

July 21, 2009

MOBILY (7020.SE)

- Following a strong growth of mobile broadband customers, an increase in wholesale revenue and the acquisition of new postpaid mobile subscribers, Etihad Etisalat (Mobily) reported a 26% increase in total revenue to SAR 3.2 billion for 2Q2009. This was 7% above our forecast of SAR 2.97 billion.
- As per Mobily's management, the company witnessed a surge in its mobile broadband revenue by 180% during 1H2009; this was on the back of an increase of around 126% in active mobile broadband subscribers from 260 thousand at the end of December 2008 to 600 thousand at the end of June 2009. Going forward, management remains bullish on this segment.
- At the end of 2Q2009, EBITDA reached SAR 1.13 billion, a growth of 33% YoY, and was ahead of our forecast by 17%. The EBITDA margin improved from 33% in 2Q2008, to 35% in 2Q2009. This was mainly due to efficiencies achieved in general and administrative expenses.
- With strong operating results and a 42% drop in finance charges to SAR 48.8 million in 2Q2009, Mobily's net profit grew by 51% YoY to SAR 674.9 million.
- We view this set of results very positively and will incorporate the recent financial performance into our model.
- In the meantime, we reiterate our Buy recommendation on the stock with a long term fair value of SAR 50 per share which is 30% higher than the current share price of SAR 38.30.

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