

MOBILY



EVENT FLASH

Strong 2Q12 results, above our estimate

Mobily reported stronger than expected 2Q12 results on 15 July 2012 after market close. Revenue grew 11% YoY; this combined with lower costs resulting in 19-22% YoY growth in all profit lines. We await full details before updating our model.

- **Sales:** 2Q12 came in at SR5,678mn vs. NCBC estimate of SR5,639mn. 2Q12 was an increase of 10.8% YoY (SR5,127mn in 2Q11).
- **Gross profit:** 2Q12 came in at SR2,956mn vs. NCBC estimate of SR2,792mn. 2Q12 was an increase of 19.3% YoY (SR2,478mn in 2Q11).
- **Net Income:** 2Q12 came in at SR1,421mn vs. NCBC estimate of SR1,340mn. 2Q12 was an increase of 22.1% YoY (SR1,164mn in 2Q11).
- **EPS:** 2Q12 came in at SR2.03 vs. NCBC estimate of SR1.91. 2Q12 was an increase of 22.1% YoY (SR1.66 in 2Q11).
- In summary, this is a good set of results from Mobily with operational efficiencies leading to stronger margins and better bottom line performance. Revenue grew by 11%, YoY in line with our expectation. This combined with efficiencies in OpEx to lead to 19-22% YoY in all profit lines, 3-6% above our expected numbers.
- Mobily management highlighted the following reasons for the strong top-line growth during 2Q12: 1) Increased % of revenues from data (25% against 22% in 2011 and 18% in 2010) 2) growth in the demand for broadband and 3) increase in revenue from the business segment.
- Despite intense competition in the international call business, gross margins increased YoY by 373bps to 52.1% in 2Q12. At the EBIT level, margins expanded by 199bps YoY to 25.9% during the quarter. We believe the majority of the margin gains are due to increased sales in the higher-margin Data segment. Lower selling and marketing expenses as a % of sales also supported growth in margins, we believe. Due to this, net income margins also expanded by 232bps YoY in 2Q12. Margins across all profit lines came in 65-256bps higher than what we had been expecting.
- Good growth in the corporate/government segment is another key focus for Mobily. Recent contracts include a three year agreement with the Ministry of Education to provide broadband services in 1,400 schools in the Eastern province.

2Q12 Results Summary

SR mn	2Q12A	2Q11A	% YoY	2Q12E	% Var [^]
Sales	5,678	5,127	10.8	5,639	0.7
Gross income	2,956	2,478	19.3	2,792	5.9
Operating income	1,468	1,223	20.0	1,421	3.3
Net income	1,421	1,164	22.1	1,340	6.0
EPS (SR)	2.03	1.66	22.1	1.91	6.0

Source: Company, NCBC Research [^] % Var indicates variance from NCBC forecasts

OVERWEIGHT

Target price (SR) 78.7

Current price (SR) 64.5

STOCK DETAILS

M52-week range H/L (SR)	69/50
Market cap (\$mn)	12,056
Shares outstanding (mn)	700
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	3.2	(2.3)	18.9
Rel. to market	4.1	6.2	16.7

Avg daily turnover (mn)	SR	US\$
3M	46.3	12.4
12M	51.2	13.7

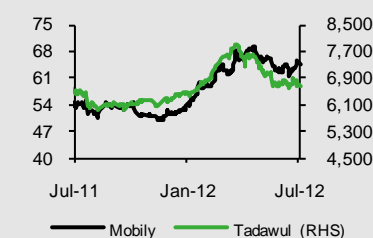
Reuters code	7020.SE
Bloomberg code	EEC AB
	www.mobily.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	8.9	7.6	7.4
P/B (x)	2.5	2.1	1.8
EV/EBITDA (x)	6.1	5.8	5.4
Div Yield (%)	6.2	6.2	7.0

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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- 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

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