

Etihad Etisalat (Mobily)

Growth across all segments and improved efficiency underpin profitability

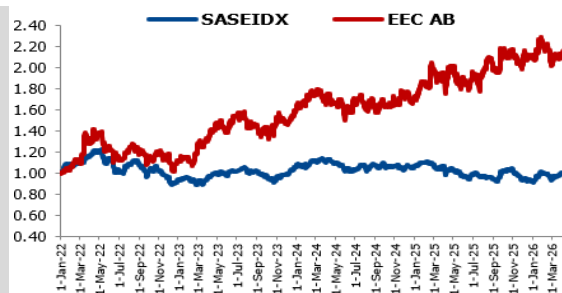
Current Price
SAR 66.40

Target Price
SAR 75.00

Upside/Downside (%)
+13%

Rating
ACCUMULATE

- Wholesale segment revenue increased 17.7% YOY to SAR 604 Mn in 1Q26, driven by higher demand for connectivity and cloud-based services.
- Mobily's mobile subscriber base increased by 16.2% YOY to 15.1 Mn, comprising 13.0 Mn prepaid and 2.1 Mn postpaid subscribers, while the FTTH subscriber base grew 7.1% YOY to 311K in 1Q26.
- Capex stood at SAR 404 Mn in 1Q26, reflecting ongoing investments in fiber network development and 5G expansion.
- The Company confirmed its 2026 guidance, expecting revenue growth in the mid-to-high single-digit range, EBITDA margin between 37–38%, net debt/EBITDA of 0.9x–1.0x, and capex intensity of 18–20%.



1Q26 Net Profit in line with our estimate

Etihad Etisalat (Mobily/the Company)'s net profit rose 14.8% YOY to SAR 880 Mn in 1Q26, in line with our estimate of SAR 890 Mn. This growth in net profit was supported by higher services revenue and a marginally lower cost of service, partially offset by increased depreciation and amortization, as well as higher zakat expenses.

P&L Highlights

Mobily's service revenue increased 5.5% YOY to SAR 5,040 Mn in 1Q26, driven by growth across all revenue streams and supported by continued expansion in the subscriber base. Revenue from the consumer segment rose 2.4% YOY to SAR 3,101 Mn in 1Q26, supported by growth in the customer base and enhanced service offerings. Meanwhile, revenue from the business segment expanded 10.7% YOY to SAR 1,240 Mn in 1Q26, while revenue from the wholesale segment increased 17.7% YOY to SAR 604 Mn in 1Q26, driven by higher connectivity demand and continued infrastructure investments. In contrast, revenue from the other segment declined 18.1% YOY to SAR 95 Mn in 1Q26. The Company's cost of services declined marginally by 0.3% YOY to SAR 2,216 Mn in 1Q26. As a result, Mobily's gross profit increased 10.6% YOY to SAR 2,824 Mn in 1Q26, with gross margin improving by 257 bps YOY to 56.0% in 1Q26. EBITDA rose 11.1% YOY to SAR 1,971 Mn in 1Q26, while EBITDA margin expanded by 196 bps YOY to 39.1% in 1Q26, supported by strong revenue growth and improved operational efficiency. Depreciation and amortization increased 6.3% YOY to SAR 983 Mn in 1Q26. Mobily reported operating profit growth of 16.2% YOY to SAR 988 Mn in 1Q26, with operating profit margin improving by 181 bps YOY to 19.6% in 1Q26. Net other expenses increased to SAR 83 Mn in 1Q26, compared to SAR 63 Mn in 1Q25, mainly due to a decline in the Company's share of profits from joint ventures, along

Stock Information

Market Cap (SAR, Mn)	51,128.00
Paid Up Capital (Mn)	7,700.00
52 Week High	71.60
52 Week Low	54.60
3M Avg. daily value(SAR)	59,549,060

1Q26 Result Review (SAR, Mn)

Total Equity (exc. NCI)	19,963
Revenue	5,040
EBITDA	1,971
Operating profit	988
Net Profit	880

Financial Ratios

Dividend Yield (12m)	4.22
Dividend Pay-out (%)	62.20
Price-Earnings Ratio(x)	14.28
Price-to-Book Ratio (x)	2.56
Book Value (SAR)	25.93
Return-on Equity (%)	18.55

Stock Performance

5 Days	1.37%
1 Months	0.00%
3 Months	-5.68%
6 Months	-0.82%
1 Year	7.10%
Month to Date (MTD%)	1.68%
Quarter to Date (QTD%)	1.68%
Year to Date (YTD%)	0.61%

with lower financing income. Additionally, zakat charges rose 20.2% YOY to SAR 25 Mn in 1Q26.

