INVESTMENT RESEARCH – Saudi Arabia

Result update

المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC

Etihad Etisalat Company

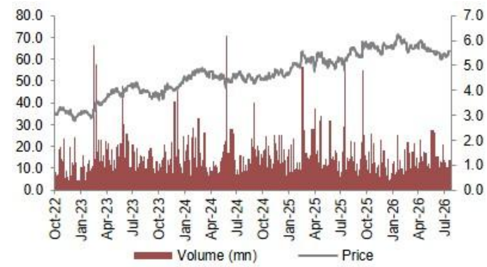
BUY

Sector: Telecom

27 July 2026

- **Revenue for 2Q26 increased 5.2% YoY, driven by growth across all segments, particularly wholesale and business. However, it missed our forecast by 4.3%.**
- **Net income grew 8.6% YoY, supported by higher revenue and continued margin expansion. The bottom line came marginally lower than our estimate by 1.6% with stronger-than-expected margins largely offsetting the revenue shortfall.**
- **We broadly maintain our full-year forecasts and reiterate our target price of SAR 72 per share, implying a BUY rating.**

Target price (SAR)	**72.00**
Current price (SAR)	**63.90**
Return	**+12.7%**



Etihad Etisalat Company (Mobily) reported a 5.2% YoY increase in revenue for 2Q26, reaching SAR 5.1 bn. Growth was primarily driven by the wholesale and business segments, which expanded 10.9% YoY and 9.7% YoY, respectively. Stronger ICT services, an expanded digital presence, sustained demand from both the private and public sectors, and enhanced services for hyper-scalers supported growth in these segments. The consumer segment also delivered steady performance, with revenue increasing 3.2% YoY. This was underpinned by a solid 17% YoY increase in mobile subscribers, largely driven by a c.19% rise in prepaid users. Postpaid subscribers, meanwhile, grew at a more modest pace of c.5% YoY, while the FTTH subscriber base increased steadily by c.9% YoY. Despite the solid top-line performance, revenue came in more than 4% below our forecast, primarily due to lower-than-expected growth in the business and wholesale segments. Gross profit increased 8.5% YoY to SAR 2.8 bn, with the gross margin expanding to 56.0% in 2Q26 from 54.3% in 2Q25, driven by a more favorable sales mix and a lower contribution from device sales. Operating expenses rose 7.8% YoY, primarily due to higher selling expenses, partly offset by broadly flat administrative expenses and lower impairment charges. Finance costs declined 10.1% YoY, while leverage remained comfortable, with a debt-to-EBITDA ratio of 1.1x. Overall, net income increased 8.6% YoY to SAR 901 mn, supported by revenue growth and margin expansion. Net income was broadly in line with our estimate of SAR 916 mn. Capex for 1H26 increased over 3x YoY to SAR 1.3 bn, representing a capital intensity of 12.7%. The sharp increase was primarily driven by continued investment in enhancing the company's telecom infrastructure and expanding its data center capacity. For 2026, management has guided for capex intensity of 18-20% of revenue, and we expect investment activity to accelerate over the remainder of the year.

Valuation: Mobily delivered another quarter of steady performance in 2Q26, supported by growth across all business segments. While revenue fell short of our estimates, net income was broadly in line, supported by better-than-expected margins. The continued expansion in margins, driven by a favorable sales mix, was the key factor behind this resilience. Management has reaffirmed its 2026 guidance of mid- to high-single-digit revenue growth and an EBITDA margin of 37-38%. We have also largely maintained our forecasts, as the company's 1H26 performance was broadly in line with our expectations. Overall, we reiterate our target price of SAR 72 per share. However, following the recent weakness in the share price, we upgrade our rating to BUY.

Exchange	Saudi Arabia
Index weight (%)	2%

(mn)	SAR	USD
Market Cap	49,203	13,077
Enterprise Value	54,017	14,356

Major shareholders	
Emirates Telecommunication	28.0%
Blackrock Inc	2.5%
Vanguard Group Inc/T	2.2%
Others	67.3%

Valuation Summary (TTM)	
PER TTM (x)	13.5
P/Book (x)	2.4
EV/EBITDA (x)	6.8
Dividend Yield (%)	4.7
Free Float (%)	67%
Shares O/S (mn)	770
YTD Return (%)	-3%
Beta	1.2

