FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 2Q26

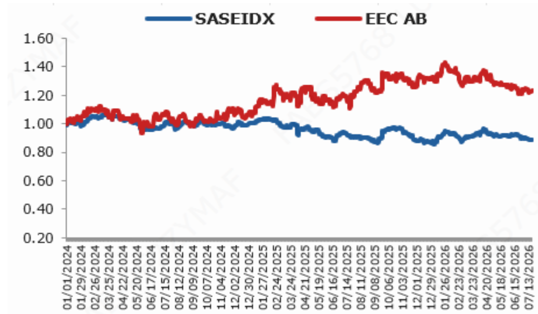
Saudi Equity Research | Sector: Telecommunication | Market: Tadawul

Etihad Etisalat (Mobily)

Growth across all segments and improved efficiency underpin profitability

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 61.80	SAR 75.00	+21.4%	BUY

- Mobile subscribers grew 16.9% YOY to 14.9 Mn in 2Q26, while the FTTH base reached 315K.
- Capex reached SAR 883 Mn in 2Q26, reflecting continued fiber, data-centre and 5G investment.
- The Company maintained 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%.
- The Company declared a dividend of SAR 1.4 per share for the period of 1H26.



Stock Information	
Market Cap (SAR, Mn)	47,239.50
Paid Up Capital (Mn)	770.00
52 Week High	71.60
52 Week Low	54.90
3M Avg. daily value(SAR)	790,698

2Q26 Result Review (SAR, Mn)	
Revenue	5,080
EBITDA	1,963
Operating profit	978
Net Profit	901
Total Equity	20,871

Financial Ratios	
Dividend Yield (12m)	5.00
Dividend Pay-out (%)	62.12
Price-Earnings Ratio(x)	14.64
Price-to-Book Ratio (x)	2.50
Book Value (SAR)	26.40
Return-on Equity (%)	17.68

Stock Performance	
5 Days	-1.05%
1 Months	-1.92%
3 Months	-10.04%
6 Months	-8.09%
1 Year	5.59%
Month to Date (MTD%)	1.49%
Quarter to Date (QTD%)	1.49%
Year to Date (YTD%)	-7.05%

2Q26 Net Profit in line with our estimate

Etihad Etisalat (Mobily/the Company)'s net profit increased 8.6% YOY to SAR 901 Mn in 2Q26, in line with our estimate of SAR 925 Mn. The increase in net profit was supported by growth in revenue from all segments, partially offset by a higher cost of services, increased depreciation and amortisation and increased zakat charges.

P&L Highlights

Mobily's service revenue increased 5.2% YOY to SAR 5,080 Mn in 2Q26, driven by growth across all revenue streams and supported by continued expansion in the subscriber base. Revenue from the consumer segment rose 3.2% YOY to SAR 3,109 Mn in 2Q26, supported by growth in the customer base and enhanced service offerings. Meanwhile, revenue from the Business segment expanded 9.7% YOY to SAR 1,239 Mn in 2Q26, while revenue from the Wholesale segment increased 10.9% YOY to SAR 628 Mn in 2Q26, driven by higher connectivity demand and continued infrastructure investments. In contrast, revenue from the Other segment declined 13.2% YOY to SAR 104 Mn in 2Q26. The Company's cost of services increased 1.3% YOY to SAR 2,235 Mn in 2Q26. As a result, Mobily's gross profit increased 8.5% YOY to SAR 2,845 Mn in 2Q26, with gross margin improving by 169 bps YOY to 56.0% in 2Q26. EBITDA rose 7.7% YOY to SAR 1,963 Mn in 2Q26, while EBITDA margin expanded by 89 bps YOY to 38.6% in 2Q26, supported by revenue growth and an improved revenue mix. Depreciation and amortisation increased 5.7% YOY to SAR 985 Mn in 2Q26. Mobily reported operating profit growth of 9.7% YOY to SAR 978 Mn in 2Q26, with operating profit margin improving by 79 bps YOY to 19.3% in 2Q26. Additionally, zakat charges rose 1.3% YOY to SAR 23 Mn in 2Q26.

