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ALJAZIRA CAPITAL الجزيرة للأسواق المالية

flynas Company

Leading the low-cost aviation surge in KSA with strategic expansion and solid financial trajectory

Initiation Coverage Report | July 2025

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Flynas Company (flynas): Capturing Saudi Arabia's aviation upside; initiating with "Overweight" and a TP of SAR 94.7 (26.6% upside)

Flynas is poised to benefit meaningfully from Saudi Arabia's USD 100bn aviation transformation plan under Vision 2030, which aims to more than double passenger volumes to 330mn by 2030. As the Kingdom's leading low-cost carrier (LCC), Flynas is at the center of this structural growth wave, supported by its strong domestic network, expanding international presence, and rising participation in high-volume religious tourism. Saudi carriers are entitled to transport 50% of international Hajj pilgrims, yet current market share is significantly below this level, creating a large, underpenetrated opportunity. Flynas has already scaled Hajj operations to serve 100k pilgrims in FY23, and Umrah traffic is expected to grow at a 12% CAGR through 2030. Moreover, its strong alignment with Vision 2030 goals, serving 80% of the Saudi population, enhancing connectivity to giga-projects like NEOM, and supporting pilgrimage traffic from Africa and South Asia, ensures Flynas remains at the forefront of the national aviation ecosystem. Flynas is projected to deliver strong financial growth over FY24–29E, supported by aggressive fleet expansion, rising passenger volumes, and strategic international scale-up. Revenue is forecast to grow at a CAGR of 13.9% by FY29E, driven by an increase in aircraft count (from 61 to 108), ASK growth (18% CAGR), and expanding international and religious travel segments. Despite some pressure on yields (RASK to decline from SAR 0.270 to 0.226), margins are expected to remain healthy. Gross margin is projected to moderate from 19.4% in FY24 to 19.2% by FY29E, impacted by rising depreciation and cost inflation during the high CAPEX phase. However, EBITDA margins are expected to remain stable and strong, improving from 28.8% in FY24 to a peak of 30.9% in FY28E, and settling at 30.0% by FY29E, supported by scale efficiencies and cost discipline. Net income is forecast to grow at a robust CAGR of 17.8%, increasing from SAR 434mn in FY24 to SAR 985mn by FY29E. Thus, we initiate with a TP of SAR 94.70/share and "Overweight" rating.

Strong market position and cost-efficient LCC model anchored in diversification: Flynas has solidified its position as the Kingdom's second-largest carrier and the leading LCC, having grown its domestic market share from 17% in 2021 to 23% in 2024, despite fierce competition from Saudia and Flyadeal. It operates one of the youngest fleets in the region (average age: 3.2 years), with 91% of aircraft powered by next-generation fuel-efficient engines supporting industry-leading cost metrics and an EBITDA margin of ~29%. Nearly 49% of passengers now originate from international routes, supported by a network of 72 destinations across 30 countries and partnerships with global players such as Emirates, Saudia, and Turkish Airlines. Revenue is further bolstered by ancillary services contributing 16% of sales, reflecting a mature unbundled pricing model. In addition, the airline's disciplined expansion strategy focused on underserved "Blue Ocean" routes has resulted in 80% of new international routes achieving profitability within their first year of operation, a key strength compared to peers. Flynas also benefits from geographic diversification across both leisure and pilgrimage markets, with high yield per RPK (SAR 31), among the highest in industry.

Aggressive fleet expansion and network buildout to drive scale and profitability: Flynas' robust financial outlook is anchored in its aggressive fleet growth strategy. The airline is targeting an increase from 61 aircraft in FY24 to 108 aircraft by FY29E (CAGR: 12.4%), supported by a 225-aircraft order book, the largest among domestic and regional peers. This fleet expansion will allow Flynas to capture growing demand across both short- and medium-haul routes, including underserved corridors in Africa, Central Asia, and Eastern Europe. ASK is expected to grow at an 18% CAGR, and passenger volumes are forecast to rise from 10.2mn (FY25E) to 16.8mn (FY29E), delivering a CAGR of 13.1%. Revenues are projected to grow from SAR 7.6bn to SAR 14.5bn (CAGR: 13.9%) during this period, while net income is set to grow at a faster 17.8% CAGR, driven by scale benefits and tight cost control. Despite modest RASK dilution from SAR 0.270 to SAR 0.226 due to increasing competition, the airline is expected to maintain healthy utilization (~87% through FY27E), stable yields, and industry-leading margins. Flynas' route planning discipline and first-mover advantage, supports a sustainable growth trajectory even in a competitive environment.

Recommendation	**Overweight**
Target Price (SAR)	**94.70**
Upside/(Downside)	**26.6%**

Source: Tadawul *prices as of 16th of July 2025

Key Financials

(in SAR mn, unless specified)	FY23	FY24	FY25E	FY26E
Revenues	6,362	7,556	8,243	9,916
Growth %	32.3%	18.8%	9.1%	20.3%
Gross Profit	906	1,469	1,684	1,987
EBITDA	1,660	2,178	2,489	2,999
Net Income	401	434	573	699
Growth %	133.6%	8.0%	32.2%	21.9%
EPS	2.77	2.99	3.35	4.09
DPS	0.00	0.00	0.00	0.00

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	14.2%	19.4%	20.4%	20.0%
EBITDA Margin	26.1%	28.8%	30.2%	30.2%
Net Margin	6.3%	5.7%	7.0%	7.0%
ROE	38.9%	30.2%	20.8%	16.6%
ROA	3.6%	3.3%	3.8%	3.9%
PE (x)	NM	NM	23.0	18.9
PB (x)	NM	NM	3.4	2.9
EV/EBITDA (x)	NM	NM	6.8	5.9
Dividend Yield	NM	NM	0.0%	0.0%

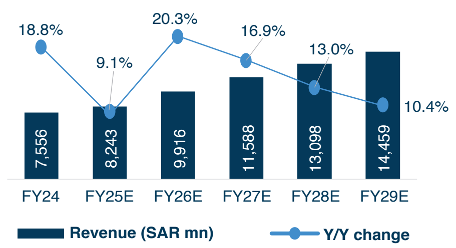
Source: Company reports, Aljazira Capital Research

Key Market Data

Current market price (SAR per share)	77.3
Market Cap (SAR bn)	13.2
52 weeks (High)/(Low)	84.10/69.9
Share Outstanding (mn)	170.9

Source: Company reports, Aljazira Capital Research

Revenue (SAR mn) and Y/Y change



Source: Tadawul, Aljazira Capital Research

Strategic exposure to religious tourism and national aviation ecosystem: Flynas has emerged as a key enabler of Saudi Arabia's plans to scale religious tourism, an integral pillar of Vision 2030. The airline has grown its Hajj and Umrah revenues 35x from FY20 to FY24, increasing its segment share to 7.8% of total revenues. With Saudi Arabia targeting 30mn pilgrims annually by 2030, Flynas is expanding its dedicated pilgrimage operations through a combination of dry-leased A330 wide-body aircraft and temporary wet leases during peak season. The recent establishment of its Madinah hub, aligned with the Pilgrims Experience Program, strengthens its position in the Holy Cities corridor. In parallel, Flynas is supporting national connectivity goals through strategic base expansion and infrastructure alignment with Saudi giga-projects such as King Salman International Airport and the Red Sea tourism zone. With 33 domestic routes and rising frequencies in high-traffic domestic corridors, Flynas holds a unique position in Saudi Aviation sector.

Resilient margin profile driven by operating leverage and cost efficiency, despite expansion and competitive headwinds: Flynas is expected to maintain healthy profitability over FY24-29E, with EBITDA margins rising from 28.8% in FY24 to a peak of 30.9% in FY28E, before easing to 30.0% in FY29E, supported by operating leverage, high aircraft utilization, and growing ancillary and pilgrimage revenues. Gross margins are projected to remain stable, moderating slightly from 19.4% in FY24 to 19.2% by FY29E, as rising depreciation and cost inflation from fleet expansion are partially offset by cost discipline and a modern, fuel-efficient fleet. Despite RASK pressure (declining from SAR 0.270 to 0.226), Flynas is positioned to grow net income at a CAGR of 17.8%, increasing from SAR 435mn in FY24 to SAR 985mn in FY29E, with net margins improving from 5.7% to 6.8%, peaking at 7.4% in FY28E.

Elevated CAPEX and shift toward partial ownership driving higher financial leverage: Flynas is entering a high-CAPEX phase as it scales both narrow-body and wide-body fleets. CAPEX is expected to rise from SAR 475mn in FY24 to a peak of SAR 2.7bn in FY27E (28% of sales), reflecting large aircraft acquisitions and pre-delivery payments. The company is also strategically transitioning toward owning 15% of its fleet by FY30E, compared to a fully leased model in the past. This ownership shift will require higher external funding, with gross debt forecast to rise from SAR 425mn in FY24 to SAR 3.2bn by FY29E, while lease liabilities are expected to double from SAR 5.8bn to SAR 11.4bn during the same period. The debt-to-equity ratio is projected to rise to 0.47x by FY29E. Although this transition increases financial leverage and depreciation expenses, it supports long-term asset efficiency, balance sheet flexibility, and lower lease costs over time. The company's strong cash flow generation and negative working capital model offer support for liquidity and funding requirements through the investment cycle.

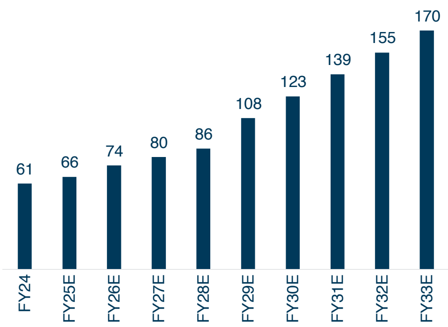
Investment thesis and Valuation: Flynas is well-positioned to benefit from Saudi Arabia's USD 100bn aviation push under Vision 2030, supported by its strong domestic presence, expanding international footprint, and growing role in religious tourism. With fleet size expected to grow from 61 to 108 aircraft and ASK at an 18% CAGR, revenue is projected to rise from SAR 7.6bn in FY24 to SAR 14.5bn in FY29E (13.9% CAGR). Despite yield pressure, margins remain resilient, with EBITDA margin improving from 28.8% to 30.0%, and net income growing at a 17.8% CAGR to reach SAR 985mn by FY29E.

We value Flynas using a blended approach: 50% weight to EV/EBITDA multiple of 7.8x on FY25E, and 50% to DCF (WACC: 10.4%, terminal growth: 2.5%). This results in a target price of **SAR 94.70/share**, implying 26.6% upside from current levels. Our valuation justifies a 10% premium to global peer median (7.1x) on account of Flynas' superior growth profile, efficient cost structure, and unique strategic alignment with Vision 2030 aviation initiatives. We initiate with an "**Overweight**" recommendation.

Key Upside Risks: stronger-than-expected load factors, faster religious tourism recovery, or higher ancillary yields.

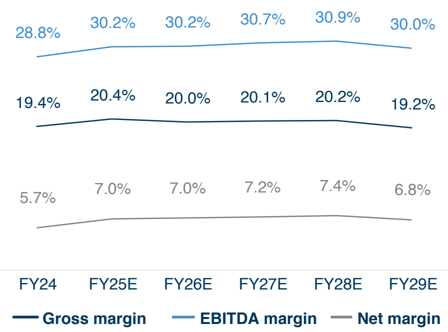
Key Downside Risks: Fuel cost volatility (fuel forms ~28% of revenue), rising competition from regional/global LCCs and FSCs, and execution risk around fleet deliveries, regulatory changes, or route profitability. The ongoing high-capex cycle also increases sensitivity to interest rate changes and financing conditions.

Fleet expansion



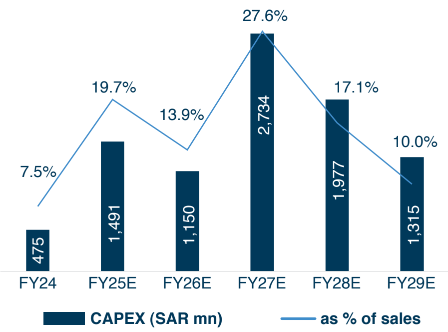
Source: Company reports, Aljazira Capital Research

Margin profile



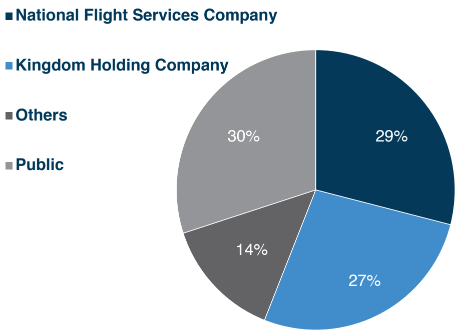
Source: Company reports, Aljazira Capital Research

CAPEX (SAR mn)



Source: Company reports, Aljazira Capital Research

Ownership post-IPO

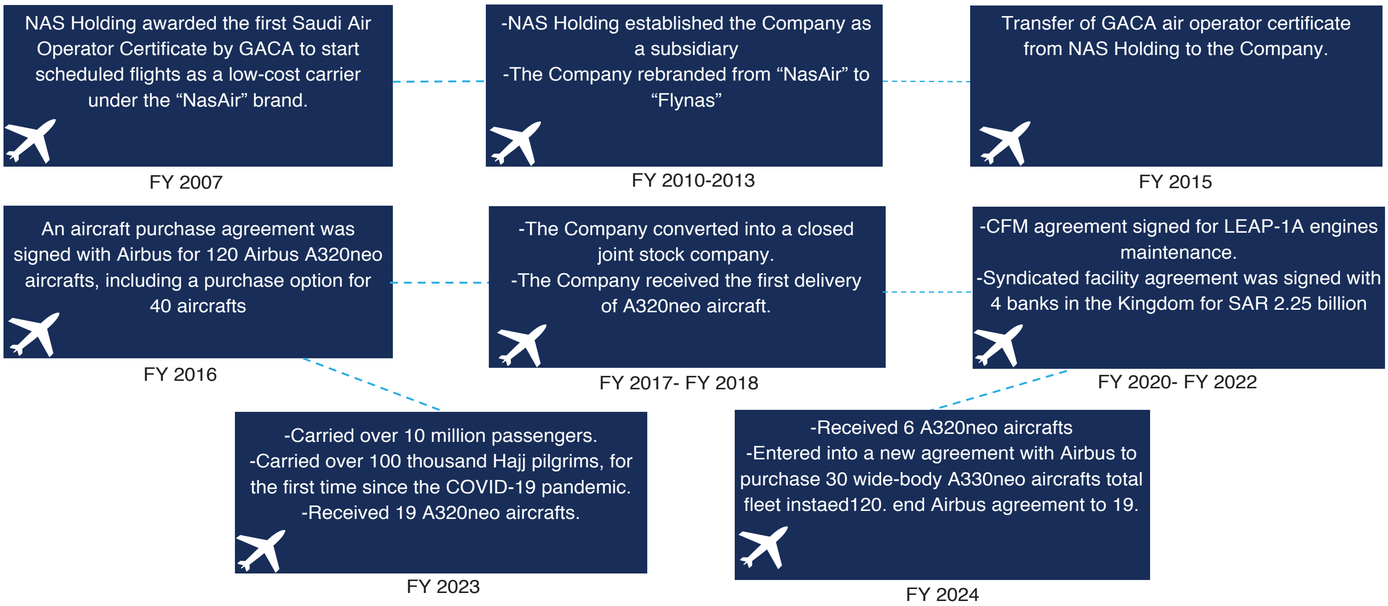


Source: Company reports, Aljazira Capital Research

Company Overview

Flynas, founded in 2007 as the first low-cost carrier (LCC) in Saudi Arabia, holds a leading position in the MENA LCC market. Flynas success is driven by a competitive pricing model that offers direct flights and high-margin ancillary services. As of FY24, the airline operates a young, fuel-efficient fleet 61 aircraft, that takes off through the seas to 72 destinations across 30 countries, serving 14.7m passengers. Flynas is actively expanding its network and operations in alignment with Saudi Arabia's Vision 2030 through introducing new routes and expanding its fleet. The airline has 195 narrow-body aircraft on order, of which 53 were delivered in FY24. In addition, signed a new agreement with Airbus to acquire 30 wide-body A330neo aircraft, including 15 optional, bringing its total order book to 225 aircraft, making Flynas the largest operator of modern aircraft in the Middle East region. The airline has 4 bases- Riyadh, Dammam, Jeddah, Medina- covering Saudi Arabia's most populous cities and enabling strong domestic and international connectivity, as well as partnerships with other airlines through codeshare and interline agreements allow passengers to access 126 international destinations, ensuring further coverage for the market appetite.

