Omar Maher (Host)

Good morning, and good afternoon, everyone. This is Omar Maher from EFG Hermes. I'd like to welcome everyone to Zain KSA's FY 2025 Results Conference Call. As always, we'll begin with a discussion of the key highlights of the period, and this will be followed by a Q&A session. And I will now hand the call over to Faisal Alkahtani, Investor Relations Manager at Zain KSA. Thank you.

Faisal Alkahtani (Manager of Investors Relation, Zain KSA)

Thank you, Omar. Good afternoon, everyone, and thank you for joining us today for Zain KSA Full Year 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 full year 2025 results on Wednesday, Feb 11, 2025, and released our financial statements today, and you can find all related material 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 the management believes 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 these forward-looking statements.

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

Eng. Saad Al-Sadhan (CEO, Zain KSA)

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.

On the financial highlights; as we have reported in our latest financial results covering 2025 financial year, we have achieved revenues of SAR 11 billion, a 6% year-on-year growth, while earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to SAR 3.5 billion in 2025, marking a growth of 4.5%.

On a like-for-like basis, net profit in 2025, which amounted to SAR 604 million is comparable to SAR 363 million recorded in 2024 after excluding the non-recurring tax and Zakat provisions totaling on SAR 233 million in the prior year. This marks a 66% year-on-year growth in the net profit in 2025, reflecting the stronger operational performance, continued growth in the company's core business and more sustainable revenue streams.

In line with Zain KSA's commitment to deliver sustainable return to shareholders, the Board of Directors has recommended cash dividends for 2025 at SAR 0.5 per share, representing 74% payout ratio for 2025 net profit.

The strong financial performance was driven by 5G expansion and improved customer experience in the consumer segment, continued growth in the wholesale segment and the expansion of Yaqoot and Tamam supporting customer growth and more sustainable revenues.

In optimizing our commercial credit, Zain KSA in September 2025, signed a SAR 5.5 billion Murabaha facility agreement with a consortium of five leading banks. The refinancing offers more favorable commercial terms than previous arrangements. The five-year facility, which carries a one-year grace period has a repayment schedule ending on September 30, 2030.

On Tamam's financial results, Tamam witnessed successful full year financial performance and continued to expand its products and services, generating a revenue of SAR 435.3 million, reflecting an 18% year-on-year growth. The company also achieved a net profit of SAR 81.1 million for the full year of 2025.

Zain KSA on numbers, our total active customers reached 8.1 million by the end of 2025 with average revenue per user ARPU of SAR 64. Total Capex investment for 2025 was SAR 1.3 billion used to further enhance the quality of services provided to the customers.

On network achievements, our award-winning network continues to accomplish remarkable achievements, including #1 position among all operators in downlink user speed. This represents a 13% improvement year-over-year, and a 12% year-over-year overall increase in attached data subscribers to Zain network with a remarkable growth of 46% in 5G subscribers as a reflection of our continuous 5G investment. Moreover, more than 64% of the total traffic is being carried by 5G as a reflection of the high demand for our 5G services.

This is in line with our investment and customer-centric strategy designed to scale our 5G footprint and meet escalating capacity demand.

On the infrastructure empowerment, once again, Zain KSA continues to invest in strategic infrastructure, which not only creates a return on investment for our valuable shareholders, but empowers the Kingdom and supports the goals and objectives of Saudi Vision 2030.

Our most notable infrastructure achievements this year include; expanding sustainable connectivity to Farasan Islands through advanced wireless technology with zero environmental disruption; pioneering 5G stand-alone deployment of the 600 (MHz) band, enhancing nationwide, covering a next-generation connectivity; strengthening 4G and 5G coverage across critical infrastructure, including Abu Bakr Tunnel, one of the longest tunnel in the Middle East, spanning 2.5 kilometers, ensuring seamless connectivity; advancing our leadership at the holy sites through the deployment of an AI-powered 5G network, enhancing capacity and user experience during peak seasons.

On the digital solution enabling key sectors, our digital solutions drive stakeholder return on investment while enabling the adoption of advanced technologies, including AI, cloud computing and cybersecurity across multiple sectors.

Zain KSA and the Groq introduced high-performance AI platform fully developed in Saudi Arabia. As a “Digital Sponsor” of “Made in Saudi Expo 2025” initiative we launched the “Saudi-Made Package” to drive Industrial Digital Transformation. Our long-standing strategic partnership continues to drive innovation with the latest collaboration aiming to strengthen cloud, cybersecurity and AI capabilities.

On the adjacent markets, Zain KSA in recent years continues to expand on its adjacent market strategy. In 2025, Zain KSA entered the InsurTech via a strategic joint venture with PREVENSURE and the majority stake in Green Shield Insurance Broker Limited (GSIB). As a part of our commitment to enhance customer experience, Yaqoot became the first operator enabling visitors to Kingdom to obtain and register SIM and e-SIM as well package with 100% digital experience. Yaqoot signed a strategic partnership with Emkan Finance to provide a flexible online payment solution and seamless customer experience.

