

April 21, 2009

MOBILY (7020.SE)

- Etihad Etisalat (Mobily) reported total revenue of SAR 2.8 billion for 1Q2009, an increase of 22% over 1Q2008. This was slightly above our forecast of SAR 2.7 billion (3% difference).
- As per Mobily's management, the reason behind the growth in revenue is the increase in demand for broadband services, as well as an increase in wholesale business. During 2008, Mobily signed several agreements with Zain-Saudi Arabia to provide logistical assistance, including one for the national roaming (exclusively with Mobily). In the beginning of 2009, Mobily also signed an agreement with Etihad Atheeb Telecommunication Co. worth SAR 200 million, where Mobily will assist Atheeb in expanding its data transmission capacity in Saudi Arabia.
- During 1Q2009, net operating income increased by 23% compared to the same period last year, to SAR 534 million. This was 2% below our forecast of SAR 543 million.
- Net profit surged by 47% to SAR 480 million compared to 1Q2008; this surpassed our forecast of SAR 463 million by 4%.
- If we compare 1Q2009 net profit versus 4Q2008, Mobily witnessed a 38% decline; we would like to highlight that 4Q2008 was a special quarter with the Hajj season falling within that quarter; 4Q2008 net profit accounted for 37% of total net profit for 2008 because of Hajj effect.
- With the limited data we have now, we believe that Mobily's results are favorable especially with the intense competition between the three telecom operators in Saudi Arabia.
- Mobily was last seen trading at SAR 35 per share. This is 43% below our long term fair value of SAR 50; hence, we reiterate our "Buy" recommendation.

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RELATED RESEARCH

- Mobily Update - 20 Nov. 2008
- Mobily Update - 08 Feb. 2009