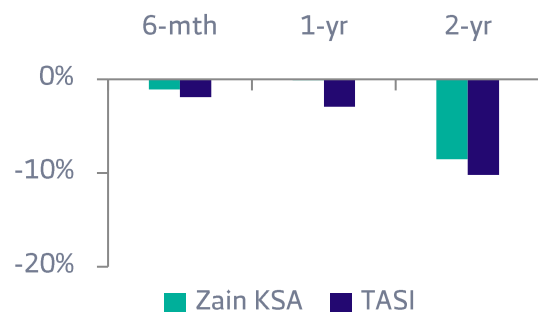


Market Data	
52-week high/low	SAR 12.10/10.02
Market Cap	SAR 9,967 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	2,291,254
Bloomberg Code	ZAINKSA AB



## Margin Expansion and One-Off Gain Drive Profits

May 10, 2026

Upside to Target Price	8.2%	Rating	Neutral
Expected Dividend Yield	4.5%	Last Price	SAR 11.09
Expected Total Return	12.7%	12-mth target	SAR 12.00

Zain KSA	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	2,656	2,690	(1%)	2,888	(8%)	2,771
Gross Profit	1,659	1,585	5%	1,724	(4%)	1,629
Gross Margins	62%	59%		60%		59%
Operating Profit	260	274	(5%)	416	(38%)	290
Net Profit	201	93	116%	231	(13%)	125

(All figures are in SAR mln)

- Zain KSA reported 1Q2026 revenues of SAR 2.66 bln (-1% Y/Y, -8% Q/Q), broadly in line with our SAR 2.77 bln estimate. The slight Y/Y decline was attributed to weaker handset sales, despite the expansion in consumer segment, while the Q/Q decline reflected seasonality in devices sales.
- Gross margin expanded to 62.5%, compared to 58.9% last year and 59.7% last quarter, exceeding our 58.8% estimate, supported by lower device costs and a more favorable revenue mix. As a result, gross profit reached SAR 1.66 bln (+5% Y/Y, -4% Q/Q), in line with estimates.
- OPEX increased to SAR 1.40 bln (+6.7% Y/Y, +7.0% Q/Q), driven by network expansion, maintenance costs, and higher ECL charges, slightly above our SAR 1.34 mln estimate. Consequently, operating margin edged down to 9.8% from 10.2% last year and 14.4% last quarter, below our 10.5% estimate, leading operating profit to come in below estimates at SAR 260 mln. Net other expense stood at SAR 59 mln, significantly better than our SAR 165 mln estimate, supported by a one-off income of SAR 98 mln from Universal Service Fund in 1Q2026, alongside lower finance costs on the back of debt optimization.
- Net profit for the quarter reached SAR 201 mln, and after excluding the one-off income, normalized earnings would stand at SAR 103 mln with adjusted growth of (+11% Y/Y, -55% Q/Q). Normalized earnings came in below both market consensus (SAR 128 mln) and our estimate (SAR 125 mln). We maintain our SAR 12.00 per share target price and a Neutral rating.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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