

Etiihad Etisalat Company (Mobily)

Q1 2016

Recommendation **Neutral**

Fair Value (SAR) **28.50**

Price as of May 1, 2016 29.40
Expected Return -3.1%

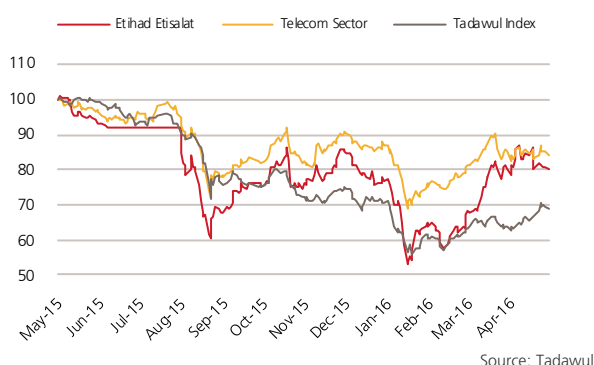
Company Data

Tadawul Symbol	7020.SE
52 Week High (SAR)	37.80
52 Week Low (SAR)	18.85
YTD Change	3.5%
3-Month Average Volume (Thousand Shares)	1,830
Market Cap. (SAR Million)	21,945
Market Cap. (USD Million)	5,852
Outstanding Shares (Million Shares)	770

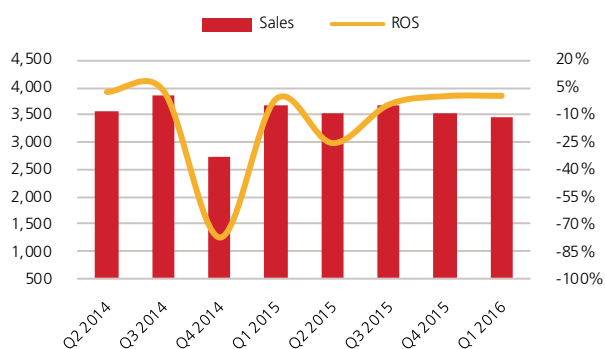
Major Shareholders (> 5%)

Emirates Telecommunication Corp. (Etisalat)	27.45%
General Organization for Social Insurance	11.85%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



Source: Company Filings, Albilad Capital Research Estimates

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The interim financial statements of Mobily revealed net earnings of SAR 16.6 million in Q1 2016 up from a net loss of SAR 45 million in Q1 2015. The figure also skyrocketed by 54.6% QoQ from SAR 10.6 million in Q4 2015. Mobily's bottom line missed our estimate of SAR 30 million and the average analysts' expectation of SAR 41 million.

The company's revenues slipped by 7% to SAR 3,440 million compared to SAR 3,680 million for Q1 2015, mainly fueled by revenues from interconnection and devices sales.

On the other hand, the cost of services contracted by 14% hitting SAR 1,515 million compared to SAR 1,763 million in Q1 2015 driven by the lower cost of interconnection as a result of reduced interconnection rates among telecom operators in April 2015. Accordingly, the cost of services/sales ratio tumbled from 47.9% to 44.0%. SG&A expenses (not including doubtful debt provisions) slumped from SAR 847 million in Q1 2015 to SAR 749 million in Q1 2016 sliding 11.6%, thus the SG&A/sales ratio (not including doubtful debt provisions) fell from 23.0% to 21.8%. Doubtful debt provisions hit SAR 61 million versus SAR 139 million in Q1 2015.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by SAR 184 million coming in at SAR 1,116 million, thus representing 32.4% of sales in Q1 2016 up from 25.3% for Q1 2015. Furthermore, zakat charges dropped by SAR 28 million, despite the increase of SAR 54 million in financing expenses. Depreciation and amortizations charges climbed by SAR 95 million.

On the other hand, the robust growth in net profit compared to Q4 2015 is attributed to improvement in EBITDA as well as lower zakat and financing expenses in Q1 2016 compared to Q4 2015.

Financing expenses surged by 80.7% posting SAR 122 million, up from SAR 68 million in Q1 2015 in spite of the company's debt reduction from SAR 16.2 billion in the first quarter of 2015 to SAR 14.4 billion at the end of Q1 2016.

Factoring in the Q1 2016 financials, our DCF model yielded a fair value of SAR 28.5, thus we issue a "Neutral" recommendation.

FY - Ending December	2014A	2015A	2016E	2017F
EV/EBITDA	16.28	11.96	7.63	6.96
EV/Sales	2.61	2.44	2.38	2.23
P/E	-14.37	-20.71	146.68	60.20
Dividend Yield	8.5%	0.0%	0.0%	0.0%
P/BV	1.36	1.45	1.44	1.41
P/Revenue	1.62	1.57	1.61	1.60
Current Ratio	0.42	0.46	0.47	0.42
Revenue Growth	-22.6%	3.0%	-2.4%	0.7%