Flynas Story



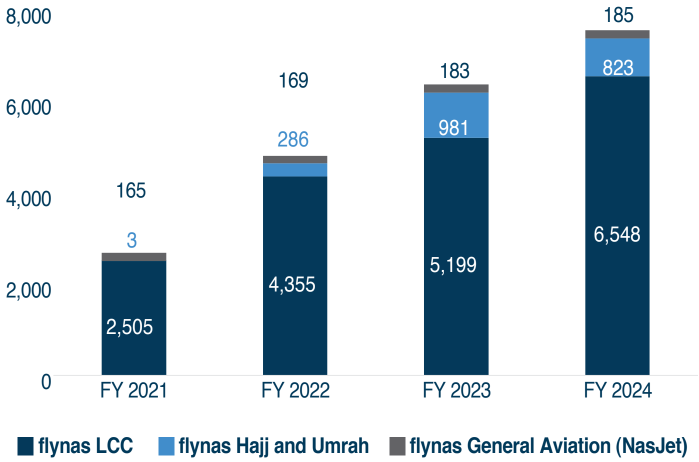
Source: Company, AlJazira Capital Research

Flynas' Three-Pillar Model: Budget Travel, Pilgrimage Services, and NasJet

Flynas Low-Cost Carrier (LCC)

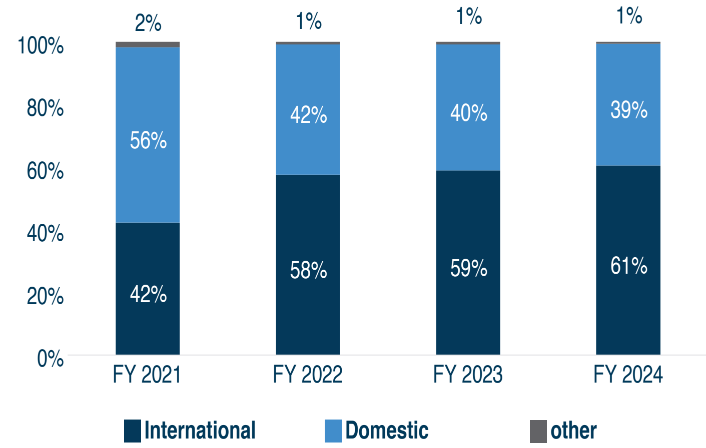
Flynas' Low-Cost Carrier (LCC) segment is the pulse for the company operations, accounting for 87% of the airline's total revenue in FY24. The airline offers commercial scheduled International and domestic flights, according to pre-planned and published schedules, following an unbundle service model allowing passengers to create suitable travel experience. This model enables Flynas to diversify its revenue streams, with income derived not only from ticket sales but also from high-margin ancillary services. Leveraging its wide network, the airline offers attractive destinations across both domestic and international markets. The fleet primarily consists of Narrow-body aircraft which have been always used in this LCC segment. As of FY2024, Flynas operates 53 A320neo, 4 A320ceo, and 4 A330ceo aircraft. Approximately 88% of its flights follow a point-to-point model, aligned with its "Blue Ocean Strategy" to serve underserved or unreached destinations. The airline places strong emphasis on connecting the Saudi market to key regions in South Asia, Africa, and Europe. In effort to maximize the expansion, Flynas maintains codeshare and interline agreements with major international carriers including Saudia, Emirates, Turkish Airlines, and others.

Fig 1. Revenue by Segment (SAR mn): Flynas LCC remains a major contributor over the years



Source: Company, AlJazira Capital Research

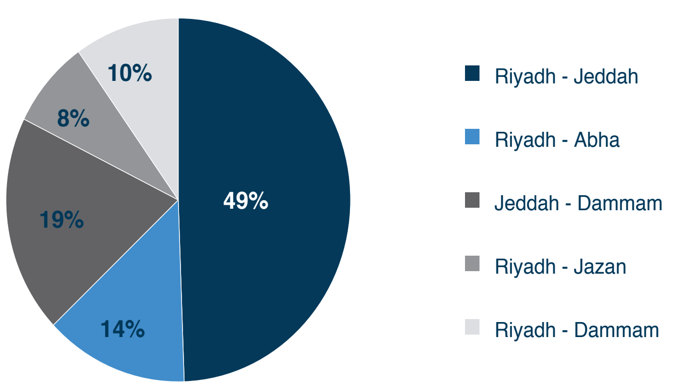
Fig 2. Geographical distribution of revenue skewed towards international business



Source: Company, AlJazira Capital Research

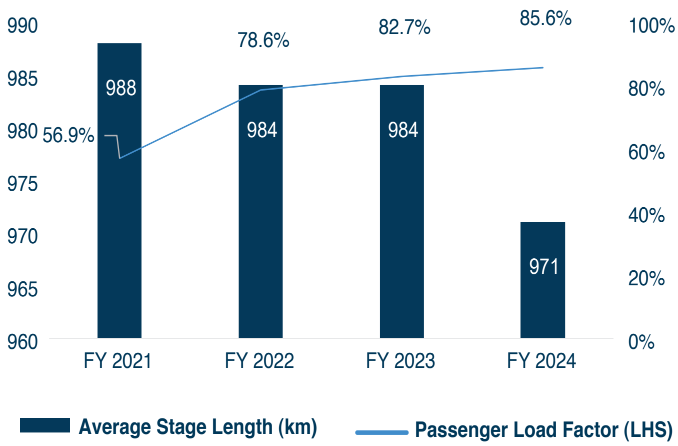
Ambitious domestic expansion aiming to serve 80% of Saudi Arabia rapidly expanding urban population: Saudi Arabia is the largest in the GCC in term of land and population, spanning 2.1 million square kilometers and home to 35.3 million people. In FY2023, the Saudi domestic aviation market ranked 7th among the 20 largest domestic markets globally. The country has 29 commercial airports and Flynas aims to maintain a high domestic coverage in alignment with Vision 2030, which targets 330mn passenger by FY30, of which 226mn are projected to be domestic. Flynas currently have a full coverage of the Kingdom major airports, with the goals to maintain a diversified geographic mix while expanding capacity on existing routes, thereby increasing market share and profitability. This will be achieved through its point-to-point travel model and competitive pricing strategy. As of Q3 2024, Flynas operates an average of 134 daily flights, covering 33 domestic routes across 16 airports. The airline is focusing on the six busiest domestic markets: Riyadh, Jeddah, Dammam, Madinah, Abha, and Jazan. Among these, the Riyadh–Jeddah route recorded the highest passenger volume in FY2024. Flight frequencies may vary due to seasonality and national holidays. Domestic flights currently account for 51% of total passenger traffic. In line with its Vision 2030 goals, Flynas aims to serve approximately 80% of Saudi Arabia's population by FY30 and continues to add new routes to support this ambition reaching 33 domestic routes as of FY24.

Fig 3. Top 5 domestic routes in terms of passenger traffic



Source: Company, AlJazira Capital Research

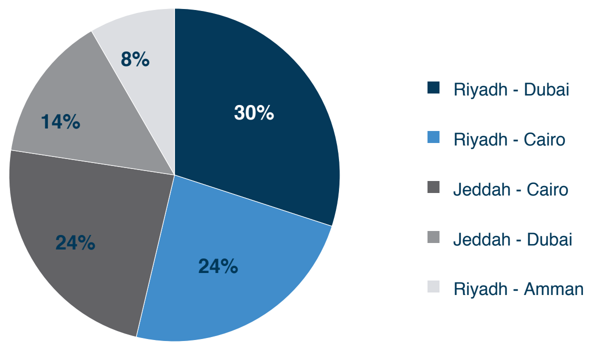
Fig 4. Key operating metrics for domestic business



Source: Company, AlJazira Capital Research

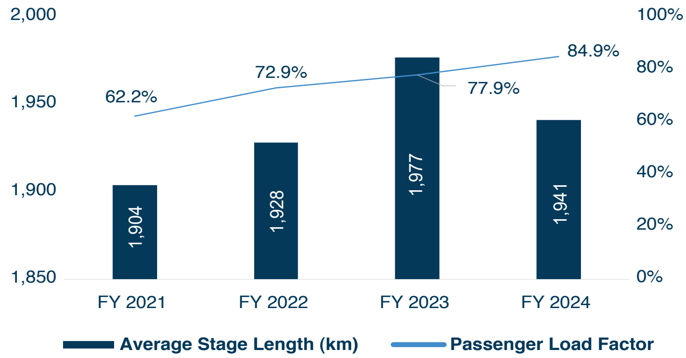
Navigating Blue Ocean strategy to expand international network: Flynas is actively implementing a Blue Ocean Strategy to expand its international footprint. As of FY2024, the airline operates flights to 51 international destinations, serving demand across the Middle East, Asia, Africa, Central Asia, and Europe. The company maintains a strong emphasis on point-to-point travel, which accounted for 94.4% of its total flights in FY2024. On average, Flynas operates 132 daily flights to 56 airports across 106 routes. In terms of regional dynamics, the western region of Saudi Arabia is primarily linked to religious pilgrimage traffic, while Riyadh and Dammam serve markets driven by business, tourism, leisure, and visits to friends and relatives (VFR). Egypt and the UAE are Flynas' largest international markets by passenger volume, contributing 1.5mn and 1.2mn passengers, respectively. Turkey, however, leads in terms of number of routes, with 17 routes and 0.5mn passengers. Flynas' network focuses on short- to medium-haul travel (up to 6,000 km), aligning with the range capabilities of its narrow-body fleet specifically the Airbus A320 family, which has a range of up to 6,300 km. This supports the airline's strategic expansion into Europe, West Asia, and Northern/Central Africa. In addition to targeting high-demand regions, Flynas also prioritizes underserved markets by being a first mover, an approach that has proven successful in both route and country selection. With the anticipated delivery of the A321neo, the airline will be able to operate flights of up to 7–8 hours, opening access to longer-haul international markets. In effort to maximize the expansion, the Airline have 3 codeshare and 8 interline agreements with major airline such as Saudia, Emirates, Turkish Airline, others. These partnerships allow Flynas passengers to access up to 128 global destinations through partner networks.

Fig 5. Top 5 international routes in terms of passenger traffic



Source: Company, AlJazira Capital Research

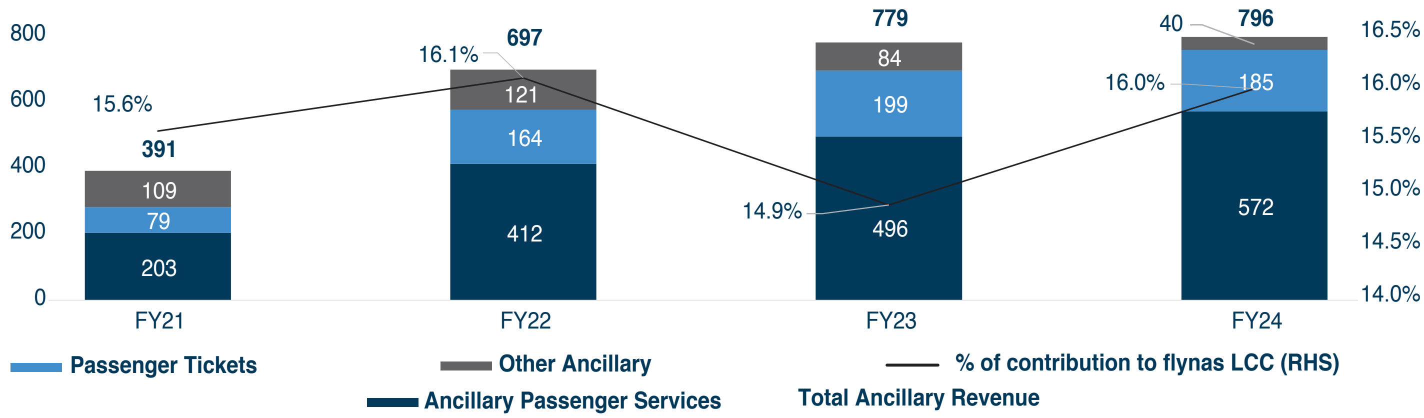
Fig 6. Key operating metrics for international business



Source: Company, AlJazira Capital Research

Ancillary services: Flynas offers a wide range of ancillary services that contribute 16% of the company's total revenue. These services include seat selection, excess baggage fees, pre-ordered meals, lounge access, and other optional add-ons. Ancillary revenue represents an attractive, high-margin stream that supports the airline's profitability and aligns with its low-cost business model.

