argaam Intelligence



GCC Telecoms

The Market Isn’t Paying for Growth. So What Is It Paying For?

A STUDY BY ARGAAM INTELLIGENCE

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Executive Summary

This paper examines why GCC telecom operators, despite pursuing broadly identical strategies, trade at materially different multiples.

It is presented in two parts. The first assesses nine listed operators across the region, comparing their strategic positioning, financial performance and trading multiples, and tests the relationship between valuation and each of scale, growth, margins, leverage, cash generation, returns and geographic footprint.

The second applies those findings to a single case, Etihad Etisalat (Mobily), examining whether the market has priced the company's transformation over the past five years.

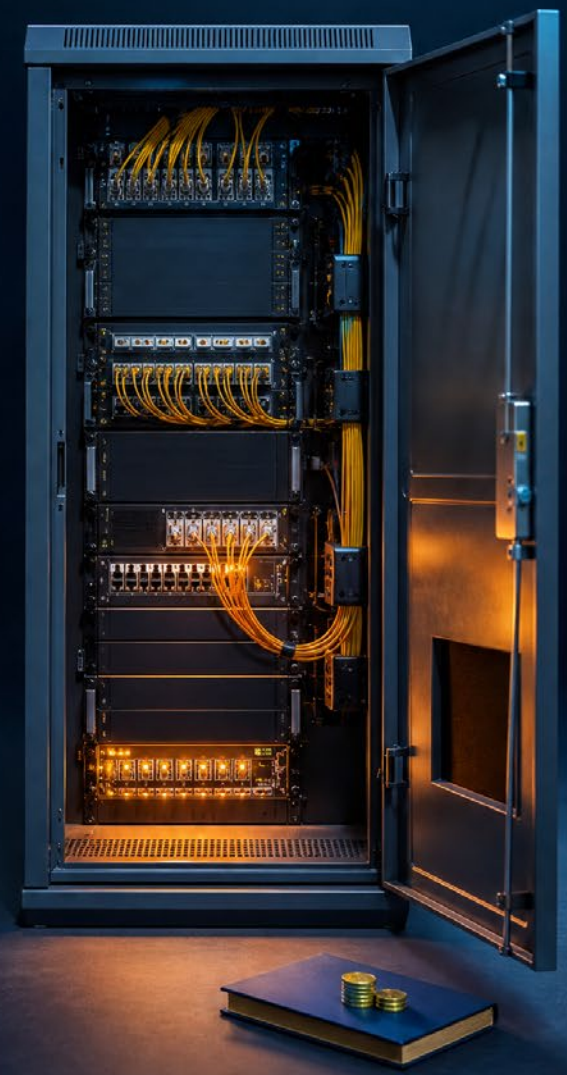
Three conclusions emerge. The sector as a whole does not appear mispriced; the question is one of relative valuation within the peer group rather than a regional discount or premium.

Diversification, the dominant strategic theme of recent years, shows no clear valuation premium — breadth of portfolio is not what investors are paying for.

What the market does appear to reward relates to capital discipline, balance sheet strength and home-market economics rather than growth or operating margin.

The Mobily case illustrates the point at company level: sustained improvement across the metrics conventionally associated with telecom quality has not been accompanied by any corresponding movement in its multiple.

The company's accounting restatement in 2014 and the difficult period that followed remain part of how the market frames it, and the paper considers whether that legacy, alongside the absence of direct sovereign control, continues to weigh on its valuation more than a decade later — and whether the persistence of that discount is proportionate to the company as it stands today.





Editorial Note

The figures in our research paper are presented on a consistent basis across all nine companies wherever possible, to support the report's primary objective of identifying what drives GCC telecom valuation multiples at a directional, sector-wide level, rather than to serve as a precise like-for-like cross-company comparison, which has its own limitations given differences in reporting, accounting treatments, and other factors.

In addition, differences in group structure, most notably partial ownership of fully-consolidated subsidiaries at some operators mean that headline metrics for some companies are not directly comparable to peers on a standardised, minority-interest-adjusted basis.

Where such structural distortions are material, they are flagged in our footnotes and discussed as outliers rather than corrected for, since adjusting for fair value of minority interests company-by-company would introduce a further layer of estimation inconsistent with the report's scope.

Our definitions of EBITDA, net debt, capex, and FCF may also differ from those reported in individual companies' accounts, and the basis of our calculations is noted in the relevant footnotes.

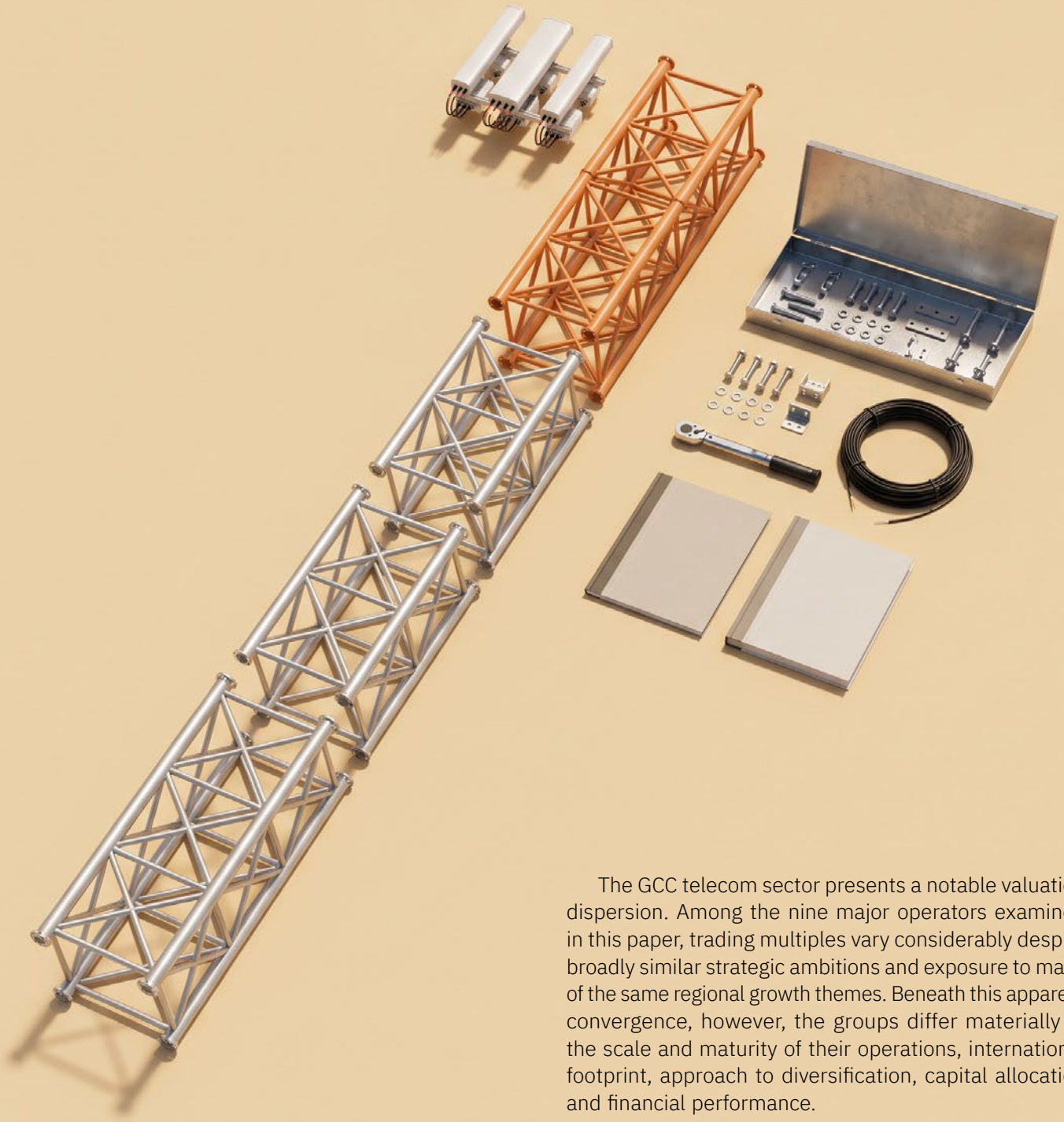
Our sector-level analysis relies on median figures rather than individual data points, which further limits the influence of any single company's distortions on the report's broader conclusions. Readers should therefore treat individual company figures with appropriate caution, particularly where flagged.

Part 01

The Strategy Everyone Is Buying.

The One Thing Investors Aren’t.





The GCC telecom sector presents a notable valuation dispersion. Among the nine major operators examined in this paper, trading multiples vary considerably despite broadly similar strategic ambitions and exposure to many of the same regional growth themes. Beneath this apparent convergence, however, the groups differ materially in the scale and maturity of their operations, international footprint, approach to diversification, capital allocation and financial performance.

To dissect this valuation gap, we assess the key players within the GCC telecom landscape, their strategic and financial profiles, and the factors that may be driving valuation dispersion — including growth, margins, leverage, capital discipline, diversification and regional presence. The objective is to distinguish which of these factors appear to be reflected in market valuations and where the relationship is less clear.

