

KEY DATA

| | |
|-------------------------------|------------------|
| Fair Value per Share (SAR) | 26.10 |
| Closing Price (SAR) * | 22.85 |
| 52-week High / Low (SAR) | 42.83 / 19.46 |
| YTD / 12-Month Return | -19% / -40% |
| Market Cap (SAR Millions) | 17,595 |
| Shares Outstanding (Millions) | 770 |
| Free Float | 61.14% |
| Reuters / Bloomberg | 7020.SE / EEC AB |

*Price as of close on February 10, 2016. Source: Bloomberg and NBK Capital

KEY METRICS

| | 2015A | 2016F | 2017F | 2018F |
|------------------------|--------|--------|--------|--------|
| EPS (SAR) | -1.4 | 0.3 | 1.0 | 1.6 |
| EPS Growth | nmf | nmf | 190% | 61% |
| P/E | nmf | 65.5 | 22.6 | 14.0 |
| Dividend Yield | 0% | 0% | 0% | 4% |
| EV/EBITDA | 10.7 | 7.4 | 6.4 | 5.6 |
| Revenue (SAR Millions) | 14,424 | 15,284 | 16,130 | 16,925 |
| Revenue Growth | 3% | 6% | 6% | 5% |
| EBITDA (SAR Millions) | 2,941 | 4,235 | 4,896 | 5,556 |
| EBITDA Growth | 35% | 44% | 16% | 13% |
| EBITDA Margin | 20% | 28% | 30% | 33% |

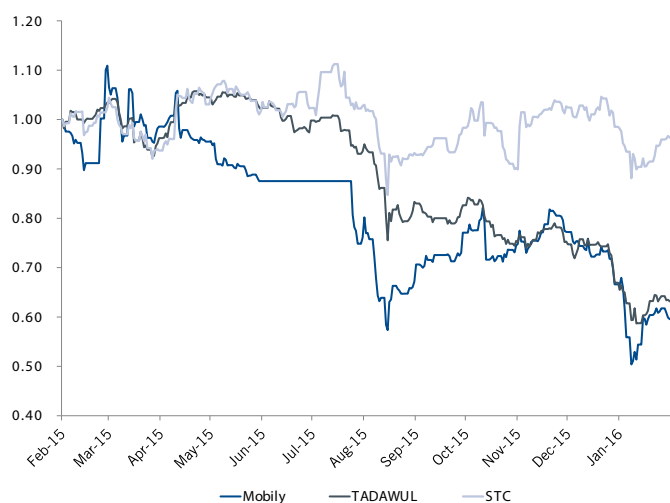
Source: Company financial statements and NBK Capital

QUARTERLY FORECASTS

| (SAR Millions) | 3Q2015A | 4Q2015A | 1Q2016F | 2Q2016F |
|----------------|---------|---------|---------|---------|
| Revenue | 3,685 | 3,527 | 3,860 | 3,781 |
| EBITDA | 821 | 1,113 | 965 | 983 |
| Net Income | -158 | 11 | -82 | -43 |

Source: Company financial statements and NBK Capital

REBASED PERFORMANCE



Source: Bloomberg and NBK Capital

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Fair Value: SAR 26.1

Upside: +14%

Risk Level: 5**

HOLD

- We have updated our forecasts and fair value for Mobily following its release of detailed FY2015 financial statements and our rolling forward of the timeframe in our DCF model. We have reduced our fair value slightly to SAR 26.1 per share from SAR 26.7, yielding 14% upside. We thus retain our Hold recommendation.
- Fingerprint authentication could affect subscriber growth. Saudi Arabia's Communications and Information Technology Commission (CITC) introduced a regulation early this year requiring biometric verification of all telecoms subscribers. The CITC reports having directed all operators in the Kingdom to implement fingerprint authentication for mobile subscribers starting January 21, 2016, providing verification of a subscriber's identity using identity documents. The directive could reduce the total subscriber base in the Saudi market; this happened in the UAE, which instituted a similar requirement (called My Number, My Identity) last year. UAE based operator du stated during its 3Q2015 results call that around 2 million subscribers had disconnected in 2015, a net reduction of more than 850,000 (approximately 12% of its active subscriber base at the end of 3Q2015).
- Most loan covenants renegotiated successfully. Mobily reset the covenants on most of its loans in 4Q2015, reclassifying its total outstanding debt for the second time in 2015. Having breached its net debt-to-EBITDA covenant following the release of its financial restatements, Mobily reclassified all of its outstanding debt (SAR 15,627 million) as a current liability in 2Q2015. In light of this successful renegotiation, the company then reclassified around 60% of its outstanding debt as a long-term liability. Mobily's financial statements show it still to be in negotiations with its creditors to reset the covenants on the remainder of its loans; we expect it to be successful.
- No clear timeline for tower sale, nothing new on interconnection case, dividends remain unlikely. Mobily has said that there is currently no clear timeline for the previously reported tower sales, as there are many variables to consider. The company has stated that it is fairly provisioned regarding the Zain Saudi arbitration case, with nothing new to report on the case's progress. We believe that dividend distribution remains unlikely before FY2017.

