

Etihad Etisalat Company

Sector: Telecom

- Revenue for 1Q26 comes higher by 5.5% YoY, slightly below our expectation (3%), driven by strong growth in wholesale and business segments.
- Net income grows 14.7% YoY, beating our expectation by 9% on higher gross margins aided by improved operating efficiency.
- Despite the bottomline beat, we expect the margins to moderate in the coming quarters and maintain our target price at SAR72/share, which implies a Hold rating.

Etihad Etisalat Company (Mobily) reported a 5.5% YoY increase in revenue for 1Q26, reaching SAR 5.0 bn, slightly missing our expectations by 3%. Growth was primarily driven by the wholesale and business segments, which expanded by 17.7% YoY and 10.8% YoY, respectively. The company benefited from strong demand for AI, cloud, and data-driven services from hyperscalers, supporting wholesale performance, while its robust ICT capabilities continued to drive growth in the business segment.

The consumer segment recorded a more modest growth of 2.4% YoY. This was supported by a solid 16% YoY increase in mobile subscribers, largely driven by an 18% YoY rise in prepaid users, while postpaid subscribers grew at a slower pace of 5% YoY. Meanwhile, the FTTH subscriber base increased steadily by 7% YoY.

Gross profit rose 10.6% YoY to SAR 2.8 bn, with the gross margin improving to 56.0% in 1Q26 from 53.5% in 1Q25, primarily due to improved sales mix and the relatively lower proportion of device sales. Operating expenses increased 7.7% YoY, mainly driven by higher SG&A costs and depreciation. Finance costs declined by 6.4% YoY. Leverage remained comfortable, with a debt-to-EBITDA ratio of 1.2x.

Overall, net income grew 14.7% YoY to SAR 880 mn, as improved operating efficiency allowed bottom-line growth to outpace top-line expansion. Net income also exceeded our forecast by 8.8% on lower-than-expected cost of revenue. In 1Q26, Mobily's capex totaled SAR 404 mn, representing 8% of revenue. For FY26, the company has guided for a capex intensity of 18-20% of revenue, and we expect investment activity to accelerate in the coming quarters.

Valuation: Mobily has commenced the year on a positive note, with revenue growing at the lower end of its guidance range, while EBITDA margins of 39.1% exceeded the guided range of 37-38%. We expect revenue growth to accelerate and finish at the higher end of single-digit growth, as performance in the current quarter was tempered by cyclical factors, including the early onset of Ramadan. However, we do not expect current margin levels to sustain and anticipate some moderation in the coming quarters. Despite this, we project full-year margins will average towards the upper end of the company's guidance range. Overall, we largely maintain our medium-term estimates and reiterate our target price of SAR 72 per share for Mobily, which implies a Hold rating on the stock.

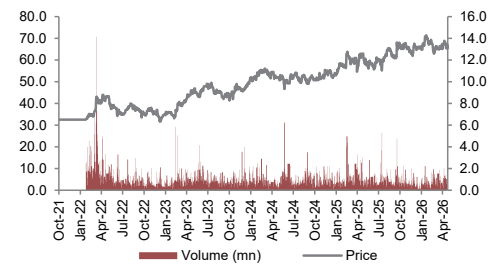
HOLD

30 April 2026

Target price (SAR) **72.00**

Current price (SAR) **67.00**

Return **+7.5%**



Exchange Saudi Arabia
 Index weight (%) 2%

(mn)	SAR	USD
Market Cap	51,590	13,755
Enterprise Value	56,642	15,101

Major shareholders

Emirates Telecommunication	28.0%
Blackrock Inc	2.4%
Vanguard Group Inc/T	2.2%
Others	67.4%

Valuation Summary (TTM)

PER TTM (x)	14.4
P/Book (x)	2.6
EV/EBITDA (x)	6.6
Dividend Yield (%)	4.3
Free Float (%)	67%
Shares O/S (mn)	770
YTD Return (%)	2%
Beta	1.1

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%

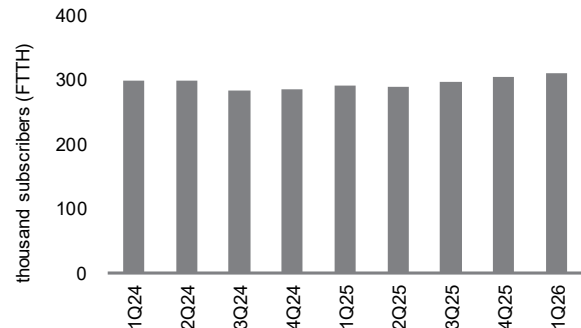
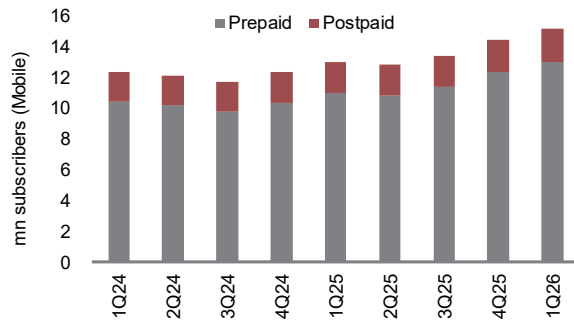
Price performance (%)	1M	3M	12M
Etihad Etisalat Co	1%	-5%	8%
Tadawul All Share Index	1%	-1%	-4%

