

Result update

Mobile Telecommunication Company Saudi Arabia

Sector: Telecom

Neutral

13 November 2025

- **Topline growth remains steady and in-line with forecasts; Tamam continues to grow faster than telecom operations.**
- **Operating expenses largely under control, though ECL provisions remains high (despite a YoY dip).**
- **We retain our target price at SAR 11 per share, which implies a Neutral rating.**

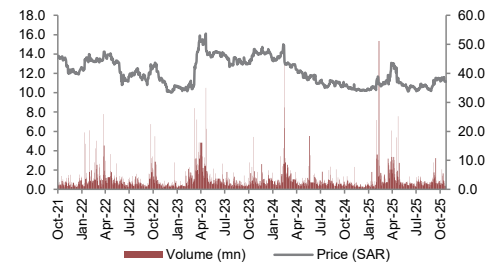
Mobile Telecommunication Company Saudi Arabia (Zain KSA) reported 3Q25 revenue of SAR 2.8bn, reflecting a 6.5% YoY increase, in line with our estimates. The topline was primarily driven by a strong 16.7% YoY growth in its microfinance arm, Tamam. Tamam's robust performance was supported by a 19.0% YoY expansion in its loan book and an 18.6% YoY increase in its customer base. Meanwhile, the core telecom operations recorded a solid 6.1% YoY revenue growth, supported by a 7.2% YoY rise in wholesale revenue and a 4.0% YoY improvement in consumer revenue. Business revenue, however, fell by 2.2% YoY. Despite the higher revenue, gross profit declined 4.4% YoY to SAR 1.6bn, with gross margins dropping to 59.6% in 3Q25 from 66.3% in 3Q24. The previous year's gross margin was positively impacted by a tax reversal on interconnection charges. Excluding this, gross margin would have been 60.3% in 3Q24, only slightly above the current quarter, mainly due to a higher proportion of device sales in 3Q25. Opex was down 5.4% YoY to SAR 1.3bn, as higher selling costs were offset by lower G&A expenses and reduced provisions on receivables. Finance costs declined 9.4% YoY, supporting a net income of SAR 153mn for 3Q25 — a 1.7% YoY increase. Despite lower gross profit, net income was aided by reduced opex, lower finance costs and tax provisions, and higher other income. The bottom line exceeded our estimates by 17%, though at the EBIT level the beat was narrower at 2.5%. The company invested SAR 668mn in net capex during 9M25, implying a capex intensity of c.8%. We expect this to average around 10% over the medium term.

Valuation: Zain KSA's 3Q25 operating performance came broadly in line with our expectations. The company's performance was driven by growth in its microfinance arm, Tamam, which accounted for c.4% of revenue during 9M25. However, its contribution to net income was significantly higher at 18%. The company's ability to scale up Tamam's operations while maintaining a reasonable credit risk profile will be a key factor to monitor. Zain KSA's core telecom operations remained steady, though margin pressure persisted, albeit within our forecast range. Looking ahead, we expect this trend to continue given the intense competitive landscape in the Saudi telecom market. The ability of the company to continue controlling its operating cost at reasonable levels will remain key to it maintaining its competitive presence. Zain KSA is currently trading at 17x its 2026e EPS and offers a dividend yield of 4.5%. Given these valuations, we do not see substantial upside for the stock from current levels and therefore maintain our target price at SAR 11 per share, implying a Neutral rating.

Target price (SAR) 11.00

Current price (SAR) 11.15

Return -1.3%



Exchange Saudi Arabia
Index weight (%) 0.2%

(mn)	SAR	USD
Market Cap	10,021	2,672
Enterprise value	19,540	5,210

Major shareholders

Mobile Telecommunication	37.1%
Vanguard Group Inc	2.1%
Dimensional Fund	1.3%
Others	59.6%

Valuation Summary (TTM)

PER TTM (x)	15.5
P/Book (x)	0.9
EV/EBITDA (x)	5.7
Dividend Yield (%)	4.5
Free Float (%)	60%
Shares O/S (mn)	899
YTD Return (%)	9%
Beta	1.2

