

Regional escalation weighs on FY26E profitability; however, the sector momentum supports long-term growth; reiterate "Overweight" rating

Flynas short-term performance is dragged down by the regional conflict, through elevated fuel prices and unutilized capacity; however, the company presents a compelling long-term growth story, driven by fleet expansion, international growth, and margin recovery. The company operates approx. 70 aircraft and holds the region's second-largest order book at 247 aircraft, with its fleet expected to reach 120 aircraft by FY30E (11% CAGR). Capacity (ASK) is expected to grow 12% CAGR over FY25-30E, reaching approx. 50bn, while increasing competition should normalize revenue per kilometer flown - RASK (expected to decline 2% CAGR to SAR 23.3 hallahs by FY30E). Nonetheless, fleet and network expansion should drive 9.8% revenue CAGR, reaching SAR 12.5bn by FY30E. Near-term margins remain pressured, with gross margin expected to fall to 9% in FY26E, before recovering to 19.4% by FY30E. The recovery should be supported by a more fuel-efficient fleet, greater aircraft ownership supporting lower depreciation. Net profit is expected to reach SAR 849mn by FY30E, implying an 8.8% CAGR. However, ongoing investment cycle will require higher capex, with Capex/Sales rising from 15% FY26E to 30% by FY28E as owned aircraft reach 33% of the fleet by FY30E. Consequently, leverage (Net debt/EBITDA) is expected to peak at 4.13x in FY26E (up from 2.14x FY25), before declining to 2.9x by FY30E. The stock is down 38% from IPO price, currently trading near its lowest level, with sentiment weighed down by geopolitical tensions, elevated oil prices, and engine-related challenges. However, we see significant upside potential as air traffic recovers and the EXPRO agreement provides an additional growth catalyst. We reiterate "Overweight" rating with revised TP 67.0/Share (from: 94.7/Share).

Higher-than-expected RASK supported topline growth in Q2-26, but fuel inflation more than offset the benefit: Middle East airlines were heavily impacted by geopolitical disruptions in Q2-26, with passengers volume (PAX) down 30.1% Y/Y and capacity declining 24.2% Y/Y, driving load factor down 6.3bps to 74.4% Y/Y. Saudi Arabia was relatively resilient versus the UAE and Qatar, although key Flynas markets were significantly affected in term of PAX traffic, including Saudi Arabia-UAE (-54.0% Y/Y), Saudi Arabia-Türkiye (-15.9% Y/Y) and Saudi Arabia-Egypt (-17.0% Y/Y). We expect a gradual recovery as geopolitical pressures ease, supported by summer demand in Q3-26E, with IATA forecasting Saudi capacity growth of 3.0% Y/Y, one of only four markets in the region expected to expand. However, traffic remains below normalized levels, leaving a meaningful recovery runway. Correspondingly, flynas LCC segment generated SAR 1,626mn in revenue (+3% Y/Y) in Q2-26, in line with AJBC estimates, despite a 15% Y/Y capacity reduction to 5.4bn and an 8.4bps decline in load factor to 71.2% as flynas scaled back operations amid regional disruption. A 22% increase in RASK to 29.9 halahs helped offset the capacity pressure; however, this was insufficient to absorb the sharp increase in fuel costs. Singapore Jet Fuel prices rose 120% Y/Y, driving an 86% Y/Y increase in Flynas' fuel expense, with approx. SAR 100mn attributable to Hajj operations and therefore viewed as non-recurring. Consequently, GPM contracted 19.9bps Y/Y to 1.2% vs -2.1% AJBC estimates. Flynas reported a SAR 240.6mn net loss in Q2-26 (AJBC estimates of SAR 304mn loss) vs an adjusted SAR 220.4mn profit in Q2-25.