Diversification strategies have pursued similar growth opportunities through different routes

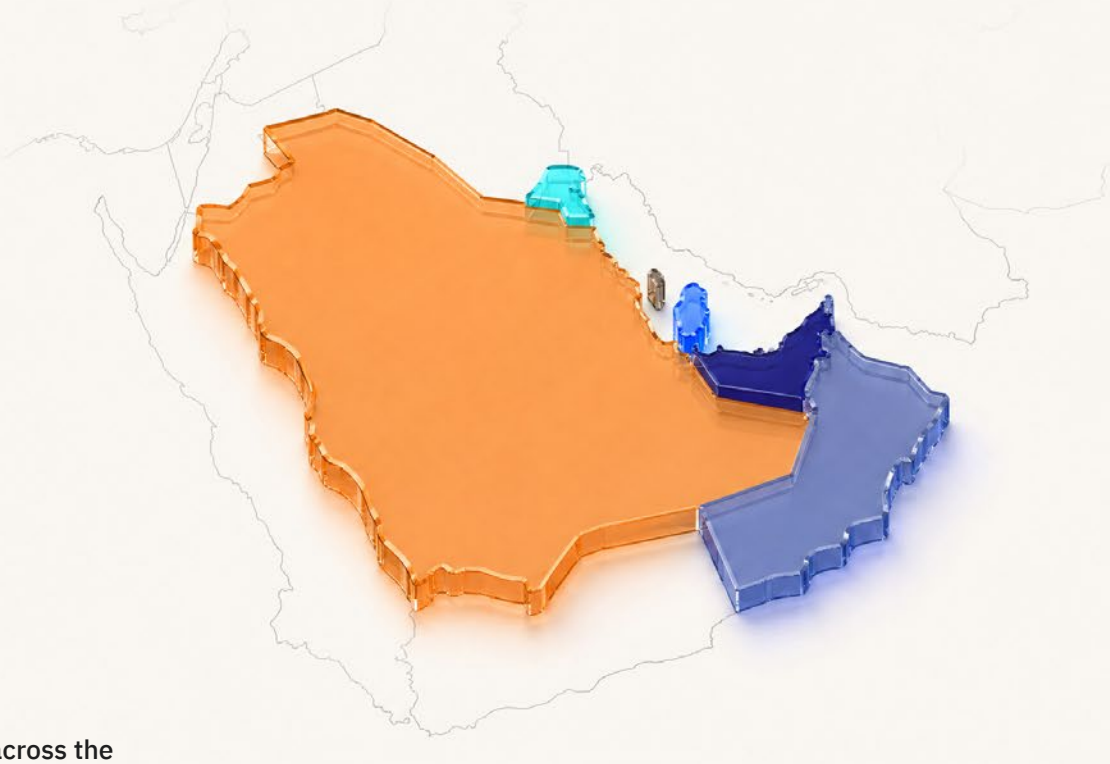


Exhibit 01

GCC Telecom Market Map

Selected telecom operators across the GCC and their diversification footprint

Present | Not present

Saudi Arabia

- stc
- Mobily[1]
- zain KSA

United Arab Emirates

- e&
- du

Kuwait

- zain Group

Qatar

- Ooredoo

Bahrain

- Beyon

Oman

- Omantel

Towers | Data centres / cloud | Fintech | Cybersecurity | Enterprise / ICT | International Portfolio

Note

Market map compiled based on company websites, annual reports and other publicly available company disclosures. The map captures material divisions, subsidiaries, acquisitions and strategic investments / joint ventures (JVs) beyond core telecom / connectivity activities. It does not represent an exhaustive list of group entities

01. Mobily is in preliminary discussions with TAWAL regarding a potential sale of its telecom towers; no binding agreement has been signed

GCC telecom operators have moved beyond traditional connectivity in search of new growth pools. While most are targeting similar adjacencies — including data centres / cloud, enterprise & ICT, cybersecurity and fintech— the breadth and maturity of their portfolios vary significantly. At one end, groups such as stc, e& and Zain Group have built broad multi-vertical portfolios spanning digital businesses, enterprise platforms and infrastructure. At the other, Mobily and du remain more domestically focused, expanding selectively into adjacent digital infrastructure, enterprise and fintech opportunities.

The routes taken to build these portfolios have also diverged. Organic expansion has remained the dominant starting point, with operators leveraging existing networks, enterprise relationships and domestic market positions to build new digital businesses. However, the largest step-change moves have often been inorganic, particularly where operators have sought international scale or specialist capabilities. e& has used acquisitions and strategic investments to expand its international footprint and technology portfolio, while Omantel's 21.9% stake in Zain Group has evolved into a strategic platform for regional scale and cross-border opportunities.

Partnerships and joint ventures have also become increasingly important, particularly in capital-intensive infrastructure. Ooredoo's partnership with Iron Mountain has supported the scaling of Syntys (data centre infrastructure), while its TowerCo combination with Zain Group and TASC Towers, forming New TASC, was designed to consolidate approximately 30,000 towers across six MENA markets. Similarly, stc's center3-HUMAIN JV is targeting up to 1GW of AI data-centre capacity, starting with up to 250MW. These structures illustrate how operators are increasingly combining capital, infrastructure and specialist expertise rather than seeking outright ownership of every growth asset.

More recently, the focus has shifted towards portfolio optimisation. The question is no longer simply whether to diversify, but which assets operators should own, control or partner around.

e& provides perhaps the clearest example, having monetised its Khazna investment in 2025 and subsequently sold its Vodafone stake for approximately $5.95 billion, enabling it to recycle capital and sharpen its strategic focus. Similarly, stc's sale of 51% of TAWAL to PIF and Ooredoo's ongoing restructuring of its infrastructure businesses demonstrate a shift towards bringing in external capital and concentrating ownership around priority platforms. The result is a more disciplined approach to diversification, with ownership, control and capital intensity becoming increasingly important alongside portfolio breadth.



Sovereign Backing and Strategic Influence

Government and sovereign influence is widespread across the GCC telecom sector, although the form and degree of control vary materially. Five of the nine operators in the peer group have a direct controlling sovereign or government shareholder, while others are influenced through strategic shareholdings or combinations of state-related institutions.

This provides many operators with access to long-term capital and alignment with national digital transformation agendas, but also means that strategic objectives can extend beyond purely short-term financial considerations.

The differences in ownership structure may therefore be relevant to understanding strategic behaviour and valuation. Directly sovereign-controlled groups have generally had greater capacity to pursue large-scale infrastructure investment and international expansion, while operators with more commercially oriented or dispersed ownership structures have tended to place relatively greater emphasis on capital efficiency and domestic returns.

Government ownership is therefore unlikely to be a standalone explanation for valuation dispersion, given its prevalence across the peer group. Instead, the nature and degree of state involvement may influence perceived risk, strategic positioning and capital allocation, with these effects potentially reflected indirectly in valuations.

Mobily illustrates this dynamic, see the accompanying case study, where the absence of direct sovereign backing is one of several structural and historical factors, alongside its 2014 accounting crisis, that plausibly weigh on its persistent valuation discount.

