August 2026

Flynas Co.

Investment Update

aljazira capital الجزيرة كابيتال

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

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

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

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

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

Source: Tadawul *prices as of 25th August 2026

Key Financials

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

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

Key Ratios

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

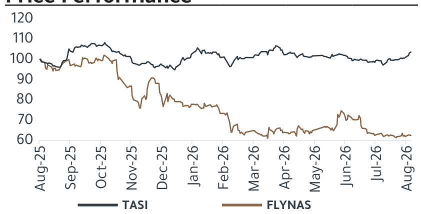
Source: Company reports, Aljazira Capital Research * NM: Not meaningful

Key Market Data

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

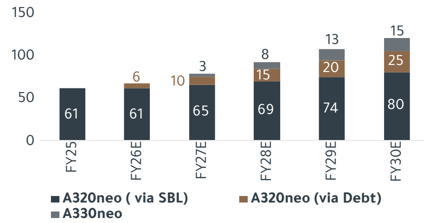
Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

Fig 1: Fleet composition



Source: Company reports, AlJazira capital Research

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Flynas Co.

Investment Update

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

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

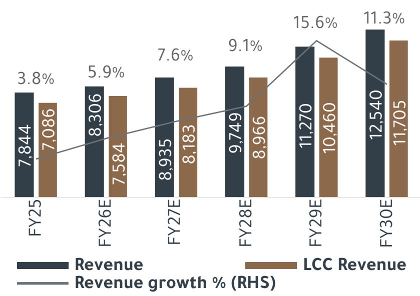
Investment thesis and valuation: Despite near-term headwinds from geopolitical tensions, elevated oil prices, and engine-related disruptions that have dragged the stock down 38% from its IPO price, flynas remains a compelling long-term growth story. Backed by a 247-aircraft order book, the operational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

Blended valuation summary

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

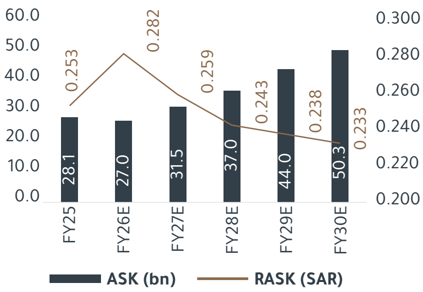
Source: Tadawul, Company's reports, Aljazira Capital Research *prices as of 25th August 2026

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



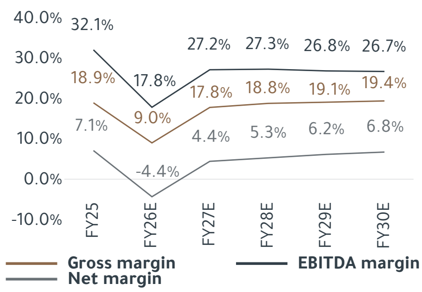
Source: Company reports, AlJazira capital Research

Fig 3: ASK and RASK projections



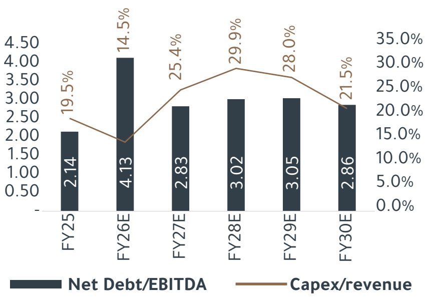
Source: Company reports, AlJazira capital Research

Fig 4: Profitability Trends



Source: Company reports, AlJazira capital Research

Fig 5: Capex levels vs Leverage



Source: Company reports, AlJazira capital Research

Key Financial Data

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

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

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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.

Disclaimer