

Positioned for continued expansion with revenue momentum, and enhanced dividend potential through financial strength; lift TP and retain “Overweight” rating

Etihad Etisalat Co. (Mobily) is set to maintain healthy growth, with revenue expected to rise 7.2% in FY25E and 5.1% in FY26E, supported by strong B2B demand from government and private enterprises, wholesale gains from MVNO partnerships and international connectivity projects, and continued consumer growth driven by mobile and FTTH subscriber expansion. Margins will face near-term pressure from a changing revenue mix and higher operating costs, but gradual improvement is expected from FY27E onward. By FY30E, gross margin should stabilize at 54.5%, EBITDA margin at 39.0%, and net margin at 20.1%, aided by deleveraging and lower financing costs. A stronger balance sheet and moderating CAPEX after FY25E create room for higher dividends. DPS is projected to increase from SAR 2.20 in FY24 to SAR 4.00 by FY30E, with healthy payout ratio of 60-70%. We forecast revenue CAGR of 4.3% and net income CAGR of 7.1% over FY24-30E. Based on rolled-over financials and updated estimates, we raise our target price from SAR 67.9 to SAR 74.8 and maintain our “Overweight” rating.

Q3-25 performance boosted by healthy gross margin and reversal of impairments worth SAR 50mn: Mobily posted a net income of SAR 916mn (+10.6% Y/Y; +10.4% Q/Q), above AJC’s estimate of SAR 831mn. The deviation from our estimate was mainly due to higher-than-expected gross margin and reversal of impairment in accounts receivables and contract assets. However, share in profit of JVs came in at SAR 10mn, well below our expectations of SAR 55mn. Revenue grew 7.8% Y/Y to SAR 4.8bn, in line with AJC’s estimate of SAR 4.8bn, driven by growth across Consumer (+5.1%), B2B (+11.4%) and Wholesale (+18.6%) segments, while other revenue declined 5.7% due to lower number of transactions for Mobily Pay. The B2B revenue in Q3 was aided by favorable seasonality and delivery of certain mega projects. Gross profit rose 4.9% Y/Y to SAR 2,691mn, slightly above our estimate of SAR 2,601mn. Gross margin of 55.5% was better than our estimate of 54.0% but below 57.0% in Q3-24 (helped by one-off tax reversals, normalized 53.9%). The GP margin was supported by favorable revenue mix given seasonality of lower equipment sales and higher service revenue, but we don’t expect this level of margin to sustain. Operating profit increased 8.1% Y/Y to SAR 1,038mn (AJC: SAR 904mn) and EBITDA rose 6.7% Y/Y to SAR 1,970mn (AJC: SAR 1,840mn), as SAR 50mn reversal of impairment in account receivables and contract assets, while G&A expenses jumped 19.1% Y/Y partially limiting operating earnings growth.

Topline momentum to continue with mid-single digit expansion in FY26E backed by growth across B2B, Consume and Wholesale: We expect Mobily to deliver 7.2% revenue growth in FY25E in line with the management’s guidance. The momentum is expected to continue with a slightly moderate 5.1% growth in FY26E, following strong expansion over the past two years. This growth will be supported by – 1) Continued momentum in B2B segment driven by transparent bidding processes in government contracts, robust demand from SMEs and private enterprises, and Mobily’s successful track record in infrastructure and solution development in recent years. The company’s strategic focus on enterprise digitalization, data center and cloud services is also expected to contribute meaningfully. 2) Wholesale segment growth will be fueled by the commencement of the Red Bull Mobile MVNO contract in Q4-25, which is expected to positively impact financials. Additionally, Mobily’s investments in international connectivity such as the Mobily Red Sea Cable (MRSC), Africa-1, AAE-1, and SMW6 will enhance global reach and capacity, supporting wholesale revenue expansion. 3) Consumer segment has witnessed a strong growth in mobile subscribers, which surged 14.5% Y/Y to 13.4mn in Q3-25, driven by prepaid subscriber expansion (+16.3% Y/Y). FTTH subscribers also grew 4.9% Y/Y, reflecting improved penetration and service quality. These trends, coupled with potential market share gains, will support continued growth in the consumer business. In the long run topline growth is expected to taper with expansion of the base. We forecast revenue to grow at a CAGR of 4.3% over FY24–30E, reaching SAR 23.4bn by FY30E.

