

Transcript

Zain KSA 3Q25 Results Call

Monday, 03 November 2025

Fahad Good morning and good afternoon, everyone. This is Fahad Shaikh from EFG Hermes. I would like to welcome everyone to Zain KSA's Third Quarter 2025 Results Conference call. As usual, the conference call will begin with the discussion of the key highlights of the period, followed by a Q&A session.

I will now hand the call over to Mr. Faisal Alkahtani, Investor Relations Manager at Zain KSA. Thank you.

Faisal Alkahtani Thank you, Fahad. Good afternoon, everyone, and thank you for joining us today for Zain KSA's Third Quarter 2025 Earnings call. I am Faisal Alkahtani, manager of Investor Relations. Joining me today are our CEO, Eng. Saad Al-Sadhan and our CFO, Mr. Mehdi Khalfaoui.

We announced our Q3 2025 results on Sunday, October 26th, 2025, and released our financial statement last Thursday. You can find all related materials on our website.

Before we begin, I'd like to remind you that during this call, expectations and projections regarding the future performance of the company referenced in this presentation are forward-looking statements within the meaning of applicable securities and regulations. These are statements which management believe are true at the time of their preparation, based on available data and information, and are subject to future events and uncertainties to the successful and timely execution of the plans and strategies that could cause actual results to differ materially from those anticipated in this forward-looking statement.

Now, I will hand it over to Eng.Saad, who will provide an overview of our third quarter performance. After that, Mr. Mehdi will discuss our financial results in more detail, and then we will open the call for questions. Mr. Saad, please go ahead.

Eng. Saad Al-Sadhan Thank you, Faisal. Good afternoon, ladies and gentlemen, and thank you for attending the call and showing interest in Zain KSA. I'm happy to be with you all today on this earnings call. We'll start with the financial highlights.

As we have reported in our latest financial results covering the first nine months of 2025, we achieved revenues of SAR 8.1 billion, which is 5.5% increase compared to the same period in 2024. Net profit over the period amounted to SAR 373 million, a 15.8% increase compared to the corresponding 2024 period. Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at SAR 2.5 billion, which is a 4.6% year-on-year increase.

I would like to emphasize that our performance this year reflects the strength of our core operation, free from any one-off impact. So last year, Q2 and Q3 included government subsidy of SAR 52 million and another one-time gain of SAR 21 million generated from the sale and leaseback of 199 sites. This underscores the solid financial foundation of Zain KSA and the resilience of our growth strategy.

For the operational performance, these results highlight the sustained momentum of Zain KSA's operational and expansion strategy driven by growing demand for its consumer, 5G, enterprise solutions and adjacent market "Tamam and Yaqoot". The company continues to strengthen its position as a trusted digital partner, delivering world-class digital experience over its advanced 5G network.

For Tamam financial results, Tamam witnessed a successful nine-months financial period and expanded its products and services, resulting in revenues of SAR 327.6 million, corresponding to a 23% year-on-year growth. Tamam also achieved a net profit of SAR 67.6 million in the first nine months of 2025.

Zain KSA in numbers, our total number of active customers increased to 8.6 million by the end of Q3 2025, with an ARPU, (Average Revenue Per User) of SAR 60. The 5G coverage has expanded to 94 cities, demonstrating our continued dedication in delivery seamless connectivity. The total CapEx investment for nine months in 2025 was SAR 668 million used to further enhance the quality of service provided to customers.

Regarding network achievements, Zain KSA has secured the first position among all operators in download speed as per Global Platform specializing in performance measurements with a remarkable 14% year-on-year improvement for user throughput. Additionally, we have seen a 12% year-on-year increase in overall attached data subscribers across the Zain network with a more than 49% growth in 5G subscribers. This is positioning us for sustained growth and value creation.

Moreover, more than 60% of the total traffic is being carried by 5G. This is in line with our investment and customer centric strategy designed to scale our 5G footprint and meet escalating capacity demands.

On the financing part, we secured a five-year SAR 5.5 billion strategic financing agreement with a consortium of five banks with more favorable commercial terms than the previous arrangements. This new credit facility reflects the banking sector's confidence in our financial strength and long-term strategy.