Fleet expansion, coupled with market recovery, is expected to support a 9.8% CAGR in revenue over FY25-30E: Following a 15% capacity cut in Q2-26, we expect Flynas' ASK to decline 4% Y/Y to 27.0bn in FY26E. RASK should partially dip to 28 halahs by 2026 end (from 29 halahs in Q2-26) before normalizing to 25 halahs by FY27E, then declining to SAR 23 halahs by FY30E amid rising competition and capacity growth. As the fleet expands and the network diversifies, the newly signed EXPRO framework agreement provides an incremental growth catalyst through recurring government travel demand. Together, these drivers are expected to support ASK growth of 12% CAGR over FY25-30E to 50bn, driving 9.8% revenue CAGR to SAR 12.5bn. Gross margin is expected to remain under pressure in FY26E at 9% (-992bps Y/Y), despite a 21% expected decline in fuel prices in Q3-26, as fuel costs remain elevated versus FY25 while capacity gradually recovers. We expect margins to recover to 19.4% by FY30E, supported by a more fuel-efficient fleet and lower depreciation from increased aircraft ownership. Accordingly, we expect Flynas to report a SAR 362mn net loss in FY26E, primarily reflecting elevated fuel costs and temporary underutilization of capacity. As fuel prices normalize and capacity utilization improves, we expect profitability to recover, with net profit reaching SAR 849mn by FY30E, implying an 8.8% CAGR over FY25-30E.

Recommendation	Overweight
Target Price (SAR)	67.0
Upside / (Downside)*	34.3%

Source: Tadawul *prices as of 25th August 2026

Key Financials

SAR mn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	7,556	7,844	8,306	8,935
Growth %	18.8%	3.8%	5.9%	7.6%
Gross Profit	1,469	1,483	746	1,589
EBIT profit	1,045	1,056	172	990
EBITDA	2,178	2,514	1,480	2,428
Net Income	434	556	(362)	392
Growth %	8.0%	28.2%	NM	NM
EPS	2.99	3.25	(2.12)	2.29
DPS	0.00	0.00	0.00	0.00

Source: Company reports, Aljazira Capital Research * NM: Not meaningful

Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	19.4%	18.9%	9.0%	17.8%
EBIT Margin	13.8%	13.5%	2.1%	11.1%
EBITDA Margin	28.8%	32.1%	17.8%	27.2%
Net Margin	5.7%	7.1%	-4.4%	4.4%
ROE	3.3%	3.6%	-2.1%	2.3%
ROA	30.2%	21.4%	-10.7%	11.6%
P/E (x)	NM	19.1	-23.5	21.8
P/B (x)	NM	3.0	2.7	2.4
EV/EBITDA (x)	NM	5.6	8.1	5.1
Dividend Yield	0.0%	0.0%	0.0%	0.0%

Source: Company reports, Aljazira Capital Research * NM: Not meaningful

Key Market Data

Market Cap(bn)	8.53
YTD%	-23.3%
52 week (High)/(Low)	81.7/48.18
Share Outstanding (mn)	170.85

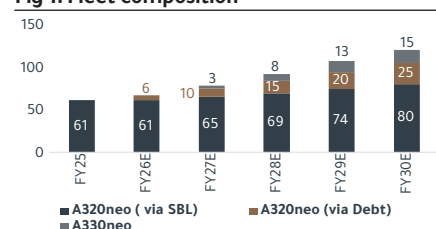
Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

Fig 1: Fleet composition



Source: Company reports, Aljazira capital Research

Equity Analyst

Renad Alshehri

+966 11 2256250

r.alshehri@aljaziracapital.com.sa

Strong presence backed by fleet growth, although delivery delays remain a key concern: Flynas has the second-largest Airbus order book in the Middle East, with 247 aircraft on order, and currently operates approx. 70 aircraft. Its fleet is predominantly A320neo, with 62 aircraft in operation and 161 A320neo-family aircraft on order. We expect the A320neo fleet to reach approx. 105 aircraft by FY30E, while A330neo deliveries begin in FY27E, reaching approx. 15 widebody aircraft by FY30E. This expansion should support the airline's international growth strategy, particularly on longer-haul and high-demand routes. We forecast the total fleet to reach approx. 70 aircraft in FY26E (excluding wet leases), before accelerating thereafter to around 120 (vs. management guidance of 135) aircraft by FY30E, implying an 11% CAGR over FY26E-FY30E. However, delivery timing remains a key risk. Airbus delivered 418 aircraft YTD as of July-26 vs. 373 in 2025 but needs 452 more in the final five months to reach the midpoint of its 850-890 guidance, amid continued engine shortages and structural supply-chain issues. While this could delay Flynas' fleet ramp-up, we maintain our long-term expansion outlook.