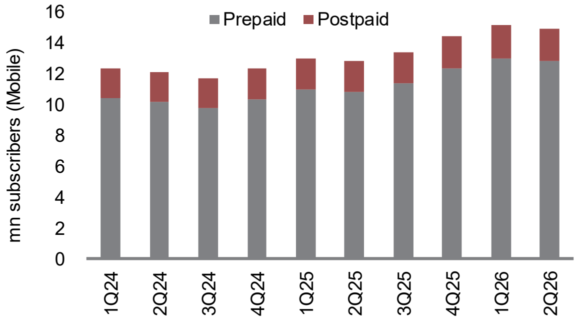
Key ratios	2023	2024	2025
EPS (SAR)	2.90	4.03	4.50
BVPS (SAR)	22.89	24.51	26.40
DPS (SAR)	1.45	2.20	2.80
Payout ratio (%)	50%	55%	62%

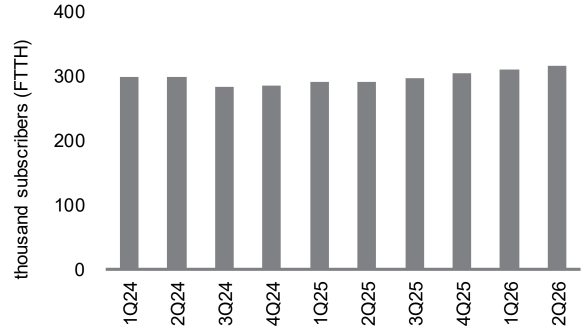
Price performance (%)	1M	3M	12M
Etihad Etisalat Co	5%	-4%	6%
Tadawul All Share Index	-2%	-3%	-2%

52 week	High	Low	CTL*
Price (SAR)	71.60	58.00	10.2

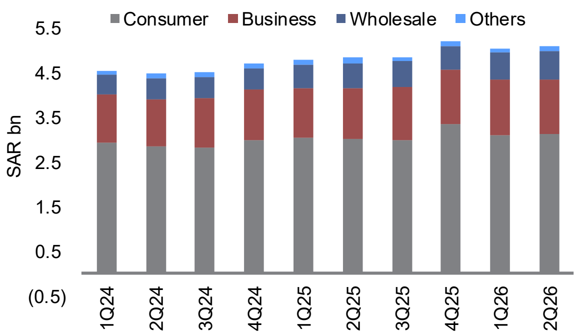
* CTL is % change in CMP to 52wk low

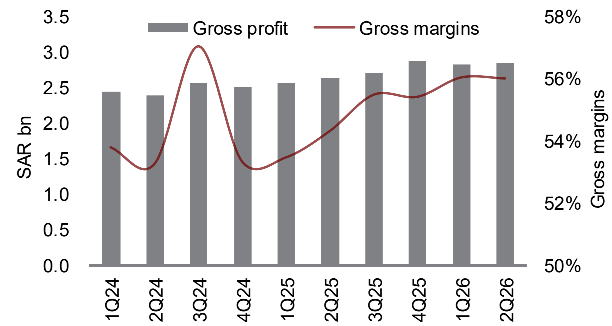
Prepaid drives mobile subscriber base, while FTTH growth report steady improvement



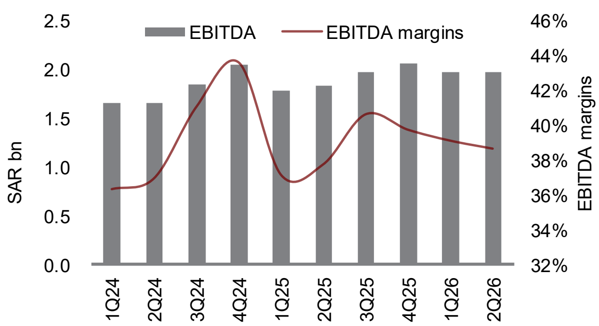


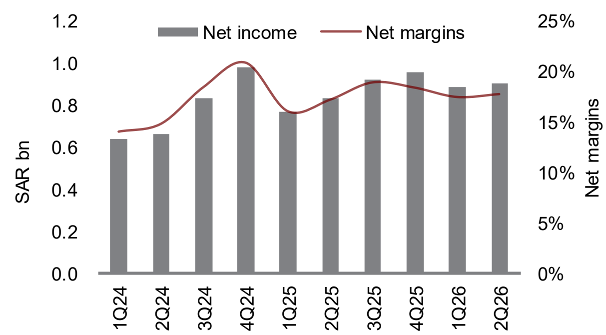
Growth across segments aids in topline performance, while sales mix aids in gross margin improvement