For the new adjacent market, Zain KSA has once again ventured into new adjacent markets with an entry into the Insurtech sector, thanks to a strategic joint venture with a global insurance specialist Prevensure. This will help us to secure additional revenue streams in the future.

Zain KSA launched the Zain Great Idea accelerator program for tech startups to empower 43 entrepreneurs and offer them a chance to join local and international bootcamps in Silicon Valley in the USA, in line with our strategic efforts to support the Kingdom's Digital Economy and promote innovation in the tech startup sector.

For the award and recognition, I'm proud to share that Zain KSA has once again been recognized for its excellence and operational quality, earning top industry honors. Yaqoot once again added to its award-winning legacy with two wins at the prestigious MENA Digital Award 2025. Zain KSA has earned the ISO certification, underscoring our commitment to excellence, transparency, and best practice in talent acquisition.

I'm also pleased to share that Zain KSA has once again won the Gold CSR Award for the second time in a row from the Ministry of Human Resources and Social Development.

For strategic sponsorship, we believe in creating strategic partnerships that create long term value and resonate with the stakeholders. As a result, Zain KSA has become the Digital Partner of the Saudi Drone Exhibition (SADEX), and we continue to champion both inclusion as well as investment in sports by sponsoring the Boccia Championship thereby empowering people with disabilities. Tamam sponsored the prestigious Money 20/20 Middle East Conference and Exhibition.

For sustainability, ESG goals are at the heart of our operations and organization, which allows us to remain champions of sustainability. Once again, we participated in the annual Purple Saturday supporting people with disabilities with a 50% lifetime offer. We launched the 2024 Sustainability Report following international standards, the GRI, Global Reporting Initiative and SASP, the Sustainability Accounting Standards Board, GHG, the Greenhouse Gas Protocols, and SDG, the Sustainable Development Goals, and Tadawul as well.

Zain KSA partnered with CST, the Communication Space & Technology Commission and The Regulatory Authority and other companies to introduce an e-waste recycling initiative. On an end note, we reaffirm our ongoing commitment as Zain KSA to drive innovation, support Saudi Vision 2030, and continuously enhance our services and infrastructure. Our goal is to elevate the quality of life and well-being of people and empower a “Wonderful World.”

With that, I would like to hand over to Mehdi Khalfaoui, our Chief Financial Officer.

Mehdi Khalfaoui

Thank you, Saad. Good afternoon, ladies and gentlemen. Thank you for joining us for today's call.

We'll start with the financial performance. In Q3 2025, our revenue reached SAR 2.8 billion, representing a year-on-year growth of SAR 168 million, almost 6%, an increase of SAR 97 million or 4% compared to the previous quarter. A significant part of revenue growth compared to Q3 was driven by the consumer segment. As a result, 5G revenue and the device sales strengthening the postpaid core customer lifetime. In addition, the wholesale segment increased driven by the inbound roaming and device sales. Further, our micro-Lending company Tamam showed a 17% increase in revenue during the quarter, reaching SAR 111 million compared to SAR 95 million in Q3 last year, which is aligned with the higher loan disbursements and increase in the gross loan portfolio.

In terms of gross margin, we reported SAR 1.64 billion, reflecting a reported decline of SAR 75 million compared to Q3 2024, with a gross margin of 59.6% versus 66.3%. However, if the impact of one-off adjustment related to the withholding tax on international traffic of SAR 157 million is normalized, the reported gross margin would reflect the growth of SAR 82 million with a comparable gross margin ratio of 59.6% versus 60.3%. The enhancement in the gross margin is mainly attributable to the 5G revenue uplift, in addition to the inbound roaming and finally higher margin from micro-Lending.

To conclude on the gross margin, we reported SAR 168 million as additional revenue in Q3 versus Q3 last year, translating into additional adjusted margin of SAR 82 million, from consumer, devices, wholesale and micro-Lending segments.

In terms of OpEx, we reported SAR 781 million, 28% of revenue, as compared to Q3 last year, SAR 858 million, 33% of revenue. Despite the revenue growth and the higher network maintenance cost resulting from expansion of Build-to-Suit sites and its associated inflation, OpEx savings resulted from continuous comprehensive cost review and optimization exercise that delivered savings across multiple cost lines, such as advertising with greater focus on revenue generating segments, system support due to the decommissioning of the legacy system and reduction in bad debt.