Balance Sheet Highlights

The Company’s capex reached SAR 883 Mn 2Q26 from SAR 566 Mn in 2Q25, reflecting ongoing investments in fiber network development, data centres and 5G network expansion. Net cash from operating activities stood at SAR 2,924 Mn in 2Q26, against SAR 3,365 Mn in 2Q25. The Company’s gross debt including lease liabilities and financial and other liabilities declined 2.1% QOQ to SAR 10.3 Bn in 2Q26, while net debt declined 2.9% QOQ to SAR 7.1 Bn in 2Q26. Mobily’s net debt to EBITDA ratio improved from 1.00x in 2Q25 to 0.89x in 2Q26, reflecting a strengthened leverage profile.

Target Price and Rating

We maintain our BUY rating on Mobily with a target price of SAR 75.00. The Company reported a solid financial performance in 2Q26, with revenue increasing 5.2% YOY to SAR 5.1 Bn, supported by expansion across all revenue streams and sustained growth in the subscriber base. The EBITDA margin stood at 38.6% in 2Q26, up from 37.8% in 2Q25, reflecting revenue growth and an improved revenue mix. During the 2026, Mobily concluded the Hajj season with 100% 5G coverage across the Holy Sites and more than 1,750 network expansions across its 4G and 5G networks, and was recognised with the Best Sustainability Program Award in the Large Cap category at the Saudi Capital Market Awards, alongside four Effie Awards including Most Influential Brand in the Kingdom of Saudi Arabia. By segment, the Consumer segment concluded the Hajj season with strong execution while sustaining growth in home connectivity, supported by enhanced FTTH offerings and expanded 5G Fixed Wireless Access capabilities, with revenue rising 3.2% YOY to SAR 3,109 Mn in 2Q26. The Business segment continued to broaden its advanced ICT solutions and digital ecosystem for enterprise and government clients, with revenue increasing 9.7% YOY to SAR 1,239 Mn in 2Q26. The Wholesale segment strengthened its capabilities through strategic partnerships with regional and global players while maintaining robust international connectivity and roaming performance, with revenue increasing 10.9% YOY to SAR 628 Mn in 2Q26. The mobile subscriber base increased 16.9% YOY to 14.9 Mn in 2Q26, comprising 12.8 Mn prepaid and 2.1 Mn postpaid subscribers, while the FTTH subscriber base reached 315K. The Company continued to invest across its infrastructure, with capex of SAR 883 Mn in 2Q26 directed towards fiber network development, data centres and 5G expansion, while maintaining a net debt to EBITDA ratio of 0.89x in 2Q26. Mobily declared a cash dividend of SAR 1.4 per share for the period of 1H26, up from SAR 1.2 in 1H25, implying a payout ratio of 60.3%. Looking ahead, management reiterated its FY2026 guidance, expecting revenue growth in the mid-to-high single digit, an EBITDA margin of 37–38%, net debt to EBITDA of 0.9x–1.0x, and capex intensity of 18–20%. As a result, we maintain our BUY rating on the stock.

Mobily - Relative valuation

(at CMP)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
P/E	44.09	28.51	21.16	15.20	13.63	12.76
P/B	3.11	2.89	2.68	2.50	2.32	2.16
EV/EBITDA	10.60	9.26	8.30	7.44	6.93	6.81
BVPS	19.735	21.245	22.887	24.514	26.432	28.438
EPS	1.392	2.152	2.899	4.035	4.502	4.806
DPS (SAR)	0.850	1.150	1.450	2.200	2.800	3.100
Dividend Yield	1.4%	1.9%	2.3%	3.6%	4.5%	5.0%