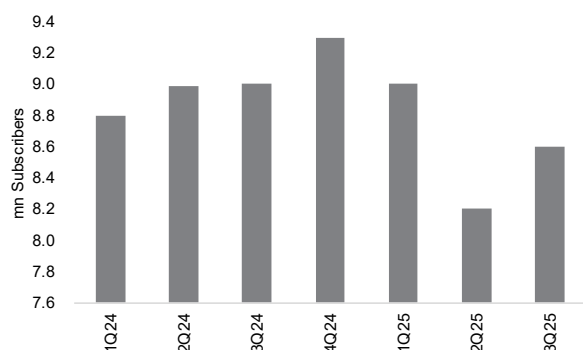
Key ratios	2022	2023	2024
EPS (SAR)	0.61	1.41	0.66
BVPS (SAR)	10.91	11.78	11.91
DPS (SAR)	0.50	0.50	0.50
Payout ratio (%)	82%	35%	76%

Price performance (%)	1M	3M	12M
Mobile Telecommunications Co	-2%	6%	7%
Tadawul All Share Index	-3%	4%	-7%

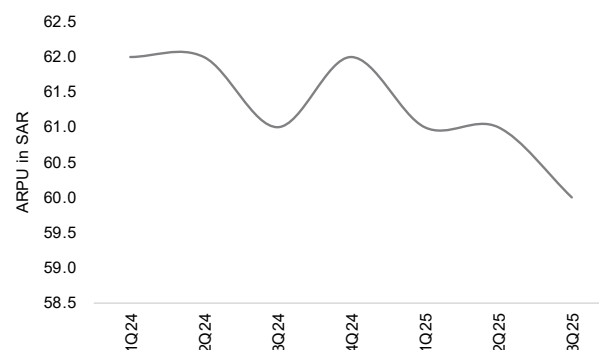
52 week	High	Low	CTL*
Price (SAR)	13.36	10.02	11.5

* CTL is % change in CMP to 52wk low

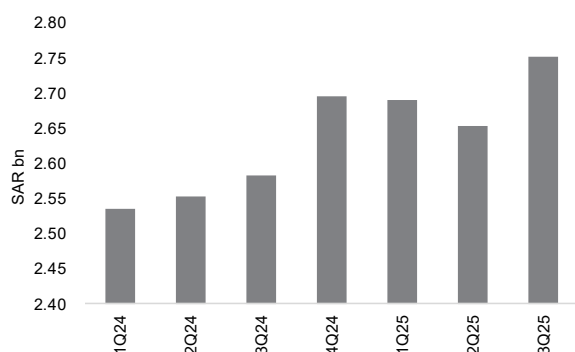
Customer numbers under pressure, though improves QoQ



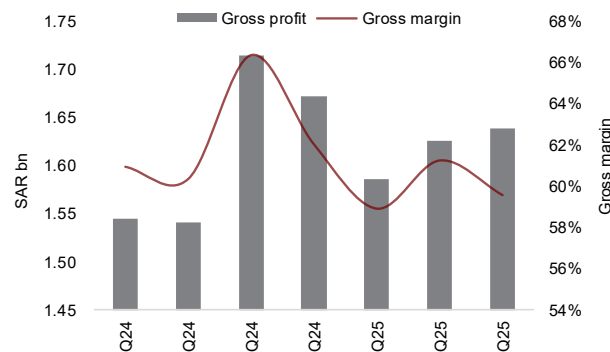
ARPU continues to decline



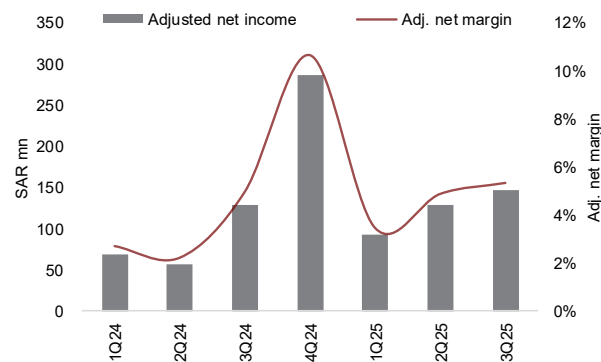
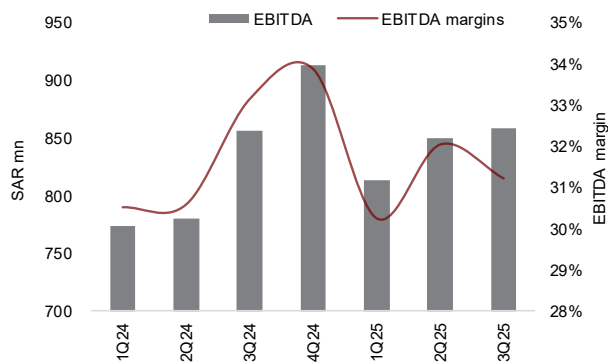
Revenue reports consistent growth