Our reported EBITDA of SAR 858 million in Q3 2025 was slightly higher than Q3 2024 by SAR 2 million, with an EBITDA margin of 31.2% versus 33.1%. However, after adjusting for Q3 2024 one-off item, EBITDA grew significantly by SAR 159 million or 23% in line with higher gross margin complemented by OpEx optimization of SAR 77 million. Accordingly, the adjusted EBITDA margin improved to 31.2% compared to 27.1% in Q3 2024.

In terms of quarterly EBIT, we reported SAR 318 million that remained stable compared to last year's quarter. However, after adjusting the one-off, it reflected growth of SAR 157 million.

Moving now to the financing costs, we reported the reduction of SAR 17 million from SAR 185 million in Q3 2024 to SAR 168 million in Q3 2025. As a result of the several financing initiatives implemented by the company, including the cancelation of a previous working capital facility, resulting in a lower commitment fee, lower average interest rate, including the renegotiation of the MOF loan at the lower margin concluded in Q1 this year. Further, in September 2025 we signed a new Syndicated Murabaha facility, amounting to SAR 5.5 billion at better commercial rates compared to the previous one. The proceeds were partially used to pay off the MFA existing facility of SAR 4.7 billion and the receivable discounting facility amounting to SAR 500 million in full.

In terms of net profit, the company reported SAR 153 million in profit, higher than Q3 2024 net profit by SAR 2.5 million or 2%, which is aligned with the higher EBIT, lower net interest expense, lower Zakat expense and lower other income by SAR 16 million as last year, we had SAR 22 million gain on sale and lease back of the 199 sites.

To conclude on profitability, our reported net profit for the quarter was SAR 2.5 million, a slight increase over the same period last year, driven by EBITDA growth. However, the normalized view presented a much stronger performance. After adjusting the one-off item from last year, net profit improved significantly to SAR 153 million in Q3 this year.

CapEx for the quarter is SAR 81 million, equivalent to 3% of revenue, as compared to SAR 301 million in Q3 last year, with bulk of capitalization that took place during the first quarter, mainly from the SAR 411 million spectrum intangible capitalization.

In terms of capital commitments, we still have projects under implementation worth of SAR 2.1 billion, as compared to SAR 2.4 billion in December 2024 related to projects under finalization, Hopefully the majority end before the end of this year.

In terms of cash flow, we started the year with SAR 840 million, and we closed September at SAR 464 million as at Q3 2025 following the major payments that took place during the year. In terms of CapEx payment SAR 758 million, including the payment of the new spectrum of

SAR 206 million, in addition to CapEx of SAR 187 million funded by the CapEx facility shown on the non-cash transaction.

During the year, we have drawn a total amount of SAR 7.3 billion, comprised of SAR 5.2 billion, New Syndicated Loan, SAR 1.9 billion and SAR 170 million related to MOF and new Tamam loan, respectively.

In terms of repayment, we repaid SAR 7.5 billion, including the settlement of the old SAR 4.7 billion MFA, the MOF loan of SAR 1.9 billion, Tamam SAR 120 million, receivable discounting of SAR 500 million, and we also repaid SAR 462 million financing cost during the year.

Further, we generated SAR 1.7 billion from cash from operation during the year at a similar level of 2024 despite the increase in receivable of SAR 1.2 billion this year, compared to SAR 967 million last year.

In terms of free cash flow, we reached a positive SAR 924 million compared to SAR 1.1 billion in the same period last year. This was mainly driven by the drawdown of SAR 934 million from the SAR 1.2 billion CapEx facility in 2025. However, this positive impact was offset by two main factors, the increase of total receivables linked to our ongoing effort to materialize the B2B collection and the payment of SAR 189 million for spectrum previously acquired.

In terms of debt profile, our net debt for the period reached SAR 7.7 billion consequent to the drawdown from the CapEx financing and the new Tamam loan. Our reported net debt to EBITDA, excluding any lease liability related to a non-bank debt, reached 2.26x as compared to 2.21x at the end of 2024. Our debt as at Q3 2025 represents 49% of the capital structure.

With this, I would like to end the financial part and hand over back to Faisal.

Faisal Alkahtani

Thank you, Mr. Mehdi. We can start the questions now.

