

PRESS RELEASE

SIMAH RATING AGENCY (TASSNIEF) MAINTAINS UNSOLICITED NATIONAL SCALE ENTITY RATINGS OF MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA (ZAIN KSA)

Riyadh, September 8, 2025: Tassnief has maintained long-term entity rating of “(A(pi))” (Single A unsolicited rating) and a short-term entity rating of “T-2” to Mobile Telecommunications Company Saudi Arabia. The Single A ratings reflect robust credit profile. Tassnief considers the rated issuer or issuance to hold high creditworthiness and thus low credit risk. The risk profile may vary with changes in economic or sector conditions.

The unsolicited ratings, denoted by a ‘pi’ subscript, utilize analytical procedures like those used in traditional credit ratings. However, they differ in that they rely primarily on public disclosures made by companies, as well as other secondary sources. The ‘pi’ ratings do not carry an outlook. They are reviewed annually based on the latest financial statements but may be assessed earlier if a major event occurs that could affect the entity’s credit quality. The rated entity has not participated in the unsolicited credit rating, and the rating was disclosed to the entity prior to the announcement.

Rating Rationale: The rating action reflects Mobile Telecommunications Company Saudi Arabia’s (‘Zain KSA’ or ‘Company’) current market position, customer base, satisfactory network infrastructure, and reasonable business and financial risk characteristics. The ratings further reflect the company’s robust governance structure, underpinned by effective internal controls, comprehensive strategic planning capabilities, and a commitment to transparent operations and disclosure practices.

Zain KSA has experienced revenue growth in 2024 and ongoing year. Revenue expansion is expected to maintain its positive trajectory moving forward. Healthy gross margins continue to support operating profitability. Net margins have normalized given the absence of one-off gains, and remain satisfactory. The company’s financial risk assessment shows reasonable capital adequacy and cash reserves. Free cash flow generation has recovered, resulting from higher operating cash flows (CFO) combined with lower capital investments made this year.

The telecommunications industry in Saudi Arabia exhibits a relatively stable risk profile characterized by several key features. Its revenue streams are less affected by economic cycles, akin to utility companies, thanks to consistent demand for communication services. Demographic factors, such as a young population with high smartphone and social media usage, support ongoing growth. Despite a high level of competition due to saturated mobile penetration, the industry structure remains balanced with a dominant three-player market. Over the past two years, the mobile subscriber base has continued to grow, a trend expected to persist throughout the rating period. This growth is fueled by population increases driven by new city developments, regional headquarters relocating to KSA, and efforts to attract more pilgrims. The regulatory environment, guided by the Communications, Space and Technology Commission (CITC), emphasizes stability, predictability, and maturity, which are critical for fostering sustained sector growth and attracting investment. Looking ahead, the telecom sector is well-positioned to maintain its expansion trajectory, supported by strong non-oil GDP growth, ongoing deployment of 5G infrastructure, and expanding opportunities in related non-telecom markets. These factors collectively underpin the sector’s resilience and growth prospects in the coming years.

Rating Triggers: The ratings will continue to be influenced by the company’s ability to expand its market share and effectively implement its strategic business plan while maintaining enhanced profit margins. Additionally, positive rating adjustments could result from higher free cash flow generation and strengthened cash flow coverage metrics.

About the Company: Zain KSA holds a significant position as the third largest company in the telecommunication sector in the Kingdom of Saudi Arabia. The majority shareholding of the Company is controlled by Kuwait-based public Company ‘Mobile Telecommunications Company KSCP (‘Zain Group’).

Zain Group itself is a prominent player in the mobile telecommunications and data services sector throughout the Middle East. Operating not only in Kuwait but also across multiple countries such as Saudi Arabia, Bahrain, Jordan, Oman, UAE, Sudan (North and South), and Iraq, the Group serves an extensive customer base of 46.6million across eight markets.

For further information on this rating announcement, please contact Mr. Talha Iqbal (Ext. 6627) at +966-112506627 or email at RS@Tassnief.com.

RELATED CRITERIA AND METHODOLOGY

Rating Methodology for Corporate (v.2. 2024) can be found on the website: www.tassnief.com