Margins dip on revenue composition and 3Q24 one-offs



Despite pressure on gross margins, lower opex and finance cost aids bottom-line growth





Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	7,901	9,075	9,883	10,365	10,882	11,322	11,678	12,012
Cost of sales	(3,016)	(3,760)	(4,025)	(3,894)	(4,364)	(4,510)	(4,628)	(4,748)
Gross profit	4,885	5,315	5,857	6,471	6,518	6,812	7,050	7,265
Operating expenses	(4,186)	(4,250)	(4,986)	(5,272)	(5,314)	(5,485)	(5,516)	(5,654)
Operating profit	699	1,066	871	1,199	1,203	1,327	1,535	1,611
Other income	22	74	1,203	90	15	14	13	14
Finance expenses - Net	(489)	(566)	(719)	(735)	(698)	(706)	(712)	(707)
Earnings before tax	231	574	1,356	554	521	635	835	918
Tax	(17)	(24)	(89)	42	(34)	(41)	(54)	(60)
Net income	214	550	1,267	596	487	594	781	858

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	6,640	4,926	4,736	4,977	5,513	6,150	6,820	7,518
Intangibles	15,561	14,967	14,245	13,557	12,955	12,345	11,725	11,094
Right to use assets	1,331	440	843	1,098	1,383	1,663	1,937	2,205
Other non-current assets	564	648	801	1,190	1,190	1,190	1,190	1,190
Total non-current assets	24,096	20,980	20,625	20,823	21,041	21,348	21,672	22,009
Contract assets	67	151	118	123	129	134	138	142
Receivables	2,988	3,990	5,532	6,058	6,360	6,618	6,826	7,021
Inventories	214	147	158	263	295	305	313	321
Cash & Cash Equivalents	512	375	946	840	779	709	790	769
Other current assets	0	2,818	0	29	29	29	29	29
Total current assets	3,781	7,481	6,753	7,313	7,591	7,794	8,095	8,281
Total assets	27,877	28,461	27,378	28,135	28,632	29,142	29,767	30,290
Share Capital	8,987	8,987	8,987	8,987	8,987	8,987	8,987	8,987
Total reserves	52	815	1,604	1,720	1,757	1,902	2,233	2,642
Total equity	9,040	9,802	10,591	10,707	10,744	10,889	11,220	11,629
Short term borrowings	3,214	837	1,187	5,965	0	0	1,525	1,414
Short term lease liabilities	264	110	216	187	189	190	192	194
Trade payables	4,691	5,136	5,019	5,633	5,913	6,153	6,346	6,528
Other current liabilities	2,131	3,167	1,584	997	1,034	1,046	1,055	1,064
Total current liabilities	10,300	9,250	8,006	12,782	7,136	7,389	9,119	9,201
Long term debt	2,638	5,171	6,533	2,234	8,199	8,199	6,673	6,635
Long term lease liabilities	1,209	310	1,017	1,302	1,443	1,555	1,644	1,715
Other non-current liabilities	4,691	3,928	1,231	1,111	1,111	1,111	1,111	1,111
Total non-current liabilities	8,538	9,408	8,781	4,647	10,752	10,864	9,428	9,460
Total Liabilities	18,837	18,659	16,787	17,429	17,888	18,253	18,547	18,660
Equity and liabilities	27,877	28,461	27,378	28,135	28,632	29,142	29,767	30,290

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	1,574	1,912	1,716	2,159	2,631	2,782	3,017	3,141
Cash from investments	(1,085)	(1,344)	1,618	(628)	(1,835)	(1,966)	(2,028)	(2,086)
Cash from financing	(861)	(699)	(2,762)	(1,637)	(857)	(886)	(908)	(1,077)
Forex changes	(3)	(2)	(1)	0	0	0	0	0
Net changes in cash	(376)	(133)	571	(106)	(61)	(70)	81	(22)
Closing balance (C/b)	512	375	946	840	779	709	790	769



Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	0.2	0.6	1.4	0.7	0.5	0.7	0.9	1.0
BVPS	10.1	10.9	11.8	11.9	12.0	12.1	12.5	12.9
DPS	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
FCF/share	0.5	0.6	3.7	1.7	0.9	0.9	1.1	1.2
Valuations								
M.Cap (SAR mn)	12,499	11,073	11,707	10,786	10,021	10,021	10,021	10,021
EV (SAR mn)	19,311	17,125	19,714	19,633	19,072	19,255	19,265	19,210
EBITDA (SAR mn)	3,128	3,155	2,978	3,323	3,370	3,537	3,788	3,909
P/E	58.3	20.1	9.2	18.1	20.6	16.9	12.8	11.7
EV/EBITDA	6.2	5.4	6.6	5.9	5.7	5.4	5.1	4.9
EV/Sales	2.4	1.9	2.0	1.9	1.8	1.7	1.6	1.6
P/BV	1.4	1.1	1.1	1.0	0.9	0.9	0.9	0.9
P/S	1.6	1.2	1.2	1.0	0.9	0.9	0.9	0.8
Div. yield	0.0%	4.1%	3.8%	4.2%	4.5%	4.5%	4.5%	4.5%
Liquidity								
Cash Ratio	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Current ratio	0.4	0.8	0.8	0.6	1.1	1.1	0.9	0.9
Quick ratio	0.3	0.8	0.8	0.6	1.0	1.0	0.9	0.9
Return ratio								
ROA	0.8%	1.9%	4.6%	2.1%	1.7%	2.0%	2.6%	2.8%
ROE	2.4%	5.6%	12.0%	5.6%	4.5%	5.5%	7.0%	7.4%
ROCE	4.3%	6.6%	4.5%	5.9%	5.8%	6.4%	7.2%	7.5%
Cash cycle								
Contract asset turnover	117.5	60.1	84.0	84.5	84.5	84.5	84.5	84.5
Payables turnover	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.7
Receivables turnover	2.6	2.3	1.8	1.7	1.7	1.7	1.7	1.7
Inventory turnover	14.1	25.6	25.5	14.8	14.8	14.8	14.8	14.8
Contract asset days	3	6	4	4	4	4	4	4
Payable days	568	499	455	528	495	498	501	502
Receivables days	138	160	204	213	213	213	213	213
Inventory days	26	14	14	25	25	25	25	25
Cash Cycle	(401)	(318)	(232)	(286)	(252)	(256)	(258)	(260)
Profitability ratio								
EBITDA margins	39.6%	34.8%	30.1%	32.1%	31.0%	31.2%	32.4%	32.5%
Operating margins	8.8%	11.7%	8.8%	11.6%	11.1%	11.7%	13.1%	13.4%
PBT margins	2.9%	6.3%	13.7%	5.3%	4.8%	5.6%	7.2%	7.6%
Net margins	2.7%	6.1%	12.8%	5.8%	4.5%	5.2%	6.7%	7.1%
Leverage								
Total debt (SAR mn)	7,324	6,427	8,953	9,688	9,830	9,944	10,035	9,958
Net debt (SAR mn)	6,812	6,052	8,007	8,848	9,051	9,234	9,244	9,189
Debt/Total assets	26.3%	22.6%	32.7%	34.4%	34.3%	34.1%	33.7%	32.9%
Debt/Equity	0.8	0.7	0.8	0.9	0.9	0.9	0.9	0.9

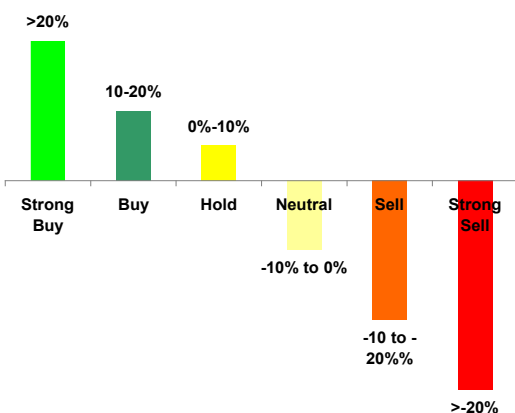
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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