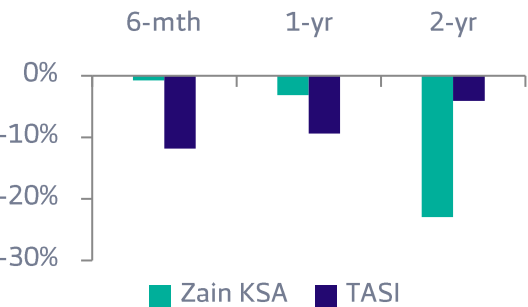


Market Data	
52-week high/low	SAR 13.36/10.02
Market Cap	SAR 9,347 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	3,312,939
Bloomberg Code	ZAINKSA AB



Margin Expansion Drives Profits Beat

August 03, 2025

Upside to Target Price

15.4%

Rating

Buy

Expected Dividend Yield

4.8%

Last Price

SAR 10.40

Expected Total Return

20.2%

12-mth target

SAR 12.00

Zain KSA	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Sales	2,654	2,552	4%	2,690	(1%)	2,691
Gross Profit	1,625	1,540	6%	1,585	3%	1,603
Gross Margins	61%	60%		59%		60%
Operating Profit	305	242	26%	274	11%	292
Net Profit	127	105	21%	93	37%	107

(All figures are in SAR mln)

- Zain KSA posted 2Q2025 revenues at SAR 2.7 bln, up +4% Y/Y but down -1.3% Q/Q, in line with our SAR 2.7 bln estimate. The Y/Y increase was due to growth in the consumer segment, driven by 5G services, inbound roaming, and Tamam (Zain’s fintech arm). While sequential decline was attributed to lower wholesale revenue.
- Driven by a higher-margin revenue mix, gross margin came in better-than-expected at 61%, compared to 60% last year and 59% last quarter. As a result, gross profit grew +6% Y/Y and +3% Q/Q despite the sequential revenue decline. EBITDA was SAR 850 mln, up +9% Y/Y and +5% Q/Q, also above estimates.
- OPEX increased slightly to SAR 1.32 bln (+1.7% Y/Y, +0.7% Q/Q), in line with our estimates. Consequently, operating margin stood at 11.5%, better than our 10.9% estimate, and compared to 9.5% last year and 10.2% last quarter. However, net other expenses came in at SAR 178 mln, also in line with estimates.
- Net income was recorded at SAR 127 mln (+21% Y/Y, +37% Q/Q), beating market consensus of SAR 110 mln and our SAR 107 mln estimate. Y/Y growth was driven by revenues and margin expansion, despite the one-off government grant of SAR 52 mln in 2Q2024, which inflated the base. Q/Q growth was supported by better margins and lower Zakat expenses. We maintain our SAR 12.00 target price and upgrade our recommendation to Buy.

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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

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