Source: Company Filings, Albilad Capital Research Estimates

EEC AB - 7020.SE

Income Statement (SAR mn)	Q1 2015	Q1 2016	Growth
Total Revenues	3,680	3,440	-6.5%
Cost of services	1,763	1,515	-14.0%
% of revenue	47.9%	44.0%	-3.9%
SG&A	847	749	-11.6%
% of revenue	23.0%	21.8%	-1.2%
Provisions	139	61	-56.4%
EBITDA	931.6	1,115.8	19.8%
EBITDA Margin	25.3%	32.4%	7.1%
Depreciation and Amortization	882	977	10.8%
EBIT	50	139	178.2%
Net Interest Income	-68	-122	80.7%
Others (Net)	15	13	-9.7%
Pre-Tax Income	-3	30	-
Tax and Zakat	42	14	-67.2%
Net Income	-45	17	-137.5%
ROS	-1.2%	0.5%	1.7%

Balance Sheet (SAR mn)	Q1 2015	Q1 2016	Growth
Cash and Marketable securities	2,520	2,156	-14.4%
Accounts Receivables	4,338	3,679	-15.2%
Inventory	824	279	-66.2%
Others	1,709	1,616	-5.4%
Total ST Assets	9,391	7,730	-17.7%
Net Fixed Assets	23,130	24,167	4.5%
Projects Under Implementation	812	839	3.3%
Intangible assets	9,906	9,355	-5.6%
Others	1,897	904	-52.3%
Total LT Assets	35,745	35,265	-1.3%
Total Assets	45,136	42,995	-4.7%
Short Term Debt and CPLTD	16,176	9,335	-42.3%
Accounts Payable	7,150	6,865	-4.0%
Accrued Expenses	4,774	5,608	17.5%
Others	217	317	46.3%
Total ST Liabilities	28,316	22,125	-21.9%
Total Long Term Debt	0	5,043	
Other Noncurrent Liabilities	210	249	18.6%
Equity	16,609	15,577	-6.2%
Total Liabilities and Equity	45,136	42,995	-4.7%

Cash Flow (SAR mn)	Q1 2015	Q1 2016	Growth
Cash flow from Operations	1,275	1,495	17.3%
Cash flow from Financing	(826)	156	-118.9%
Cash flow from Investing	(1,142)	(1,192)	4.4%
Change in Cash	(694)	459	

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

EEC AB - 7020.SE

Income Statement (SAR mn)	2013A	2014A	2015A	2016E	2017F
Total Revenues	18,103	14,004	14,424	14,071	14,171
Cost of services	6,896	7,225	6,466	6,062	6,044
% of revenue	38.1%	51.6%	44.8%	43.1%	42.7%
SG&A	3,407	3,842	3,865	3,360	3,316
% of revenue	18.8%	27.4%	26.8%	23.9%	23.4%
Provisions	335	690	1,152	264	265
EBITDA	7,464.6	2,246.2	2,941.4	4,385.7	4,545.4
EBITDA Margin	41.2%	16.0%	20.4%	31.2%	32.1%
Depreciation and Amortization	2,760	3,533	3,625	3,828	3,819
EBIT	4,705	(1,287)	(684)	558	726
Net Interest Income	(191)	(269)	(361)	(439)	(357)
Others (Net)	257	21	121	73	74
Pre-Tax Income	4,771	(1,535)	(924)	192	442
Tax and Zakat	79	41	169	38	66
Net Income	4,692	(1,576)	(1,093)	154	376
ROS	25.9%	-11.3%	-7.6%	1.1%	2.7%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016E	2017F
Cash and Marketable securities	1,570	3,064	1,748	1,351	942
Accounts Receivables	7,472	4,473	3,424	3,144	3,159
Inventory	915	818	486	474	594
Others	4,764	4,147	2,741	2,677	2,701
Total ST Assets	14,720	12,502	8,398	7,646	7,396
Net Fixed Assets	19,817	23,091	23,654	22,819	21,871
Projects Under Implementation	503	982	812	765	765
Intangible assets	10,443	10,045	9,493	8,938	8,379
Others	6	24	19	19	19
Total LT Assets	30,768	34,142	33,978	32,541	31,034
Total Assets	45,488	46,644	42,376	40,188	38,430
Short Term Debt and CPLTD	3,080	16,993	5,849	4,118	5,529
Accounts Payable	5,043	7,806	6,536	6,376	6,421
Accrued Expenses	5,366	4,832	5,554	5,418	5,457
Others	209	159	211	206	207
Total ST Liabilities	13,697	29,790	18,150	16,118	17,614
Total Long Term Debt	10,517	0	8,426	8,073	4,399
Other Noncurrent Liabilities	158	201	241	283	327
Equity	21,116	16,652	15,559	15,714	16,090
Total Liabilities and Equity	45,488	46,644	42,376	40,188	38,430

Cash Flow (SAR mn)	2013A	2014A	2015A	2016E	2017F
Operating Cash Flow	5,591	6,171	5,225	4,519	4,523
Financing Cash Flow	(5,802)	(6,019)	(3,080)	(2,524)	(2,620)
Investing Cash Flow	479	241	(3,612)	(1,141)	(2,312)
Change in Cash	268	394	(1,467)	854	(409)

Source: Company Filings, Albilad Capital Research Estimates

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Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by $< 10\%$.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials , waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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