TELECOM | 21 JANUARY 2012

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^
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 ^ % 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

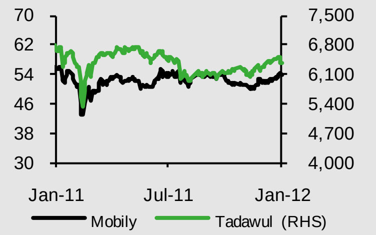
Reuters code	7020.SE
Bloomberg code	EEC AB
	www.mobily.com.sa

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

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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

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