Fig 7. Flynas ancillary services contribution over the years



Source: Company, AlJazira Capital Research

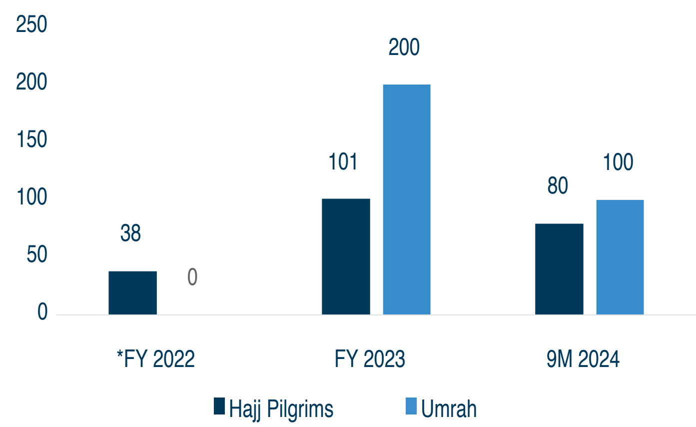
Hajj & Umrah

Saudi Arabia is the home for two of the holy distention in Islam-Makkah and Madina- and host millions of Muslims every year to perform their religion rites, The Saudi government has set an ambitious target to host 30mn pilgrims by FY30, a significant increase from the 18.5mn total pilgrims FY23. Focusing specifically on Umrah pilgrims, 13.5mn Umrah pilgrims in FY23 representing a 12% CAGR. Flynas is targeting this segment to utilize the government goal as Saudi carriers are privileged to transport 50% of the international hajj pilgrims, however currently the Saudi carriers have lower share which indicates an attractive opportunity to the segment. Flynas Hajj & Umrah operate flights under an agreement with the governments to transport pilgrims from different countries after a negotiation with international countries with the allocation process being overseed by GACA. The airline currently operates through 4 dry leased wide-body aircraft to cover the sessional demand in addition to 10 temporary wet leased wide-body.

Hajj services: Provided to foreign government arthurites that involve with different carriers to transport its pilgrim citizens. Due to that reason, this service line is not considered as direct-to-consumers. Flynas operate Hajj flights on a charter flight basis, as the flights are basically a contract with foreign authorities which they manage and allocate seats for their citizens. In addition, Flynas offers multiple Hajj services including serving dignitaries and delegations pilgrims and offering accommodation and transportation packages. Flynas provides its Hajj services to 13 countries and 22 destinations as of FY23, the airline history wet-leased up to 12 wide body aircraft annually. however, in effort of the company to meet its targeted goals, the airline added 4 A330 aircrafts to its dry-lease agreements which enable the company to widen its current market share of c.6% in this segment, with focus on African and south Asian pilgrims. In line with the Saudi government goal to reach 30mn pilgrims by FY30, Flynas is determined to leverage it by expanding Hajj segment network and satisfying the charter flights demand, where Saudi carriers currently are below (<50%) their allowed share of transporting pilgrims which create a gap that can be filled. Flynas already started operating its 4 dry-leased A330 and conducted 100,000 charted flight FY23.

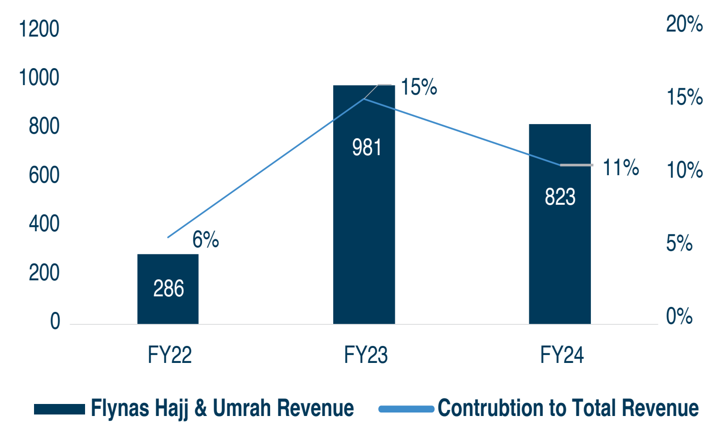
Umrah services: In FY23 the total Umrah international pilgrims reached 13.5mn, with the Saudi government aiming to reach 30mn pilgrims by FY30 representing a 12% CAGR as part of Vision 2030. The airline carried around 0.1mn umrah passenger across 4 markets; Algeria, Bangladesh, Morocco and Uzbekistan during FY24. This excludes pilgrims who have been serviced via Flynas LCC business segment as Umrah pilgrim group are arranged through travel agents based in different markets. Umrah flights share the same aircraft as Hajj operations.

Fig 8. Hajj and Umrah pilgrims served by flynas (‘000)



Source: Company, AlJazira Capital research; Umrah services was launched in FY23, Number of Pilgrims are for 9M FY24

Fig 9. Hajj and Umrah Revenue contribution (SAR mn)



Source: Company, AlJazira Capital research

Flynas General Aviation (NasJet):

The Nas jet segment offer charted flights for high profiled and wealthy individuals, with two main services i) aircraft management ii) private jets charter flights services. The airline currently operates 10 leased private aircraft, and a client list consists of more than 40 clients with the company commercial department operating as an attraction point for the clients.

Next-gen fleet in flight: redefining regional aviation with CFM leap engines

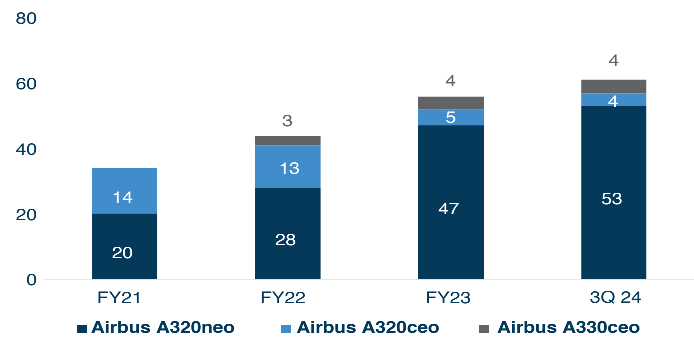
As of FY2024, Flynas operates a fleet of 61 aircraft, one of the youngest in the region, with an average age of 3.2 years. The airline operates from four strategic bases across Saudi Arabia and is positioning itself to become one of the largest A320neo operators in the region. Flynas primarily provides scheduled and chartered point-to-point flights using a cost-efficient fleet powered by CFM engines, which account for 91% of the current fleet. The fleet consists mainly of narrow-body Airbus A320neo aircraft, alongside a few numbers of wide-body aircraft, including the A330ceo. To maintain an asset-light operating model, Flynas relies heavily on leasing arrangements, both wet and dry leases. This approach provides flexibility to enhance capacity in response to seasonality. For instance, during Hajj seasons, Flynas has historically wet-leased additional wide-body aircraft, a practice in place since 2009 and expected to continue.

The company has also utilized sale-and-leaseback transactions to optimize capital efficiency. This process involves several steps:

- Flynas placing an aircraft order directly with Airbus.
- Making pre-delivery payments (PDPs) in line with purchase terms.
- Prior to final payment, a leasing company assumes the purchase agreement, pays the remaining balance, and takes legal ownership of the aircraft.
- The lessor reimburses Flynas for the PDPs and enters into a dry lease agreement, making the aircraft available for operations.

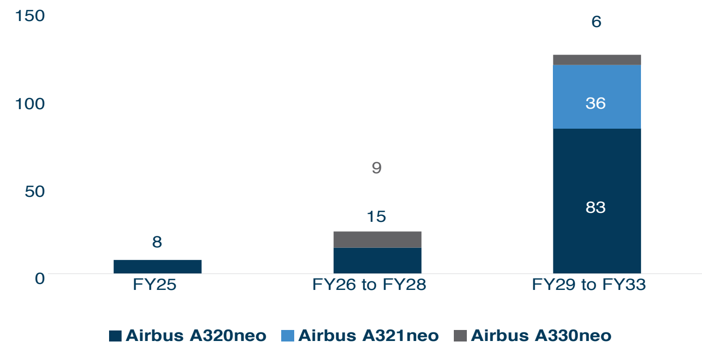
To support its growth trajectory, Flynas has placed a firm order for 195 narrow-body aircraft, including 159 A320neo (range 6,300 km) and 36 A321neo (range 7,300 km), of which 53 were delivered in FY24. Additionally, the airline entered into an agreement with Airbus to purchase 30 A330neo wide-body aircraft, including 15 optional aircraft. This brings the total aircraft order book to 225, positioning Flynas as the largest operator of modern aircraft in the Middle East.

Fig 10. Fleet growth over the years



Source: Company, AlJazira Capital Research

Fig 11.Planned fleet expansion till 2033



Source: Company, AlJazira Capital Research

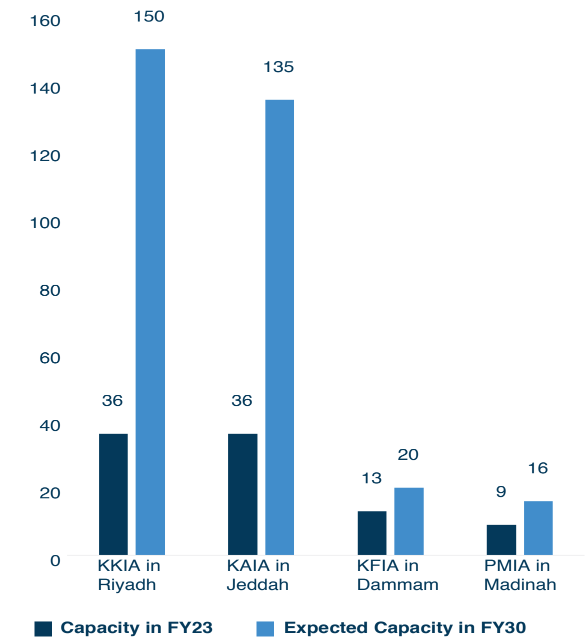
Network & Hubs: Operational Bases and Expanding Global Connectivity

Flynas operates from four key hubs-Riyadh, Jeddah, Dammam, and Madinah-strategically located in the Kingdom's most populous and economically active cities. These bases enable full domestic coverage and strong international outreach, serving as a foundation for the airline's growing regional and global presence. As of Q3-24, Flynas operated flights to 72 destinations across 30 countries, including 16 domestic and 56 international points. Through its 3 codeshare and 8 interline agreements, with partners such as Saudia, Emirates, and Turkish Airlines, Flynas extends its reach to a broader network of 128 international destinations, supporting passenger connectivity beyond its own operated routes. The company aims to expand its bases in the Kingdom through adding a few additional bases over the course of 2 to 3 years. The most recent hub Madinah was launched in December 2023, in line with the Pilgrims Experience Program, enhancing Flynas's role in supporting Hajj and Umrah traffic. In its initial phase, the Madinah hub is supported by two dedicated aircraft and serves 11 routes, including two domestic and nine international connections.

The base is expected to scale as demand increases during religious seasons and reflects Flynas's commitment to improving accessibility to the Holy Cities. The airline's domestic network strategy focuses on increasing capacity on key trunk routes while launching new underserved connections to support broader population coverage. As of FY24, domestic passengers accounted for 51% of total traffic. Flynas targets reaching 80% of Saudi Arabia's population by FY2030, in line with the Kingdom's goal of achieving 330mn annual passengers, of which 226mn are projected to be domestic.

Fig 12. A Flynas operates from four key hubs strategically located in the Kingdom's most populous and economically active cities

Fig 12. B Flynas Current and Planned Bases Passengers Capacity (In mn)



Source: Company, AlJazira Capital Research

Revenue Diversification: Ancillary Services, International Passenger Mix, and Religious Tourism

Flynas has successfully built a diversified revenue model that goes beyond traditional ticket sales, helping to enhance margins and reduce dependency on a single revenue stream. As of FY24, ancillary services contributed 16% of total revenues, positioning Flynas competitively among global low-cost carriers. The airline offers a wide range of high-margin add-ons, including seat selection, excess baggage, pre-ordered meals, travel insurance, priority boarding, airport lounge access, and in-flight upgrades. These offerings align with Flynas's unbundled pricing strategy, allowing customers to personalize their travel experience while enabling the airline to extract more value per passenger without impacting base fares. In addition to ancillary revenue, Flynas benefits from a broad international passenger mix, supported by its presence across 30 countries and a strong focus on short- to medium-haul routes within Asia, Africa, and Europe. International passengers accounted for nearly 49% of total passenger volume in FY24, reflecting a well-balanced mix between domestic and international travel. Key international markets such as Egypt, UAE, and Turkey continue to deliver substantial traffic flows, with tailored service offerings that cater to both business and leisure segments. A core component of Flynas's strategy is its positioning in religious tourism, which remains a structurally growing segment aligned with Vision 2030 goals. Operating from key hubs in Jeddah and Madinah, Flynas serves millions of Hajj and Umrah pilgrims annually, supported by dedicated routes, seasonal capacity boosts, and tailored services for religious travelers. The newly established Madinah hub, with direct access to regional and international religious markets, strengthens Flynas's ability to capture growth in this high-volume, mission-critical segment.

KSA's aviation landscape: Ambitious investments, domestic strength and rising LCC momentum

KSA's aviation strategy: USD 100bn investment to drive 2.4x air passenger growth by 2030e

KSA's aviation sector is undergoing a fundamental transformation under its Vision 2030, which positions air transport as a central pillar of economic diversification. The Saudi Aviation Strategy sets an ambitious goal of making KSA the leading aviation hub in the Middle East by 2030, targeting 330mn annual passengers, including 30mn international transit passengers, up from 138mn in 2024. The strategy also aims to expand annual air cargo capacity fivefold from 0.9mn tons in 2023 to 4.5mn tons by 2030 through expanded warehouse capacity, free zones, and special economic zones to attract global logistics providers. A total USD 100bn investment is planned by 2030, with USD 50bn allocated to airport infrastructure development, including landmark projects like King Salman International Airport in Riyadh (with a projected capacity of 120mn passengers by 2030, rising to 185mn by 2050) and expansion of King Abdulaziz International Airport in Jeddah, which increased capacity by 30mn passengers in Phase 1 (2019), with Phase 2 aiming for 80mn capacity by 2035. Additional airports at NEOM and Red Sea giga-projects further support this expansion. Regulatory and institutional support from GACA through privatization, investor facilitation, competitive policies, and improved economic regulations—is helping to build a vibrant and resilient aviation ecosystem. Meanwhile, the Air Connectivity Program (ACP) is enhancing international travel links via partnerships with carriers like Saudia, flynas, and LOT Polish Airlines, supporting both tourism and trade objectives. Collectively, these efforts reflect a bold and integrated strategy to transform Saudi Arabia into a global logistics and tourism powerhouse by 2030.

