

## MOBILY



## EVENT FLASH

## Strong 4Q11 results above our estimate

Mobily reported stronger than expected 4Q11 results on 18 January 2012. Revenue grew 30% YoY, leading to 16-20% YoY growth in all profit lines. Net income of SR1.7bn was 14% ahead of our number and 18% ahead of consensus. We await full details before updating our model.

- **Sales:** 4Q11 came in at SR5,801mn vs. NCBC estimate of SR5,155mn. 4Q11 was an increase of 29.8% YoY (SR4,471mn in 4Q10).
- **Gross profit:** 4Q11 came in at SR3,085mn vs. NCBC estimate of SR2,704mn. 4Q11 was an increase of 19.9% YoY (SR2,573mn in 4Q10).
- **Net Income:** 4Q11 came in at SR1,697mn vs. NCBC estimate of SR1,485mn. 4Q11 was an increase of 16.3% YoY (SR1,459mn in 4Q10).
- **EPS:** 4Q11 came in at SR2.42 vs. NCBC estimate of SR2.12. 4Q11 was an increase of 16.3% YoY (SR2.08 in 4Q10).
- In summary, this is a strong set of results from Mobily with top-line growing by 30% YoY and coming in significantly above our estimate. Due to this, all profit lines rose 16-20% YoY, with net income 14% above our estimate and 18% ahead of consensus. The 2H11 dividend also came in SR0.25 ahead of consensus (SR2 vs. SR1.75) – we believe this is a key catalyst to drive the stock higher. The strong dividend outlook has been a key reason behind our overweight call on Mobily.
- Mobily management highlighted the following reasons for the strong top-line growth during 2011 and 4Q11: 1) Higher usage rates in terms of minutes of use and data transmission 2) Increased % of revenues from data (22% against 18% in 2010) where ARPU levels are higher 3) 87% growth in traffic seen during the Hajj period 4) Increase in broadband subscribers to 8.7mn in 2011 from 2.3mn in 2010 5) 50% growth in post-paid subscribers and 5) Over 85% growth in revenues from the business segment.
- Gross margins fell significantly YoY, down 436bps YoY to 53.2% in 4Q11 due to increased competition in the international call and data business, as well as higher contribution of low-margin smart phones and tablet PCs' in 4Q11 as compared to 4Q10. Due to this, both EBIT and net income margins fell YoY by 253bps and 338bps during the quarter. Nevertheless, margins across all profit lines came in 44-94bps higher than what we had been expecting.

## 4Q11 Results Summary

SR mn	4Q11A	4Q10A	% Y o Y	4Q11E	% Var <sup>^</sup>
Sales	5,801	4,471	29.8	5,155	12.5
Gross income	3,085	2,573	19.9	2,704	14.1
Operating income	1,754	1,465	19.7	1,510	16.1
Net income	1,697	1,459	16.3	1,485	14.3
EPS (SR)	2.42	2.08	16.3	2.12	14.3

Source: Company, NCBC Research <sup>^</sup> % Var indicates variance from NCBC forecasts

## OVERWEIGHT

Target price (SR)	67
Current price (SR)	53.8

## STOCK DETAILS

M52-week range H/L (SR)	56/43
Market cap (\$mn)	10,047
Shares outstanding (mn)	700
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	3.4	1.4	(2.7)
Rel. to market	1.7	(3.0)	1.5

Avg daily turnover (mn)	SR	US\$
3M	33.5	8.9
12M	57.1	15.2

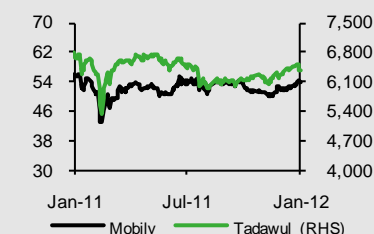
Reuters code	7020.SE
Bloomberg code	EEC AB
	<a href="http://www.mobily.com.sa">www.mobily.com.sa</a>

## VALUATION MULTIPLES

	10A	11E	12E
P/E (x)	8.9	7.7	7.1
P/B (x)	2.4	2.1	1.8
EV/EBITDA (x)	6.8	5.7	5.1
Div Yield (%)	3.9	5.8	7.8

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Reuters

**Farouk Miah, CFA** +966 2 690 7717  
f.miah@ncbc.com

21 JANUARY 2012

**Kindly send all mailing list requests to [research@ncbc.com](mailto:research@ncbc.com)**

**NCBC Research website**

<http://research.ncbc.com>

**Brokerage website**

[www.alahlitadawul.com](http://www.alahlitadawul.com)  
[www.alahlibrokerage.com](http://www.alahlibrokerage.com)

**Corporate website**

[www.ncbc.com](http://www.ncbc.com)

**NCBC Investment Ratings**

OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

**Other Definitions**

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

**Important information**

The authors of this document hereby certify that the views expressed in this document accurately reflect their personal views regarding the securities and companies that are the subject of this document. The authors also certify that neither they nor their respective spouses or dependants (if relevant) hold a beneficial interest in the securities that are the subject of this document. Funds managed by NCB Capital and its subsidiaries for third parties may own the securities that are the subject of this document. NCB Capital or its subsidiaries may own securities in one or more of the aforementioned companies, or funds or in funds managed by third parties. The authors of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. The Investment Banking division of NCB Capital may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this document or are mentioned in this document.

This document is issued to the person to whom NCB Capital has issued it. This document is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. NCB Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. Any investment recommendations contained in this document take into account both risk and expected return. Information and opinions contained in this document have been compiled or arrived at by NCB Capital from sources believed to be reliable, but NCB Capital has not independently verified the contents of this document and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the maximum extent permitted by applicable law and regulation, NCB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document constitute NCB Capital's judgment as of the date of production of this document, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this document may be reproduced without the written permission of NCB Capital. Neither this document nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this document should make themselves aware, of and adhere to, any such restrictions. By accepting this document, the recipient agrees to be bound by the foregoing limitations.

NCB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under licence number 37-06046. The registered office of which is at Al Mather street in Riyadh, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.