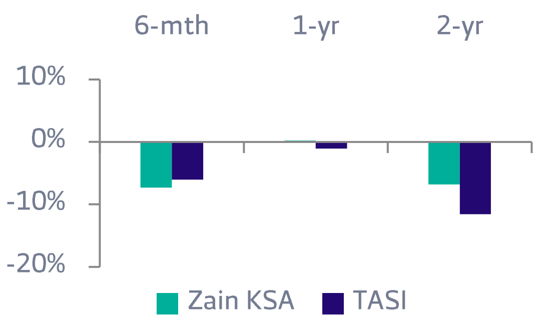
Zain KSA — 2Q2026 First Look

Margin Expansion and One-Offs Boost Profits

July 28, 2026

Upside to Target Price	17.1%	Rating	Buy
Expected Dividend Yield	4.9%	Last Price	SAR 10.25
Expected Total Return	22.0%	12-mth target	SAR 12.00

Market Data	
52-week high/low	SAR 12.10/10.10
Market Cap	SAR 9,212 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	2,083,827
Bloomberg Code	ZAINKSA AB



Zain KSA	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	2,651	2,654	(0%)	2,656	(0%)	2,678
Gross Profit	1,654	1,625	2%	1,659	(0%)	1,649
Gross Margins	62%	61%		62%		62%
Operating Profit	359	305	18%	260	38%	317
Net Profit	204	127	61%	201	1%	159

(All figures are in SAR mln)

- Zain KSA reported stable 2Q2026 revenues of SAR 2.65 bln (flat Y/Y and Q/Q), in line with our SAR 2.68 bln estimate. Revenue remained broadly unchanged as lower devices sales offset stable performance across remaining segments. 1H revenue declined slightly by -0.7% Y/Y to SAR 5.31 bln, primarily due to lower device sales, despite improved revenue mix.
- Gross margin expanded to 62.4%, compared to 61.2% last year, above our 61.6% estimate, supported by favorable revenue mix particularly from consumer 5G segment. As a result, gross profit increased +2% Y/Y to SAR 1.65 bln, in line with our SAR 1.65 bln estimate. 1H gross profit also increased +3.2% Y/Y, on improved revenue mix despite lower sales.
- OPEX came in better-than-expected at SAR 1.30 bln (-1.9% Y/Y, -7.4% Q/Q), driven by lower ECL expense following Tamam's sale and reversal of previously written-off receivables, along with lower depreciation charges mainly from fully depreciated assets, compared with our SAR 1.33 mln estimate. Consequently, operating margin expanded to 13.5%, from 11.5% last year and 9.8% last quarter, exceeding estimates, and driving operating profit surge to SAR 359 mln (+18% Y/Y, +38% Q/Q). Net other expense improved to SAR 155 mln from SAR 178 mln last year, supported by SAR 15 mln one-off income from Universal Service Fund in 2Q (was SAR 98 mln in 1Q), alongside -7% Y/Y lower finance costs on debt optimization.
- Bottomline surged to SAR 204 mln (+61% Y/Y, +1% Q/Q), beating both market consensus (SAR 149 mln) and our estimate (SAR 159 mln). Excluding the one-off items, normalized earnings would have increased +5% Y/Y in 2Q2026 and by +8% Y/Y in 1H2026. We upgrade our rating to Buy while maintaining our target price of SAR 12.00 per share, supported by improved underlying profitability.

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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

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