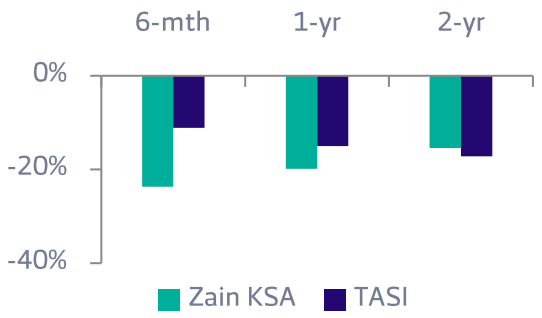
Topline Beat, Cost Pressures Weigh on Margins

October 29, 2026

Upside to Target Price	28.8%	Rating	Buy
Expected Dividend Yield	5.6%	Last Price	SAR 8.93
Expected Total Return	34.4%	12-mth target	SAR 11.50

Market Data	
52-week high/low	SAR 12.10/8.33
Market Cap	SAR 8,026 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	1,746,606
Bloomberg Code	ZAINKSA AB



Zain KSA	3Q2026	3Q2025	Y/Y	2Q2026	Q/Q	RC Estimate
Sales	2,834	2,751	3%	2,651	7%	2,693
Gross Profit	1,666	1,639	2%	1,654	1%	1,656
Gross Margins	59%	60%		62%		61%
Operating Profit	295	318	(7%)	359	(18%)	303
Net Profit	138	153	(10%)	204	(32%)	129

(All figures are in SAR mln)

- Zain KSA reported 3Q2026 revenues of SAR 2.83 bln (+3% Y/Y, +7% Q/Q), above our SAR 2.69 bln estimate. Growth was driven by improved consumer (particularly 5G) and wholesale revenue streams, more than offsetting continued lower device sales. 9M revenue edged up +0.6% Y/Y to SAR 8.14 bln, supported by improved revenue mix despite the decline in handset sales.
- Gross margin contracted to 58.8%, from 59.6% last year and 62.4% last quarter, below our 61.5% estimate, as cost of revenue (+5% Y/Y, +17% Q/Q) grew faster than sales. Nevertheless, gross profit increased +2% Y/Y to SAR 1.67 bln, in line with our SAR 1.66 bln estimate, supported by the consumer 5G segment and Tamam. 9M gross profit rose +2.7% Y/Y, with gross margin expanding to 61.2% from 59.9% last year.
- OPEX rose to SAR 1.37 bln (+3.8% Y/Y, +5.9% Q/Q), in line with our SAR 1.35 bln estimate, driven by seasonal marketing activities, OPEX of subsidiaries acquired at end-2025, and higher depreciation from SAR 364 mln of network expansion CAPEX during the quarter. Sequentially, ECL increased by SAR 68 mln following 2Q's net positive impact from Tamam's sale of previously written-off receivables, partly offset by SAR 18 mln in cost optimization savings. Consequently, operating margin contracted to 10.4%, from 11.6% last year and 13.5% last quarter, below our 11.2% estimate, with operating profit declining to SAR 295 mln (-7% Y/Y, -18% Q/Q). Net other expense improved to SAR 157 mln from SAR 165 mln last year, better than our SAR 174 mln estimate, supported by SAR 15 mln one-off income from the USF and lower finance costs on improved cost of debt (-7% Y/Y in 9M).
- Net profit declined to SAR 138 mln (-10% Y/Y, -32% Q/Q), in line with market consensus (SAR 137 mln) and above our estimate (SAR 129 mln). Excluding the USF one-off, normalized earnings would have declined -20% Y/Y in 3Q2026. 9M2026 net profit surged +45% Y/Y to SAR 541 mln; the company states that excluding one-off gains, 9M earnings would have grown +11% Y/Y. We maintain our Buy rating with a revised target price of SAR 11.50 per share.

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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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