Result update

المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC.

Flynas

Sector : Air Transport

HOLD

07 September 2026

INVESTMENT RESEARCH – Saudi Arabia

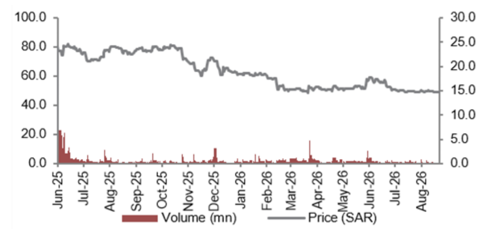
- **Revenue grew 3.2% YoY in 2Q26, driven by higher unit revenues.**
- **Margins declined YoY on higher costs and fell short of expectations.**
- **Reported net loss of SAR 241mn, significantly below our estimate.**
- **For 2026e, we reduce revenue forecast to SAR 8.4bn and decrease profit to SAR 39mn. We lower our target price to SAR 52 per share and retain our HOLD rating.**

Flynas reported 2Q26 revenue of SAR 2.2bn, up 3.2% YoY and broadly in line with our estimate. Revenue for 1H26 grew 6% YoY to SAR 4.2bn. Growth during the quarter was supported by higher unit revenues, as a favorable fare environment and capacity reductions offset lower passenger volumes. PAX volumes declined 27% YoY to 2.6mn in 2Q26, reflecting the impact of regional disruptions on travel demand. Load factor declined to 71.2% from 79.6% in 2Q25, while the fleet decreased to 67 aircraft from 71, reflecting lower capacity requirements and the return of older generation A320 aircraft at lease expiry. The fleet primarily comprises new generation, fuel efficient narrow-body aircraft, with an average age of 4.5 years. The company also expanded its network by launching five new routes across 3 new destinations during the quarter.

Direct costs increased 29% YoY, outpacing revenue growth, primarily due to higher fuel costs. Consequently, gross profit declined 94% YoY to SAR 26mn, while gross margin contracted 21.1% in the previous year to 1.2% in 2Q26. Adjusted EBITDA margin narrowed from 35.7% last year to 9.2%, as operating expenses nearly tripled YoY, excluding one-off IPO-related expenses in 2Q25. The prior-year period also benefited from a SAR 30mn sale-and-leaseback gain, while 2Q26 included a SAR 2mn expected credit loss provision versus a SAR 21mn recovery in 2Q25. Finance costs decreased 14% YoY due to reduced debt levels, while finance income increased 56% YoY on higher deposit rates. Consequently, Flynas reported a net loss of SAR 241mn compared with an adjusted net profit of SAR 220mn in 2Q25, significantly below our forecast of SAR 39mn profit, with margins across the board underperforming expectations. For 1H26, the company reported a net loss of SAR 123mn versus an adjusted net profit of SAR 368mn in 1H25.

Valuation and outlook: Flynas remains well positioned to manage near-term volatility while continuing to invest in fleet and network expansion. The company added its sixth domestic base at Prince Naif bin Abdulaziz International Airport in Qassim, commencing operations on 1 July 2026 with five routes. Flynas also made progress on obtaining its Syria Air Operator Certificate. Six aircraft are scheduled for delivery in 2H26, with the first delivered in July. In July 2026, Flynas exercised purchase options under its Airbus agreements, converting 25 aircraft into firm orders, comprising five A330neo and 20 A321neo aircraft. Firm orders now stand at 235 aircraft, within a total order book of 280 aircraft. By July, Flynas had restored flights to the UAE, Qatar, Bahrain, and Syria, although some routes continued to operate at reduced frequencies. Services to Kuwait and Iraq remained suspended, while security incidents in mid-July resulted in temporary airport closures and flight cancellations across parts of Saudi Arabia. Given persistent geopolitical tensions, management continues to suspend its full-year 2026 guidance, while 3Q 2026 guidance points to low to high single digits YoY revenue growth and an EBITDA margin in the mid-teens to mid-20s. Based on the current results and guidance, we reduce our 2026e revenue forecast to SAR 8.4bn (from SAR 8.6bn) and decrease net profit to SAR 39mn (from SAR 338mn). Accordingly, we lower our target price to SAR 52 (from SAR 56/share), implying a limited upside of 5.80% from current levels and retain our HOLD rating.