Shift toward debt financing supports long-term profitability: Flynas' increasing reliance on debt-funded aircraft ownership should support margin recovery over time, as longer useful lives reduce depreciation pressure versus leases. Management expects to finance FY26 deliveries of 6 aircraft through 80% debt and 20% equity, taking Capex to SAR 1.2bn. Thereafter, we assume a more balanced 50%/50% ownership split between SBL and debt for A320neos, while A330neos are fully debt-financed. Accordingly, Capex/Sales ratio is expected to jump from 15% in FY26E to 30% by FY28E, with owned aircraft rising to 33% of the fleet by FY30E. Net debt/EBITDA is expected to peak at 4.13x in FY26E from 2.14x in FY25, before declining to 3.03x by FY30E.

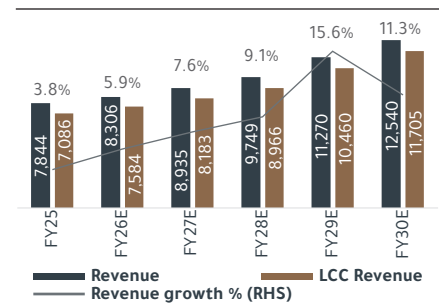
Investment thesis and valuation: Despite near-term headwinds from geopolitical tensions, elevated oil prices, and engine-related disruptions that have dragged the stock down 38% from its IPO price, flynas remains a compelling long-term growth story. Backed by a 247-aircraft order book, the operational fleet is projected to expand to 120 aircraft by FY30E (11% CAGR), driving capacity (ASK) up at a 12% CAGR to ~50bn over FY25-30E. Even as increased competition normalizes RASK (-2% CAGR to SAR 23.3 hallahs), fleet and network expansion should yield a 9.8% revenue CAGR to SAR 12.5bn. Near-term margins remain under pressure, but gross margin is expected to bottom at 9% in FY26E before recovering to 19.4% by FY30E, supported by fuel-efficient aircraft and higher ownership (33% of fleet by FY30E), lifting net profit to SAR 849mn (8.8% CAGR). Although this investment cycle pushes Capex/Sales to 30% by FY28E and leverage to a peak of 4.13x in FY26E (declining to 3.03x by FY30E), the stock's current valuation near historical lows offers significant upside as air traffic recovers and the EXPRO agreement acts as a key catalyst. We apply a blended valuation approach for Flynas, with 50% weightage to DCF (WACC = 9.5% and terminal growth = 2.5%) and 50% weightage to EV/EBITDA multiple of 6.0x for FY28E EPS (discounted at WACC). This translates into a revised blended TP of **SAR 67.0 per share**, which implies an upside of 34.3%. Hence, we retain our rating at **"Overweight"**. Our TP was revised downward following a reduction in our 2025-2029 revenue/net profit CAGRs to 9.4%/5.9%, from 15.1%/14.5% previously, reflecting heightened competition from flyadeal & Air Arabia, which we expect to compress RASK and limit pricing power, as well as delays in aircraft deliveries. As revenue and net profit are expected to reach SAR 11.3bn/SAR 700mn by 2029E, supporting a more conservative valuation.

Blended valuation summary

All figures in SAR, unless specified	Fair Value	Weight	Weighted Average
DCF	64.4	50%	32.2
EV/EBITDA (6.0x FY28E - discounted)	69.9	50%	34.8
Weighted average price target			67.0
Up/Downside (%)			34.3%

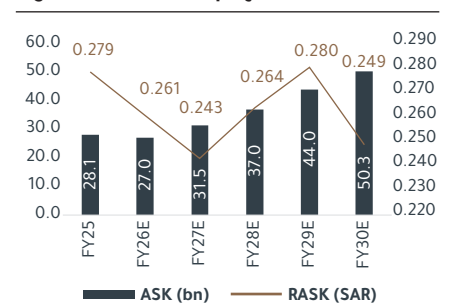
Source: Tadawul, Company's reports, Aljazira Capital Research *prices as of 25th August 2026