Fig 13. KSA's Vision 2030 plan has set in motion an overhaul of all segments of its economy

Source: Alton Aviation Consultancy, AlJazira Capital Research

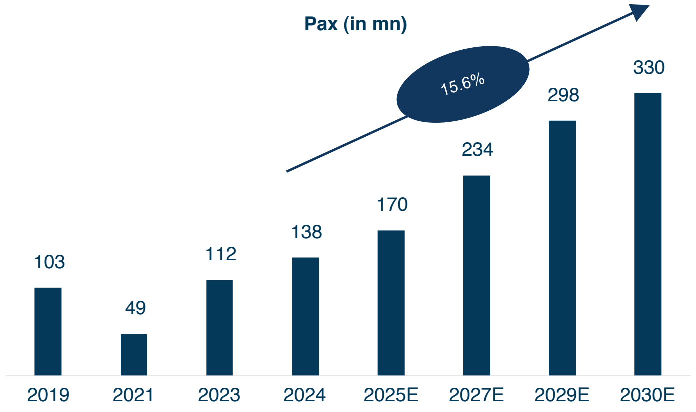
Fig 14. KSA's has placed large focus on developing its aviation sector through these 4 pillars

Source: Alton Aviation Consultancy, AlJazira Capital Research

KSA's aviation boom under Vision 2030 reflected in a quick post-Covid recovery and continued growth momentum thereafter

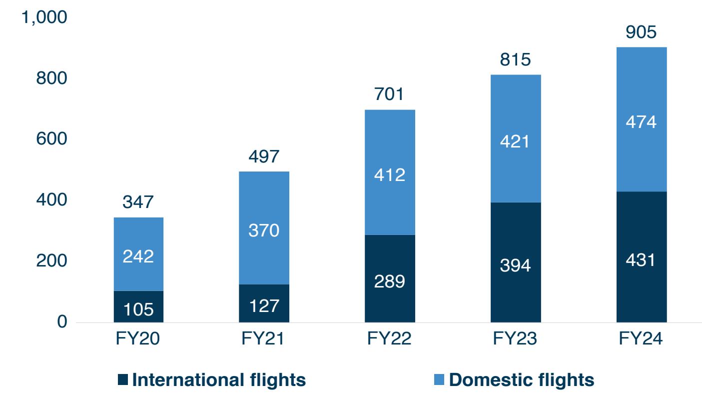
Saudi Arabia's aviation sector has staged a remarkable post-COVID recovery and is now on a strong growth trajectory, in line with the Kingdom's Vision 2030 goals to establish itself as a global tourism and logistics hub. The number of air passengers' volumes surged, rising from 49mn in 2021 to 112mn in 2023 (exceeding pre-Covid level) and 138mn in 2024, and are projected to grow at a 15.6% CAGR to reach 330mn by 2030. The total number of flights also recovered by FY23, reaching 815,000 from a dip in FY20 to 347,000, and grew further to 905,000 in FY24, driven by strong momentum in both international (431,000 flights) and domestic (474,000 flights) segments. Meanwhile, air freight volumes expanded significantly from 379,000 tons in FY20 to 1.2mn tons in FY24, with a 31% Y/Y increase in FY24 alone, reflecting the sector's growing relevance in cargo and logistics. With this backdrop of healthy momentum in passenger and cargo volumes, the Saudi aviation market size is expected to more than double, from USD 5.7bn in 2024 to USD 11.9bn by 2033, at an 8.7% CAGR, highlighting the long-term growth opportunity. Backed by sustained investments, liberalized visa policies, and rapid infrastructure development, Saudi Arabia's aviation industry is well-positioned to deliver strong, multi-year expansion and play a pivotal role in the Kingdom's economic diversification strategy.

Fig 15. KSA's efforts under Vision 2030 to propel 2.4x surge in air passenger traffic by 2030e



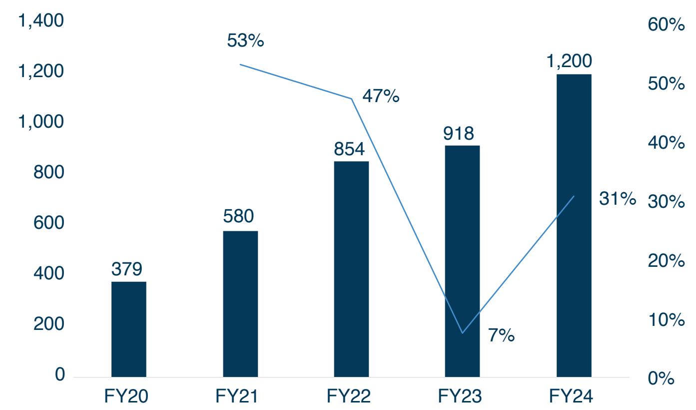
Source: Company, AlJazira Capital Research

Fig 16. International and domestic flights showing strong post-Covid recovery and growth (In 000s)



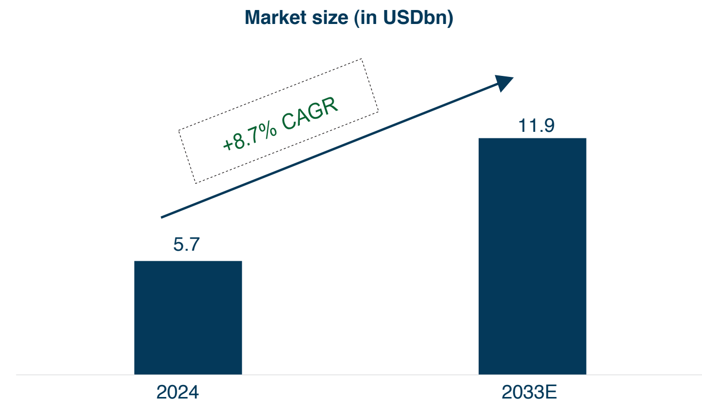
Source: Company, AlJazira Capital Research

Fig 17. Air freight volumes expanding rapidly exceeding 1mn ton in FY24 (In 000s)



Source: Company, AlJazira Capital Research

Fig 18. KSA's aviation market size is poised to more than double driven by the sectoral tailwinds

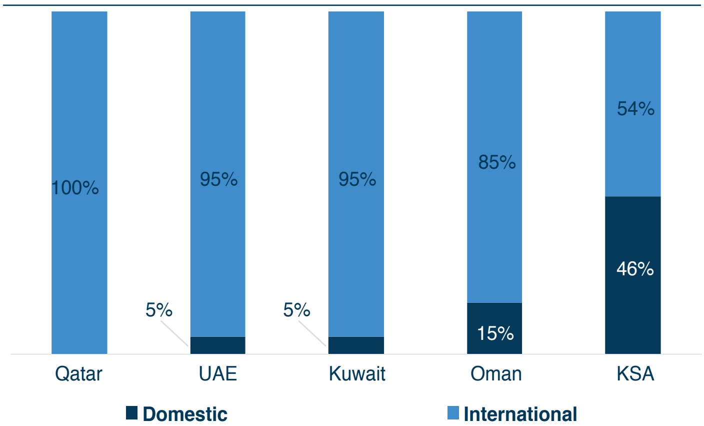


Source: Company, AlJazira Capital Research

KSA leads domestic aviation in a region which is skewed towards international passengers

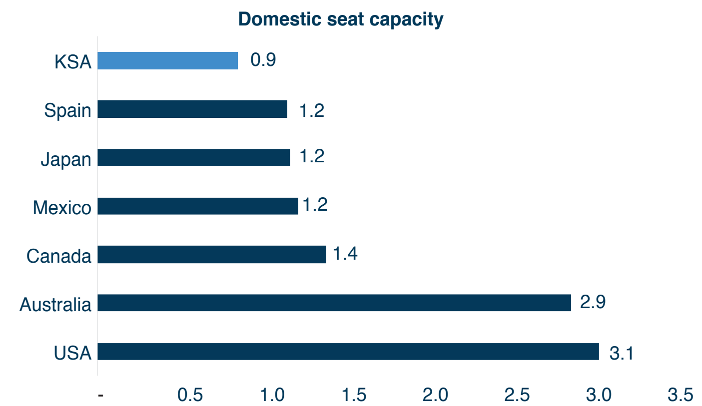
Smaller geographic size and limited domestic aviation needs, makes the GCC carriers have a higher share of international passenger traffic. However, KSA has a significant domestic share due to its strong national market. KSA's domestic air travel penetration is ranked 7th among the top 20 largest domestic markets in 2023. This is mainly due to its large population living in a large territory.

Fig 19. Higher share of domestic passengers for KSA bodes well as a market opportunity for Flynas



Source: Company, AlJazira Capital Research

Fig 20. Strong domestic penetration with potential for growth likely to be boosted by tourism (In mn)



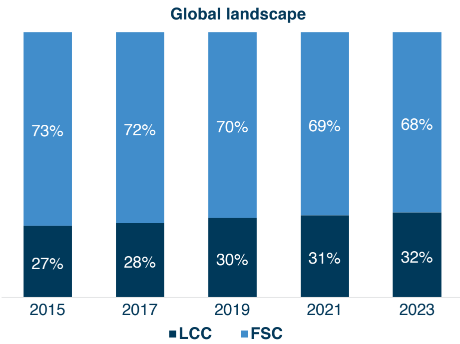
Source: Company, AlJazira Capital Research

Saudi LCC market grows rapidly, though share remains below a few global peers

The strong penetration of domestic passengers in KSA is helped by rising middle-class population combined with the growth of low-cost carriers (LCCs). Globally the growth in air travel markets has been enjoyed by the LCCs, which have been able to increase their share over the last 15 years due to i) cost-efficiency travel and ii) deregulation and market access. This picture holds true for KSA as well, as much of the air passenger growth is attributed to LCCs. KSA has seen its LCC market fueled by strong growth compared to Full-Service Carrier (FSC). Despite the rising share of LCCs from 2015 to 2023, their share of the market remains low relative to the more developed air travel markets like Spain, Italy and the UK.

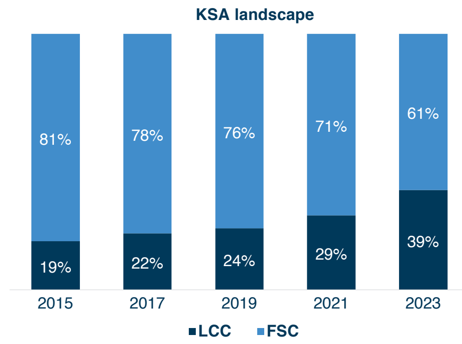
KSA's domestic aviation market has witnessed a notable shift in competitive dynamics over the past four years, with LCCs steadily gaining ground. Saudia, while still the market leader, has seen its domestic market share decline from 65% in 2021 to 52% in 2024. During the same period, Flynas expanded its share from 17% to 23%, reflecting its growing strength in serving price-sensitive and high-frequency domestic routes. Flyadeal, also increased its share from 19% to 24%, further intensifying internal competition. The combined market share of LCCs highlights the structural shift towards cost-efficient carriers and underlines the increasing relevance of Flynas in KSA's evolving aviation landscape.

Fig 21. LCCs play central role in global air travel market



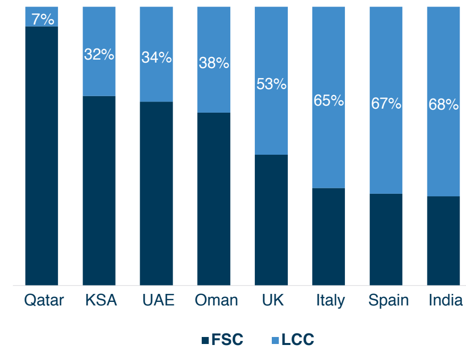
Source: Company, AlJazira Capital Research

Fig 22. LCCs growth rapid for KSA's aviation market



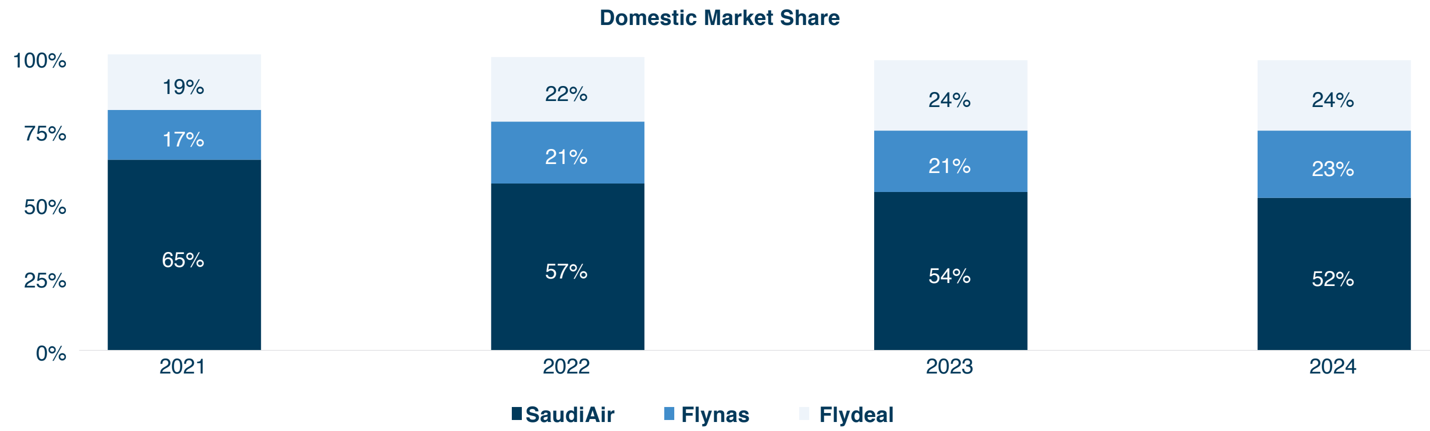
Source: Company, AlJazira Capital Research

Fig 23. LCCs gain momentum in KSA but trails few developed regions



Source: Company, AlJazira Capital Research

Fig 24. Shift in KSA's domestic market dynamics: Saudia cedes share to agile LCC competitors



Source: Alton Aviation Consultancy AlJazira Capital research. Note: Market share is based on departing and arriving airline seat capacity

Intensifying competitive landscape amid domestic, regional and global carrier presence

KSA's aviation market is currently served by a mix of domestic, regional, and international carriers, reflecting the Kingdom's evolving role as both a large-origin market and an emerging global hub. Key domestic players include i) Saudia, ii) Flynas and iii) Flyadeal. While Saudia continues to dominate the international long-haul segment, Flynas and Flyadeal have captured a growing share of the high-frequency, price-sensitive domestic and short-haul regional routes. In addition to these, the upcoming launch of **Riyadh Air** a government-backed full-service international airline by 2025-26 is set to intensify competition, particularly in the international segment.

Moreover, major LCCs within GCC such as Air Arabia, Jazeera Airways, Salam Air maintain a strong presence to and from KSA, leveraging their global hubs. Further KSA also witnesses increasing presence of Asian and European airlines—particularly in Jeddah, Riyadh, and Dammam, which adds to further pressure on Saudi-based operators to differentiate on pricing, frequency, and service quality. This heightened international competition underscores the importance of network expansion, cost leadership, and customercentric offerings for Flynas and other domestic carriers seeking to maintain and grow their market share.