Target price (SAR)	**52.00**
Current price (SAR)	**49.16**
Return	**5.80%**



Exchange	Saudi Arabia
Index weight (%)	0.4%

(mn)	SAR	USD
Market Cap	8,399	2,237
Enterprise value	12,723	3,390

Major shareholders	
National Aviation Se	28%
Kingdom Holding Co	27.4%
Vanguard Group Inc/T	2.3%
Others	42.6%

Valuation Summary	
PER TTM (x)	130.7
P/Book (x)	2.4
EV/EBITDA (x)	15.6
Dividend Yield (%)	NA
Free Float (%)	43%
Shares O/S (mn)	171
YTD Return (%)	-24%
Beta	0.7

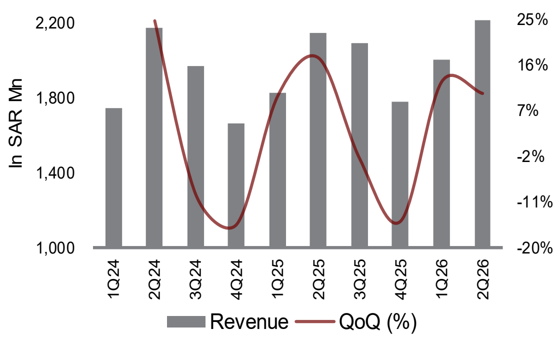
Key ratios	2023	2024	2025
EPS (SAR)	2.62	2.83	-3.09
BVPS (SAR)	7.99	10.71	20.78
DPS (SAR)	0.00	0.00	0.00
Payout ratio (%)	0%	0%	0%

Price performance (%)	1M	3M	12M
Flynas Co SJSC	-1%	-6%	-36%
Tadawul All Share Index	2%	1%	4%

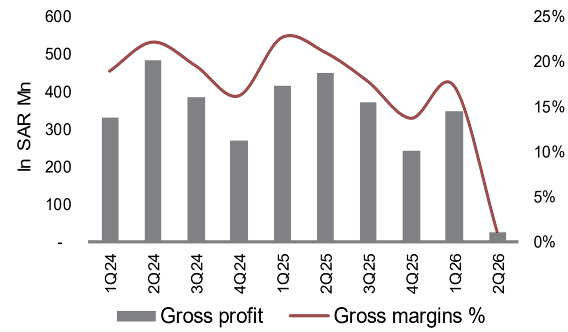
52 week	High	Low	CTL*
Price (SAR)	81.7	48.2	2.0

* CTL is % change in CMP to 52wk low

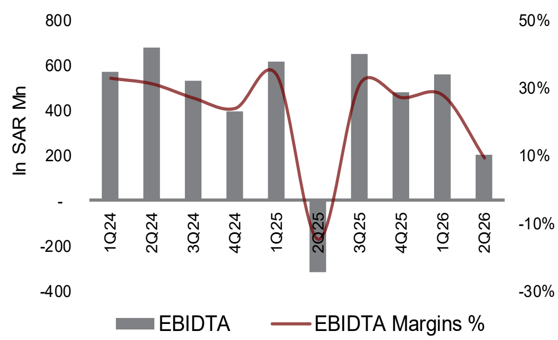
Revenue grew 3.2% YoY on stronger unit revenues



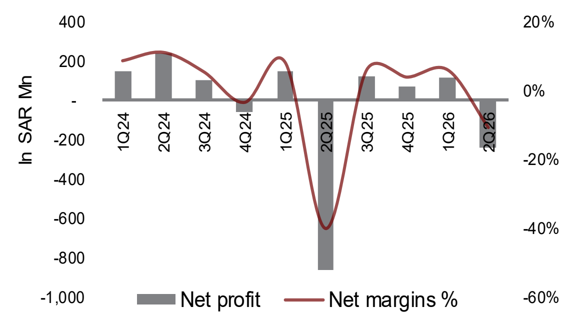
Gross margin pressured by higher fuel costs



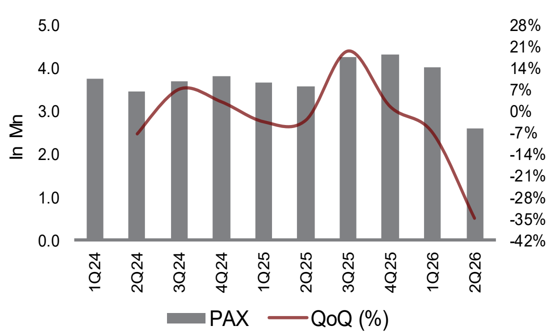
Gross margin weakness narrows EBITDA Margin



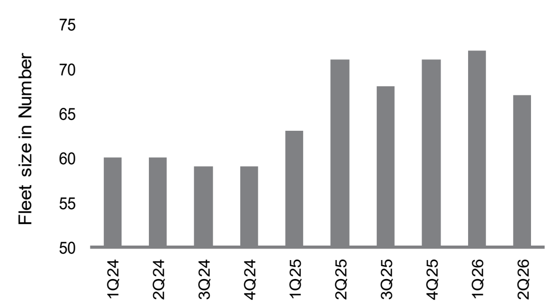
Cost pressures hurt profitability in 2Q26