Fahad

Thank you. As a reminder, you can either raise your hand to ask a question, or you could also type in your question in the chat box. The first question we have is from Tandos Kosana. If you can please unmute yourself and go ahead.

Thando

Good morning. Hopefully you can hear me. Congratulations on the results. I've got a couple of questions, but I'll probably start with three, please. The first one is just on that B2B segment, we've seen now three quarters of negative growth. I was just wondering what more needs to be done now in the B2B segment, before we start seeing some growth and before we start seeing Zain catching up to where the segment is at right now as a whole.

The second question is just on interest expense for Q4 and then maybe as we go into 2026, because you've done a lot of initiatives this year on that debt side, so I just wonder now whether interest should be more on SAR 120 million to SAR 140 million on a quarterly basis, starting from Q4 onwards or what we see in Q3 is what we should assume going forward.

Then the last one is just on EBITDA margins, just some color on expectations here in terms of what you expect. I mean, you've done now nine months of the year, so just what you expect in terms of margins for 2025. Thank you.

Eng. Saad Al-Sadhan Thank you. Regarding the first question about B2B, yes, definitely. We start seeing a lot of demand on the market. But what we did, we are looking for the quality to make sure that we are having a margin, and we are providing a high shareholder value in terms of avoiding the exposure as well as long as there is growth in B2B but it's coming with the high exposure on the collection. And as you can see, we are enhancing our collection this quarter compared to the previous quarters, because there was an issue in the collection and the default rate was very high. So, we are focusing on the growth with the quality and by reducing the cost structure as much as we can, and this is what we did as a task force in Q2 2025. We started having couple of deals in this quarter and the next quarter as well. It is in our main focus, B2B, because of the development that's happening with the market, we are investing a lot of infrastructure to make sure that we are ready, but we are selecting the customer carefully as well.

Mehdi Khalfaoui When it comes to financing cost, Q3, I would say, can be used as a baseline. We might get further benefits from the potential reduction that might happen based on the forward curve, but Q3 can be used as a reference or a baseline for Q4 and next year.

Our debt profile today is very clear. I mean, it's highly predictable. In case there is an excess cash, definitely we might consider if it makes sense to reduce, but the only payment that will take place next year in terms of debt is the starting of the CapEx facility, which would be around 10%, but Q3 can be used as a baseline.

In terms of EBITDA margin, for the first nine months we delivered 31% EBITDA margin. We continue optimizing our costs. We continue pushing the revenue with high margin segments. And at this stage, we would expect to continue with the same trend until year end. Thank you.

Fahad Thank you. The next question we have is from Maddy Singh. If you could please unmute yourself and go ahead with your question.

Maddy So I have two questions. Firstly, on the margin side, year-on-year the margins have declined to 31% despite strong growth, so if you could talk about why the margins are lower. And is that the level we should think about going forward? That's the first question.

And the second question is on the wholesale side, the MVNO contract I think in 3Q was still with you, so what is the outlook there? How much revenue and profits are at risk, if you could talk about that, and what are the mitigating steps you are taking to offset that? Thank you.

Mehdi Khalfaoui I'll take the first one. So, in terms of EBITDA, last year we had a one-off that was disclosed in in Tadawul as part of our announcement that was related basically to the case of withholding tax on international where we had a positive impact of SAR 157 million last year. That is not basically coming this year. Therefore, if you have to look at the normalized EBITDA growth, it would lead to basically SAR 157 million increase compared to last year.

EBITDA margin, we continue pushing on the high margin segments. And definitely, the more this is representing in our revenue, the higher the gross margin would improve, but this is

Transcript

Zain KSA 3Q25 Results Call

Monday, 03 November 2025

something that would come overtime. We are gradually and consistently growing when it comes to EBITDA. Same efficiency today at 31%. We are expecting to land the year, as we speak now, with the same EBITDA margin. Thank you.

Eng. Saad Al-Sadhan for the question about the MVNO, yes, all of them with us. And the second one is still in our network, and they are generating revenue, and they are growing on market share, both MVNO's, and we are keeping them with us as much as we can. As you know, the market and the regulation in Saudi that it is open market, and it is the call of any MVNO to move between operators. So, until now, both of them are with us. And the market is huge, and it is an opportunity as well for us to have more MVNO's because the regulation is open as well. I hope that I answered your question.