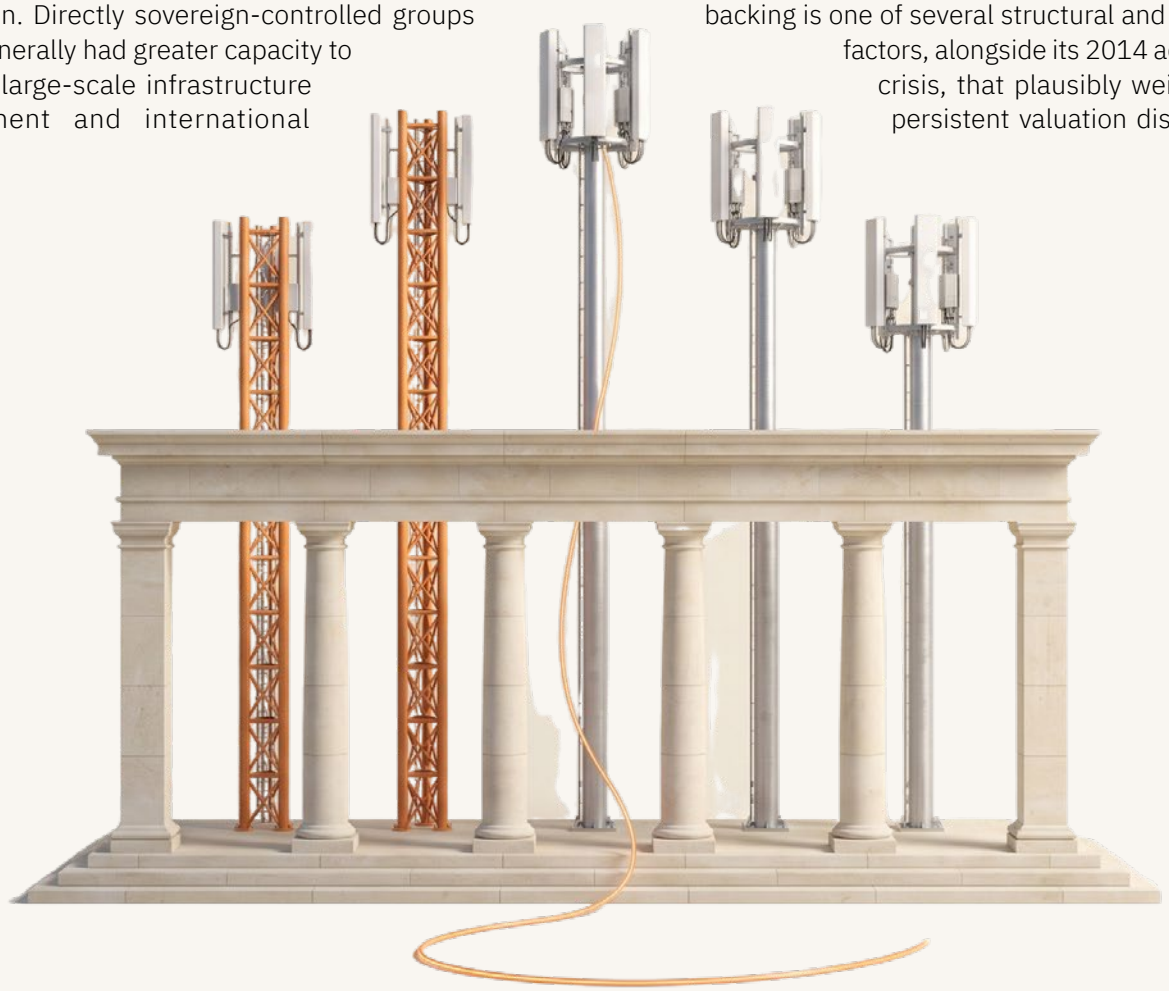


Exhibit 02

Operator	Country	Key shareholder(s)	Ownership	Classification
stc	Saudi Arabia	Public Investment Fund (PIF)	62.0%	Direct sovereign control
e&	UAE	Emirates Investment Authority (EIA)	60.0%	Direct sovereign control
du / EITC	UAE	Emirates Investment Authority (EIA); DH 8 LLC (Dubai Holding)	50.1% ; 19.7% (69.8% combined)	Direct sovereign control / government-backed shareholder base
Ooredoo	Qatar	State of Qatar; other Qatari government-related entities	53% ; 15% (68% combined)	Direct sovereign control
Omantel	Oman	Oman Investment Authority (OIA)	51% (via state-owned UITIP)	Direct sovereign control
Beyon	Bahrain	Mumtalakat; Social Insurance Organization	36.67%; 20.31% (56.98% combined)	Government-backed control
Mobily	Saudi Arabia	e&	27.99%	Strategic shareholder
Zain KSA	Saudi Arabia	Mobile Telecommunications Company K.S.C. (Zain Group)	37.05%	Strategic shareholder
Zain Group	Kuwait	Oztel Holdings (Omantel group); Kuwait Investment Authority; Public Institution for Social Security	21.90%; 15.90%; 6.00%, respectively	Government-linked / no single sovereign controlling shareholder

Source: Argaam Intelligence Research

Reading the Fine Print: GCC Telecom Financials at a Glance

Exhibit 03

Financial benchmarking (FY 2025)

Metric	Mobily	stc	Zain KSA	Ooredoo	e&	Beyon	Zain Group[8]	du	Omantel[9]
Revenue	SAR 19.6bn	SAR 77.8bn	SAR 11.0bn	QAR 24.6bn	AED 72.9bn	BD 497mn	KWD 2.3bn	AED 15.9bn	OMR 3.4bn
Revenue Growth	+7.9%	+2.5%	+6.0%	+4.3%	+23.1% (~9% organic)[7]	+8.0%	+14.3%	+8.7%	+11.4%
Gross Profit	SAR 10.7bn	SAR 37.7bn	SAR 6.6bn	QAR 13.4bn	AED 50.1bn	BD 317mn	KWD 1.5bn	AED 10.4bn	OMR 2.2bn
Gross Margin	54.7%	48.4%	59.8%	54.6%[6]	68.8%	63.7%[6]	65.0%	65.3%	64.6%
EBITDA[1]	SAR 7.6bn	SAR 24.5bn	SAR 3.5bn	QAR 10.5bn	AED 33.9bn	BD 188mn	KWD 780mn	AED 7.3bn	OMR 1.2bn
EBITDA Margin	38.8%	31.4%	31.6%	42.6%	46.5%	37.9%	34.2%	46.1%	35.5%
Net Income[2]	SAR 3.5bn	SAR 14.8bn	SAR 604mn	QAR 3.9bn	AED 14.3bn	BD 71mn	KWD 239mn	AED 2.9bn	OMR 88mn
Net Margin	17.6%	19.1%	5.5%[5]	15.7%	19.7%	14.4%	10.4%	18.3%	2.6%
ROE(2)	17.1%	17.8%	5.6%	12.8%	27.8%	12.4%	19.6%	28.6%	13.7%
Capex	SAR 3.2bn	SAR 11.8bn	SAR 493mn	QAR 5.5bn	AED 13.4bn	BD 131mn	KWD 274mn	AED 2.4bn	OMR 470mn
Capex Intensity[3]	16.4%	15.2%	4.5%	22.2%	18.3%	26.5%	12.0%	14.8%	13.8%
FCF[4]	SAR 3.4bn	SAR 6.5bn	SAR 1.3bn	QAR 3.3bn	AED 12.7bn	BD 42mn	KWD 348mn	AED 2.9bn	OMR 465mn
FCF Yield[4]	~7.0%	~3.0%	~13.8%	~8.0%	~7.1%	~5.6%	~12.9%	~5.2%	~42.3%

Source: FY2025 annual reports, Stockanalysis for market cap information

Note

Figures are based on FY25 reported results and may not be fully comparable due to differences in reporting currency, group structure, geographic mix, consolidation policies, accounting treatment and capital investment cycles. Specific material comparability considerations are highlighted in the footnotes below

01. *EBITDA represents reported EBITDA where disclosed; otherwise, it is derived from operating profit before D&A. EBITDA margin is calculated as EBITDA divided by revenue*
02. *Net income represents profit attributable to shareholders of the parent, excluding non-controlling interests. Net margin is calculated as net income divided by revenue. ROE is calculated using net income attributable to shareholders divided by average shareholders' equity, excluding non-controlling interests.*
03. *Capex intensity is calculated as reported capital expenditure divided by revenue. Capex comprises both tangible and intangible investments*
04. *FCF is calculated as operating cash flow less capex; FCF yield is FCF divided by market capitalisation, based on share prices as at 12 August 2026*
05. *Zain KSA's net margin (5.5%) is well below its EBITDA margin (31.6%), reflecting comparatively higher D&A (~20% of revenue) and finance costs (see below)*
06. *Beyon and Ooredoo do not disclose gross profit under a function-based P&L. Gross profit/margin is a constructed proxy (revenue less network operating expenses), not a reported line item*
07. *e& reported FY25 revenue growth of 23.1%; underlying like-for-like revenue growth was c.9%, with reported growth benefiting from portfolio expansion and consolidation effects*
08. *Zain Group consolidates Zain KSA despite holding c.37% of its equity. Reported group revenue, EBITDA, cash flow and FCF include 100% of Zain KSA's results, while net income and shareholders' equity used for ROE are presented attributable to Zain Group shareholders, excluding non-controlling interests*
09. *Omantel consolidates Zain Group despite holding a 21.9% economic interest. As above, group revenue, EBITDA, cash flow and FCF include 100% of Zain Group's results, while net income and shareholders' equity used for ROE are presented attributable to Omantel shareholders, excluding non-controlling interests. This basis mismatch depresses Omantel's reported net margin (2.6%) and, because FCF yield is measured against Omantel's own market capitalisation rather than the consolidated group's, inflates its FCF yield (42.3%) relative to peers. The distortion is far more visible here than for Zain Group's own consolidation of Zain KSA (footnote 8) because Zain Group's results dominate Omantel's total group economics, whereas Zain KSA is one piece of a portfolio Zain Group otherwise mostly or wholly owns*



Figures throughout are drawn from company annual reports on a FY2025 basis. A handful of points stand out across the sector:

Growth is broadly strong (median ~8%) comfortably ahead of the pace of typical mature / saturated US and European markets.

Incremental growth in the GCC is driven by a genuine demographic and digital-adoption runway that mature US/European markets have exhausted, compounded by government-backed digital transformation spend and operators' push into new-growth verticals (fintech, data centers / cloud). Although a portion of the region's reported growth (e& in particular) reflects consolidation and portfolio effects rather than organic demand.

Margins are healthy region-wide (excluding Zain KSA and Omantel net margins, as identified in the footnotes above).

The GCC's telco edge is largely a pricing-power story concentrated in the core telecom business, not a product of diversification (which has an EBITDA dilution effect). Higher income, lower price sensitivity, and a more permissive regulatory environment support materially higher core Average Revenue Per User than US or European peers. Moreover, unlike the US and Europe, which have both grown a substantialMobile Virtual Network Operator and cable/OTT competitive layer beneath their headline carrier counts, GCC markets have stayed closer to their nominal operator count in actual competitive intensity.