FABS Estimates & Co Data

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Mobily – P&L

SAR Mm	2Q25	1Q26	2Q26	2Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Services revenues	4,828	5,040	5,080	5,152	-1.4%	5.2%	0.8%	19,642	21,070	7.3%
Cost of services	-2,206	-2,216	-2,235	-2,292	-2.5%	1.3%	0.9%	-8,900	-9,482	6.5%
Gross profit	**2,623**	**2,824**	**2,845**	**2,859**	**-0.5%**	**8.5%**	**0.7%**	**10,742**	**11,589**	**7.9%**
D&A	-932	-983	-985	-992	-0.7%	5.7%	0.2%	-3,780	-3,960	4.7%
Operating Profit	**891**	**988**	**978**	**1,006**	**-2.7%**	**9.7%**	**-1.0%**	**3,847**	**4,110**	**6.8%**
EBITDA	**1,823**	**1,971**	**1,963**	**1,998**	**-1.8%**	**7.7%**	**-0.4%**	**7,627**	**8,070**	**5.8%**
Profit before zakat	**853**	**905**	**924**	**951**	**-2.9%**	**8.4%**	**2.1%**	**3,556**	**3,865**	**8.7%**
Zakat	-23	-25	-23	-26	-12.8%	1.3%	-8.3%	-90	-107	19.1%
Profit attributable	**830**	**880**	**901**	**925**	**-2.6%**	**8.6%**	**2.4%**	**3,466**	**3,758**	**8.4%**

FABS estimate & Co Data

Mobily – Margins

	2Q25	1Q26	2Q26	YOY	QOQ Ch	2025	2026F	Change
Gross Profit	54.3%	56.0%	56.0%	169	-4	54.7%	55.0%	31
EBITDA	37.8%	39.1%	38.6%	89	-46	38.8%	38.3%	-53
Operating Profit	18.5%	19.6%	19.3%	79	-35	19.6%	19.5%	-8
Net Profit	17.2%	17.5%	17.7%	55	28	17.6%	17.8%	19

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	79.80	70.0%	55.86
Relative Valuation (RV)	63.80	30.0%	19.14
Weighted Average Valuation (SAR)			**75.00**
Current market price (SAR)			61.80
Upside/Downside (%)			+21.4%

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%. Cost of equity is calculated by using 10-year government bond yield of 4.5%, beta of 1.0 and equity risk premium of 4.0%. 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)	17,280
Terminal value (SAR, Mn)	51,262
FV to Comon shareholders (SAR, Mn)	**68,542**
No. of share (Mn)	770
Current Market Price (SAR)	61.80
Fair Value per share (SAR)	**79.80**

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	4,073	4,531	4,991	5,255	5,417
D&A	3,960	4,090	4,219	4,352	4,484
Working Capital	-168	-99	-25	77	3
(-) Capex	-4,003	-4,084	-4,245	-4,395	-4,490
Free Cash Flow to Firm (FCFF)	**3,861**	**4,437**	**4,940**	**5,289**	**5,414**
Discounting Factor	*0.96*	*0.88*	*0.80*	*0.74*	*0.67*
Discounted FCFF	**1,855**[1]	**3,903**	**3,977**	**3,896**	**3,650**

Source: FAB Securities, [1]Adjusted 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 7.0x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Saudi Telecom	57,638	8.4	7.9	15.2	14.4
Verizon Communication	182,013	7.1	6.9	8.8	8.3
Deutsche Telekom AG	148,928	6.3	6.0	12.2	10.8
Telstra Group Limited	39,000	8.5	8.2	24.7	23.1
Emirates Integrated Telecommunication Company	15,056	6.9	6.5	17.6	16.6
SAFARICOM PLC	11,004	6.7	6.3	13.7	12.3
Average		**7.3x**	**7.0x**	**15.3x**	**14.2x**
Median		**7.0x**	**6.7x**	**14.4x**	**13.3x**
Max		**8.0x**	**7.6x**	**17.0x**	**16.0x**
Min		**6.7x**	**6.4x**	**12.5x**	**11.2x**

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%

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