Improved gross margins and broad control over cost aids bottomline performance





Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Revenue	16,763	18,206	19,642	21,359	22,820	24,012	25,069	25,705
Cost of sales	(7,509)	(8,312)	(8,900)	(9,678)	(10,340)	(10,881)	(11,360)	(11,647)
Gross profit	**9,253**	**9,894**	**10,742**	**11,680**	**12,480**	**13,132**	**13,710**	**14,057**
Operating expenses	(6,276)	(6,364)	(6,894)	(7,591)	(8,069)	(8,505)	(8,918)	(9,247)
Operating profit	**2,977**	**3,530**	**3,847**	**4,090**	**4,411**	**4,627**	**4,791**	**4,810**
Other income	(2)	103	182	184	185	187	189	191
Finance expenses - Net	(526)	(441)	(472)	(485)	(461)	(438)	(414)	(388)
Earnings before tax	**2,449**	**3,193**	**3,556**	**3,788**	**4,135**	**4,376**	**4,566**	**4,613**
Tax	(217)	(86)	(90)	(102)	(112)	(118)	(123)	(125)
Net income	**2,232**	**3,107**	**3,466**	**3,686**	**4,024**	**4,258**	**4,443**	**4,489**

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Property and equipment	19,012	18,851	20,245	21,295	22,456	23,672	24,915	26,115
Intangibles	7,316	6,998	8,292	7,919	7,571	7,247	6,945	6,662
Right to use assets	2,730	2,719	3,236	3,753	4,256	4,734	5,185	5,592
Other non-current assets	259	451	253	373	495	618	742	867
Total non-current assets	**29,317**	**29,019**	**32,027**	**33,340**	**34,778**	**36,271**	**37,787**	**39,236**
Contract assets	1,424	1,363	1,676	1,822	1,947	2,049	2,139	2,193
Receivables	3,391	4,060	4,029	4,381	4,681	4,926	5,142	5,273
Inventories	151	213	132	144	154	162	169	173
Cash & Cash Equivalents	1,641	1,400	3,162	3,680	4,164	4,627	5,100	5,549
Investments	2,128	1,786	615	615	615	615	615	615
Other current assets	839	804	814	823	831	839	848	856
Total current assets	**9,574**	**9,627**	**10,428**	**11,465**	**12,392**	**13,217**	**14,013**	**14,659**
Total assets	**38,891**	**38,646**	**42,455**	**44,805**	**47,170**	**49,488**	**51,799**	**53,895**
Share Capital	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700
Total reserves	9,923	11,175	12,628	14,102	15,712	17,415	19,192	20,987
Total equity	**17,623**	**18,875**	**20,328**	**21,802**	**23,412**	**25,115**	**26,892**	**28,687**
Short term borrowings	1,611	460	529	492	455	418	381	344
Short term lease liabilities	1,179	1,213	1,151	916	1,000	1,000	1,000	1,000
Trade payables	3,415	3,604	4,490	4,882	5,217	5,489	5,731	5,876
Contract liabilities	786	971	775	842	900	947	989	1,014
Other current liabilities	4,280	4,295	4,294	4,592	4,846	5,056	5,244	5,360
Total current liabilities	**11,271**	**10,542**	**11,239**	**11,725**	**12,419**	**12,911**	**13,345**	**13,595**
Long term debt	6,700	5,725	5,196	4,833	4,470	4,107	3,744	3,381
Long term lease liabilities	2,045	2,062	2,544	3,213	3,562	3,981	4,383	4,749
Other non-current liabilities	1,253	1,441	3,149	3,233	3,308	3,374	3,436	3,483
Total non-current liabilities	**9,998**	**9,228**	**10,889**	**11,278**	**11,340**	**11,462**	**11,563**	**11,613**
Total Liabilities	**21,268**	**19,770**	**22,128**	**23,003**	**23,758**	**24,374**	**24,907**	**25,208**
Equity and liabilities	**38,891**	**38,646**	**42,455**	**44,805**	**47,170**	**49,488**	**51,799**	**53,895**

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	5,752	6,337	6,655	7,888	8,413	8,836	9,232	9,426
Cash from investments	(2,017)	(1,956)	(1,488)	(3,929)	(4,198)	(4,417)	(4,612)	(4,729)
Cash from financing	(2,922)	(4,622)	(3,404)	(3,441)	(3,730)	(3,955)	(4,147)	(4,248)
Net changes in cash	814	(242)	1,762	518	484	463	473	449
Closing balance (C/b)	**1,641**	**1,400**	**3,162**	**3,680**	**4,164**	**4,627**	**5,100**	**5,549**