PAX volumes down 27% YoY amid geopolitical tensions



Capacity reductions lowered fleet size to 67 aircraft



Income Statement (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	4,809	6,362	7,556	7,844	8,360	9,772	11,426	12,915
Direct Costs	-4,213	-5,456	-6,088	-6,361	-7,365	-8,013	-9,255	-10,461
Gross Profit	**596**	**906**	**1,469**	**1,483**	**995**	**1,759**	**2,171**	**2,454**
Selling and marketing expenses	-157	-197	-252	-281	-271	-293	-343	-387
Admin and general expenses	-121	-115	-258	-1,312	-200	-244	-286	-323
Provision for expected credit losses	-8	-0	-26	9	-8	-8	-8	-8
Gain on sale of equipment and fixtures	136	283	131	76	-	10	20	30
EBIDTA	**1,096**	**1,660**	**2,178**	**1,431**	**1,788**	**3,013**	**3,475**	**3,604**
EBIT	**443**	**869**	**1,045**	**-27**	**508**	**1,216**	**1,547**	**1,758**
Finance income	13	52	105	164	206	150	150	150
Finance costs	-278	-503	-693	-628	-685	-810	-1,036	-1,135
PBT	178	418	457	-491	61	636	711	823
Zakat expense	-6	-17	-23	-36	-27	-38	-43	-49
PAT	**172**	**401**	**434**	**-527**	**34**	**597**	**668**	**774**

Balance Sheet (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Intangible assets	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Equipment and fixtures	1,078	1,168	1,537	2,595	4,172	5,985	7,522	9,239
Right-of-use assets	5,050	7,676	7,831	7,694	8,600	9,386	9,921	10,878
Deposits for aircraft	54	55	38	17	2	2	2	2
Total non-current assets	**8,182**	**10,899**	**11,406**	**12,307**	**14,774**	**17,374**	**19,445**	**22,119**
Trade receivables	146	300	239	360	334	391	457	517
Cash and cash equivalents	1,188	1,450	1,700	4,143	3,556	3,376	3,909	4,714
Other current assets	132	216	185	410	314	349	391	428
Total current assets	**1,466**	**1,966**	**2,124**	**4,916**	**4,204**	**4,116**	**4,756**	**5,659**
Total Assets	**9,648**	**12,865**	**13,530**	**17,223**	**18,978**	**21,490**	**24,201**	**27,778**
Share capital	1,534	1,534	1,534	1,709	1,709	1,709	1,709	1,709
Reserves	-695	-308	109	1,841	1,831	2,429	3,097	3,871
Total Equity to shareholders	839	1,226	1,643	3,550	3,552	4,150	4,818	5,592
Total equity	**839**	**1,226**	**1,643**	**3,550**	**3,552**	**4,150**	**4,818**	**5,592**
Loans	845	425	101	1,055	1,018	1,118	1,193	1,268
Employees' end of service benefits liabilities	195	232	268	317	300	366	428	484
Finance Lease liabilities	3,452	5,108	5,306	5,081	5,971	6,872	7,491	8,243
Aircraft related provisions	1,605	2,667	3,099	3,116	3,607	3,924	4,533	5,708
Total non-current liabilities	**6,097**	**8,432**	**8,773**	**9,568**	**10,895**	**12,280**	**13,645**	**15,703**
Trade and other payables	1,626	1,754	1,558	1,800	2,077	2,260	2,610	2,950
Current lease liabilities	401	541	508	1,040	1,030	1,187	1,293	1,421
Loans	388	419	324	429	401	501	551	601
Other current liabilities	296	492	723	836	1,022	1,112	1,284	1,510
Total current liabilities	**2,712**	**3,207**	**3,113**	**4,106**	**4,531**	**5,060**	**5,738**	**6,483**
Total liabilities	**8,809**	**11,639**	**11,887**	**13,673**	**15,426**	**17,340**	**19,383**	**22,186**
Total equity and liabilities	**9,648**	**12,865**	**13,530**	**17,223**	**18,978**	**21,490**	**24,201**	**27,778**

Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	522	1,305	1,927	1,429	2,135	2,968	3,606	3,721
Investing cash flow	18	74	-342	-1,142	-760	-1,141	-8	463
Financing cash flow	351	-1,117	-1,335	2,157	-1,962	-2,007	-3,065	-3,379
Change in cash	891	262	250	2,443	-587	-180	533	806
Beginning cash	298	1,188	1,450	1,700	4,143	3,556	3,376	3,909
Ending cash	**1,188**	**1,450**	**1,700**	**4,143**	**3,556**	**3,376**	**3,909**	**4,714**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	1.12	2.62	2.83	-3.08	0.20	3.50	3.91	4.53
BVPS (SAR)	5.47	7.99	10.71	20.78	20.79	24.29	28.20	32.73
DPS (SAR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FCF per share (SAR)	3.52	8.99	10.33	1.67	8.05	10.69	21.06	0.00
Valuation								
Marketcap (SAR Mn)	12,274	12,274	12,274	11,114	8,399	8,399	8,399	8,399
EV (SAR Mn)	15,951	17,193	16,812	14,445	13,130	14,556	14,851	15,030
EBITDA (SAR Mn)	1,096	1,660	2,178	1,431	1,788	3,013	3,475	3,604
P/E (x)	71.5	30.6	28.3	-21.1	249.3	14.1	12.6	10.9
EV/EBITDA (x)	14.6	10.4	7.7	10.1	7.3	4.8	4.3	4.2
Price/Book (x)	14.6	10.0	7.5	3.1	2.4	2.0	1.7	1.5
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Price to sales (x)	2.6	1.9	1.6	1.4	1.0	0.9	0.7	0.7
EV to sales (x)	3.3	2.7	2.2	1.8	1.6	1.5	1.3	1.2
Liqiudity								
Cash Ratio (x)	0.4	0.5	0.5	1.0	0.8	0.7	0.7	0.7
Current Ratio (x)	0.5	0.6	0.7	1.2	0.9	0.8	0.8	0.9
Quick Ratio (x)	0.5	0.6	0.7	1.2	0.9	0.8	0.8	0.9
Returns Ratio								
ROA (%)	1.8%	3.1%	3.2%	-3.1%	0.2%	2.8%	2.8%	2.8%
ROE (%)	20.5%	32.7%	26.4%	-14.8%	0.9%	14.4%	13.9%	13.8%
ROCE (%)	2.5%	4.2%	4.2%	-4.0%	0.2%	3.6%	3.6%	3.6%
Cash Cycle								
Accounts Payable turnover (x)	2.3	2.9	3.9	3.3	3.3	3.3	3.3	3.3
Receivables turnover (x)	33.0	21.2	31.7	21.8	25.0	25.0	25.0	25.0
Payable Days	160	126	93	111	110	110	110	110
Receivables days	11	17	12	17	15	15	15	15
Cash Cycle	-149	-108	-82	-94	-95	-95	-95	-95
Profitability Ratio								
Net Margins (%)	3.6%	6.3%	5.7%	-6.7%	0.4%	6.1%	5.8%	6.0%
EBITDA Margins (%)	22.8%	26.1%	28.8%	18.2%	21.4%	30.8%	30.4%	27.9%
PBT Margins (%)	3.7%	6.6%	6.0%	-6.3%	0.7%	6.5%	6.2%	6.4%
EBIT Margins (%)	9.2%	13.7%	13.8%	-0.3%	6.1%	12.4%	13.5%	13.6%
Effective Tax Rate (%)	-3.3%	-4.0%	5.1%	-7.2%	6.0%	6.0%	6.0%	6.0%
Leverage								
Total Debt (SAR Mn)	4,865	6,370	6,239	7,474	8,287	9,534	10,361	11,345
Net Debt (SAR Mn)	3,677	4,919	4,538	3,331	4,731	6,157	6,452	6,631
Debt/Capital (x)	3.2	4.2	4.1	4.4	4.9	5.6	6.1	6.6
Debt/Total Assets (x)	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Debt/Equity (x)	5.8	5.2	3.8	2.1	2.3	2.3	2.2	2.0

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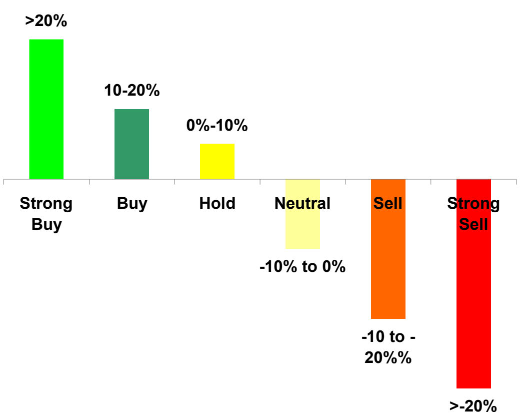
Rating Criteria and Definitions

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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