Higher margins broadly translate into higher Return on Equity across the sector

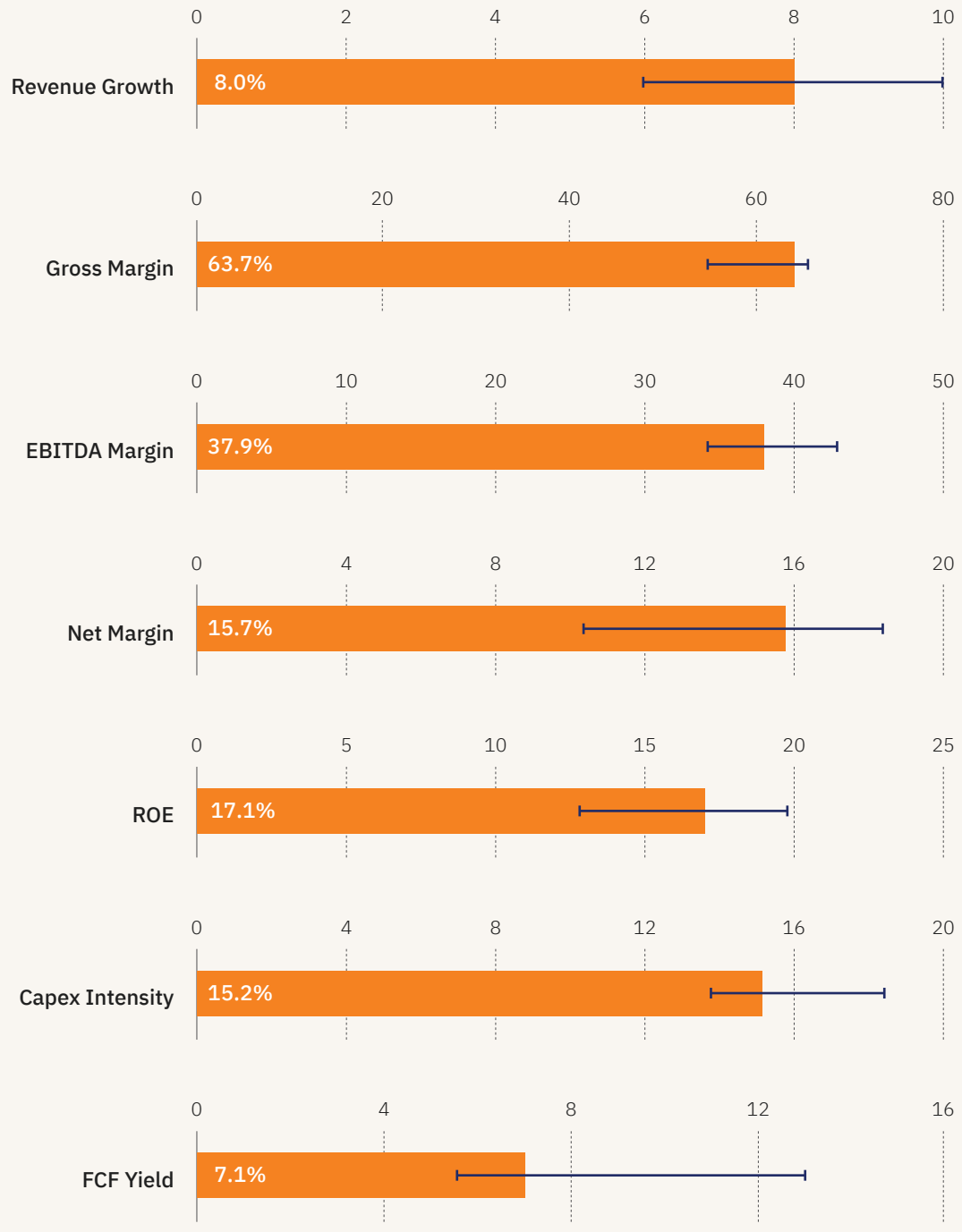
Although the relationship is not tight, with several outliers reflecting factors flagged above. A ~17% median ROE is respectable, comfortably above a reasonable cost of equity and broadly comparable with Western markets. More notably, GCC telcos achieve similar returns with meaningfully less leverage, suggesting comparable returns on a more conservative capital structure

Capital intensity is broadly in line with US and European counterparts

Suggesting neither regional underinvestment nor is there a clear AI / data centre excess-spending story. FCF yield is a different matter – the region's median genuinely looks low though part of that gap is likely a valuation effect rather than purely weaker cash generation on top of the calculation caveats already flagged above.

Exhibit 04

GCC Telecom Sector – Key Metric Medians (FY2025, n=9)



Dissecting GCC Telco Valuation Multiples & Drivers

Exhibit 05

Metric	Mobily	stc	Zain KSA	Ooredoo	e&	Beyon	Zain Group	du	Omantel
Equity Value[1]	SAR 48.9bn	SAR 217.7bn	SAR 9.3bn	QAR 41.3bn	AED 179bn	BD 744mn	KWD 2.7bn	AED 55.7bn	OMR 1.1bn
Enterprise Value[2]	SAR 54.7bn	SAR 223.5bn	SAR 18.0bn	QAR 41.7bn	AED 225bn	BD 1012mn	KWD 4.4bn	AED 56.8bn	OMR 4.0bn
EV / Revenue (LTM / TTM)	~2.8x / 2.7x	~2.9x / 2.8x	~1.6x / 1.6x	~1.7x / 1.7x	~3.1x / 2.9x	~2.0x / 2.0x	~1.9x / 1.9x	~3.6x / 3.6x[4]	~1.2x / 1.1x[5]
EV / EBITDA (LTM / TTM)	~7.2x / 6.9x	~9.1x / 8.9x	~5.2x / 5.2x	~4.0x / 3.8x[3]	~6.6x / 6.3x	~5.4x / 5.4x	~5.7x / 5.5x	~7.7x / 7.7x[4]	~3.3x / 3.2x[5]
P/E (LTM / TTM)	~14.1x / 13.4x	~14.7x / 14.8x	~15.4x / 11.8x	~10.7x / 11.0x	~12.5x / 15.5x	~10.4x / 10.7x	~11.3x / 8.0x	~19.2x / 18.0x[4]	~12.4x / 10.0x
Dividend Yield	~4.7%	~5.1%	~4.9%	~5.8%	~4.6%	~7.2%	~5.6%	~5.2%	~3.8%
Net Debt / EBITDA[2]	~0.8x	~0.2x	~2.5x	~0.03x	~1.1x	~1.3x	~2.3x	~0.2x	~2.4x

Source:
FY2025 annual and H1 2026 reports, Stockanalysis for market cap and dividend yield information. LTM figures are calculated on an FY2025A basis; TTM figures blend H2 2025 with H1 2026 and are calculated as at H1 2026 (30 June 2026)

Notes

01. Equity Value is market capitalisation as at 12 August 2026, sourced from stockanalysis.com.

02. Enterprise Value = Market Cap + Net debt (as at 30 June 2026). Net debt for FY25 was used for Ooredoo instead, as the company had not published consolidated balance sheets in H1 2026. Net debt is calculated as total debt (loans, borrowings and lease liabilities) less gross cash and bank balances and short term Murabaha. Net Debt/EBITDA are calculated on this basis for all nine companies. This is a narrower, more conservative basis than the net debt some companies report in their own results, which typically use a broader debt definition (including contingent liabilities such as letters of credit/ guarantee and vendor financing) and a netted cash balance. As a result, the Net Debt/EBITDA figures in this table may differ materially from the net debt/EBITDA figures disclosed in individual company annual reports, and should not be directly compared to them.

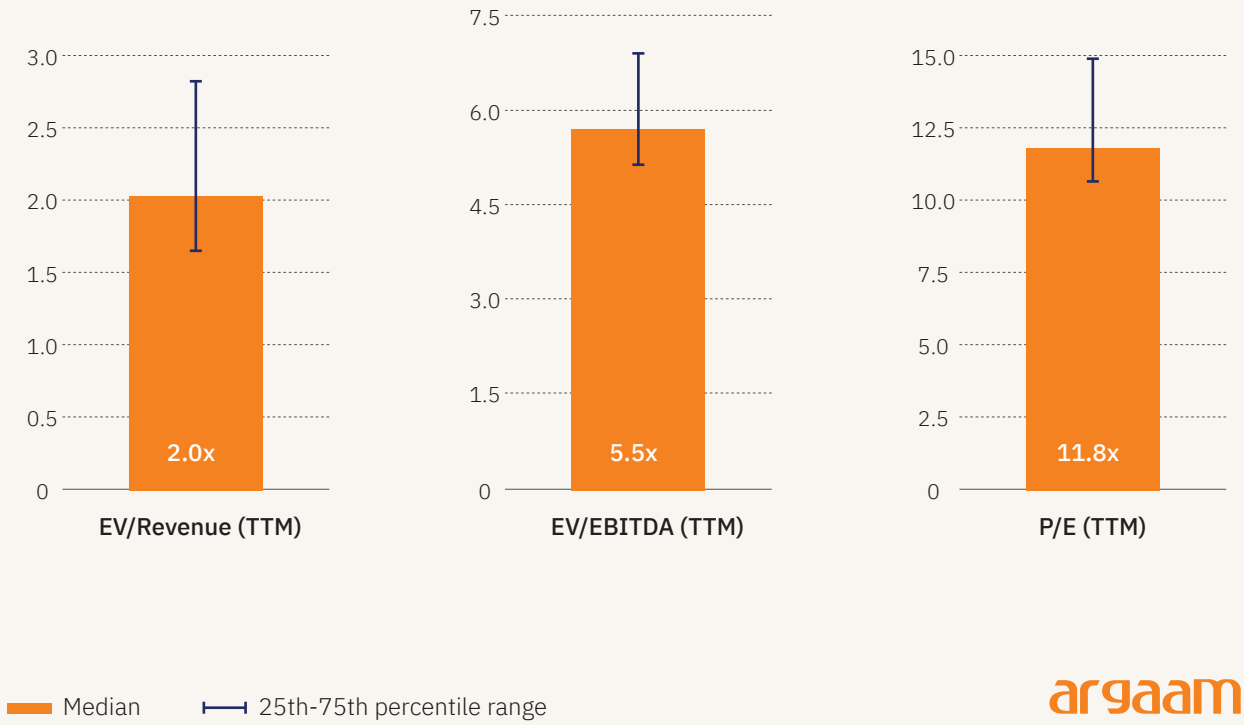
03. Ooredoo's low multiple looks more like a genuine market discount than a comparability issue: Iraq and Algeria alone made up roughly a third of group revenue, and Ooredoo's own H1 2026 results cite active "military disruptions" weighing on Iraq, its second-largest market, alongside an ongoing conflict in Palestine and an unresolved litigation in Algeria.