Fig 25. Flynas navigates crowded skies as it faces competition from local, regional and global Ultra LCCs and LCCs

	Domestic operators	Regional operators	Global operators
FSCs			
	Riyadh Air, Saudia		
LCCs			
	flynas	flynas, AirArabia, Jazeera, SalamAir	flynas, IndiGo, SpiceJet, Pegasus
Ultra LCCs			
	flyadeal		Wizz

Source: AlJazira Capital Research

Sky High Aspirations – How KSA is reshaping its aviation sector

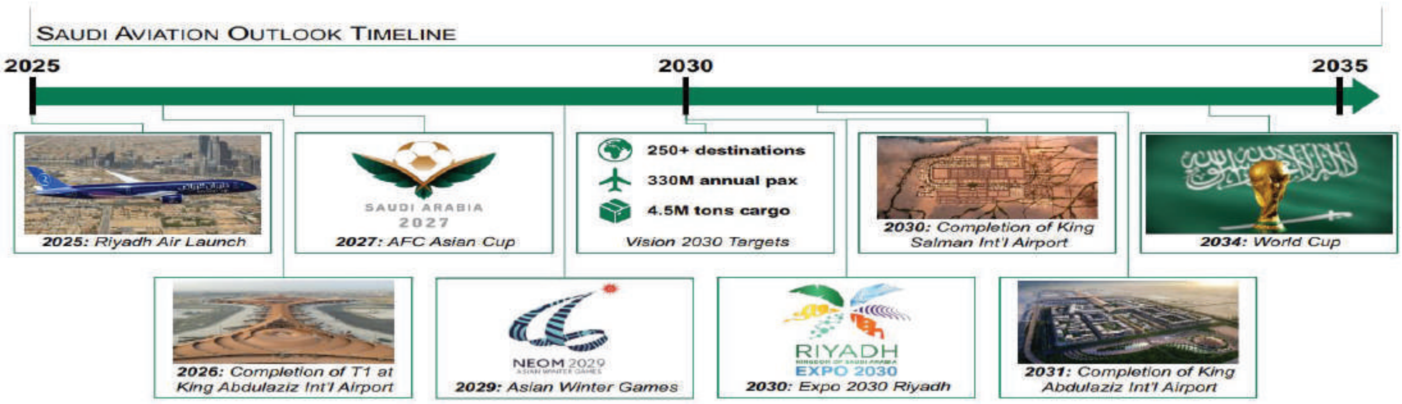
KSA's aviation sector is poised for a significant transformation by 2030. The Saudi government has undertaken several notable regulatory initiatives in recent years to liberalize the aviation market and promote greater competition.

Fig 26. Recent aviation related market liberalization initiatives

Airport Privatization	▪ US$1B in private investments are underway at Abha and Taif airports; goal is to privatize Matarat Holding's 27 airports ▪ Privatization efforts at Qassim and Hail airports slated to begin soon	
Launch of GACA's "Ajwaa" Digital Platform	▪ GACA recently rolled out a comprehensive digital platform that streamlines access to aviation licensing and regulatory services ▪ E.g., license applications for pilots/cabin crew and single & annual flight permits	GACA
Increased Airline Competition	▪ Riyadh Air's launch intended to boost competitiveness and innovativeness of KSA's national airlines vs. int'l full-service carriers ▪ Greater airline competition expected to help fill new airport capacity	Riyadh Air, flynas, Saudia
Ground Handling Market Liberalization	▪ Saudi ground handling market opened to competition in 2016; goal was to improve performance and operational efficiency at major airports and generate additional capacity to meet demand growth	swissport, ASYAD, SGS

Source: Alton Aviation Consultancy, AlJazira Capital research

Fig 27. By 2030, Saudi aviation market expected to see fundamental transformation, which will facilitate KSA's major upcoming events



Source: Alton Aviation Consultancy, AlJazira Capital research

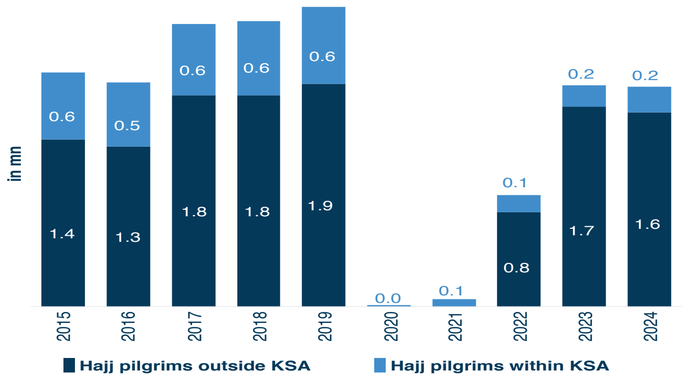
Leveraging pilgrimage demand and disciplined growth for network success

Leveraging Hajj & Umrah demand to expand long-haul reach

In addition to its leadership in connecting KSA with key GCC and MENA destinations, Flynas benefits from its strong positioning in the religious travel segment, particularly Hajj and Umrah. It's strategy to operate both scheduled low-cost and dedicated widebody fleet enables it to offer operational flexibility and reach regions which are beyond the typical range of narrowbody aircraft. With this strategy it transported 100.6k Hajj pilgrims in 2023 (up from 38.0k in 2022) and thus captured around 6% of the market share (up from 4.5% in 2019). This surge in volume and market share resulted in sharp 35x growth in revenues over FY20-24, thus taking the Hajj & Umrah revenue share from 1.0% in FY20 to 7.8% by FY24.

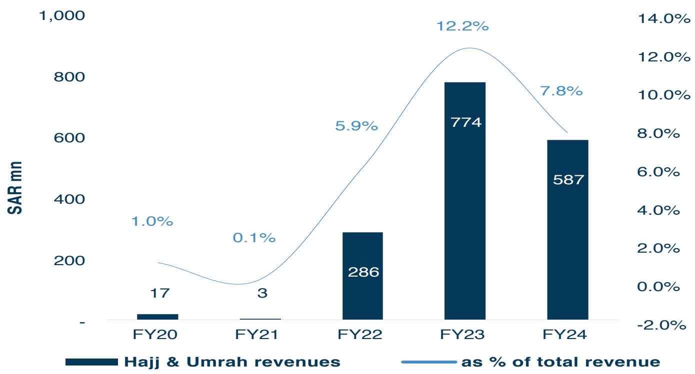
Rapid infrastructure developments are being carried out by the KSA government, to enhance and enrich the travel experience to Hajj and Umrah pilgrims, so as to achieve the target of 30mn pilgrim capacity by 2030e, from the 14mn capacity in 2023. In light of this substantial growth in the pilgrims, Flynas aims to strengthen its presence in existing markets and also capitalize on new markets by expanding its network for Hajj and Umrah business segment. The expected growth in pilgrims and the entitlement to Saudi carriers to transport 50% of international pilgrims arriving by air, provides Flynas a captive market to capture and expand its share.

Fig 28. Hajj pilgrims growing led by foreigners



Source: Argaam, AlJazira Capital Research

Fig 29. Significant surge in Hajj & Umrah revenues

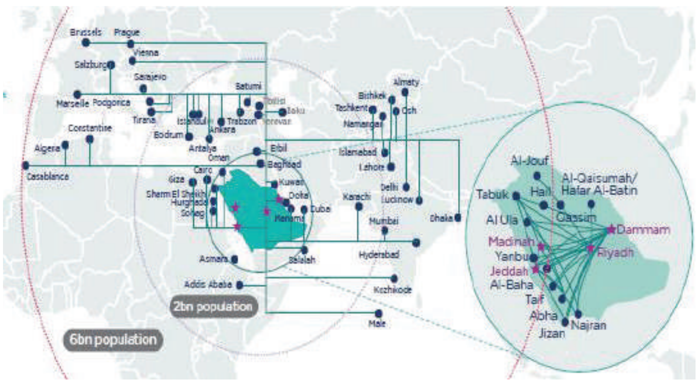


Source: Argaam, AlJazira Capital Research

Flynas' route profitability reflects disciplined expansion approach

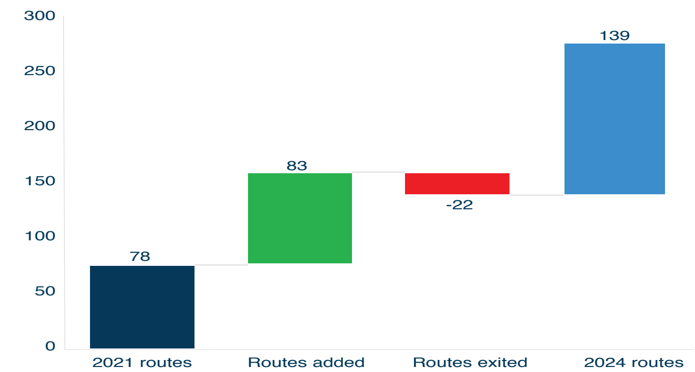
Flynas' network strength is underpinned by a structured and data-driven approach to route expansion, centered around identifying underserved or unserved markets and stimulating demand through competitive pricing. The airline adopts a "Blue Ocean" strategy, focusing on launching routes with limited or no direct competition to tap into latent travel demand and maximize first-mover advantage. Leveraging this approach, Flynas has successfully expanded its international footprint across 18 countries, introducing 45 unique routes. Around 80% of these routes and countries achieve profitability within the first year of operation, reflecting the effectiveness of its market selection and pricing strategies. Moreover, nearly 70% of these routes remain operational to date, underscoring their long-term viability and the sustainability of Flynas' network development model. This disciplined yet opportunistic route strategy supports Flynas' broader ambition of becoming a leading low-cost carrier connecting KSA with key regional and international markets.

Fig 30. Blue Ocean Strategy aiding international expansion



Source: Media articles, AlJazira Capital Research

Fig 31. Flynas nearly doubled its routes



Source: Media articles, AlJazira Capital Research

Peer Analysis: Flynas scaling rapidly with profit driven efficiency and global aspirations

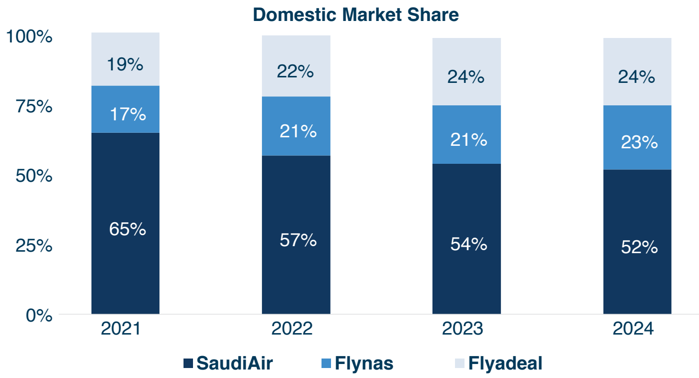
Flynas gaining momentum domestically and internationally too

KSA's aviation sector operates in a highly dynamic and competitive environment shaped by domestic, regional, and international players. Domestically, state-backed carriers like Saudia and low-cost airlines such as Flynas and Flyadeal compete intensely on key trunk routes and are expanding rapidly to capture growing demand driven by Vision 2030 initiatives.

Regionally, KSA faces strong competition from well-established FSC Gulf carriers like Emirates, Qatar Airways, and Etihad and some LCCs like Jazeera Airways, Air Arabia, Flydubai, Salam Air which leverage their global connectivity and premium service positioning to attract both transit and destination traffic. Additionally, major international airlines like Wizz Air, Indigo, Rynair, Pegasus, continue to strengthen their presence in the Kingdom, especially in key cities like Riyadh, Jeddah, and Dammam, targeting both business and religious travelers.

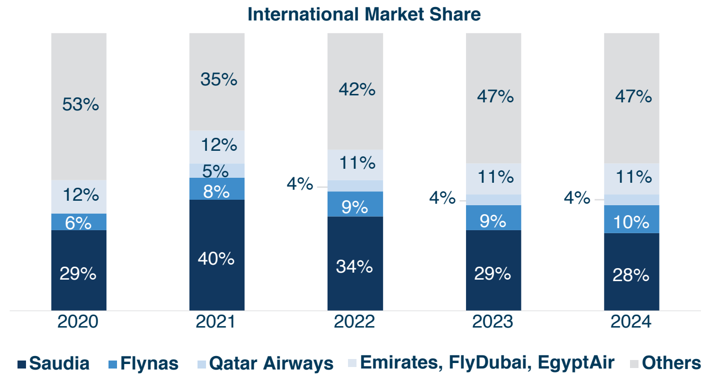
Domestically and even Internationally, LCCs like Flynas have been gaining market share, primarily due to cost-efficient travel. This market share gain is evident from the below two exhibits.

Fig 32. Over the years Saudia has been ceding share to agile LCC peers like Flynas and Ultra LCCs like Flyadeal



Source: Alton Aviation Consultancy, AlJazira Capital research. Market share based on departing and arriving airline seat capacity

Fig 33. Even internationally, Flynas has gained share from the FSCs like Saudia, Qatar Airways



Source: Alton Aviation Consultancy, AlJazira Capital research. Market share based on departing and arriving airline seat capacity. Others category includes LCCs

Flynas positioning for growth amidst regional and global LCC competition

Since Flynas is an LCC airline, it becomes imperative to focus on the competitive landscape between other domestic, regional and international LCCs. The exhibit below highlights that Flynas stands out in the competitive LCC market with a strong fleet expansion plan and a high share of fuel-efficient engines. While it maintains a primarily domestic and regional focus, its aggressive order book signals its ambitions to scale-up to international borders, in line with Vision 2030 goals.

Fig 34. Flynas in context: Benchmarking against regional and global LCCs

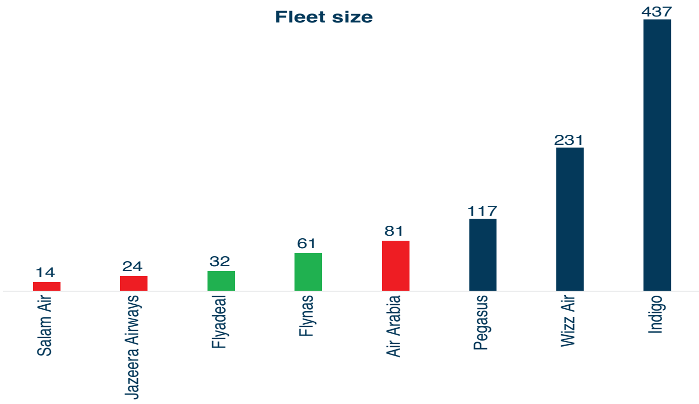
Company	Domestic		Regional			International		
Parameters	Flynas	Flyadeal	Jazeera Airways	AirArabia	Salam Air	Wizz Air	Indigo	Pegasus
			Corporate Overview					
Start of Ops	2007	2016	2005	2003	2016	2004	2006	1991
Country Origin	KSA	KSA	Kuwait	UAE	Oman	Hungary	India	Turkey
Status	Listed	Private	Listed	Listed	Private	Listed	Listed	Listed
			Reach & Fleet size					
Destinations served	70	50	DNA	206	~30+	200	130	146
Fleet size	61	32	24	81	14	231	437	117
% of fuel-efficient engines	91%	68%	52%	9%	92%	65%	DNA	89%
Order book	157	51	30	120	6	74	163	150

Source: Company, AlJazira Capital research. Note: DNA means Data Not Available

Outperforming regional peers, Flynas emerges as a scalable LCC force

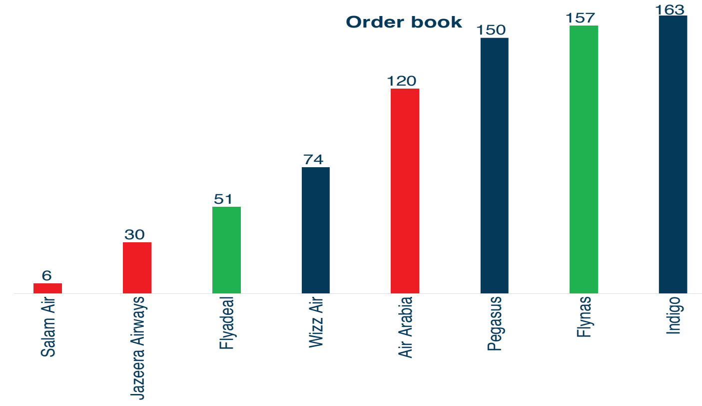
Flynas establishes a strong position within the domestic and regional LCC landscape, with the fleet size surpassing most peersexcluding only Air Arabia. While it trails larger international LCCs in scale, Flynas' strategy to take on the international players is evident in its sizable order book, which is the highest among domestic and regional peers. This signals the airline's clear intent to scale operations and expand its network, in alignment with KSA's Vision 2030 goal of transforming the Kingdom into a global aviation hub.