Balance Sheet Highlights

The Company's capex declined from SAR 2,130 Mn in 1Q25 to SAR 404 Mn in 1Q26, reflecting ongoing investments in fiber network development and 5G network expansion. As a result, the capex intensity declined to 8.0% in 1Q26 from 44.6% in 1Q25. Net cash from operating activities increased 5.4% YOY to SAR 1,574 Mn in 1Q26. The Company's gross debt declined 3.1% YOY to SAR 10.5 Bn in 1Q26, while net debt increased 5.0% YOY to SAR 7.3 Bn in 1Q26. Mobily's net debt to EBITDA ratio improved from 0.95x in 1Q25 to 0.93x in 1Q26, reflecting stable leverage.

Target Price and Rating

We revise our rating on Mobily from HOLD to ACCUMULATE with a revised target price of SAR 75.00. The Company reported a strong financial performance in 1Q26, with revenue increasing by 5.5% YOY to SAR 5.0 Bn in 1Q26, supported by expansion across all revenue streams and sustained growth in the subscriber base. Meanwhile, the EBITDA margin improved to 39.1% in 1Q26 from 37.1% in 1Q25. The company's strong operational performance underscores its ongoing focus on delivering advanced solutions that drive innovation and digital transformation, in line with its SHINE strategy. In 1Q26, Mobily was recognized as the fastest-growing telecom brand in the Middle East for the sixth consecutive year, with its brand value reaching USD 3.5 Bn, highlighting its accelerated innovation journey and strengthening its position within the regional TMT sector. The Consumer segment delivered steady performance in 1Q26, driven by enhanced customer experience through seamless digital integration and strong demand during the Ramadan period. The Business segment recorded solid growth in 1Q26, supported by an expanded ICT portfolio and a strengthened service ecosystem catering to evolving enterprise needs. Similarly, the Wholesale segment witnessed robust growth, with revenue increasing 17.7% YOY to SAR 604 Mn in 1Q26, driven by deeper engagement with hyperscalers and rising demand for cloud, artificial intelligence, and data-driven connectivity solutions, supported by ongoing infrastructure investments. The mobile subscriber base increased 16.2% YOY to 15.1 Mn in 1Q26, while the FTTH subscriber base rising 7.1% YOY to 311K, with the mobile base comprising 13.0 Mn prepaid subscribers and 2.1 Mn postpaid subscribers. The Company continued to strengthen its balance sheet, with shareholders equity increasing 7.1% YOY to SAR 20.0 Bn in 1Q26. Mobily's capex reached SAR 404 Mn in 1Q26, reflecting the Company's ongoing investments in fiber network development and 5G network expansion. Looking ahead, the Company reiterated its 2026 guidance, expecting revenue growth in the mid-to-high single digits, EBITDA margin in the range of 37–38%, and net debt to EBITDA between 0.9x–1.0x, with capex intensity projected at 18–20%. As a result, we revise our rating to ACCUMULATE on the stock.

Mobily - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E	47.14	30.49	22.63	16.26	14.57	13.26
P/B	3.32	3.09	2.87	2.68	2.48	2.30
EV/EBITDA	11.18	9.79	8.80	7.89	7.35	6.81
BVPS	19.735	21.245	22.887	24.514	26.432	28.579
EPS	1.392	2.152	2.899	4.035	4.502	4.947
DPS (SAR)	0.850	1.150	1.450	2.200	2.800	3.000
Dividend Yield	1.3%	1.7%	2.2%	3.3%	4.2%	4.5%

