



**US\$9.80bn** Market cap    **55.3%** Free float    **US\$29.71mn** Avg. daily volume

Target price **78.20** 48.95% over current  
 Consensus price **70.00** 33.3% over current  
 Current price **52.50** as at 17/4/2011

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**Existing rating**

Underweight

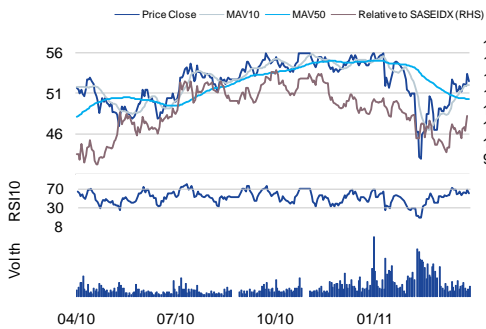
Neutral

**Overweight**

**Flash view**

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

**Performance**

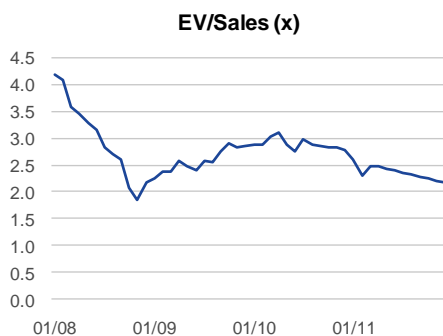


**Earnings**

Period End (SAR)	12/10A	12/11E	12/12E	12/13E
Revenue (mn)	16,013	18,866	21,516	23,741
Revenue Growth	22.6%	17.8%	14.0%	10.3%
EBITDA (mn)	6,165	7,252	8,176	9,022
EBITDA Growth	27.5%	17.6%	12.7%	10.3%
EPS	6.02	7.01	7.90	8.54
EPS Growth	39.7%	16.5%	12.8%	8.0%

Source: Company data, Al Rajhi Capital

**Valuation**



Source: Company data, Al Rajhi Capital

**Mobily**  
**Impressive 2011 start**

Mobily announced its Q1 preliminary results with outstanding top and bottom line performance. Revenues grew Y-Y by 25% while operating and net profit grew by 38% and 40% respectively. Strong sales in handsets and pads as reported by the company may have upset the margins. Nevertheless, revenues and profits exceeds our forecasts. Mobily's PE of 7.5x and yield of 5.1% makes it one of the best value stocks in the Saudi Market. Q1 preliminary results looks solid, and therefore, we expect to maintain our overweight rating.

Earnings vs. our forecast	Above	In Line	Below
<b>Likely impact:</b>			
Earnings estimates	Up	<b>No Change</b>	Down
Dividend estimates	Up	<b>No Change</b>	Down
Recommendation	Upgrade	<b>No Change</b>	Downgrade
Long term view	Stronger	<b>Confirmed</b>	Weaker

- **Sales rise 26%:** Q1 revenues of SAR4,4841mn rose by 25% year-on-year. It exceeded our forecast by more than 3%. We attribute this impressive growth to the strong sales in handsets and pads in addition to the rising demand for broadband data service. We strongly agree with Mobily's view that a quarter-on-quarter comparison is not relevant due to the seasonality of the business. Nevertheless, sales grew by 0.3% quarter-on-quarter.
- **Gross profit up 25%:** Although gross profit was above our forecast of SAR2,257mn., Gross margin was slightly lower than our estimates by 1.8% which we based on the assumption that data revenue would reach 20% of sales in Q1. That said, we need to see the full results to confirm.
- **EBITDA:** We derive from the Q1 preliminary results that Mobily continued its success in controlling SG&A costs; this explains why EBITDA grew by more than 33% in comparison to a strong Q1 2010 and above our estimates by 5%. We view this increase as an impressive outcome for Mobily, it fed directly through to a 40% increase in net profit.
- **Outstanding bottom line results:** Net profit rose remarkably by 40% above our estimates of around 34%. Similar to Q4 2010, we suspect that Mobily paid low financials costs which resulted in stronger profits. In addition, we believe "other income" supported bottom line results substantially.
- **Conclusion:** After the excellent Q1 results, we expect to maintain our profit forecasts and fair value per share. With the broadband market still surging, we think Mobily will continue its robust growth for at least another 12-18 months. Mobily now yields 5.1% and trades on a PE of 7.5x which makes it one of the best-value stocks in the Saudi market. We expect to maintain our overweight rating.



### Corporate summary

Etiihad Etisalat (Mobily) is the second-placed telecoms operator in Saudi Arabia, with a market value of US\$10bn. Mobily has a market share of mobile accounts of about 40%, although its revenue share is lower at 31%. Mobily has at least 50% of mobile broadband subscriptions; this is the fastest-growing segment of the Saudi telecoms market. Mobily's presence in fixed-line service is very limited, but should expand due to selective acquisitions. Mobily is an affiliate of Emirates Telecoms Corp., which owns 27% of its shares.

### Share information

Market cap (SAR/US\$) 36.75bn / 9.80bn  
 52-week range 43.00 - 56.00  
 Daily avg volume (US\$) 29.71mn  
 Shares outstanding 700.0mn  
 Free float (est) 55.3%

Performance:	1M	3M	12M
Absolute	12.7%	-6.3%	1.4%
Relative to index	3.9%	-3.9%	5.4%

Major Shareholder:

Emirates Telecoms Corp.	27.5%
Gen. Organisation for Social Insce.	11.2%

Source: Bloomberg, Al Rajhi Capital

### Valuation

Period End	12/10A	12/11E	12/12E	12/13E
Revenue (SARmn)	16,013	18,866	21,516	23,741
EBITDA (SARmn)	6,165	7,252	8,176	9,022
Net Profit (SARmn)	4,211	4,907	5,532	5,975
EPS (SAR)	6.02	7.01	7.90	8.54
DPS (SAR)	2.00	2.66	3.46	4.50
EPS Growth	39.7%	16.5%	12.8%	8.0%
EV/EBITDA (x)	6.9	5.6	4.8	4.1
P/E (x)	8.7	7.5	6.6	6.2
P/B (x)	2.4	1.9	1.6	1.4
Dividend Yield	3.8%	5.1%	6.6%	8.6%

Source: Company data, Al Rajhi Capital



## Disclaimer and additional disclosures for Equity Research

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### Additional disclosures

#### 1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

**"Overweight"**: Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

**"Neutral"**: We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

**"Underweight"**: Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

#### 2. Definitions

**"Time horizon"**: Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

**"Fair value"**: We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

**"Target price"**: This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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