

Etihad Etisalat Co. (Mobily) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Accumulate

Target Price (SAR):

49.00

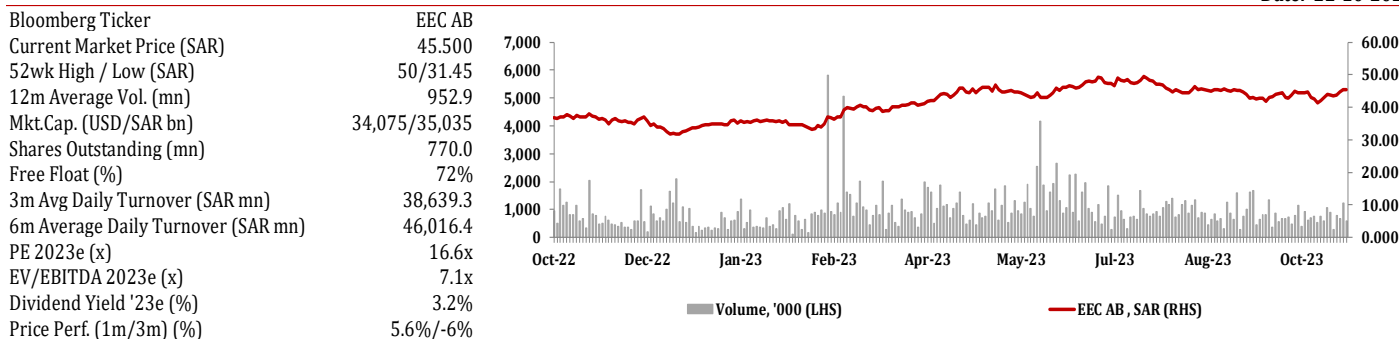
Previous Reco. & Date:

TP: SAR 49 per share; Accumulate on 12-September-2023

Upside / (Downside):

7.7%

Date: 22-10-2023



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 shareholders	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	4Q22	1Q23	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 [click here](#).


Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harthi

 +968 2494 9024


 ahlam.harthi@u-capital.net


Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

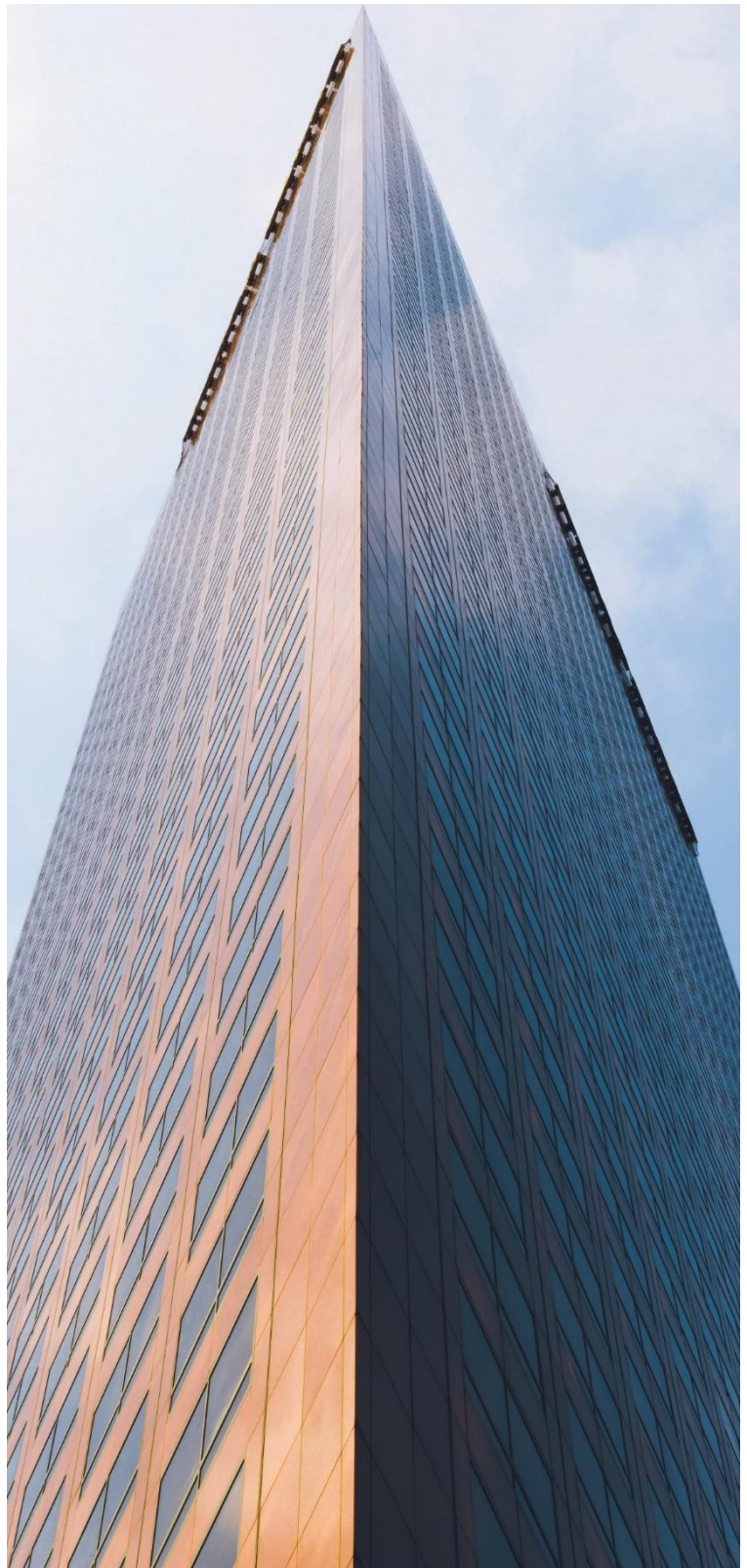
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: www.u-capital.net



Recommendation

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