Recommendation	Overweight
Target Price (SAR)	74.8
Upside / (Downside)*	11.7%

Source: Tadawul *prices as of 29th of Oct 2025

Key Financials				
in SAR mn, (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	16,763	18,206	19,521	20,516
Growth %	6.7%	8.6%	7.2%	5.1%
Gross Profit	9,253	9,894	10,594	11,119
EBIT	6,625	7,195	7,488	7,774
Net Income	2,232	3,107	3,395	3,570
Growth %	34.7%	39.2%	9.3%	5.2%
EPS	2.90	4.03	4.41	4.64
DPS	1.45	2.20	2.75	3.00

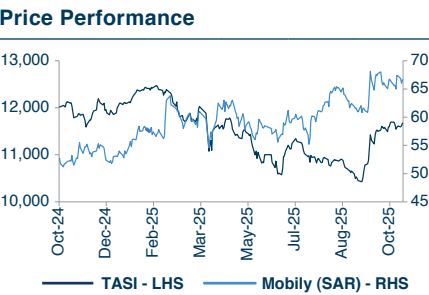
Source: Company reports, Aljazira Capital Research

Key Ratios				
	FY24	FY25E	FY26E	FY27E
Gross Margin	55.2%	54.3%	54.3%	54.2%
EBITDA Margin	39.5%	39.5%	38.4%	37.9%
Net Margin	13.3%	17.1%	17.4%	17.4%
ROE	12.7%	16.5%	16.5%	16.2%
ROA	5.7%	8.1%	8.5%	8.5%
P/E (x)	16.9	13.2	15.2	14.4
P/B (x)	2.1	2.2	2.5	2.3
EV/EBITDA (x)	7.2	6.8	7.9	7.4
Dividend Yield	3.0%	4.1%	4.1%	4.5%

Source: Company reports, Aljazira Capital Research

Key Market Data	
Market Cap (SAR bn)	51.6
YTD%	25.4%
52 weeks (High)/(Low)	69.00/50.80
Share Outstanding (mn)	770.0

Source: Company reports, Aljazira Capital Research



Source: Tadawul, Aljazira Capital Research

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GP margins and EBITDA margins are less likely to improve in near future amid changing

revenue mix and expanding operations: Mobily's gross profit margin is expected to remain under pressure in the near term due to a shift in revenue mix, particularly the rising contribution from the B2B segment. While this segment supports top-line growth, its relatively lower margin profile compared to consumer services weighs on overall profitability. Additionally, Mobily's expanding operations and capability development are driving up general and administrative (G&A) expenses, which grew 15.9% Y/Y in 9M-25, more than double the revenue growth of 7.0% in the same period. Although we expect Mobily to exceed its EBITDA margin guidance of 37-38% in FY25E, reaching 38.4%, margins may decline to 37.9% in FY26E due to elevated operating costs. However, we anticipate a gradual recovery in margins starting FY27, supported by scale efficiencies and maturing investments. By FY30E, gross margin is expected to stabilize around 54.5%, while EBITDA margin should improve to 39.0%. Operating margin is projected to reach 20.5%, reflecting improved cost discipline and operating leverage. Net margins are also expected to expand over the forecast period, supported by lower financing costs amid declining interest rates and Mobily's ongoing deleveraging efforts. We forecast net margin to reach 20.1% by FY30E. Overall, Mobily's net income is projected to grow at a CAGR of 7.1% over FY24–30E.

Strengthening balance sheet, robust cash flow generation and expected CAPEX moderation

next year indicate potential for higher dividend payouts: Mobily's improving financial position, strong operating cash flows, and expected moderation in CAPEX (after a surge this year) create a favorable backdrop for enhanced shareholder returns. The company's debt-to-equity ratio is projected to decline from 0.41x in FY24 to 0.18x by FY30E, reflecting disciplined deleveraging. CAPEX expected to peak at SAR 3.6bn in FY25E (CAPEX intensity of 18.6%) but is expected to normalize to SAR 2.7bn in FY26E and remain stable through FY30E, with intensity averaging around 12.9%. This financial flexibility supports a progressive dividend policy. Mobily's DPS is forecast to rise from SAR 2.20 in FY24 to SAR 4.00 by FY30E, maintaining healthy payout ratios between 60-70%. The combination of lower leverage, strong cash generation, and reduced investment intensity positions Mobily to deliver higher regular dividends.

Investment thesis and valuation: Mobily remains well-positioned for sustained growth, margin recovery from FY27 onward, and stronger shareholder returns supported by deleveraging and CAPEX moderation. We forecast revenue CAGR of 4.3% and net income CAGR of 7.1% over FY24-30E, with gross margin stabilizing at 54.5% and EBITDA margin improving to 39.0% by FY30E. Based on rolled-over financials and updated estimates, we raise our target price. We value Mobily with 50% weight to DCF (WACC = 9.2%; terminal growth = 2.5%) and 25% each to FY26E EV/EBITDA (7.5x) and P/E (17.0x). With the blended valuation approach we arrive at a TP of **SAR 74.8/share**. We maintain our **"Overweight"** rating. Mobily is currently trading at P/E of 14.4x, EV/EBITDA of 7.4x and a dividend yield of 4.5% based on our FY26E estimates.