Fig 35. Although Flynas lags to international players, it out-scales domestic and regional players (ex-Air Arabia)



Source: Company, AlJazira Capital research. Airlines highlighted in Blue are International players, while those in Red are Regional players and those in Green are Domestic players

Fig 36. Flynas has largest order book within domestic and regional peers to capture the growth opportunities

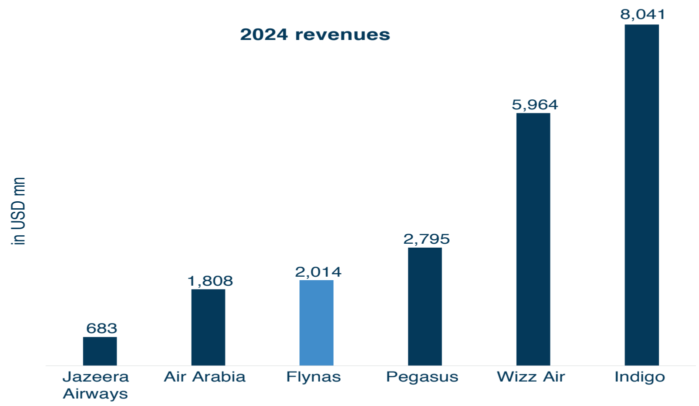


Source: Company, AlJazira Capital research. Airlines highlighted in Blue are International players, while those in Red are Regional players and those in Green are Domestic players

Scaling with Speed - Flynas leads in revenue growth among peers

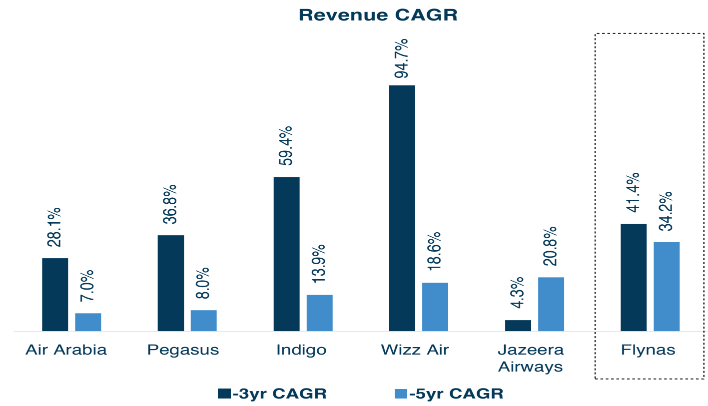
Flynas demonstrated remarkable growth momentum over the past five years by emerging as the fastest-growing airline among its domestic, regional, and international LCC peers. While its 2024 revenue of USD 2.0bn places it behind global LCC giants like Wizz Air and IndiGo in absolute scale, it significantly outperforms its peers in revenue growth, recording a 5-year CAGR of 34%—more than triple the average of many competitors.

Fig 37. In terms of scale, Flynas lags international players, but out-weighs domestic and regional players



Source: Company, AlJazira Capital Research

Fig 38. Over the last 5 years, Flynas has outperformed its peers by being the fastest growing airline

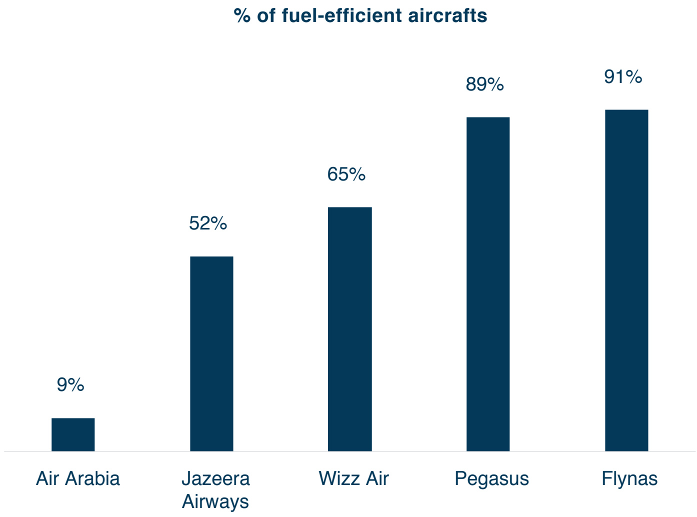


Source: Company, AlJazira Capital Research

Flynas' fuel strategy delivers industry highest EBITDA margins

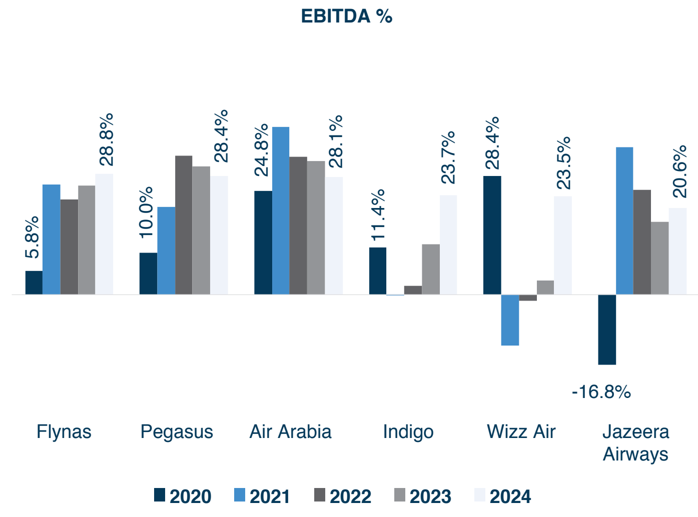
Flynas leads the LCC space with the highest proportion of fuel-efficient aircraft in its fleet—91%—outpacing peers like Pegasus (89%) and Wizz Air (65%). This modern fleet composition has significantly enhanced its cost structure, enabling Flynas to consistently deliver the highest EBITDA margins across the industry, reaching 28.8% in 2024. The strong link between fuel efficiency and profitability underscores Flynas' effective fleet strategy and its operational advantage in an increasingly competitive LCC environment.

Fig 39. Flynas has the highest number of fuel-efficient aircrafts in its fleet



Source: Company, AlJazira Capital Research

Fig 40. Which aids it in having the industry highest EBITDA margins

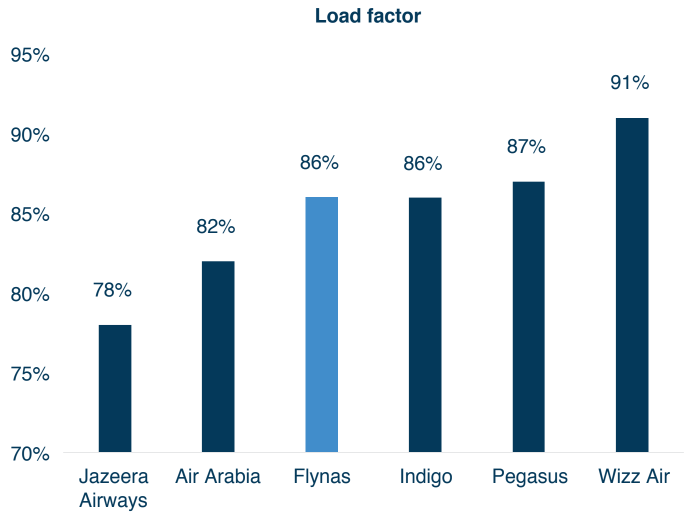


Source: Company, AlJazira Capital Research

Flynas strikes the right balance for profitability by optimizing load factor and yield

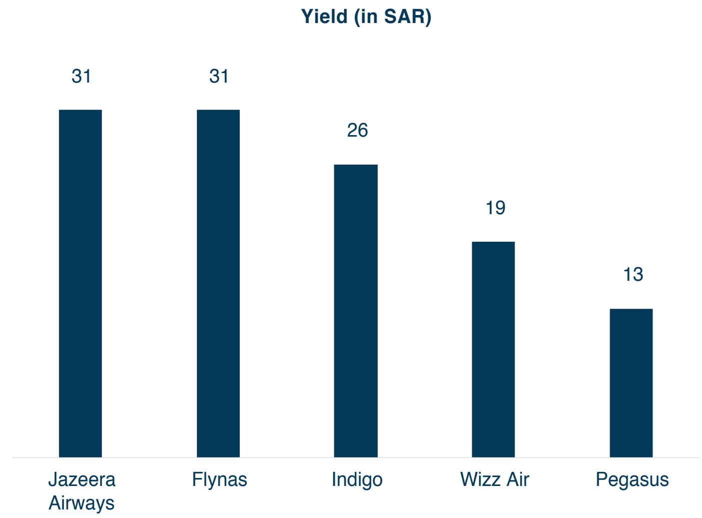
Flynas demonstrates strong operating efficiency, with a load factor of 86%, on par with leading international peers such as IndiGo and Pegasus. Simultaneously, it commands one of the highest yields in the industry at SAR 31 per RPK, matching Jazeera Airways and surpassing global players like Wizz Air and Pegasus. This combination of high load factor and premium yield reflects Flynas' effective route optimization and pricing strategy, translating into robust revenue generation per seat. These operational strengths have been instrumental in driving the airline's strong financial performance and sustained margin expansion over recent years.

Fig 41. Flynas has a load factor in par with the international players



Source: Company, AlJazira Capital Research

Fig 42. While the yield of Flynas and Jazeera Airways is the highest within the industry



Source: Company, AlJazira Capital Research. Note: Data for Jazeera Airways and Flynas as on 2023 while for other as on 2024

Financial Analysis

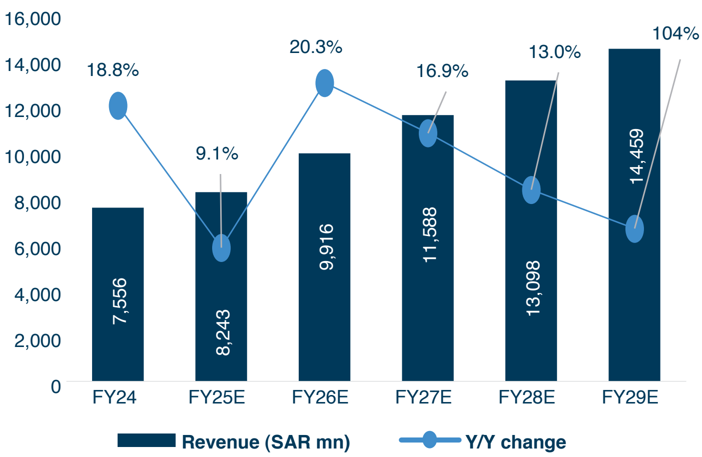
Revenue growth driven by fleet expansion, passenger uptake, and network scale-up; yield pressure remains a key risk

Flynas is poised for strong financial and operational growth over the forecast period (FY24–FY29E), supported by aggressive fleet expansion, rising air passenger demand, and increasing number of flights in Saudi Arabia. The company's strategy aligns closely with national aviation goals and positions it well to capture incremental growth in both domestic and international markets. Revenue is projected to increase from SAR 7,556mn in FY24 to SAR 14,459mn in FY29E, delivering a solid CAGR of 13.9% over the five-year period. This growth is directly tied to the expansion in Flynas' aircraft fleet, which is forecast to grow from 61 aircraft in FY24 to 108 aircraft by FY29E, implying a CAGR of 12.4%. The additional capacity enables Flynas to scale operations, enhance route frequency, and penetrate underserved regional and international corridors.

Strong passenger growth with healthy utilization: Passenger traffic is expected to grow from 10.2 million in FY25E to 16.8 million in FY29E, reflecting a CAGR of 13.1%, supported by increasing air travel demand and Flynas' strong brand positioning as a leading low-cost carrier (LCC) in the Kingdom. Aircraft utilization levels remain healthy, averaging 87% during FY25E–FY27E, before slightly declining to 80% in FY29E, in line with the addition of new aircraft and routes. These utilization levels underscore Flynas' operational efficiency and its ability to maintain load factors even during expansion phases.

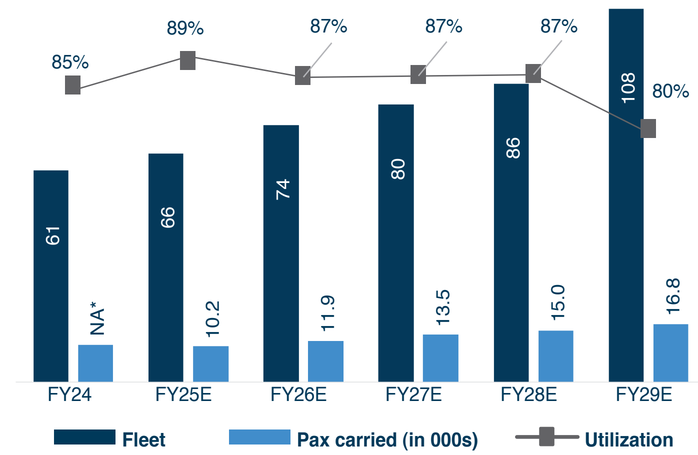
plan and a high share of fuel-efficient engines. While it maintains a primarily domestic and regional focus, its aggressive order book signals its ambitions to scale-up to international borders, in line with Vision 2030 goals.