04. du's premium reflects a rare combination for the sector: UAE-domiciled, with the highest ROE in the peer group (28.6%) and a near-debt-free balance sheet (~0.2x Net Debt/EBITDA). The stock has nonetheless moved beyond what these fundamentals alone would imply, reaching an all-time intraday high of AED 12.80 in July 2026, while the average sell-side price target remains materially below the prevailing share price.

05. Omantel's EV/ Revenue and EV/EBITDA are likely depressed by a consolidation mismatch rather than reflecting a cheap valuation: EV reflects the market's view of Omantel's actual economic interest (21.9% of Zain Group plus its domestic Oman business), while Revenue and EBITDA in the denominator are 100% consolidated, including the ~78% of Zain Group's EBITDA that belongs to non-controlling interests (see the Financial Benchmarking footnotes on Omantel/Zain Group)

Exhibit 06

GCC Telecom Sector – Median Trading Multiples (TTM, n=9)



Trading multiples for the GCC sector are roughly in line with US/EU peers. The dispersion within the sector isn't a uniform GCC discount story - every extreme has an identifiable, specific cause: Omantel's and Ooredoo's low multiples are mechanical- and EM-risk-driven respectively, while du's high multiples are part-fundamentals, part-momentum.

There is therefore no clear case for a broad sector-wide mispricing. It's worth noting these are TTM (backward-looking) multiples, while markets typically price forward, and some calculations (e.g. net debt) have been simplified, though the underlying fundamentals shouldn't change drastically in the near term, so these multiples remain a good approximation of broad trading ranges.

Taken together, these multiples show where the market has priced the sector, but not necessarily what is driving the valuation dispersion. The next section tests this more rigorously, examining the relationship between EV/EBITDA multiples and a range of underlying financial and strategic factors include scale, growth, profitability, leverage, cash generation, return on equity and geographic presence. We also apply regression analysis to assess which of these factors show the strongest relationship with valuation across the GCC telecom peer group.

Exhibit 07 **EV/EBITDA (TTM) vs. candidate drivers (n=9)**



Notes

- *This analysis leads with EV/EBITDA rather than P/E, since EBITDA is capital-structure- and depreciation-policy-neutral — a meaningful advantage in a capital-intensive, long-asset-life industry where leverage and depreciation schedules vary widely across operators for reasons unrelated to the underlying business.*
- *Net income, P/E's denominator, sits below interest, depreciation, tax, and FX items that can move sharply between periods for reasons unrelated to operating performance. Multiples are calculated on an EV/TTM basis (H1 2026 net debt, current market cap, trailing-twelve-month EBITDA), while the underlying metrics are FY2025 full-year figures rather than a matching TTM window, since half-year interim disclosures introduce their own seasonality and one-off noise; re-running the correlations on an EV/FY25A basis yields materially the same coefficients, suggesting the basis mismatch isn't driving the results.*
- *Note: market capitalization, dividend yield, capex/revenue, and FCF yield were tested but excluded from this set: market cap and FCF yield are both mechanically related to EV/EBITDA through the price term (market cap is a direct component of EV, FCF yield is approximately the inverse of a price-based multiple), and dividend yield and capex/revenue showed negligible explanatory power ($R^2 < 0.05$).*



Key Findings - Summary of Regression Analysis

Exhibit 08

Driver	R^2	Read
Geographic Presence	0.543	Saudi and UAE cluster ~7x EV/EBITDA, the rest of the GCC ~4.5x EV/EBITDA. Highest R^2 in the set but reflects group averages, not a fitted line
Net margin	0.507	Strongest single continuous driver, more profitable operators trade at a richer EV/EBITDA multiple
ROE	0.275	Moderate — higher returns on equity track with a richer multiple
Net debt / EBITDA	0.265	Moderate, negative — more leveraged operators trade at a discount
Scale (revenue)	0.173	Weak-to-moderate — larger operators trade slightly richer multiple
Gross margin	0.106	Weak, negative — direction not obviously intuitive, likely reflects other differences between high- and low-margin names rather than a real relationship
Revenue growth + EBITDA margin	0.025	Weak — the two-factor model barely improves on either variable alone
Revenue growth	0.014	Negligible
EBITDA margin	0.001	Negligible

Source: Argaam Intelligence Research

Synthesizing the Regression Results

We draw the following conclusions on pricing in the GCC Telco Sector

01.

Geography (specifically, home-market scale) is a key driver.

Saudi and UAE operators trade at a premium to the rest of the GCC — not because they're more international (the opposite: Mobily, Zain KSA, and du are almost entirely domestic), but because their home markets offer scale, wealth and relatively favourable risk profiles. This matters especially for telecom: with a largely fixed local subscriber base and fixed network costs, a larger, higher-ARPU home market spreads capex over more high-value subscribers, turning scale and wealth directly into operating leverage.

02.

Growth and EBITDA margin expansion simply aren't what the market is paying for in this sector.

This supports some of findings (see Mobily case study report in the second part of this research paper) that diversification and expansion through acquisitions in search of growth is not being rewarded by GCC telco investors. Cross-company EV/EBITDA ranges across the wider peer set over time show the same pattern, no systematic re-rating for more diversified operators, so a diversification premium cannot be assigned with confidence.

03.

What the market does reward is net margin

which in this context appears to be as much a signal of capital discipline and efficient conversion of operating performance into shareholder earnings as underlying profitability.

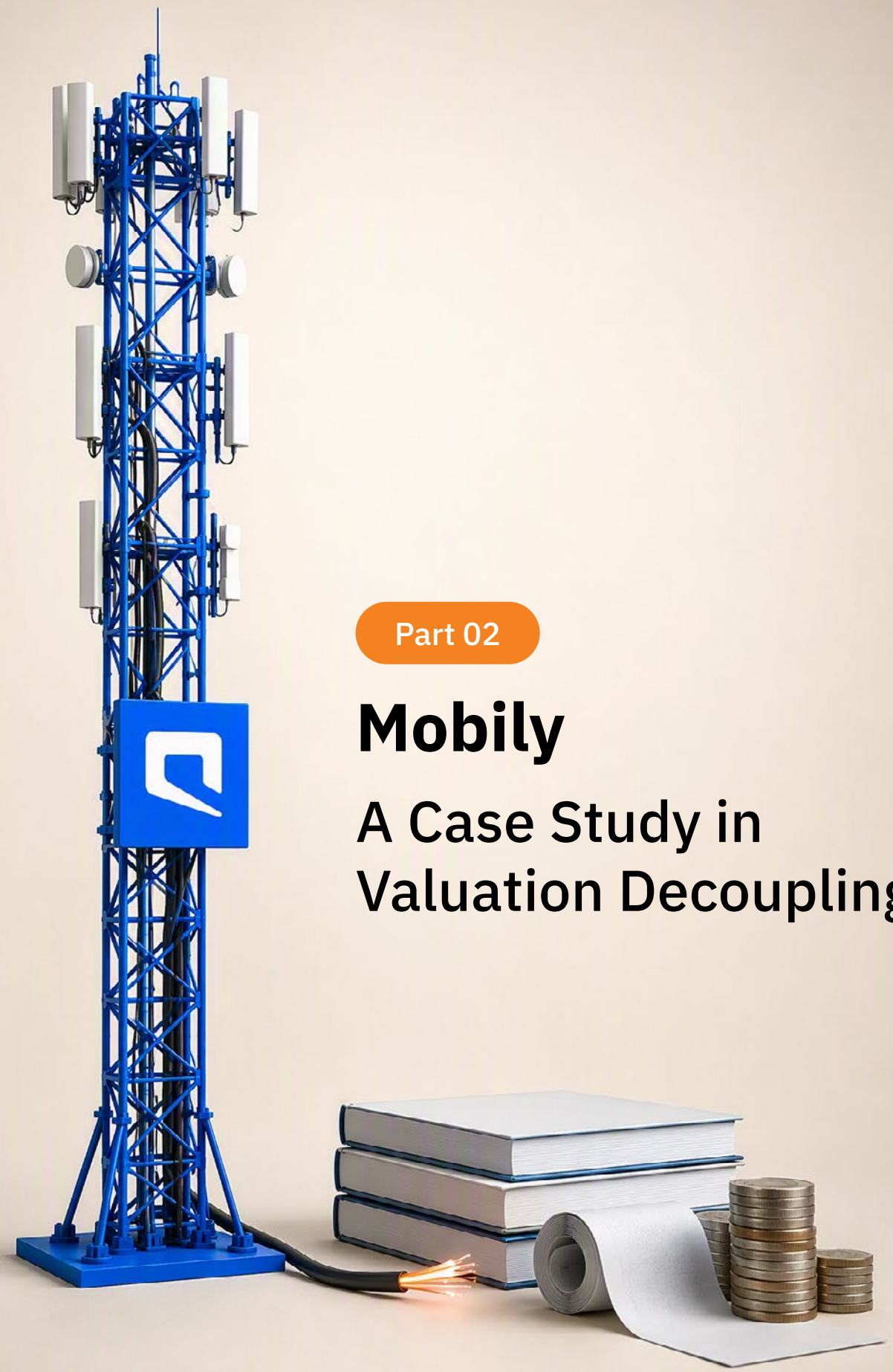
This reflects a longstanding source of investor wariness in telecom: the legacy business model has struggled to convert scale into real profitability, weighed down by ongoing capex requirements that never really end. Operators that have managed that capital cycle well are being rewarded with a premium, those still carrying the weight of it are not.

04.

Capital structure and returns matter, in the same vein.

ROE and Net Debt/EBITDA are the next-strongest drivers in the sample, and both point the same direction as point 3: operators generating stronger returns on their equity base, and carrying less debt relative to EBITDA, trade at a premium. In a sector defined by heavy, recurring capex, the market is pricing the risk shareholders carry against the returns they earn for it.

