Etihad Etisalat Co. (Mobily)

Results Flash Note Q2-25

Robust earnings growth backed by healthy revenue and margin expansion, also aided by higher income from JVs and associates.

Etihad Etisalat Co.'s (Mobily) net profit surged 25.6% Y/Y to SAR 830mn in Q2-25, beating AJC's and market estimates of SAR 732mn and SAR 734mn, respectively. The deviation from our estimate was mainly due to the higher-than-expected gross margin (highest normalized margin since Q3-23) and higher income from associated and JVs, partially offset by higher OPEX. We estimate income from associates and JVs to be ~SAR 60mn as against our expectation of SAR 30mn. The revenue grew 8.1% Y/Y to SAR 4.8bn, in line with our estimate of SAR 4.7bn, with all revenue stream posting growth and mobile subscriber base expanding by 5.0% Y/Y. Gross margin widened ~110bps Y/Y to 54.3% (AJC estimate: 53.1%). We maintain our "Overweight" recommendation on the stock and a TP of SAR 67.9/share.

- Mobily's net profit increased 25.6% Y/Y to SAR 830mn in Q2-25, ahead of AJC's and market estimates of SAR 732mn and SAR 734mn, respectively. The earnings beat was primarily attributable to higher-than-expected gross margin and income from associates and JVs. We estimate income from associates and JVs to be ~SAR 60mn as against our expectation of SAR 30mn, perhaps due to better performance from the subsidiary Sehati. The bottom-line growth was despite higher finance expenses and an increase in OPEX outpacing revenue growth.
- Revenue rose 8.1% Y/Y to SAR 4,828mn, in line with our estimate of SAR 4,733mn. The company maintains its broad-based topline growth across segments. The mobile subscriber base expanded by 5.0% Y/Y to 12.8mn but decreased slightly from 13.0mn in Q1-25. FTTH connections at 0.289mn declined from 0.298mn in Q2-24 and 0.290mn in Q1-25.
- Gross profit rose 10.3% Y/Y to SAR 2,623mn, in line with our estimate of SAR 2,511mn. The GP margin improved significantly by ~110bps Y/Y to 54.3% (AJC: 53.1%), recording the best normalized GP margin since Q3-23.
- EBITDA grew 10.5% Y/Y to SAR 1,823mn, following the gross profit growth though OPEX rose 9.9% Y/Y with OPEX to sales rising from 16.3% in Q2-24 to 16.6% in Q2-25. Operating profit increased 17.4% Y/Y to SAR 891mn, above our estimate of SAR 826mn, the rise in depreciation and amortization of 4.5% Y/Y was comparatively moderate.

AJC view and valuation: Mobily's Q2-25 results were better than our expectations with healthy revenue growth and a recovery in gross margin. We maintain a positive outlook on Mobily, underpinned by its strategic investments in digital infrastructure, including data centers and submarine cables, which should sustain growth in the B2B and wholesale segments. The company started operations of two new data centers. Furthermore, the expanding mobile subscriber base is expected to reinforce its position in the consumer segment, which has already demonstrated a healthy recovery with mid-single-digit revenue growth last year. However, we remain slightly conservative on the gross margin despite recovery in Q2-25, as it will be dictated by revenue mix. The stock currently trades at EV/EBITDA of 6.9x, P/E of 13.2x and a dividend yield of 5.0% based on our FY25E estimates. We maintain our "**Overweight**" recommendation on the stock and the TP of **SAR 67.9/share**.

Results Summary

SAR mn	Q2-24	Q1-25	Q2-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	4,465	4,777	4,828	8.1%	1.1%	2.0%
Gross Profit	2,378	2,554	2,623	10.3%	2.7%	4.5%
Gross Margin	53.3%	53.5%	54.3%	-	-	-
EBITDA	1,650	1,775	1,823	10.5%	2.7%	4.0%
EBIT	759	850	891	17.4%	4.8%	7.8%
Net Profit	661	767	830	25.6%	8.2%	13.3%
EPS	0.86	1.00	1.08	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Overweight
Target Price (SAR)	67.9
Upside / (Downside)*	23.0%

Source: Tadawul *prices as of 21st of July 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	15,717	16,763	18,206	19,445
Growth %	6.0%	6.7%	8.6%	6.8%
Gross Profit	9,381	9,253	9,894	10,335
Net Income	1,657	2,232	3,107	3,212
Growth %	54.6%	34.7%	39.2%	3.4%
EPS	2.15	2.90	4.03	4.17
DPS	1.15	1.45	2.20	2.75

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	59.7%	55.2%	54.3%	53.2%
EBITDA Margin	39.3%	39.5%	39.5%	37.5%
Operating Margin	14.8%	17.8%	19.4%	18.4%
Net Margin	10.5%	13.3%	17.1%	16.5%
ROE	10.1%	12.7%	16.5%	15.8%
ROA	4.3%	5.7%	8.1%	8.1%
P/E (x)	16.1	16.9	13.2	13.2
P/B (x)	1.6	2.1	2.2	2.1
EV/EBITDA (x)	6.3	7.2	6.8	6.9
Dividend Yield	3.3%	3.0%	4.1%	5.0%

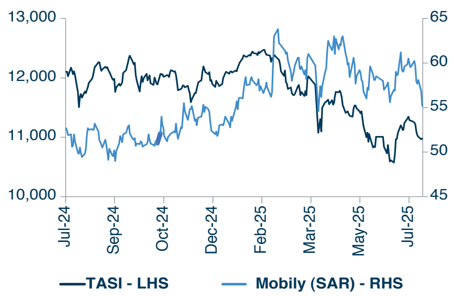
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	42.5
YTD%	3.4%
52 week (High)/(Low)	64.50/48.65
Share Outstanding (mn)	770.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadwaul, Aljazira Capital Research

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RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated “Overweight” will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated “Underweight” would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated “Neutral” is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer