mobily) - 3023 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Previous Reco. & Date:	Accumulate TP: SAR 49 per sha	re; Accumulate on 12-September-2023	49.00 7.7%
		Date: 22-	10-2023
Bloomberg Ticker	EEC AB		
Current Market Price (SAR)	45.500	7,000 ¬	60.000
52wk High / Low (SAR)	50/31.45	6,000 -	50.000
12m Average Vol. (mn)	952.9	5,000	40.000
Mkt.Cap. (USD/SAR bn)	34,075/35,035	4,000	
Shares Outstanding (mn)	770.0	3,000 -	30.000
Free Float (%)	72%	2,000 -	20.000
3m Avg Daily Turnover (SAR mn)	38,639.3	1,000 - 114	10.000
6m Average Daily Turnover (SAR mn)	46,016.4		0.000
PE 2023e (x)	16.6x	Oct-22 Dec-22 Jan-23 Feb-23 Apr-23 May-23 Jul-23 Aug-23 Oct-23	T 0.000
EV/EBITDA 2023e (x)	7.1x	occus see see sum as the see see see see see see see see see s	
Dividend Yield '23e (%)	3.2%	Volume, '000 (LHS) — EEC AB, SAR (RHS)	
Price Perf. (1m/3m) (%)	5.6%/-6%		

Revenue increases 7% YoY, in-line UCapital estimate.

The company reported Q3'23 revenue of SAR 4,100mn (7% YoY), largely in-line with our estimated SAR 4,284mn. This YoY growth is attributed to the growth of all revenue streams, supported mainly by the business segment, with a healthy growth in the overall subscriber base. On a QoQ basis, revenue decreased 3%, mainly due to the seasonality nature of Q3 revenue in the Consumer segment.

Gross and Operating profit in line with UCapital estimates.

The company's gross profit improved marginally to SAR 2,362mn in Q3'23, a 3% increase compared to previous year. This increase was mainly driven by improvement in revenue. On the other hand, Operating profit increased 31% YoY and 5% QoQ. This growth can be attributed to improved operational efficiencies and increased topline.

Net income increases 41% YoY, in line with estimates.

The company's net income for the quarter was SAR 524mn, which is slightly above our estimated figure of SAR 509mn. Net profit increased 41% YoY due to improved operating margins compared to previous year (17% vs 14% Q3'22). Despite facing higher interest expenses (8% YoY) and increased income tax in Q3'23, the company managed to maintain a favourable margin due to higher revenue and better operating margins.

Maintaining our target price.

The company has achieved impressive results for Q3'23, with a significant increase in both operating and net profit on a YoY basis. Furthermore, the Saudi Telecom market is poised for growth, given its comparatively low mobile penetration rate when compared to its GCC peers. Alongside Mobily's substantial market share in the kingdom and its strategic partnerships, the company is well-positioned for further growth. Taking these factors into consideration, we are maintaining our target price of SAR 49 and retaining our 'Accumulate' rating for the stock.

Valuation.

Mobily is trading at 2023e P/E of 16.6x – which represents a 11% discount compared to the historical average 1-year forward P/E of 18.7x. Additionally, the stock is valued at EV/EBITDA multiple of 7.1x, based on our FY23 estimate, which is at a 10% premium compared to the historical average of 6.5x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	3,828	4,132	4,051	4,248	4,100	4,284	7%	-3%	-4%	11,537	12,399	7%
Gross Profit (Loss)	2,300	2,492	2,306	2,435	2,362	2,456	3%	-3%	-4%	6,871	7,103	3%
Operating Profit (Loss)	524	813	627	656	689	670	31%	5%	3%	1,497	1,972	32%
Net Profit attributable to sharehoders	373	606	465	497	524	509	41%	5%	3%	1,051	1,486	41%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Shareholders' Equity	15,709	16,359	16,813	16,408	16,913	16,917	8%	3%	0%	15,709	16,913	8%
Key Ratios												
	3Q22'	4022	1023	2Q23	3Q23	3Q23e				9M22	9M23	
Gross Margin	60%	60%	57%	57%	58%	57%				60%	57%	
Operating Profit Margin	14%	20%	15%	15%	17%	16%				13%	16%	
Net Profit Margin	10%	15%	11%	12%	13%	12%				9%	12%	
Return on Equity (RoE)	9%	15%	11%	12%	12%	12%				13%	18%	

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please <u>click here</u>.





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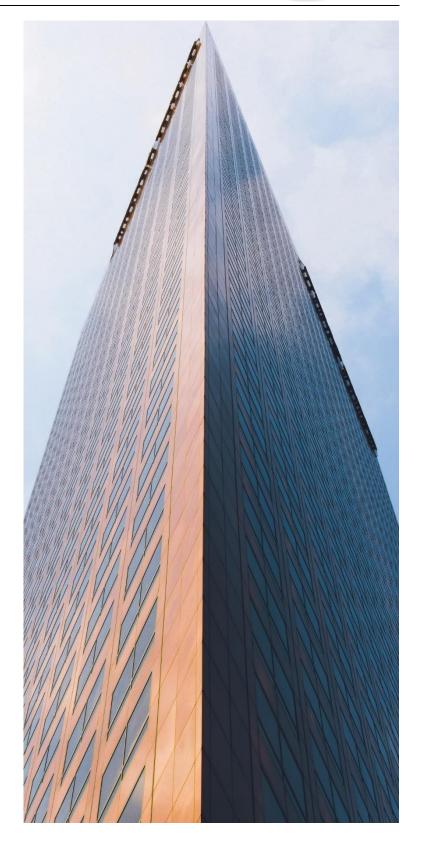
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Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%



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