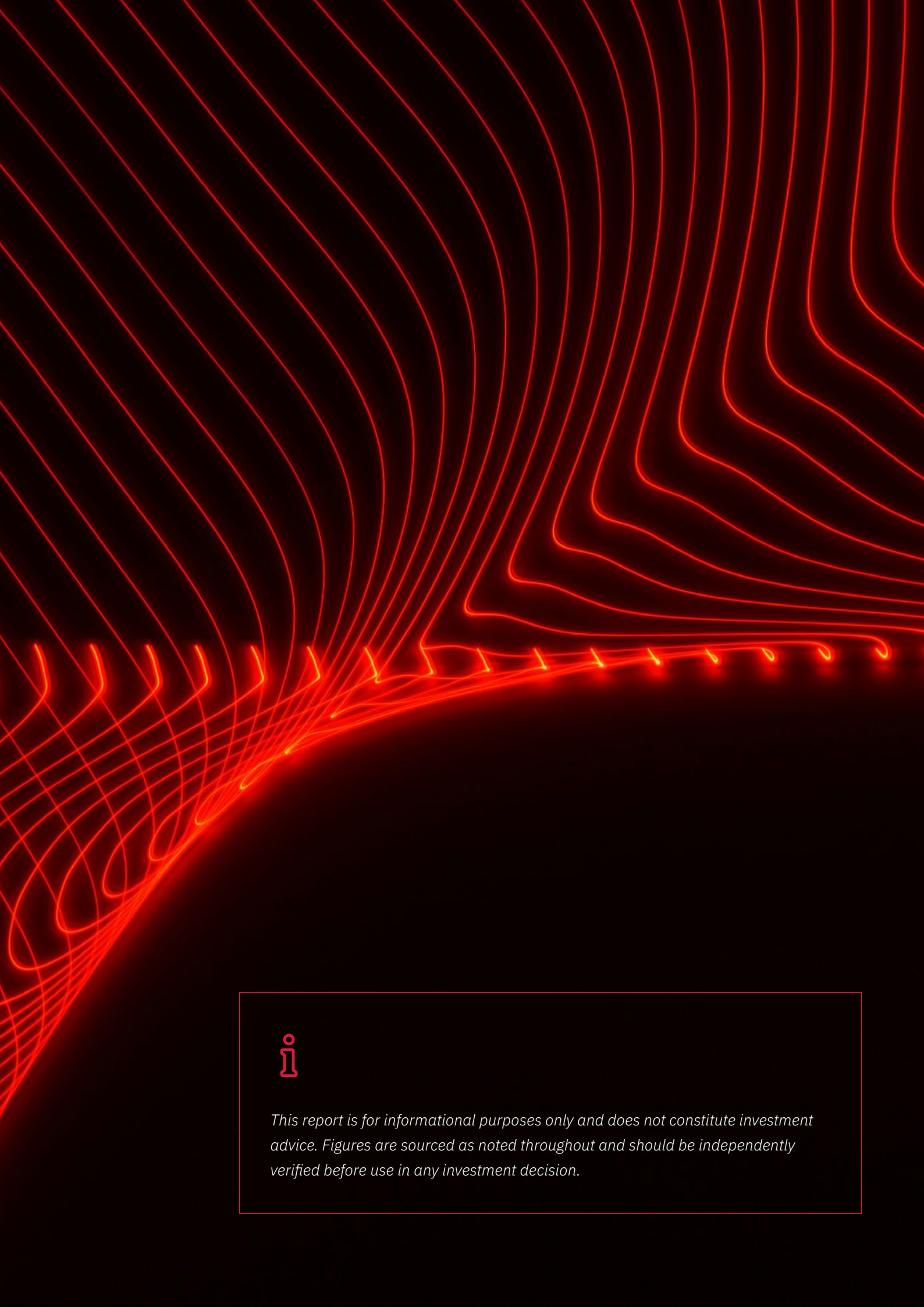
These conclusions are drawn from a nine-company, point-in-time cross-section, and should be read with that small-sample caveat in mind. That said, each finding aligns with well-documented, structural features of the telecom sector: home-market economics, the industry's long-running struggle to convert scale into durable profitability, and the market's sensitivity to leverage and capital discipline in a capex-heavy business, rather than resting on statistical strength alone.



Part 02

Mobily

A Case Study in Valuation Decoupling



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The Saudi telecom sector has evolved from a single state-owned operator to a multi-operator market, with digital infrastructure emerging as a central pillar of the broader Vision 2030 diversification program.

As mobile penetration has approached saturation, operators have increasingly pushed into adjacent digital businesses (e.g. banking, ICT and managed services, cybersecurity, cloud, and AI infrastructure) to find growth beyond a maturing core.

But do asset prices manage to keep pace with these shifts, or whether valuations have drifted from the underlying fundamentals as the sector has transformed?

Telecom is a useful sector in which to isolate this question, given its relatively homogeneous core business model and the presence of comparable, similarly regulated peers across the region.

In this second part of our research paper, we examine Etihad Etisalat ("Mobily") as a case study to better understand the dynamics in play.

Mobily's Decade-Long Turnaround And the Discount That Won't Close

Mobily listed on Tadawul in December 2004, having broken stc's monopoly with Saudi Arabia's second GSM license and grew into one of the exchange's most valuable companies over the following decade.

That run ended in November 2014, when the company disclosed major accounting irregularities, restating prior profits down, ousting its CEO and chairman within months, and erasing more than half its market value, roughly SAR 34 billion (~$9.1bn), as the share price collapsed.

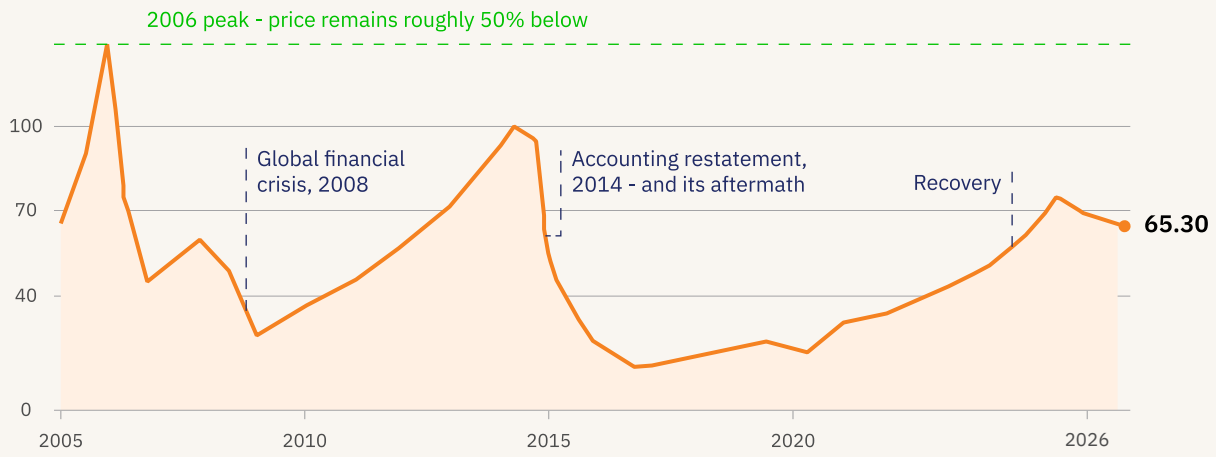
The fallout deepened in 2015 with a full-year net loss, a further downward restatement, reported covenant pressure on its debt facilities and a string of regulatory penalties for insider trading tied to the disclosure.

Recovery has been slow but steady since: new leadership and covenant waivers stabilized the balance sheet in 2015–16, sustained deleveraging and margin discipline rebuilt the business through the following years and growth re-accelerated from 2022 as wholesale and enterprise revenue expanded.

> By 2025–2026, Mobily was posting the sector's strongest financial performance (growth & profitability) as well as return on equity, outpacing its competitors even as its valuation multiple remained subdued.

Exhibit 09

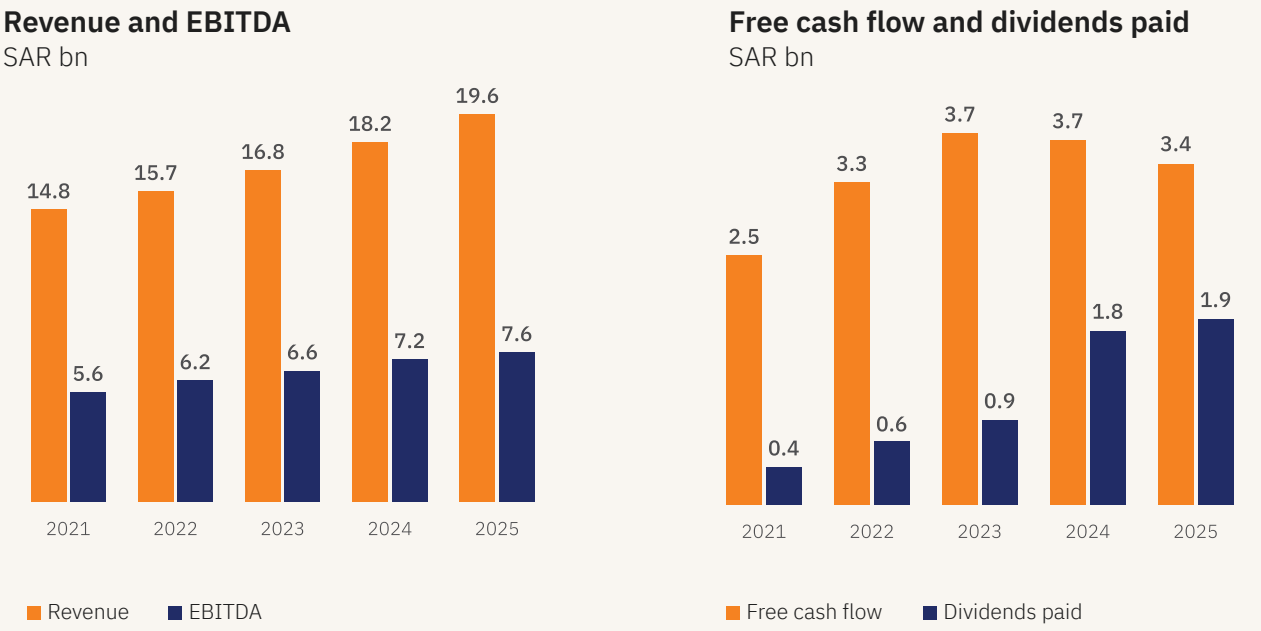
Mobily Share Price Performance Since Listing