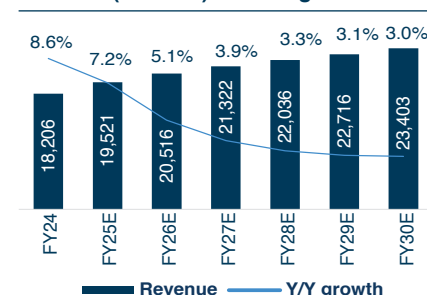
The upside risks to our valuation are 1) Faster-than-expected B2B and wholesale growth, 2) higher dividend payouts, and 3) quicker monetization of infrastructure investments. **Downside risks** include 1) sustained margin pressure from revenue mix, 2) delays in project execution and 3) competitive intensity in consumer and enterprise segments.

Blended valuation summary

	Fair Value	Weights	Weighted Avg
DCF	77.2	50%	38.6
EV/EBITDA	66.1	25%	16.5
P/E	78.8	25%	19.7
Blended TP			74.8
Up/Downside (%)			11.7%

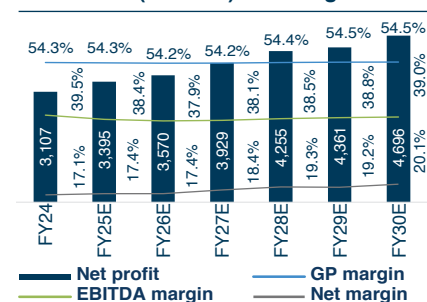
Source: AlJazira Capital Research

Revenue (SAR mn) and Y/Y growth



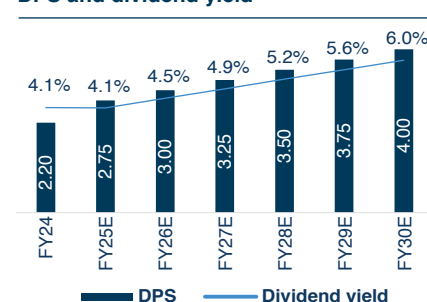
Source: Company reports, AlJazira Capital Research

