



Margin expansion led by favorable revenue mix, controlled OPEX and lower financing expenses

Zain KSA's net income jumped 21.0% to SAR 127mn in Q2-25 vs. SAR 105mn in Q2-24, in line with AJC's estimate of SAR 122mn. The growth in net income was primarily driven by revenue growth, operating and gross margin expansion and lower finance expenses. Revenue increased 4.0% Y/Y to SAR 2,654mn, in line with our estimate of SAR 2,705mn, with growth led by the Consumer segment, reflecting higher contributions from 5G services, TAMAM, and inbound roaming revenue. The gross margin expanded ~90bps Y/Y to 61.2%, above our expectation of 60.2%. The gross margin expansion was attributed to an increase in revenue from high margin segments. Operating margin expanded by ~200 bps Y/Y to 11.5%. We maintain TP on Zain KSA at **SAR 11.40/share** and the "Neutral" recommendation.

- Zain KSA's net income increased 21.0% Y/Y to SAR 127mn in Q2-25, in line with our estimate of SAR 122mn. Earnings growth was mainly driven by revenue growth and expansion of gross and operating margins. Moreover, a 5.4% Y/Y decrease in finance expenses due to debt restructuring and lower zakat expenses supported net income growth, despite a one-off gain worth SAR 52mn recorded in Q2-24.
- Revenue increased 4.0% Y/Y to SAR 2,654mn in Q2-25, in line with our estimate of SAR 2,705mn. The Consumer segment led the topline growth with 5G, TAMAM and inbound roaming revenue contribution. On a Q/Q basis, revenue declined 1.3% due to lower wholesale revenue, which could be because of loss of MVNO contract.
- Gross profit rose 5.5% Y/Y to SAR 1,625mn (in line with AJC's estimate of SAR 1,627mn), as GP margin widened ~90bps Y/Y to 61.2%. The gross margin expansion was attributed to favorable revenue mix with an increase in revenue from high margin segments.
- Operating profit grew 26.0% Y/Y to SAR 305mn in Q2-25, as OPEX growth was modest at 2.1% Y/Y, probably supported by lower expected credit losses (ECL). Moreover, depreciation and amortization expenses increased by just 1.1%, despite the capitalization of the new spectrum. EBITDA rose 9.0% Y/Y to SAR 850mn (AJC estimate: SAR 836mn) with EBITDA margin expanding to 32.0% from 30.6% in Q2-24.

AJC view and valuation: Zain KSA's Q2-25 performance was broadly in line with our expectations. Healthy margin improvement in margins was the key highlight of the Q2-25 results. Near-term profitability is supported by disciplined cost control, favorable revenue mix and easing finance costs. However, topline expansion is constrained by subscriber stagnation, the loss of MVNO contracts, and muted B2B growth. Over the medium term, the leverage is expected to stay high amid CAPEX and working capital requirements. Moreover, elevated ECLs continues to be a concern. Although Zain KSA maintains sector-leading gross margins and benefits from traction in 5G and Tamam, the stock seems to be fairly valued at the current valuation. Zain KSA currently trades at an EV/EBITDA ratio of 5.4x and P/E of 16.4x based on our FY25E estimates. FY25E dividend yield is estimated at 4.8%. We maintain TP on Zain KSA at **SAR 11.40/share** and the "Neutral" recommendation.

Results Summary

SAR mn	Q2-24	Q1-25	Q2-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	2,552	2,690	2,654	4.0%	-1.3%	-1.9%
Gross Profit	1,540	1,585	1,625	5.5%	2.5%	-0.2%
Gross Margin	60.3%	58.9%	61.2%	-	-	-
EBITDA	780	813	850	9.0%	4.6%	1.7%
EBIT	242	274	305	26.0%	11.3%	3.2%
Net Profit	105	93	127	21.0%	36.6%	4.4%
EPS	0.12	0.10	0.14	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	11.40
Upside / (Downside)*	10.3%

Source: Tadawul *prices as of 27th of July 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	9,883	10,365	10,899	11,445
Growth %	8.9%	4.9%	5.1%	5.0%
Gross Profit	5,857	6,471	6,582	6,861
EBITDA	2,978	3,323	3,418	3,567
Net Income	1,267	596	567	651
Growth %	130.5%	-52.9%	-4.9%	14.8%
EPS	1.41	0.66	0.63	0.72
DPS	0.50	0.50	0.50	0.75

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	59.3%	62.4%	60.4%	59.9%
EBITDA Margin	30.1%	32.1%	31.4%	31.2%
Net Margin	12.8%	5.8%	5.2%	5.7%
ROE	12.0%	5.6%	5.2%	6.0%
ROA	4.6%	2.1%	1.9%	2.2%
P/E (x)	10.0	15.5	16.4	14.3
P/B (x)	1.2	0.9	0.9	0.9
EV/EBITDA (x)	6.9	5.4	5.4	4.6
Dividend Yield	3.6%	4.9%	4.8%	7.3%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	9.3
YTD%	0.8%
52 week (High)/(Low)	13.36/10.02
Share Outstanding (mn)	898.7

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

Head of Sell-Side Research

Jassim Al-Jubran

+966 11 2256248

j.aliabran@aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - Director
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH
DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Al-Jazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.