Source: Argaam Intelligence Research

Exhibit 10

Mobily's Recovery in Numbers, FY2021-FY2025



Source: Argaam Intelligence Research

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Note

Mobily's own annual earnings releases and reports. EBITDA is calculated as operating profit plus depreciation and amortization. Free cash flow is calculated as operating cash flow less capital expenditure (tangible + intangible)

Revenue growth was driven by wholesale expansion (submarine cables, international carrier deals) and steady subscriber gains in both consumer and enterprise segments, while EBITDA margin improved through operating leverage and cost discipline carried over from the turnaround years.

Free cash flow grew steadily through 2023, when the network was still running on lighter legacy investment, before easing in FY2024–25 as capex stepped up driven by a major spectrum license win layered on top of an ongoing network investment program spanning 5G expansion, submarine cables, and new data centers.

Nonetheless, dividends kept rising through this period, indicating no real cash-flow pressure and underscoring management's confidence in the underlying cash-generation trajectory.

> Momentum carried straight through into H1 2026, with revenue up 5.3%, EBITDA up 9.3%, and net profit up 11.5% year-on-year — growth accelerating at each successive line of the P&L. Margins also continued to expand across the board versus H1 2025.

Exhibit 11

Peer Comparison

Metric	Mobily	stc	Zain KSA
Fiscal Year End	31 Dec 2025	31 Dec 2025	31 Dec 2025
Revenue	SAR 19.6bn	SAR 77.8bn	SAR 11.0bn
Revenue Growth (YoY)	+7.9%	+2.5%	+6.0%
Gross Profit	SAR 10.7bn	SAR 37.7bn	SAR 6.6bn
Gross Margin	54.7%	48.4%	59.8%
EBITDA	SAR 7.6bn	SAR 24.5bn	SAR 3.5bn
EBITDA Margin	38.8%	31.4%	31.6%
Net Income (shareholders)	SAR 3.5bn	SAR 14.8bn	SAR 604mn
Net Margin	17.6%	19.1%	5.5%
Dividend Yield (current)	~4.7%	~5.1%	~4.9%
ROE (FY2025)	17.1%	17.8%	5.6%

Source: Argaam Intelligence Research

Note

Audited FY2025 financial statements. Dividend yield is current, price-based, not a historical FY2025-declared yield. ROE calculated as NI to shareholders / shareholder equity (book value, not market value), both as at FY2025

Exhibit 12

Trading Multiples

Metric	Mobily	stc	Zain KSA
Market Cap (Equity Value)	~SAR 48.9bn	~SAR 217.7bn	~SAR 9.3bn
Net debt (H1 2026 balance sheet)	~SAR 5.8 bn(1)	~SAR 5.8bn(1)	~SAR 8.7bn(1)
Enterprise Value	~SAR 54.7bn	~SAR 223.5bn	~SAR 18.0bn
EV / Revenue (FY25A / TTM)	~2.8x / 2.7x	~2.9x / 2.8x	~1.6x / 1.6x
EV / EBITDA (FY25A / TTM)	~7.2x / 6.9x	~9.1x / 8.9x	~5.2x / 5.2x
P/E (FY25A / TTM)	~14.1x / 13.4x	~14.7x / 14.8x	~15.4x / 11.8x

Source: Argaam Intelligence Research

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Note

Market cap calculated based on share price as at 12 August 2026. Net debt as at H1 2026 balance sheet (30 June 2026). TTM figures calculated from H2 2025 and H1 2026 reported financials.

This analysis relies on headline financial and valuation data rather than subscriber-level and segment-quality metrics — ARPU trends, prepaid/postpaid mix, churn, and contract quality — none of which were consistently disclosed across the three companies.

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01. To enable like-for-like comparison, calculated as total borrowings (current + non-current) plus total lease liabilities (current + non-current), less cash and cash equivalents and short-term Murabaha

Across the peer comparison, A few things stand out clearly

- On the two metrics most directly tied to a telecom operator's underlying economics, growth and EBITDA margin, Mobily leads decisively and consistently.
- Despite its superior EBITDA margin, Mobily's net margin trails stc's because its much higher capex intensity drives a proportionally heavier depreciation charge, compounded by greater leverage.
- A gap that should narrow as capex normalises following the current investment cycle, consistent with capex pullback already visible in H1 2026.
- Looking at trading multiples, and in particular EV/EBITDA, the standard valuation multiple for the telecom sector globally, Zain appears cheap, yet it is expensive on P/E.
- This is mainly a structural feature of its balance sheet rather than a signal about how the market views its business.
- Zain is arguably the smallest of the three competitors by revenue and market share, but its financial profile is materially different, carrying higher leverage (Net Debt/EBITDA ~2.5x, roughly 3x Mobily's ~0.8x) and correspondingly thinner margins and lower returns (ROE ~5.6% vs. Mobily's ~17.1%).
- Zain is a useful illustration of how leverage can shape relative multiples, but it isn't a fair comparator for asking whether the market is pricing quality correctly. The more meaningful comparison narrows to Mobily and stc.
- stc's premium relative to Mobily is easy to justify, at least initially. It is the dominant operator by both revenue and market share, and its majority ownership by the Public Investment Fund gives it a scale of sovereign backing no domestic peer can match.
- At roughly four times Mobily's market capitalization, it is also, crucially, not a pure telecom business but rather a diversified platform spanning digital banking, IT services, cybersecurity, cloud infrastructure, and data centers (see further breakdown on next page).
- Closer inspection complicates that story considerably. Segment-level data confirms that stc's core telecom business still accounts for the large majority of group revenue, 64% on a gross basis, and is growing only modestly, at under 3% year-on-year.
- The adjacent digital businesses that make up stc's diversification story remain small by comparison. It is notable that the cloud divisions have impressively and substantially increased by over 60% from a base of under SAR 200 million.
- Non-core businesses are 36% of stc's gross revenue — genuinely diversified by regional standards. But the 36% is not one thing. Solutions is a listed tech services company with genuine scale. Data centres, cloud and cybersecurity are smaller but growing. Channels, the largest non-core segment, is retail — phones, devices and prepaid credit sold through stc's stores. Retail distribution trades on lower multiples. The market may attach a premium to parts of the 36%. It is unlikely to attach one to all of it.

Exhibit 13

stc FY2025 segmental reporting

Segment	FY25 Revenue (SAR mn)	% of Gross Segment Revenue	Growth vs. FY24	Gross Margin FY25
stc (KSA + Kuwait + Bahrain) (Core telecom)	57,267	64.1%	+2.9%	59.0%
Channels (Device distribution)	14,085	15.8%	-6.8%	24.3%
Solutions (IT services)	12,730	14.3%	+5.5%	23.0%
center3 (Data centers)	1,962	2.2%	+2.6%	41.7%
STC Bank (Digital banking)	1,401	1.6%	+11.0%	51.7%
sirar (Cybersecurity)	827	0.9%	+12.8%	34.2%
Specialized (Niche services)	355	0.4%	-4.6%	38.0%
iot² (IoT)	322	0.4%	+7.0%	22.4%
SCCC (Cloud)	304	0.3%	+61.7%	25.7%
Other operating segments (Miscellaneous)	65	0.1%	-91.1%	n/a
Total (gross of eliminations)	89,318	100.0%	—	—

Source: Argaam Intelligence Research

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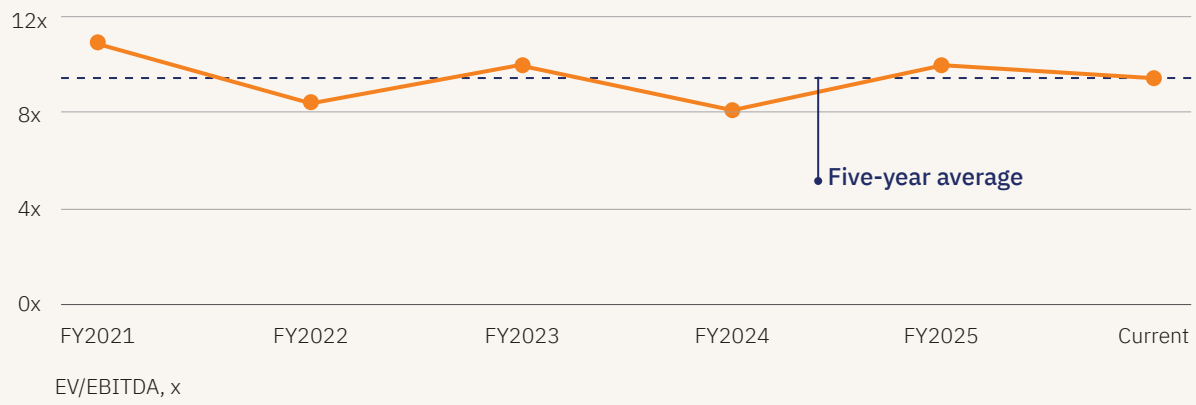
Note

stc FY25 annual report. Percentage of segment revenue above calculated on gross revenue basis before intersegment eliminations (SAR 11,499mn in FY25).

