RASMALA

Buy

TP SR79.78

Mobily

Mobily releases preliminary 4Q11

Mobily has released its preliminary 4Q11 results, which were in line with our estimates. Revenue from data, both fixed and mobile, was the main growth driver. We maintain our DCF-based target price for Mobily at SR79.78, which implies an upside of 48%. We reiterate our Buy recommendation.

RBS Refiner

Price (close 18 Jan)	SR53.75
3M high/low	SR55.00/49.90
Market cap	SR37.63bn
Av (12M) turnover	SR53.26m
Freefloat	61%
Reuters	7020.SE
Bloomberg	EEC AB
Net debt (cash), FY10	SR6310m
3yr EPS CAGR 11-13F	12.5%
Income (2012F div yield)	6.5%

Source: Bloomberg, Rasmala forecasts

Rasmala vs consensus

NPBT	Ours	Cons	%
2011F	4,969	5,048	-2%
2012F	5,708	5,530	3%
2013F	6,124	5,893	4%

Source: Rasmala forecasts, Bloomberg

Price performance

	(1M)	(3M)	(12M)
Price (SR)	52.00	54.50	56.00
Absolute (%)	3.4	-1.4	-4.0
Rel to mkt*(%)	1.1	-4.9	1.1

*Tadawul Index
Source: Bloomberg

Key events

Date	Event
Jan-12	Annual results
Apr-12	Interim results
Jul-12	Interim results

Source: Bloomberg

Event: Mobily has released preliminary 4Q11 results, in line with our estimates

Total revenues reached SR5.8bn at the end of 4Q11, an annual increase of 30% over 4Q10, while total revenue at the end of FY11 at SR20.05bn versus SR16.01bn at the end of FY10, an increase of 25%. Reported revenues came in line with our forecast of SR20.16bn, with a variance of 4%. EBITDA increased to SR7.45bn (in line with our estimate of SR7.36bn) for year-end 2011 compared to SR6.17bn at year-end 2010, an annual increase of 21%. Net income for 4Q11 reached SR1.70bn versus SR1.46bn for the same quarter last year, with growth of 16% yoy, and 39% qoq (SR1.22bn in 3Q11). Net income for FY11 amounted to SR5.08bn relative to SR4.21bn last year, with growth of 21%. Reported net income for year-end 2011 was just 4% ahead of our estimate of SR4.87bn. According to Mobily, the rise in NP was due to a 59% yoy increase in data revenues (fixed and mobile). The data revenues represent 22% of the total revenues for FY11 vs 18% in 2010, with the number of mobile broadband subscribers reaching 8.7m compared to 2.3m at end-2010. Data traffic volume amounted to 163 terabytes per day vs 85 terabytes per day at the end of 2010. Besides the increase in data traffic, Internet traffic rose by 87% in 2011 (a 475% yoy increase in BlackBerry data traffic). The lower EBITDA margin of 40% recorded in 4Q11 vs 44% in 4Q10, was a result of competition in data services and an increase in sales of low-margin smart phones and tablet PCs. The margin compares to 44% in 4Q10 and 39% in 3Q11.

Forecasts: No changes for now

We expect Mobily to focus in the coming quarters on increasing Internet accessibility through both fixed and mobile broadband networks. Increasing demand for data services is likely to increase the pressure on Mobily's infrastructure. Thus, we believe that growth opportunities are closely related to capex on integration of the mobile and fixed networks, capacity improvement, high traffic bands procurement and the provision of service bundles. We make no changes to our forecasts for FY12-13. We are currently 3% and 4% ahead of Bloomberg consensus estimates at the PBT level.

Valuation: We maintain our target price of SR79.78 and our Buy recommendation

In light of the FY11 results, Mobily's Board of Directors has recommended a dividend payment for 2H11 amounting to SR1.4bn, equivalent to SR2.00 per share, in addition to the SR1.25 per share interim dividend previously paid for 1H11, taking total distributed dividend for FY11 to SR3.25, vs our DPS estimated of SR3.00. We maintain our DCF-based TP for Mobily at SR79.78, which implies an upside of 48%. We reiterate our Buy recommendation. Risks to our recommendation and TP pertain to pricing competition, particularly in data services.