FABS Estimates & Co Data

Mobily – P&L

SAR mm	1Q25	4Q25	1Q26	1Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Services revenues	4,777	5,186	5,040	5,193	-2.9%	5.5%	-2.8%	19,642	21,125	7.6%
Cost of services	-2,223	-2,312	-2,216	-2,389	-7.2%	-0.3%	-4.2%	-8,900	-9,569	7.5%
Gross profit	2,554	2,874	2,824	2,804	0.7%	10.6%	-1.7%	10,742	11,555	7.6%
D&A	-925	-993	-983	-990	-0.7%	6.3%	-1.0%	-3,780	-3,961	4.8%
Operating Profit	850	1,068	988	972	1.6%	16.2%	-7.5%	3,847	4,151	7.9%
EBITDA	1,775	2,060	1,971	1,962	0.4%	11.1%	-4.3%	7,627	8,112	6.4%
Net other expenses	-63	-94	-83	-59	39.9%	31.7%	-11.8%	-291	-238	17.9%
Profit before zakat	787	974	905	913	-0.9%	14.9%	-7.0%	3,556	3,913	10.0%
Zakat	-21	-20	-25	-23	9.5%	20.2%	23.8%	-90	-108	20.5%
Profit attributable	767	953	880	890	-1.1%	14.8%	-7.7%	3,466	3,804	9.8%

FABS estimate & Co Data

Mobily – Margins

	1Q25	4Q25	1Q26	YOY	QOQ Ch	2025	2026F	Change
Gross Profit	53.5%	55.4%	56.0%	257	61	54.7%	54.7%	1
EBITDA	37.1%	39.7%	39.1%	196	-62	38.8%	38.4%	-43
Operating Profit	17.8%	20.6%	19.6%	181	-98	19.6%	19.7%	7
Net Profit	16.0%	18.4%	17.5%	141	-92	17.6%	18.0%	36

FABS estimate & Co Data

Valuation:

We use Discounted Cash Flow (DCF), and Relative Valuation (RV) method to value Mobily. We have assigned 70% weight to DCF, and the remaining 30% to the RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	80.54	70.0%	56.37
Relative Valuation (RV)	62.09	30.0%	18.63
Weighted Average Valuation (SAR)			75.00
Current market price (SAR)			66.40
Upside/Downside (%)			+13%

1) DCF Method:

Mobily is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 9.3%. It has arrived after using cost of equity of 9.6% and after-tax cost of debt of 6.5% with debt-to-equity ratio of 11.3%. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 1.0 and equity risk premium of 4.2%. Government bond yield is calculated after adding KSA 10-year CDS spread over 10-year US risk free rate. The cost of debt is calculated using the cost of 6.6% after adjusting a tax rate arriving at after-tax cost of debt of 6.5%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (SAR, Mn)	17,980
Terminal value (SAR, Mn)	49,675
FV to Comon shareholders (SAR, Mn)	62,012
No. of share (Mn)	770
Current Market Price (SAR)	66.40
Fair Value per share (SAR)	80.54

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	4,120	4,575	5,042	5,504	5,547
D&A	3,961	4,092	4,223	4,356	4,487
Working Capital	-103	-102	-37	-115	-158
(-) Capex	-4,014	-4,098	-4,255	-4,396	-4,491
Free Cash Flow to Firm (FCFF)	3,964	4,467	4,972	5,349	5,385
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Discounted FCFF	2,799	3,849	3,920	3,858	3,555

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used regional and international peers to value Mobily, and it is valued using the EV/EBITDA multiple. It is valued at FY2026 EV/EBITDA multiple of 6.6x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026E	2027E	2026E	2027E
Saudi Telecom	57,074	8.3	7.9	15.1	14.1
Verizon Communication	1,92,196	6.8	6.6	9.4	8.8
Deutsche Telekom AG	1,54,922	6.4	6.0	12.5	11.0
Telstra Group Limited	42,804	8.9	8.6	26.0	24.3
Emirates Integrated Telecommunication Company	12,956	5.9	5.8	15.2	14.5
SAFARICOM PLC	9,263	6.3	5.5	12.7	10.9
Average		7.1x	6.7x	15.1x	13.9x
Median		6.6x	6.3x	13.9x	12.6x
Max		8.0x	7.5x	15.2x	14.4x
Min		6.3x	5.9x	12.5x	10.9x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

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