If investors were rewarding stc for building out these adjacent businesses, even ahead of them reaching scale, that reward should show up in the stock's own valuation multiple over the period in which those businesses were launched, developed, or acquired. The chart below tests this directly, tracking stc's EV/EBITDA over the past five years.

Exhibit 14

stc EV/EBITDA, FY2021-Current



Source: Argaam Intelligence Research

Note

It is worth noting that we treat the data from open sources as directionally reliable to support the trend conclusion rather than as precise. The actual basis of calculation has not been properly disclosed, so figures may deviate from other sources and/or our own calculations. We cross-checked against broker reports, which show different absolute multiples but confirm the same underlying trend.

- What it shows is that the multiple has remained range-bound, roughly between 8x and 10x, with no sustained upward re-rating across the period.
- On this evidence, the diversification thesis cannot fully justify stc's premium valuation. This is consistent with the wider industry pattern, where re-rating has typically come from carving out and selling down stakes in specific assets to third-party investors, so the market can price them separately from the low-multiple core.
- That said, other company-specific factors e.g. scale, market positioning, higher dividend yields and sovereign ownership among them, as discussed earlier, offer a more defensible explanation for where stc trades.
- But that still leaves the other half of the question open: if diversification isn't what's driving stc's premium, what explains Mobily's discount? That's where the comparison turns next.

What Likely Explains Mobily's Valuation Gap and the Lesson for Investors

As our analysis has shown, Mobily's fundamentals have improved markedly over the past five years, with strong and consistent momentum.

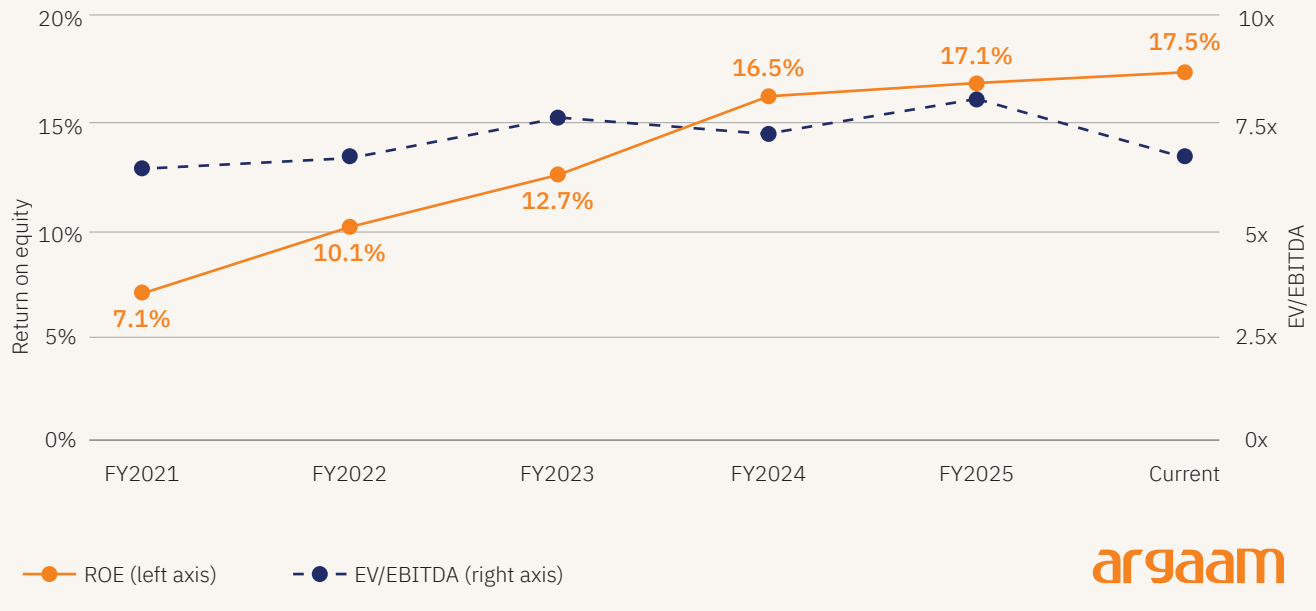
However, this has not been fruitfully rewarded by the market. The disconnect becomes clear when tracking Mobily's multiple against its ROE over the same period: while the relationship is not perfectly inverse, the pattern is unmistakable.

ROE has more than doubled over the period, yet the multiple has remained largely stagnant in the 7-8x EV/EBITDA range throughout, never closing the gap with stc's own multiple, let alone matching it.

In theory, rising ROE and improving fundamentals should drive a re-rating of the multiple. In practice, the relationship is not automatic. A more plausible explanation is a set of structural and historical factors that continue to weigh on how the market prices the business.

Exhibit 15

Mobily: ROE vs. EV/EBITDA, FY2021-Current



Note

EV/EBITDA multiples from Stockanalysis.com. ROE figures calculated from annual report. Current ROE figure is calculated from the H1 2026 report (net income ÷ shareholders' equity). As noted above, Stockanalysis.com is a free aggregator platform; multiples should therefore be read as directionally reliable to support the trend-level conclusion that Mobily's multiple has not kept pace with its ROE improvement, rather than as accurate to the decimal in any single year.

The past accounting crisis in Mobily has, without question, left a lasting mark on investor sentiment toward the company.

The repercussions, as discussed earlier, were severe. The company was forced to live under the weight of covenant breaches and debt refinancing for years afterward, rather than operating from a position of financial strength.

stc, by contrast, has never faced a comparable governance or liquidity crisis, and has maintained a conservative balance sheet throughout its history. A position further reinforced in 2024 by the monetization of its tower and data-infrastructure stakes to PIF.

The two companies' anchor shareholders may compound this asymmetry. Mobily is backed by e&, a foreign strategic investor, while stc's majority owner is PIF itself, a shareholder directly tied to the execution of Saudi Vision 2030, which may lend stc's stock an added layer of sovereign-strategic backing that Mobily's ownership structure simply cannot replicate. stc's sheer scale and dominant market position is another factor, separate from ownership or history.

Set against the wider region, Mobily's path also stands out. It appears to be a relatively unusual case of a major listed GCC company surviving a serious governance failure without delisting, default, administration, or liquidation, while several of the region's other prominent crises ended in exactly those outcomes. The absence of a clean regional parallel is itself informative: Mobily's -to-recovery arc has few true comparables, which may be part of why the market hasn't had an established regional playbook for how quickly to re-rate a genuine survivor.

Taken together, these factors do not fully close the gap, but they plausibly account for most of it. This is a more defensible explanation than a difference in fundamentals or a failure to diversify, both of which our analysis otherwise rules out. What remains looks less like a verdict on Mobily's business today than a legacy discount still working its way out of the price.

Valuation is rarely a function of fundamentals alone. Fundamentals are necessary information, but not sufficient, for explaining a multiple — ownership structure, liquidity access, capital markets history and investor perception all shape price alongside the numbers. This is particularly relevant in sectors tied to critical national infrastructure, telecom being a clear example, where sovereign or state ownership tends to matter more for pricing than in most others.

Whether Mobily ultimately closes this gap remains to be seen: capex overruns, competitive intensity, and shifting anchor-shareholder priorities are all risks to the timeline. But if execution continues on its current trajectory and value maximisation from existing infrastructure materialises, the market may be underestimating how soon that could happen.

CONCLUSION

The GCC telecom sector sits on genuinely strong structural footing. Markets are tightly licensed oligopolies rather than fragmented, hyper-competitive fields, which limits the defensive overspending that erodes returns elsewhere. Saudi and UAE operators in particular benefit from deep, patient sovereign capital, alongside large, well-established subscriber bases and among the highest mobile penetration rates globally. Together, these advantages help explain why the sector as a whole trades at healthy multiples relative to global peers. That same penetration is a double-edged sword, though: these home markets are largely saturated, leaving little organic subscriber growth to be had.

Set against that backdrop, this analysis's core findings resonate with concerns playing out across the wider telecom industry. Globally, the legacy network-heavy model has struggled to convert scale into durable profitability, weighed down by capex that shows no sign of easing, and investors have responded by prizing reliable cash flow and capital discipline over growth ambition. The GCC results mirror that pattern closely — the region isn't insulated from the industry's core tension, it's simply better positioned than most to manage it, given the structural advantages above.

That has a direct bearing on how the sector's diversification push should be read. This is not an argument against investing for growth — expansion into new verticals, adjacent markets, or international footprints remains a legitimate strategic option, and the region's structural advantages give GCC operators more room to pursue it than most global peers. But this analysis is a clear signal that the market is not rewarding growth or diversification pursued for its own sake: initiatives need to be carefully measured, deliberately structured, and capable of demonstrating genuine returns, not simply scale for scale's sake. The market has already shown limited patience for growth that doesn't convert to the bottom line; it would very likely be considerably less forgiving of diversification that begins to erode net margin or ROE outright.

The path forward for GCC telcos isn't growth versus discipline, but proving the two can coexist. The operators that succeed will be those that treat diversification as a disciplined capital-allocation decision, rather than simply a hedge against maturing home markets.