Fig 43. Revenue CAGR of 13.9% (FY24-29E) backed by fleet expansion



Source: Argaam, AlJazira Capital Research

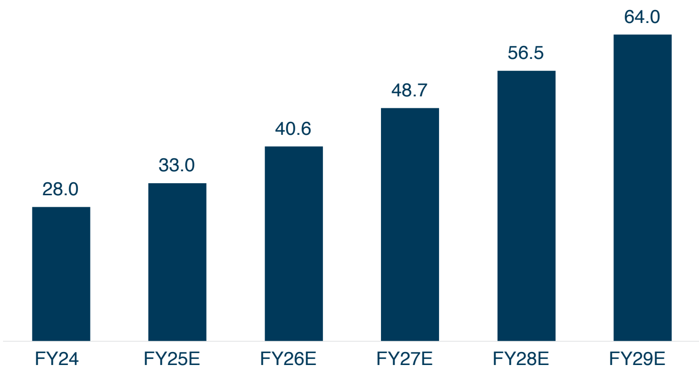
Fig 44. Fleet expansion reflects passenger growth, utilization to be healthy



Source: Company, AlJazira Capital research NA* Not available

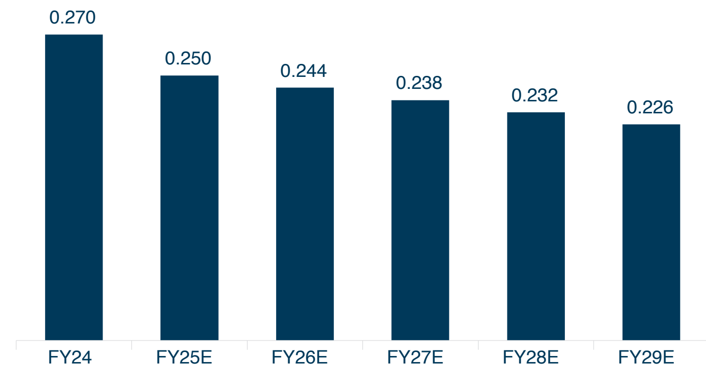
ASK growth led by international network expansion; yield (RASK) faces headwinds from competitive intensity: Flynas' strategic focus on expanding its international footprint is expected to drive continued growth in Available Seat Kilometers (ASK), a key capacity metric. ASK is projected to rise from 28.0bn in FY24 to 64.0bn in FY29E, marking a CAGR of 18.0%. This reflects not only increased aircraft counts, but also longer stage lengths associated with international routes, highlighting the company's push beyond domestic markets to capture a broader customer base and tap into high-traffic international corridors. Despite the strong growth in capacity and passengers, Revenue per Available Seat Kilometer (RASK) is projected to decline from SAR 0.270 in FY24 to SAR 0.226 by FY29E, indicating mounting competitive pressure in both domestic and international segments. The drop in RASK reflects potential fare dilution driven by increased competition from regional low-cost carriers and global full-service airlines, particularly on international routes.

Fig 45. ASK (bn) expansion underpinned by strong international route development



Source: Argaam, AlJazira Capital Research

Fig 46. RASK (SAR) constrained amid intensifying market competition



Source: Company, AlJazira Capital Research

Stable EBITDA margins despite cost volatility; gross margins to be constrained by rising depreciation, while higher finance costs to weigh on net margins

The company's cost structure is primarily driven by fuel costs, landing & handling charges, depreciation, and salaries.

Fig 47. Flynas cost structure

	As % of cost of revenue				As % of revenue			
	FY21	**FY22**	**FY23**	FY24	**FY21**	**FY22**	**FY23**	FY24
Fuel cost	21.0%	34.0%	29.4%	28.2%	18.8%	29.8%	25.2%	22.7%
Landing, handling, and en-route charges	23.7%	20.7%	22.8%	23.9%	21.2%	18.1%	19.5%	19.3%
Salaries and related costs	19.1%	14.4%	13.1%	14.2%	17.1%	12.6%	11.2%	11.4%
Depreciation	22.8%	15.5%	14.4%	18.5%	20.4%	13.6%	12.4%	14.9%

Source: AlJazira Capital Research

Fuel Costs: Jet fuel is the major and most volatile cost component of the company. The company procures around 60% of its jet fuel from domestic suppliers, with the remaining sourced internationally. Domestic fuel is supplied by vendors who, in turn, receive their jet fuel from Saudi Aramco. The company purchases this fuel through tenders and pricing agreements with these local suppliers. For international operations, as a member of the Arab Air Carrier Organization (AACO), the company benefits from the AACO's "Jet Fuel Purchasing Program," which allows member airlines to secure competitive pricing through a centralized, collective tendering process. Fuel cost as a % of revenue spiked from 18.8% in **FY21 to 29.8% in FY22**, before easing to **22.7% in FY24**. This volatility reflects fluctuations in global aviation fuel prices. In FY25E, we expect average fuel prices to be lower Y/Y supporting the margin. However, the prices are expected to normalize in the medium-to-long term.

Landing, Handling, and En-route Charges: Landing, handling, and en-route charges are operational fees that airlines must pay to various aviation authorities and airport operators. These charges are a significant part of an airline's operating costs and vary by country, airport, aircraft type, and weight. These costs have remained relatively stable in relation to revenue, hovering around 19–21%, indicating a strong linkage to flight volumes and revenue generation.

Salaries and Related Costs: Salaries (part of the cost of revenue) declined from 17.1% in FY21 to 11.4% in FY24, due to improved cost control and operating leverage as the company scaled. However, with planned aggressive expansion salaries might increase initially before operating leverage comes into play.

Depreciation: A significant cost element, depreciation fell from 20.4% in FY21 to 12.4% in FY23, but rose again to 14.9% in FY24, amid new aircraft additions in preparation for expansion. We expect depreciation to increase significantly with upcoming fleet addition, outpacing revenue growth over the next few years.

Fig 48. Fuel agreement and pricing mechanism

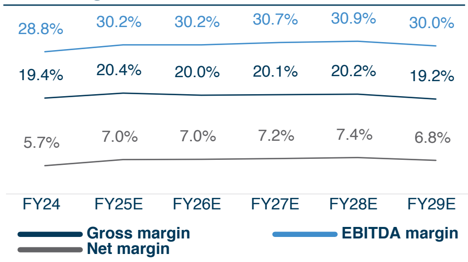
Suppliers	Pricing Methodology	Adjustments
Arabian Petroleum Supply Company (APSCO)	Price is specified in the agreement	If there's any regularity restriction that prevent payments collection or transferring, the delivery location is automatically removed from the agreement.
United Fuel Company Limited	Amount payable: Saudi Aramco price for each month+ Fixed differential in SAR per liter	unless otherwise agreed in any Delivery Site Agreement.
Air Total SA	Amount payable: calculated based on calculating prices or published airport and refinery prices and official and government announcements.	prices applicable should be: -based on the index of the Oil Price Report. -Average of the index prices + premium. -published prices or refinery announcements relevant to delivery location
Associated Energy Group LLC	Each Delivery Site Agreement between the company and the supplier, sets forth the price that the Company pays for the purchase and delivery of fuel.	If it's not set, one of the following will apply: -Market price -Formula based (set by a third party)
Service Provider (1)	The amount payable is specified for each delivery site.	If it's not set, one of the following will apply: -Market price -Formula based price (set by a third party) -other prices (ex: refineries quotes, gov)
Hereinafter HIFA	Each Delivery Site Agreement between the company and the supplier, specify the price that the company pays for the purchase and delivery of fuel.	If it's not set, one of the following will apply: -Market price -other prices (ex: refineries quotes, gov)
Saudi Aircraft Services Limited	Each Delivery Site Agreement between the company and the supplier, specify the price that the company pays for the purchase and delivery of fuel.	If it's not set, one of the following will apply: -Market price -Formula based price (set by a third party) -other prices (ex: refineries quotes, gov)
Modern Consortium for Refueling Aircraft Co. (MCRA) **Indian Oil Corporation Ltd.**	Amount payable is specified in the agreement Amounts payable: 1)Platts Arab Gulf published quote for last month 2) Platts Arab Gulf published quote + other fees	

Source: Company, AlJazira Capital Research

Gross margins are projected to improve from 19.4% in FY24 to a peak of 20.4% in FY25E, supported by a moderation in fuel prices. However, as the company embarks on fleet and network expansion, margins are expected to gradually tighten, dipping to 19.2% by FY29E. Rising depreciation and a potential recovery in fuel prices are key drivers of this softening. Meanwhile, EBITDA margins are forecasted to remain stable and healthy, ranging from 28.8% in FY24 to 30.9% in FY28E, before slightly moderating to 30.0% in FY29E. This resilience reflects operating leverage benefits and ongoing efficiency measures, despite higher costs associated with expansion. Whereas net margins are expected to range between 5.7% and 7.4% over FY24–29E. While operational performance remains strong, net margin growth is capped by higher finance costs, likely due to increased leverage funding capex and expansion. Margins rise to 7.4% by FY28E before easing to 6.8% in FY29E.

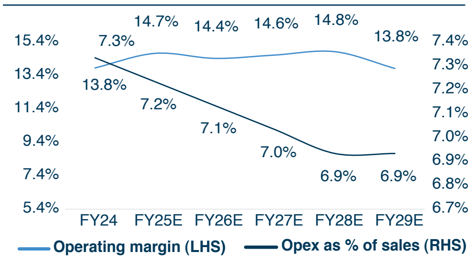
Operating expenses (excluding gain on sale of equipment) as a percentage of sales averaged around 7.0% during FY21–FY24, reflecting consistent cost discipline despite business growth. Looking ahead, Opex intensity is expected to remain near this level, gradually improving to 6.5% by FY33E as the company scales operations and benefits from improved cost efficiency. This moderation in Opex will provide partial support to operating margins, which are projected to improve from 13.8% in FY24 to a peak of 14.8% in FY28E, before softening slightly to 13.8% in FY29E. However, the full benefit of easing Opex intensity will be offset by pressures on gross margin arising from higher depreciation and cost inflation linked to the company's planned expansion strategy.

Fig 49. Fleet expansion likely to weigh on margin



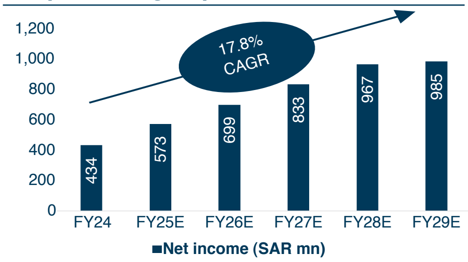
Source: Company, AlJazira Capital Research

Fig 50. OPEX intensity to ease gradually



Source: Company, AlJazira Capital Research

Fig 51. Robust bottom line expansion despite margin pressure



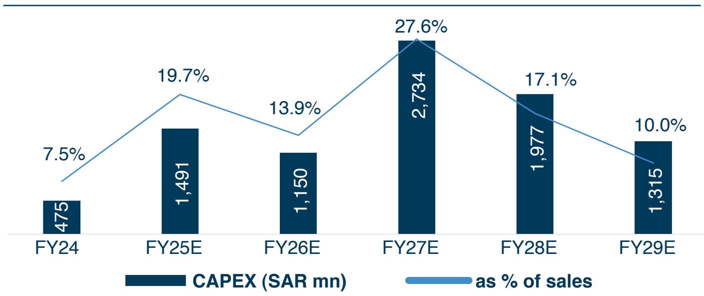
Source: Company, AlJazira Capital Research

Capital expenditure to be elevated in the near term amid fleet expansion, working capital likely remain negative but show gradual increase

Flynas' capital expenditure is projected to rise sharply during FY24–FY29E, reflecting significant investments in fleet expansion and associated infrastructure. CAPEX is estimated to increase from SAR 475mn in FY24 (7.5% of sales) to a peak of SAR 2,734mn in FY27E (27.6% of sales) as the company accelerates deliveries of widebody and long-range aircraft such as the A330neos and A321XLR/LRs. This increase primarily comprises pre-delivery payments (PDPs) and the acquisition of aircraft and related equipment. After peaking in FY27E, CAPEX is expected to moderate to SAR 1,315mn in FY29E (10.0% of sales), aligning with a tapering delivery schedule. The front-loaded investment cycle is critical for the company's long-term capacity build-out, but it will also result in higher depreciation and financing costs, which could weigh on profitability metrics in the medium term.

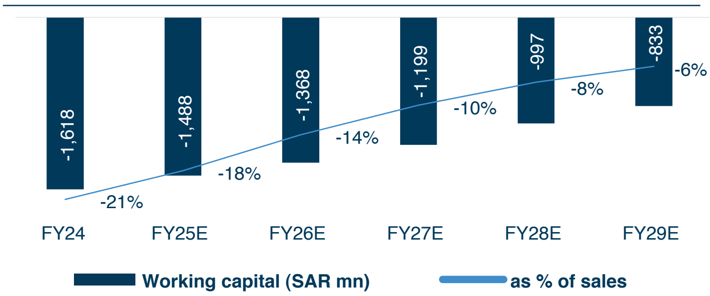
The company continues to operate with a negative working capital structure, primarily due to its efficient payables management, with trade payables turnover exceeding three months. Over FY24–FY29E, working capital remains negative but shows a clear trend of increase (lower negative number) from SAR -1,618mn in FY24 (-21% of sales) to SAR -833mn in FY29E (-6% of sales). This reduction in working capital deficit is expected as trade receivables expand at a faster pace in line with growth in both international and domestic operations. While negative working capital supports short-term liquidity, its gradual easing reflects the company's maturing business structure and rising customer exposure.

Fig 52. Intensified CAPEX cycle ahead



Source: Argaam, AlJazira Capital Research

Fig 53. NWC to remain negative

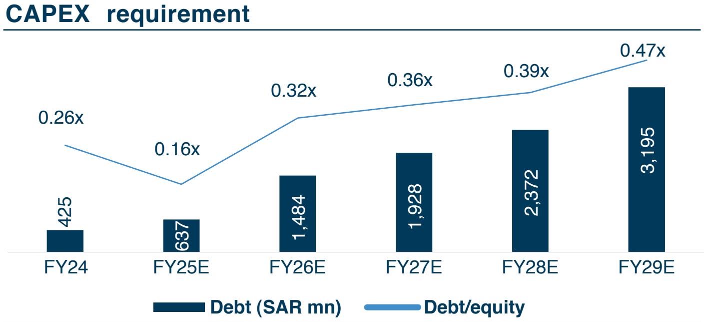


Source: Company, AlJazira Capital Research

Debt and lease liabilities to rise amid strategic shift from fully leased fleet to partially owned fleet

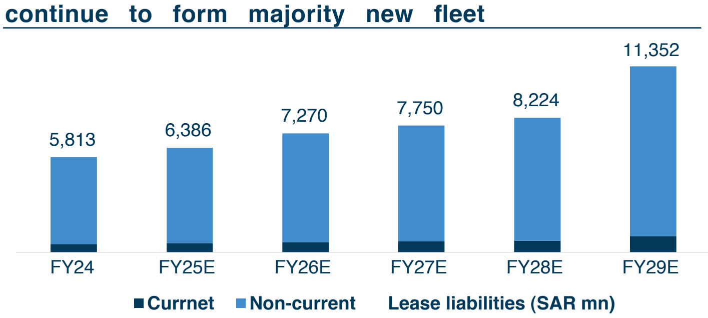
As the company enters a high-capex phase driven by fleet expansion, both bank debt and lease liabilities are expected to increase substantially. This aligns with the strategic shift towards owning 15% of its fleet by FY30E, which necessitates higher reliance on external funding, particularly bank borrowings. Over FY24-29E, gross debt is forecast to rise from SAR 425mn to SAR 3,195mn, with the debt-to-equity ratio expanding from 0.26x to 0.47x. This reflects a front-loaded financing requirement to support pre-delivery payments and aircraft acquisitions. Meanwhile, total lease liabilities are projected to grow from SAR 5,813mn in FY24 to SAR 11,352mn by FY29E, driven by continued growth in the leased fleet. This dual funding structure, through both lease obligations and direct debt, supports the company's hybrid fleet strategy, enabling it to manage ownership risk while benefiting from operational flexibility and capital efficiency.

Fig 54. Balance sheet needs to be leveraged to fund high CAPEX requirement



Source: Argaam, AlJazira Capital Research

Fig 55. Lease liabilities to grow 2x as leased fleet to continue to form majority new fleet



Source: Company, AlJazira Capital Research

Investment thesis and valuation

Flynas is set to benefit significantly from Saudi Arabia's USD 100bn aviation transformation under Vision 2030, which targets a rise in annual passenger volumes to 330mn by 2030. As the Kingdom's leading low-cost carrier (LCC), Flynas is well-positioned to capture this growth through its strong domestic network, expanding international reach, and growing role in high-volume religious tourism. Saudi carriers are entitled to 50% of international Hajj pilgrim traffic, yet current market share remains low—presenting a large untapped opportunity. Flynas has already scaled its Hajj operations to 100k pilgrims in FY23, with Umrah traffic expected to grow at a 12% CAGR through 2030. Its alignment with Vision 2030—serving 80% of the population and connecting giga-projects like NEOM—positions it as a key enabler of national aviation goals. Financially, Flynas is projected to deliver strong growth over FY24–29E, with revenue rising from SAR 7.6bn to SAR 14.5bn (13.9% CAGR), driven by fleet expansion (61 to 108 aircraft), 18% ASK CAGR, and increased international and pilgrimage volumes. Despite RASK compression (SAR 0.270 to 0.226), margins are expected to stay healthy, with gross margin easing slightly from 19.4% to 19.2%, and EBITDA margin rising from 28.8% to a peak of 30.9% in FY28E, settling at 30.0% in FY29E. Net income is forecast to grow at a 17.8% CAGR, reaching SAR 985mn by FY29E.

Valuation

We value Flynas with a 50% weightage to EV/EBITDA multiple of 7.8x applied to FY25E EPS and 50% weightage to DCF (WACC = 10.4%; terminal growth = 2.5%). Accordingly, we arrive at a TP of **SAR 94.70/share**, implying an upside of 26.6%. Thus, we initiate with an "**Overweight**" rating on Flynas.

Relative valuation

For relative valuations we selected a mix of global and regional peers which have similar or comparable LCC business models to that of Flynas. The peer set largely fits in below criteria:

1. Fleet similarity: Operate narrowbody, fuel-efficient aircraft like A320neo (Flynas has a large Airbus orderbook).
2. Growth strategy: Similar push into international expansion, religious tourism, and Vision-aligned aviation growth (e.g., Flynas in Vision 2030, Air Arabia expanding in North Africa).
3. Cost structure: Focused on high aircraft utilization, low cost per ASK, and ancillary revenue generation.
4. Have proven adaptability across different regulatory and market environments.
5. Achieved strong market share and profitability.

A 10% premium is applied over peers' average, as we believe Flynas' growth prospects backed by expansion plans, strong market positioning and conducive operating environment deserve a premium.

Peer Comparison Table

Company Name	EV/EBITDA (FY25E)
Air Arabia	6.2
Wizz Air Holdings	3.7
VietJet Air	13.5
Spring Airlines	9.9
Southwest Airlines	6.0
Ryan Air	6.9
Pegasus Airlines	4.9
Jazeera Airways	8.8
Indigo	10.8
Easyjet	2.2
Cebu Pacific (CEB)	5.4
Sector Median	**7.1x**

Source: AlJazira Capital Research

EV/EBITDA Valuation

All figures in SAR mn, unless specified	
Sector Median EV/EBITDA	7.1x
Premium	10%
EV/EBITDA multiple	**7.8x**
EBITDA (FY25E)	2,489
Enterprise Value	19,414
Net debt (incl. lease liabilities)	4,757
IPO proceedings	1,394
Implicit Market Cap	**16,050**
Shares (mn)	170.9
Relative value (SAR/share)	**93.9**

Source: AlJazira Capital Research

DCF

Our DCF valuation of Flynas is based on following inputs – risk free rate: 4.25%, Beta: 1.1 (levered-unlevered beta of peers), WACC: 10.4%. We forecasted FCFF till FY32E and assumed a and terminal growth of 2.5% after that. DCF valuation yielded enterprise value of SAR 19.7bn and equity value of SAR 16.3bn, implying fair value per share of SAR 95.6.

DCF Valuation

All figures in SAR mn, unless specified	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
NOPLAT	992	1,150	1,356	1,606	1,840	1,894	2,076	2,310	2,557
Depreciation & Amortization	1,133	1,277	1,571	1,865	2,114	2,341	2,555	2,780	3,020
Change in working capital	(190)	(130)	(120)	(169)	(202)	(164)	(121)	(88)	(58)
CFO	**1,935**	**2,298**	**2,806**	**3,302**	**3,753**	**4,072**	**4,511**	**5,002**	**5,519**
Capex	(475)	(1,491)	(1,150)	(2,734)	(1,977)	(1,315)	(565)	(545)	(516)
Lease payments	(872)	(1,055)	(1,202)	(1,274)	(1,346)	(1,894)	(2,180)	(2,344)	(2,470)
FCFF	**1,460**	**(249)**	**455**	**(706)**	**430**	**863**	**1,766**	**2,113**	**2,533**
Present value of FCFF	**1,460**	**(238)**	**397**	**(565)**	**316**	**585**	**1,073**	**1,144**	**1,213**
Sum of the PV									**3,925**
PV of terminal value									15,780
Enterprise value									**19,704**
Net debt (incl. lease liabilities)									4,757
IPO proceedings									1,394
Fair value to common shareholders									**16,341**
No. outstanding shares									170.9
Fair value (SAR/share)									**95.6**

Source: AlJazira Capital Research

Blended Valuation

A blended valuation approach with 50% weightage to each FY25E EV/EBITDA multiple and DCF yields a fair value of **SAR 94.7 per share**, implying 26.6% upside from current market price.

Valuation Summary	Fair Value	Weight	Weighted Average
DCF	95.6	50%	47.8
EV/EBITDA (7.8x FY25E EPS)	93.9	50%	47.0
Weighted average 12-month TP			**94.7**
Current market price (SAR /share)			75.65
Expected Capital Gain			**26.6%**

Source: AlJazira CapitalResearch

Key Upside Risks: stronger-than-expected load factors, faster religious tourism growth, or higher ancillary yields.

Key Downside Risks: Fuel cost volatility (fuel forms ~28% of revenue), rising competition from regional/global LCCs and FSCs, and execution risk around fleet deliveries, regulatory changes, or route profitability. The ongoing high-capex cycle also increases sensitivity to interest rate changes and financing conditions.

Key Risks

- **Jet fuel price volatility:** Fuel costs, comprising ~28% of revenue and30–40% of operating expenses, expose Flynas to oil price fluctuations driven by geopolitical events and supply dynamics. As an LCC, it has limited pricing power to pass on cost increases, risking margin compression in volatile markets.
- **Dependence on leased fleet and aircraft availability:** Operating a fully dry-leased fleet, Flynas is exposed to leasing cost inflation and delivery delays. With a large order book, any disruption in sale-and-leaseback deals or delivery timelines could constrain expansion plans.
- **Execution risk in growth strategy:** Flynas' aggressive fleet and route expansion involves scaling operations, adding new destinations, and entering long-haul Umrah segments. Rapid growth increases complexity and requires careful execution to avoid operational inefficiencies or cost overruns.
- **Reliance on religious tourism and seasonality:** A significant revenue share is concentrated in peak Hajj and Umrah periods. Any disruption—due to regulatory limits, health crises, or logistical bottlenecks—can materially impact quarterly performance. Competition in this segment also limits pricing flexibility.
- **Intensifying market competition:** The domestic and regional LCC space is becoming increasingly crowded with players like flyadeal, Air Arabia, and Wizz Air. Heightened competition could trigger fare wars, reduce yields, and erode Flynas' market share on key routes.
- **Geopolitical and regulatory risks:** Operations across politically sensitive regions expose Flynas to potential airspace restrictions, route suspensions, or diplomatic fallout. Such risks can disrupt international connectivity and require rapid operational adjustments.
- **Delay in utilization of IPO Proceeds:** Planned use of IPO funds for fleet expansion and lease prepayments is time sensitive. Delays in execution or supplier-side bottlenecks could affect cash flow timing and slow the pace of strategic growth.
- **Supplier concentration:** Dependence on Airbus for aircraft and CFM for engines limits diversification. Any delays, technical issues, or commercial disputes with these suppliers could directly impact fleet availability and reliability.
- **Cybersecurity vulnerabilities:** As a digitally enabled airline, Flynas faces threats of data breaches, system outages, or cyberattacks. A significant incident could damage brand reputation, disrupt operations, and expose the firm to regulatory action.

Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement							
Revenues	6,362	7,556	8,243	9,916	11,588	13,098	14,459
Y/Y	**32.3%**	**18.8%**	**9.1%**	**20.3%**	**16.9%**	**13.0%**	**10.4%**
Cost	(5,456)	(6,088)	(6,558)	(7,929)	(9,255)	(10,448)	(11,677)
Gross profit	906	1,469	1,684	1,987	2,333	2,650	2,781
Y/Y	**51.9%**	**62.1%**	**14.7%**	**17.9%**	**17.5%**	**13.6%**	**4.9%**
Gross margin	14.2%	19.4%	20.4%	20.0%	20.1%	20.2%	19.2%
S&D exp	(197)	(252)	(271)	(321)	(369)	(411)	(446)
G&A exp	(115)	(258)	(277)	(328)	(378)	(421)	(472)
Provision for credit loss	(0)	(26)	(29)	(35)	(40)	(46)	(50)
Gain on sale of equipment	283	131	124	149	174	196	217
EBITDA	1,660	2,178	2,489	2,999	3,557	4,053	4,337
Y/Y	**51.4%**	**31.2%**	**14.3%**	**20.5%**	**18.6%**	**13.9%**	**7.0%**
EBITDA margin	**26.1%**	**28.8%**	**30.2%**	**30.2%**	**30.7%**	**30.9%**	**30.0%**
Operating profit	869	1,045	1,212	1,428	1,692	1,939	1,996
Y/Y	**96.4%**	**20.3%**	**16.0%**	**17.8%**	**18.5%**	**14.6%**	**2.9%**
Operating margin	**13.7%**	**13.8%**	**14.7%**	**14.4%**	**14.6%**	**14.8%**	**13.8%**
Finance cost	(503)	(693)	(673)	(761)	(883)	(992)	(1,030)
Income before zakat	418	457	604	736	878	1,018	1,037
Zakat	(17)	(23)	(31)	(37)	(45)	(52)	(53)
Net income	401	434	573	699	833	967	985
Y/Y	**133.6%**	**8.0%**	**32.2%**	**21.9%**	**19.2%**	**16.0%**	**1.9%**
Net margin	**6.3%**	**5.7%**	**7.0%**	**7.0%**	**7.2%**	**7.4%**	**6.8%**
EPS	**2.77**	**2.99**	**3.35**	**4.09**	**4.88**	**5.66**	**5.76**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1.41**	**1.44**
Balance sheet							
Assets							
Cash & equivalent	1,450	1,700	3,217	4,328	3,834	4,187	5,327
Account receivables	300	239	339	516	698	933	1,030
Other current assets	216	185	263	413	521	707	854
Total current assets	**1,966**	**2,124**	**3,818**	**5,258**	**5,053**	**5,827**	**7,211**
PP&E	1,168	1,537	2,974	4,057	6,712	8,599	9,814
RoU	7,676	7,831	7,829	7,953	7,389	6,585	8,745
Total assets	12,865	13,530	16,659	19,306	21,191	23,049	27,807
Liabilities & owners' equity							
Trade payable	1,754	1,558	1,743	1,912	2,003	2,233	2,335
ST debt	419	324	486	1,132	1,471	1,810	2,438
ST lease liab	541	508	558	635	677	718	991
Total current liabilities	**3,207**	**3,113**	**3,445**	**4,384**	**4,893**	**5,489**	**6,459**
LT debt	425	101	151	352	457	562	757
LT lease liab	4,984	5,306	5,828	6,635	7,073	7,505	10,361
Total non-current liabilities	**8,432**	**8,773**	**9,346**	**10,354**	**10,897**	**11,434**	**14,484**
Paid -up capital	1,534	1,534	1,793	1,793	1,793	1,793	1,793
R&S	(308)	109	2,076	2,774	3,608	4,333	5,071
Total owners' equity	**1,226**	**1,643**	**3,868**	**4,567**	**5,401**	**6,126**	**6,864**
Total equity & liabilities	12,865	13,530	16,659	19,306	21,191	23,049	27,807
Cashflow statement							
Operating activities	1,305	1,927	2,467	2,918	3,420	3,868	4,180
CAPEX	(139)	(475)	(1,491)	(1,150)	(2,734)	(1,977)	(1,315)
Financing activities	(1,117)	(1,335)	541	(656)	(1,181)	(1,537)	(1,725)
Change in cash	262	250	1,517	1,111	(495)	354	1,140
Ending cash balance	1,450	1,700	3,217	4,328	3,834	4,187	5,327
Key fundamental ratios							
Liquidity ratios							
Current ratio (x)	0.6	0.7	1.1	1.2	1.0	1.1	1.1
Profitability ratios							
Gross profit margin	14.2%	19.4%	20.4%	20.0%	20.1%	20.2%	19.2%
Operating margin	13.7%	13.8%	14.7%	14.4%	14.6%	14.8%	13.8%
EBITDA margin	26.1%	28.8%	30.2%	30.2%	30.7%	30.9%	30.0%
Net profit margin	6.3%	5.7%	7.0%	7.0%	7.2%	7.4%	6.8%
Return on equity	38.9%	30.2%	20.8%	16.6%	16.7%	16.8%	15.2%
Return on assets	3.6%	3.3%	3.8%	3.9%	4.1%	4.4%	3.9%
Leverage ratio							
Debt / equity (x)	0.69	0.26	0.16	0.32	0.36	0.39	0.47
Market/valuation ratios							
EV/sales (x)	NM	NM	2.1	1.8	1.6	1.5	1.6
EV/EBITDA (x)	NM	NM	6.8	5.9	5.4	4.8	5.2
Dividend yield	NM	NM	0.0%	0.0%	0.0%	25.0%	25.0%
EPS (SAR)	2.77	2.99	3.35	4.09	4.88	5.66	5.76
BVPS (SAR)	8.46	11.33	22.64	26.73	31.61	35.85	40.18
Market price (SAR)*	NM	NM	77.3	77.3	77.3	77.3	77.3
Market-Cap (SAR mn)	NM	NM	13,207	13,207	13,207	13,207	13,207
P/E ratio (x)	NM	NM	23.0	18.9	15.8	13.7	13.4
P/BV ratio (x)	NM	NM	3.4	2.9	2.4	2.2	1.9

Source: Company, AlJazira Capital research, * Market price as of July 11, 2025

الجزيرة كابيتال
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RESEARCH DIVISION

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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.

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