Net income (SAR mn) and margins



Source: Company reports, AlJazira Capital Research

DPS and dividend yield



Source: Company reports, AlJazira Capital Research





Key Financial Data

Amount in SARmn, unless otherwise specified	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement										
Revenue	14,834	15,717	16,763	18,206	19,521	20,516	21,322	22,036	22,716	23,403
Y/Y	5.6%	6.0%	6.7%	8.6%	7.2%	5.1%	3.9%	3.3%	3.1%	3.0%
Cost of Revenue	(6,163)	(6,336)	(7,509)	(8,312)	(8,927)	(9,397)	(9,770)	(10,056)	(10,341)	(10,652)
Gross Profit	8,672	9,381	9,253	9,894	10,594	11,119	11,552	11,980	12,375	12,750
Gross margin	58.5%	59.7%	55.2%	54.3%	54.3%	54.2%	54.2%	54.4%	54.5%	54.5%
Selling & marketing	(1,390)	(1,463)	(1,250)	(1,344)	(1,448)	(1,480)	(1,517)	(1,546)	(1,571)	(1,595)
General & administrative	(1,558)	(1,628)	(1,194)	(1,209)	(1,668)	(1,782)	(1,829)	(1,866)	(1,899)	(1,931)
EBITDA	5,581	6,179	6,625	7,195	7,488	7,774	8,122	8,481	8,815	9,131
EBITDA Margin	37.6%	39.3%	39.5%	39.5%	38.4%	37.9%	38.1%	38.5%	38.8%	39.0%
Operating Income	1,654	2,328	2,977	3,530	3,767	3,888	4,164	4,396	4,603	4,788
Y/Y	21.0%	40.8%	27.9%	18.6%	6.7%	3.2%	7.1%	5.6%	4.7%	4.0%
Operating Margin	11.2%	14.8%	17.8%	19.4%	19.3%	19.0%	19.5%	20.0%	20.3%	20.5%
Financing costs	(505)	(607)	(690)	(615)	(667)	(613)	(521)	(416)	(311)	(154)
Zakat	(79)	(122)	(217)	(86)	(94)	(99)	(109)	(118)	(121)	(130)
Net income	1,072	1,657	2,232	3,107	3,395	3,570	3,929	4,255	4,361	4,696
Y/Y	36.8%	54.6%	34.7%	39.2%	9.3%	5.2%	10.0%	8.3%	2.5%	7.7%
Net Margin	7.2%	10.5%	13.3%	17.1%	17.4%	17.4%	18.4%	19.3%	19.2%	20.1%
EPS	1.39	2.15	2.90	4.03	4.41	4.64	5.10	5.53	5.66	6.10
DPS	0.85	1.15	1.45	2.20	2.75	3.00	3.25	3.50	3.75	4.00
Balance sheet										
Assets										
Cash and cash equivalents	1,051	828	1,654	1,400	1,657	3,650	5,238	5,953	6,637	8,160
Other current assets	7,034	7,298	7,846	8,097	8,561	9,043	9,497	9,940	10,130	10,320
Total Current Assets	8,085	8,125	9,500	9,496	10,218	12,694	14,735	15,894	16,767	18,480
Property & Equipment	20,380	19,508	19,012	18,851	18,121	17,884	17,578	17,259	16,863	16,449
Other non-current assets	10,899	10,545	10,305	10,168	11,671	11,579	11,524	11,508	11,547	11,648
Total Assets	39,364	38,178	38,817	38,515	40,009	42,157	43,837	44,661	45,178	46,578
LIABILITIES										
Total current liabilities	11,083	10,065	11,197	10,412	9,928	10,810	10,896	11,146	10,662	10,904
Long term borrowings	9,624	8,310	6,700	5,725	5,466	4,966	4,466	2,966	1,966	966
Total non-current liabilities	13,085	11,755	9,998	9,228	9,506	9,318	9,294	8,115	7,449	6,799
Paid -up capital	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700	7,700
Retained earnings	4,884	5,919	7,247	11,198	12,899	14,351	15,970	17,723	19,389	21,198
Total Shareholder's Equity	15,196	16,359	17,623	18,875	20,576	22,029	23,647	25,400	27,066	28,875
Total Liabilities & Equity	39,364	38,178	38,817	38,515	40,009	42,157	43,837	44,661	45,178	46,578
Key fundamental ratios										
Liquidity ratios										
Current ratio (x)	0.7	0.8	0.8	0.9	1.0	1.2	1.4	1.4	1.6	1.7
Quick ratio (x)	0.7	0.8	0.8	0.9	1.0	1.2	1.3	1.4	1.6	1.7
Profitability ratios										
GP Margin	58.5%	59.7%	55.2%	54.3%	54.3%	54.2%	54.2%	54.4%	54.5%	54.5%
Operating Margins	11.2%	14.8%	17.8%	19.4%	19.3%	19.0%	19.5%	20.0%	20.3%	20.5%
EBITDA Margin	37.6%	39.3%	39.5%	39.5%	38.4%	37.9%	38.1%	38.5%	38.8%	39.0%
Net Margins	7.2%	10.5%	13.3%	17.1%	17.4%	17.4%	18.4%	19.3%	19.2%	20.1%
Return on assets	2.7%	4.3%	5.7%	8.1%	8.5%	8.5%	9.0%	9.5%	9.7%	10.1%
Return on equity	7.1%	10.1%	12.7%	16.5%	16.5%	16.2%	16.6%	16.8%	16.1%	16.3%
Leverage ratio										
Debt / equity (x)	0.8	0.7	0.6	0.4	0.4	0.3	0.3	0.2	0.2	0.1
Market/valuation ratios										
EV/EBITDA (x)	6.6	6.3	7.2	6.8	7.9	7.4	6.8	6.3	6.0	5.5
EPS (SAR)	1.39	2.15	2.90	4.03	4.41	4.64	5.10	5.53	5.66	6.10
BVPS (SAR)	19.7	21.2	22.9	24.5	26.7	28.6	30.7	33.0	35.2	37.5
Market price (SAR)*	31.2	34.8	49.1	53.4	67.0	67.0	67.0	67.0	67.0	67.0
Market-Cap (SAR mn)	23,986	26,758	37,769	41,118	51,552	51,552	51,552	51,552	51,552	51,552
DPS	0.85	1.15	1.45	2.20	2.75	3.00	3.25	3.50	3.75	4.00
Dividend yield	2.7%	3.3%	3.0%	4.1%	4.1%	4.5%	4.9%	5.2%	5.6%	6.0%
P/E ratio (x)	22.4	16.1	16.9	13.2	15.2	14.4	13.1	12.1	11.8	11.0
P/BV ratio (x)	1.6	1.6	2.1	2.2	2.5	2.3	2.2	2.0	1.9	1.8

Source: Company reports, Aljazira Capital Research, * market price as of October 29, 2025





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RESEARCH
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RATING
TERMINOLOGY

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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.

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