52 week	High	Low	CTL*
Price (SAR)	71.60	54.60	22.7

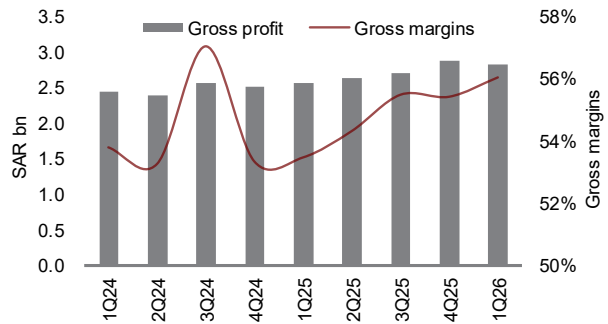
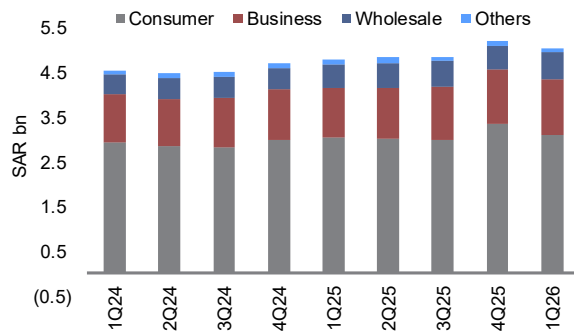
* CTL is % change in CMP to 52wk low



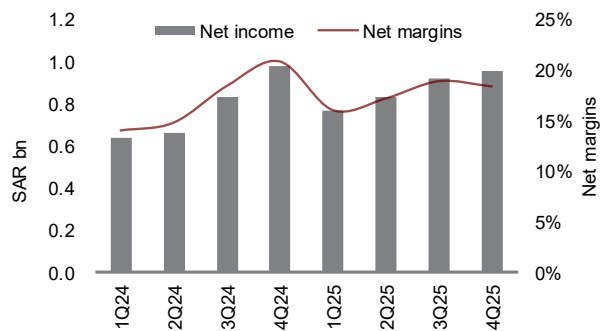
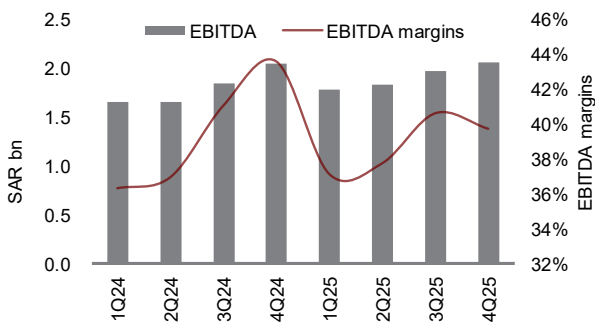
Both mobile and FTTH subscriber base witness improvement; prepaid growth outperforms



Strong growth in wholesale and business operations drive topline growth, while improved sales mix aids margins



Higher gross profits aids in strong profitability, which outperforms topline growth



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	51,590	51,590	51,590	51,590	51,590	51,590
EV (SAR mn)	41,128	52,482	57,233	56,749	56,299	55,855	55,384	54,900
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	14.9	14.0	12.8	12.1	11.6	11.5
EV/EBITDA	6.2	7.3	7.5	7.0	6.5	6.1	5.8	5.6
EV/Sales	2.5	2.9	2.9	2.7	2.5	2.3	2.2	2.1
P/BV	1.9	2.4	2.5	2.4	2.2	2.1	1.9	1.8
P/S	2.0	2.5	2.6	2.4	2.3	2.1	2.1	2.0
Div. yield	3.3%	3.7%	4.2%	4.3%	4.7%	5.0%	5.2%	5.2%
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%

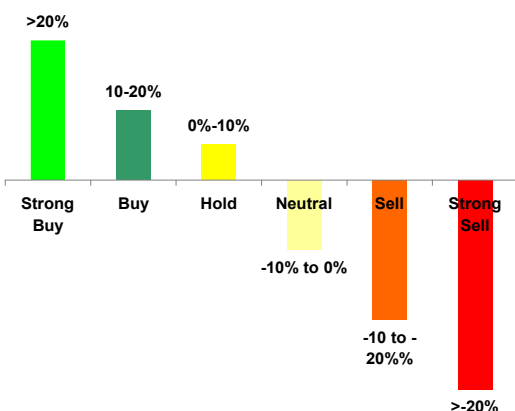
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Rating Criteria and Definitions

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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