Fig 2: Revenue (SAR mn) and growth (%)



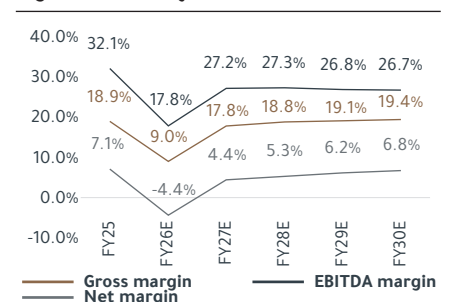
Source: Company reports, Aljazira capital Research

Fig 3: ASK and RASK projections



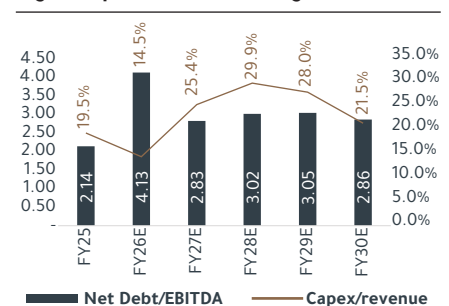
Source: Company reports, Aljazira capital Research

Fig 4: Profitability Trends



Source: Company reports, Aljazira capital Research

Fig 5: Capex levels vs Leverage



Source: Company reports, Aljazira capital Research

Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	6,362	7,556	7,844	8,306	8,935	9,749	11,270	12,540
Y/Y	32.3%	18.8%	3.8%	5.9%	7.6%	9.1%	15.6%	11.3%
Cost	(5,456)	(6,088)	(6,361)	(7,559)	(7,346)	(7,918)	(9,122)	(10,108)
Gross profit	906	1,469	1,483	746	1,589	1,830	2,147	2,432
Y/Y	51.9%	62.1%	1.0%	-49.7%	112.9%	15.2%	17.3%	13.2%
Gross margin	14.2%	19.4%	18.9%	9.0%	17.8%	18.8%	19.1%	19.4%
S&D exp	(197)	(252)	(281)	(298)	(313)	(341)	(366)	(408)
G&A exp	(115)	(258)	(229)	(254)	(268)	(292)	(316)	(344)
Provision for credit loss	(0)	(26)	9	(15)	(14)	(15)	(18)	(20)
Gain on sale of equipment	283	131	76	-	-	-	-	-
EBITDA	1,660	2,178	2,514	1,480	2,428	2,663	3,025	3,347
Y/Y	51.4%	31.2%	15.4%	-41.1%	64.1%	9.7%	13.6%	10.7%
EBITDA margin	26.1%	28.8%	32.1%	17.8%	27.2%	27.3%	26.8%	26.7%
Operating profit	869	1,045	1,056	172	990	1,177	1,442	1,654
Y/Y	96.4%	20.3%	1.0%	-83.7%	475.6%	19.0%	22.5%	14.7%
Operating margin	13.7%	13.8%	13.5%	2.1%	11.1%	12.1%	12.8%	13.2%
Finance cost	(503)	(693)	(628)	(743)	(716)	(723)	(760)	(815)
Income before zakat	418	457	592	(350)	417	550	744	903
Zakat	(17)	(23)	(36)	(12)	(25)	(33)	(45)	(54)
Net income	401	434	556	(362)	392	517	699	849
Y/Y	133.7%	8.0%	28.2%	NM	NM	32.0%	35.3%	21.4%
Net margin	6.3%	5.7%	7.1%	-4.4%	4.4%	5.3%	6.2%	6.8%
EPS	2.77	2.99	3.25	-2.12	2.29	3.03	4.09	4.97
DPS	0.00	0.00	0.00	0.00	0.00	0.76	1.02	1.24
Balance sheet								
Assets								
Cash & equivalent	1,450	1,700	4,143	4,231	3,415	2,254	1,445	1,483
Account receivables	300	239	360	307	343	347	401	447
Other current assets	216	185	413	400	421	405	458	502
Total current assets	1,966	2,124	4,916	4,938	4,178	3,006	2,304	2,432
PP&E	1,168	1,537	2,595	3,645	4,854	6,493	8,138	9,210
RoU	7,676	7,831	7,694	6,540	6,166	5,959	5,891	5,824
Total assets	12,865	13,530	17,224	17,143	17,218	17,480	18,357	19,494
Liabilities & owners' equity								
Trade payable	1,754	1,558	1,800	1,760	1,650	1,562	1,500	1,385
ST debt	419	324	429	1,590	1,276	964	865	781
ST lease liab	541	508	1,040	967	988	1,018	1,058	1,089
Total current liabilities	3,207	3,113	4,106	5,222	4,778	4,325	4,110	3,958
LT debt	425	101	1,055	494	396	299	269	242