Key forecasts

year to Dec	FY09A	FY10A	FY11F	FY12F	FY13F
Revenue (SRm)	13,058	16,013	20,163	23,246	24,939
EBITDA (SRm)	4,837	6,165	7,360	8,485	9,103
Normalised PTP (SRm)	3,045	4,279	4,969	5,708	6,124
Norm fully diluted EPS (SR)	4.31	6.02	6.96	7.99	8.57
Normalised PE	12.50	8.93	7.73	6.73	6.27
Dividend per share (SR)	1.25	2.00	3.00	3.50	3.75
Dividend yield (%)	2.33	3.72	5.58	6.51	6.97

Accounting standard: GAAP
Source: Company data, Rasmala forecasts

Analyst

Shrouk Diab
+971 552 248 033
shrouk.diab@rasmala.com

RBS Equities Forecasts: Mobily

Income statement

SRm, year to December	FY09A	FY10A	FY11F	FY12F	FY13F
Revenue	13058	16013	20163	23246	24939
Cost of sales	-5512	-7230	-8903	-10381	-11137
Operating costs	-2710	-2619	-3900	-4380	-4700
EBITDA	**4837**	**6165**	**7360**	**8485**	**9103**
DDA & Impairment (ex gw)	-1629	-1810	-2240	-2618	-2895
EBITA	**3208**	**4355**	**5120**	**5867**	**6208**
Goodwill (amort/impaired)	0.00	0.00	0.00	0.00	0.00
EBIT	**3208**	**4355**	**5120**	**5867**	**6208**
Net interest	-204.3	-146.5	-150.9	-158.5	-84.1
Associates (pre-tax)	0.00	0.00	0.00	0.00	0.00
Other pre-tax items	41.0	70.5	0.00	0.00	0.00
Reported PTP	**3045**	**4279**	**4969**	**5708**	**6124**
Taxation	-30.8	-67.3	-99.4	-114.2	-122.5
Minority interests	0.00	0.00	0.00	0.00	0.00
Other post-tax items	0.00	0.00	0.00	0.00	0.00
Reported net profit	**3014**	**4211**	**4870**	**5594**	**6001**
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	4837	6165	7360	8485	9103
Normalised PTP	3045	4279	4969	5708	6124
Normalised net profit	**3014**	**4211**	**4870**	**5594**	**6001**

Balance sheet

SRm, year ended December	FY09A	FY10A	FY11F	FY12F	FY13F
Cash & market secs (1)	933.4	1661	2360	1033	0.00
Other current assets	7644	7754	9275	11098	12540
Tangible fixed assets	10370	12457	14574	16666	18786
Intang assets (incl gw)	11980	11558	8822	8822	8822
Oth non-curr assets	0.00	-0.00	-0.00	0.00	-0.00
Total assets	**30926**	**33430**	**35032**	**37620**	**40149**
Short term debt (2)	370.5	599.3	0.00	0.00	1543
Trade & oth current liab	11818	11657	12425	13076	12444
Long term debt (3)	6448	5529	3492	1933	0.00
Oth non-current liab	46.5	65.6	65.6	65.6	65.6
Total liabilities	**18683**	**17851**	**15983**	**15075**	**14053**
Total equity (incl min)	12243	15580	19049	22545	26096
Total liab & sh equity	**30926**	**33430**	**35032**	**37620**	**40149**
Net debt	7662	6310	2690	2459	1918

Cash flow statement

SRm, year to December	FY09A	FY10A	FY11F	FY12F	FY13F
EBITDA	4837	6165	7360	8485	9103
Change in working capital	154.2	-338.2	-467.8	-1172	-890.6
Net interest (pd) / rec	-204.3	-146.5	-150.9	-158.5	-84.1
Taxes paid	0.00	0.00	0.00	0.00	0.00
Other oper cash items	-339.7	-356.5	-17.6	-21.9	-21.9
Cash flow from ops (1)	**4447**	**5324**	**6723**	**7132**	**8106**
Capex (2)	-3357	-3371	-3831	-4184	-4489
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	-2.43	144.9	-20.0	-611.7	-595.7
Cash flow from invest (3)	**-3359**	**-3227**	**-3851**	**-4796**	**-5085**
Incr / (decr) in equity	0.00	0.00	0.00	0.00	0.00
Incr / (decr) in debt	0.00	0.00	0.00	0.00	0.00
Ordinary dividend paid	-525.0	-875.0	-1400	-2099	-2450
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	-893.4	-426.8	-613.2	-1558	-1574
Cash flow from fin (5)	**-1418**	**-1302**	**-2013**	**-3657**	**-4024**
Forex & disc ops (6)	0.00	0.00	0.00	0.00	0.00
Inc/(decr) cash (1+3+5+6)	**-330.6**	**795.2**	**859.1**	**-1321**	**-1003**
Equity FCF (1+2+4)	1090	1952	2892	2948	3617

Source: Company data, Rasmala forecasts

Disclosure Appendix

Recommendation structure

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Target price:The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Relative views: Our strategy teams and analysts may provide strategy views on sectors and/or markets. An Overweight, Underweight or Neutral view implies outperformance, underpeformance or a neutral performance in an indicated relative context

Disclaimer