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Per Share (SAR)								
EPS	2.9	4.0	4.5	4.8	5.2	5.5	5.8	5.8
BVPS	22.9	24.5	26.4	28.3	30.4	32.6	34.9	37.3
DPS	1.5	2.2	2.8	2.9	3.1	3.3	3.5	3.5
FCF/share	4.9	5.7	6.7	5.1	5.5	5.7	6.0	6.1
Valuations								
M.Cap (SAR mn)	33,363	46,208	49,203	49,203	49,203	49,203	49,203	49,203
EV (SAR mn)	41,128	52,482	54,846	54,362	53,912	53,468	52,997	52,513
EBITDA (SAR mn)	6,625	7,195	7,627	8,089	8,643	9,094	9,494	9,735
P/E	14.9	14.9	14.2	13.3	12.2	11.6	11.1	11.0
EV/EBITDA	6.2	7.3	7.2	6.7	6.2	5.9	5.6	5.4
EV/Sales	2.5	2.9	2.8	2.5	2.4	2.2	2.1	2.0
P/BV	1.9	2.4	2.4	2.3	2.1	2.0	1.8	1.7
P/S	2.0	2.5	2.5	2.3	2.2	2.0	2.0	1.9
Div. yield	3.3%	3.7%	4.4%	4.5%	4.9%	5.2%	5.4%	5.5%
Liquidity								
Cash Ratio	0.1	0.1	0.3	0.3	0.3	0.4	0.4	0.4
Current ratio	0.8	0.9	0.9	1.0	1.0	1.0	1.1	1.1
Quick ratio	0.8	0.9	0.9	1.0	1.0	1.0	1.0	1.1
Return ratio								
ROA	5.7%	8.0%	8.2%	8.2%	8.5%	8.6%	8.6%	8.3%
ROE	12.7%	16.5%	17.1%	16.9%	17.2%	17.0%	16.5%	15.6%
ROCE	10.2%	12.5%	12.9%	13.1%	13.4%	13.4%	13.2%	12.6%
Cash cycle								
Contract asset turnover	11.8	13.4	11.7	11.7	11.7	11.7	11.7	11.7
Payables turnover	2.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Contract liabilities turnover	9.6	8.6	11.5	11.5	11.5	11.5	11.5	11.5
Receivables turnover	4.9	4.5	4.9	4.9	4.9	4.9	4.9	4.9
Inventory turnover	49.8	39.0	67.3	67.3	67.3	67.3	67.3	67.3
Contract asset days	31	27	31	31	31	31	31	31
Payable days	166	158	184	184	184	184	184	184
Contract liabilities days	38	43	32	32	32	32	32	32
Receivables days	74	81	75	75	75	75	75	75
Inventory days	7	9	5	5	5	5	5	5
Cash Cycle	(92)	(83)	(104)	(104)	(104)	(104)	(104)	(104)
Profitability ratio								
EBITDA margins	39.5%	39.5%	38.8%	37.9%	37.9%	37.9%	37.9%	37.9%
Operating margins	17.8%	19.4%	19.6%	19.1%	19.3%	19.3%	19.1%	18.7%
PBT margins	14.6%	17.5%	18.1%	17.7%	18.1%	18.2%	18.2%	17.9%
Net margins	13.3%	17.1%	17.6%	17.3%	17.6%	17.7%	17.7%	17.5%
Leverage								
Total debt (SAR mn)	11,534	9,460	9,420	9,454	9,487	9,507	9,509	9,474
Net debt (SAR mn)	9,893	8,060	6,258	5,774	5,323	4,880	4,409	3,925
Debt/Total assets	29.7%	24.5%	22.2%	21.1%	20.1%	19.2%	18.4%	17.6%
Debt/Equity	65.5%	50.1%	46.3%	43.4%	40.5%	37.9%	35.4%	33.0%

UNITED SECURITIES LLC

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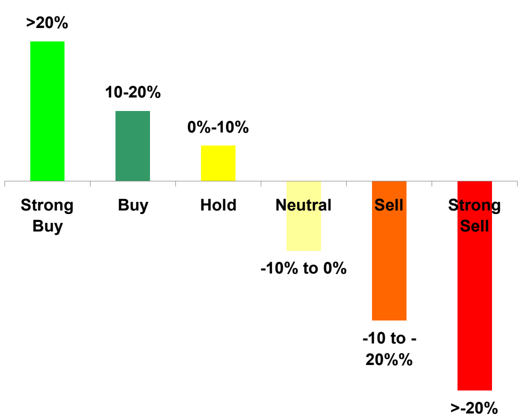
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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