**Please refer to page 3 for recommendations and risk ratings.

FINANCIAL STATEMENTS

| Income Statement (SAR Millions) | Historical | | Forecast | | | | |
|--|------------|---------|----------|---------|---------|---------|---------|
| Fiscal Year Ends December | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Total Revenue | 14,004 | 14,424 | 15,284 | 16,130 | 16,925 | 17,710 | 18,386 |
| Cost of Revenue | (7,225) | (6,466) | (6,770) | (6,959) | (7,138) | (7,316) | (7,452) |
| Selling/General/Admin. Expenses | (4,595) | (5,017) | (4,280) | (4,274) | (4,231) | (4,162) | (4,321) |
| EBITDA | 2,183 | 2,941 | 4,235 | 4,896 | 5,556 | 6,232 | 6,614 |
| Depreciation/Amortization | (3,533) | (3,625) | (3,770) | (3,975) | (4,156) | (4,319) | (4,470) |
| Interest Income (Exp), Net Non-Operating | (269) | (361) | (318) | (258) | (247) | (200) | (191) |
| Others | 83 | 121 | 128 | 135 | 142 | 149 | 154 |
| Net Income before Taxes | (1,535) | (924) | 276 | 800 | 1,295 | 1,862 | 2,106 |
| Provision for Income Taxes & Royalties | (41) | (169) | (7) | (20) | (32) | (47) | (53) |
| Net Income | (1,576) | (1,093) | 269 | 780 | 1,262 | 1,815 | 2,054 |

| Balance Sheet (SAR Millions) | Historical | | Forecast | | | | |
|---------------------------------------|------------|--------|----------|--------|--------|--------|--------|
| Fiscal Year Ends December | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| ASSETS | | | | | | | |
| Cash and Short-Term Investments | 1,964 | 498 | 338 | 1,459 | 3,479 | 2,706 | 4,090 |
| Total Receivables, Net | 4,473 | 3,424 | 3,515 | 3,524 | 3,513 | 3,492 | 3,444 |
| Total Inventory | 818 | 486 | 382 | 383 | 382 | 380 | 374 |
| Other Current Assets | 5,247 | 3,991 | 3,954 | 3,954 | 3,954 | 3,954 | 3,954 |
| Total Current Assets | 12,502 | 8,398 | 8,189 | 9,320 | 11,328 | 10,532 | 11,863 |
| Property/Plant/Equipment, Total - Net | 24,073 | 24,466 | 23,724 | 22,351 | 20,563 | 18,433 | 16,035 |
| Goodwill and Other Intangibles, Net | 10,069 | 9,512 | 9,007 | 8,502 | 7,996 | 7,489 | 6,980 |
| TOTAL ASSETS | 46,644 | 42,376 | 40,920 | 40,173 | 39,887 | 36,454 | 34,877 |
| LIABILITIES & EQUITY | | | | | | | |
| Accounts Payable | 7,806 | 6,536 | 6,878 | 7,258 | 7,616 | 7,970 | 8,274 |
| Short-term Debt | 16,993 | 5,849 | 2,405 | 2,405 | 3,904 | 2,752 | 2,243 |
| Other Current Liabilities | 4,991 | 5,765 | 5,765 | 5,765 | 5,765 | 5,765 | 5,765 |
| Total Current Liabilities | 29,790 | 18,150 | 15,048 | 15,429 | 17,285 | 16,487 | 16,282 |
| Long-term Debt | - | 8,426 | 9,802 | 7,896 | 4,490 | 2,736 | 2,390 |
| Other Liabilities, Total | 201 | 241 | 241 | 241 | 241 | 241 | 241 |
| Total Liabilities | 29,992 | 26,817 | 25,092 | 23,566 | 22,017 | 19,464 | 18,913 |
| Total Equity | 16,652 | 15,559 | 15,828 | 16,608 | 17,870 | 16,990 | 15,964 |
| TOTAL LIABILITIES AND EQUITY | 46,644 | 42,376 | 40,920 | 40,173 | 39,887 | 36,454 | 34,877 |

| Cash Flow (SAR Millions) | Historical | | Forecast | | | | |
|--------------------------------|------------|---------|----------|---------|---------|---------|---------|
| Fiscal Year Ends December | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Cash from Operating Activities | 6,171 | 5,198 | 4,614 | 5,244 | 5,891 | 6,561 | 6,917 |
| Cash from Investing Activities | (6,019) | (3,585) | (2,397) | (1,965) | (1,723) | (1,537) | (1,412) |
| Cash from Financing Activities | 241 | (3,080) | (2,377) | (2,158) | (2,148) | (5,796) | (4,121) |
| Net Change in Cash | 394 | (1,467) | (160) | 1,121 | 2,020 | (773) | 1,384 |

Source: Company financial statements and NBK Capital

RISK AND RECOMMENDATION GUIDE*

| RECOMMENDATION | | UPSIDE (DOWNSIDE) | | |
|----------------|---|----------------------|---|---|
| BUY | | MORE THAN 15% | | |
| HOLD | | BETWEEN -15% AND 15% | | |
| SELL | | LESS THAN -15% | | |
| RISK LEVEL | | | | |
| LOW RISK | | HIGH RISK | | |
| 1 | 2 | 3 | 4 | 5 |

*In exceptional situations, the analyst can exercise discretion and assign a recommendation for a stock which differs from the one indicated by the bands.

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