Maddy So is there a timeline until when they are going to be with you on your network?

Eng. Saad Al-Sadhan We didn't receive anything regarding this official and we don't have anything currently.

Maddy Okay, understood. Thank you.

Fahad Thank you. I have a question here in the chat window. The question is, "G&A expenses have gone down significantly. What is driving this?"

Mehdi Khalfaoui It's the cost saving, cost optimization that we continue doing in all fronts. So, basically, what we did, we assessed our costs by end of Q1, then we came up with the detailed initiatives that allow us basically to reduce the costs. It's a result of a combination of RFPs, changing the business model, limiting the advertising basically to the revenue generating segments. Definitely continuous push when it comes to the resource towards revenue generation. So, it's a combination of all initiatives that are ongoing in the company that will continue. I mean, it's not something that is a one off. Plus, more importantly is the decommissioning of the legacy system that basically we are running with the new billing. So, all legacy systems were decommissioned. Thank you.

Fahad Thank you. As a reminder, if anyone else has any questions, you can either raise your hand or you can also type in the question in the chat window.

We have a question from Abdullah bin Mossad. If you can please unmute yourself and go ahead. Abdullah, if you can, please go ahead with your question.

Abdullah Congrats on your recent performance. I have only one question regarding the Insurtech. What are you trying to do in the insurance sector? And if you can, give us some kind of regarding what type of products you will tap into.

Eng. Saad Al-Sadhan Thank you, Abdullah, for the question. InsurTech is focusing on the digital products, and it is an arm regulated by the Insurance Authority, allowing us to enter the insurance and associating all of our products, or most of our products, with insurance services legally. So it will allow us to go for all the sectors that we are having, having adjacent market. This is part of our strategy to diversify and to have adjacent market supporting the company financials as well. We are at the start of this company, but the thing is that this company is already established, so it is not a startup company, and we are aligning now between our commercial

Transcript

Zain KSA 3Q25 Results Call

Monday, 03 November 2025

department and the management of this company to make sure that we are having the vision and the clarity going forward.

- Abdullah Clear, but just a follow up. Would you be an aggregator? I'm just trying to get my head around this new company. Would it be an aggregator, or would it be a real Insurtech company where you will provide different services as a broker or an agent?
- Eng. Saad Al-Sadhan the license is a broker license, and this will allow bridging the gap between the telecom sector and the insurance sector. So, it's a gateway to provide the services to the end customer as a broker, and the customer will be focusing on all the digital services which is complementing our core business.
- Abdullah Crystal clear.
- Fahad Thank you. We have another question in the chat box, "Since the tower deal is long behind us, what will be the next key themes that will drive Zain?"
- Mehdi Khalfaoui I would say consistent growth. I mean, there is no M&A big transaction that is on the pipeline; it's consistent growth. More importantly, focus on and continuing gaining market share, value share when it comes to consumer and also basically regain the market when it comes to B2B, and definitely Tamam continue also to grow as a separate entity as well. Thank you.
- Fahad Thank you. There's another question in the chat box from Mohammed Arsalan Siddiqui. "Can you provide some guidance on expected credit loss and what has led the increase since mid of 2024 with the quarterly run rate up of above SAR 100 million?"
- Mehdi Khalfaoui On the ECL, we are factoring definitely the delay in payments, the slight delay that we are having from the government, for example. We are building the provision. More importantly, when it comes to Tamam in Q3, basically we had to put additional bad debt to reduce the non-performing loans from 16% to 10%, but it's a reflection of the collection that we are having within the company. But the increase, I would say, biggest majority is coming from the B2B segment. Thank you.
- Fahad Thank you. If anyone else has any questions, please raise your hand or you can use the chat box as well. At this stage, it does not look like we have any other questions. I would just like to pass it back to management if there are any closing remarks before we close the call.
- Faisal Alkahatani Thank you, Fahad. Thank you all for joining us today and for your continued interest in Zain KSA. If you have any further questions or require additional information, please do not hesitate to contact our investor relation team. We look forward to updating you and our progress in the next quarter. Thank you once again for your time and support and have a great day.
- Mehdi Khalfaoui Thank you very much.
- Eng. Saad Al-Sadhan Thank you very much.