LT lease liab	4,984	5,306	4,950	4,604	4,703	4,848	5,036	5,185
Total non-current liabilities	8,432	8,773	9,568	8,733	8,861	9,058	9,451	9,891
Paid-up capital	1,534	1,534	2,899	2,899	2,899	2,899	2,899	2,899
R&S	(308)	65	607	245	637	1,154	1,853	2,702
Total owners' equity	1,226	1,643	3,550	3,188	3,580	4,097	4,796	5,645
Total equity & liabilities	12,865	13,530	17,224	17,143	17,218	17,480	18,357	19,494
Cashflow statement								
Operating activities	1,305	1,927	1,429	1,854	2,465	2,714	3,013	3,483
CAPEX	(139)	(475)	(1,576)	(1,204)	(1,470)	(2,015)	(2,155)	(1,705)
Financing activities	(1,117)	(1,335)	2,157	(562)	(1,812)	(1,859)	(1,667)	(1,740)
Change in cash	262	250	2,443	88	(816)	(1,161)	(809)	39
Ending cash balance	1,450	1,700	4,143	4,231	3,415	2,254	1,445	1,483
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	0.6	0.7	1.2	0.9	0.9	0.7	0.6	0.6
Profitability ratios								
Gross profit margin	14.2%	19.4%	18.9%	9.0%	17.8%	18.8%	19.1%	19.4%
Operating margin	13.7%	13.8%	13.5%	2.1%	11.1%	12.1%	12.8%	13.2%
EBITDA margin	26.1%	28.8%	32.1%	17.8%	27.2%	27.3%	26.8%	26.7%
Net profit margin	6.3%	5.7%	7.1%	-4.4%	4.4%	5.3%	6.2%	6.8%
Return on assets	38.9%	30.2%	21.4%	-10.7%	11.6%	13.5%	15.7%	16.3%
Return on equity	3.6%	3.3%	3.6%	-2.1%	2.3%	3.0%	3.9%	4.5%
Leverage ratio								
Debt / equity (x)	0.69	0.26	0.42	0.65	0.47	0.31	0.24	0.18
Market/valuation ratios								
EV/sales (x)	NM	NM	2	1.4	1.4	1.4	1.3	1.1
EV/EBITDA (x)	NM	NM	6	8.1	5.1	5.0	4.7	4.3
Dividend yield	NM	NM	0	0.0%	0.0%	25.0%	25.0%	25.0%
EPS (SAR)	2.77	2.99	3.25	-2.12	2.29	3.03	4.09	4.97
BVPS (SAR)	8.46	11.33	20.78	18.66	20.95	23.98	28.07	33.04
Market price (SAR)*	NM	NM	62	49.9	49.9	49.9	49.9	49.9
Market-Cap (SAR mn)	NM	NM	10,637	8,522	8,522	8,522	8,522	8,522
P/E ratio (x)	NM	NM	19	(23.5)	21.8	16.5	12.2	10.0
P/BV ratio (x)	NM	NM	3	2.7	2.4	2.1	1.8	1.5

Source: Company reports, Aljazeera Capital Research; * price as of August 25, 2026

RESEARCH DIVISION

Head of Sell-Side Research - Director

Jassim Al-Jubran

+966 11 2256248

j.aljabran@aljaziracapital.com.sa

RESEARCH
DIVISION

Aljazira Capital, the investment arm of Bank Aljazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. Aljazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. Aljazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, Aljazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. Some securities maybe, by nature, of low volume/trades, or may become so, unexpectedly in special circumstances, and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its board members, its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.