

July 14, 2010

MOBILY (7020.SE)

12-Month Fair Value: SAR 58

Last Close (13 July, 2010): SAR 50.50

Recommendation: Accumulate - Risk Level: 4

- Etihad Etisalat's (Mobily) total revenues rose to SAR 3.972 billion, a growth of 24% YoY and 11% QoQ. This was 12% above our forecast of SAR 3.551 billion. The company accredits this growth to the increase in broadband revenues, the growing number of post-paid subscribers, the increase in usage levels and the success of the loyalty program "Neqaty".
- EBITDA came in at SAR 1.388 billion for 2Q2010, growing 23% YoY and 18% QoQ. This was 8% above our forecast of SAR 1.283 billion. Mobily accredits the improvement in its profitability to better margin realization on international call revenues. 2Q2010 EBITDA margin stood at 35%, remaining at a similar level to the margin achieved a year ago and higher than the 33% EBITDA margin of 1Q2010.
- The 2Q2010 net profit grew by 33% YoY and by 26% QoQ to SAR 901 million. As for 1H2010, net profit grew by 40% YoY to SAR 1.615 billion.
- The company's management re-iterated its implementation of the "GED" five years strategy standing for growth, efficiency and differentiation to provide integrated telecom services through the fixed and mobile broadband technology.
- Mobily's CEO stressed that the growth will be achieved by growing the revenue from broadband and wholesale services. From a cost optimization perspective, Mobily intends to explore options such as network outsourcing and infrastructure sharing, focusing on a cost efficient roll-out of the broadband network and optimizing operations and processes.
- Overall, we view this set of results as positive. Our fair value for Mobily (SAR 58) is currently 15% above the closing price of 13 July, 2010 (SAR 50.50), hence, our current recommendation on the stock is "Accumulate".

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Related Research

- Mobily Analyst Comment - 21 April 2010
- Mobily Update - 02 March 2010

RISK AND RECOMMENDATION GUIDE

| RECOMMENDATION | | UPSIDE (DOWNSIDE) POTENTIAL | | |
|----------------|---|-----------------------------|-----------|---|
| BUY | | MORE THAN 20% | | |
| ACCUMULATE | | BETWEEN 5% AND 20% | | |
| HOLD | | BETWEEN -10% AND 5% | | |
| REDUCE | | BETWEEN -25% AND -10% | | |
| SELL | | LESS THAN -25% | | |
| RISK LEVEL | | | | |
| LOW RISK | | | HIGH RISK | |
| 1 | 2 | 3 | 4 | 5 |

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