

April 21, 2010

MOBILY (7020.SE)

12-Month Fair Value: SAR 58

Last Close (20 April, 2010): SAR 51.50

Recommendation: Accumulate - Risk Level: 4

- Etihad Etisalat (Mobily) reported 1Q2010 revenues of SAR 3.6 billion, up 1% QoQ and 27% YoY. Revenues were 8% higher than our forecast of SAR 3.3 billion. Management accredits the rise in revenues to higher demand for mobile broadband services and increased post-paid subscribers. This was driven by aggressive marketing efforts to capture the higher revenue segment of the market. Furthermore, the operator also engaged in attractive international call promotions during 1Q2010, which helped sustain quarterly revenue growth.
- Mobily's EBITDA margin expanded to 33% in 1Q2010 compared to 32% in 1Q2009. As for operating profit, it reached SAR 763 million in 1Q2010, a 43% growth YoY, and 6% above our forecast. Net profit for the quarter stood at SAR 714 million, a decline of 32% QoQ but an increase of 49% YoY.
- Mobily's chairman, stressed that mobile broadband remains the major driver for growth in the future. Accordingly, Mobily will continue to invest in wireless Internet services; the company was able to complete its LTE trials, also known as 4G, which will provide subscribers with higher bandwidth speeds. On the other hand, Mobily concluded an agreement with the Ministry of Communication and Information Technology, to manage and operate the second phase of the secure government network. According to the chairman, Mobily's plan is to focus more on high value business customers as well as on the government and private sector.
- We view this set of results positively especially that the company witnessed revenue growth, quarter-on-quarter despite the "Hajj effect" which took place during 4Q2009, where Mobily was able to grab around 52% of the total pilgrims during the Hajj season.
- Our fair value per share for Mobily (SAR 58) is currently 13% above the closing price of 20 April 2010 (SAR 51.50), hence, our current recommendation on the stock is "Accumulate".

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Related Research

- 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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