On strategic partnerships, Zain KSA continued to strengthen long-term strategic partnerships, signing over 30 memorandums of understanding with global and regional partners in 2025 and sponsoring 12 cross-sector events to enhance stakeholder engagement. These efforts support innovation, Vision 2030 objectives and sustainable economic development.

On the sustainability part, ESG goals are at the heart of our operation and organization, which allow us to remain champion of sustainability. We partnered with the Social Development Bank at DeveGo Forum to empower SMEs and enhance employee experience. We participated in the Ithra Volunteer Hackathon, highlighting the role of technology and AI in scalable, sustainable volunteering. We launched Zain Great Idea 2025 start-up accelerator to support the Saudi Innovation Ecosystem and Vision 2030. We became a strategic partner of the (Liajlehum) Association supporting inclusion and empowerment of people with disabilities.

On the awards and recognition, in 2025, Zain KSA picked up 14 top awards and recognition from leading local, regional and international bodies for our efforts across a wide range of areas.

On ranking and certifications, we obtained Digital Government Authority (DGA)license to independently provide comprehensive digital authentication services in the Kingdom. We won the Labor Award 2025 for occupational safety and health, recognizing Zain KSA's integrated approach to workplace safety. We achieved an A rating in the Global Climate Change Disclosure cycle by the Carbon Disclosure Project (CDP).

On an end note, we reaffirm our ongoing commitment at 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 (CFO, Zain KSA)

Thank you, Saad. Good afternoon, everyone. To begin with, the company continues to deliver sustainable year-on-year growth across its financial KPIs. For full year 2025, we generated total revenue approaching SAR 11 billion and reported net profit of SAR 604 million, exceeding last year's performance despite the non-recurring gains recognized in 2024. More importantly, our underlying profitability has strengthened. Structurally, our net profit today exceeds the pre-TowerCo level even under the new cost structure, whereby passive Capex is now incurred under a build-to-suit arrangement within the Opex.

This structural shift has enhanced capital efficiency and enabled the Board to consider dividends for the fourth consecutive year. In terms of revenue performance, our full year revenue increased by SAR 618 million or 6%, reaching SAR 10.9 billion, accelerating from 5.5% recorded during the first nine months of 2025. This acceleration reflects sustained quarterly momentum with growth ranging between 4% to 7% year-on-year throughout 2025.

Q4 was particularly strong, delivering SAR 2.9 billion in revenue, up 7% year-on-year and 5% sequentially versus Q3 2025, driven by our year-end growth acceleration initiatives. In terms of segment highlights available in the financials in Note 40, the consumer segment contributed nearly by 50% of total year-on-year growth, driven by expansion in 5G segment following the majority of Capex deployed in 2024, 2025, strong prepaid performance, including digital channels, higher device revenue for postpaid, particularly during Q4.

Microlending: Tamam recorded 18% revenue growth, reaching SAR 436 million compared to SAR 368 million in 2024. This increase in revenue reflects the growth in the gross loan portfolio. Tamam today represents 4% of the company total revenue and 10% of the total revenue growth. In terms of gross margin, our full year gross profit reached SAR 6.57

billion, increasing by SAR 102 million year-on-year with a reported margin of 60% compared to 62.4% last year.

However, adjusting the non-recurring withholding tax benefits in 2024, margin percentage remains broadly in line year-on-year. On a normalized basis, gross profit increased by SAR 259 million, driven mainly by consumer segment, device revenue expansion, Tamam margin improvement.

Moving to the Opex. Despite the revenue growth, full year Opex decreased by SAR 48 million or 2% to SAR 3.1 billion. Opex as a percentage of revenue improved from 30% to 28%, reflecting a comprehensive cost optimization program delivered savings across targeted advertising spend aligned with the revenue-generating segments, lower outsourcing costs through internal resource optimization, reduced system support costs following legacy billing system decommissioning, lower bad debt provisions aligned with the improved credit risk management. We continue also to leverage strategic vendor partnerships, including year-end negotiated discounts to further enhance cost efficiency. In terms of EBITDA, our EBITDA increased to SAR 3.5 billion, up 5% year-on-year, equivalent to SAR 151 million growth. Reported EBITDA margin remained stable at 32% on a normalized basis, excluding only the SAR 157 million withholding tax nonrecurring benefit in 2024, EBITDA growth reached SAR 307 million, out of which 85% of the growth was driven by gross margin expansion, 15% resulted from Opex optimization.

Moving to the financing costs and the debt. Financing costs decreased by SAR 55 million from SAR 735 million in 2024 to SAR 680 million in 2025, driven by the cancellation of the working capital facility, reducing the commitment fees. lower average interest rate, renegotiation of the Ministry of Finance loan at a lower margin, execution of the SAR 5.5 billion syndicated facility in September 2025 at improved commercial terms.

The proceeds were partially used to fully settle the long-term existing MFA of SAR 4.7 billion, fully repay the SAR 500 million receivable discounting facility. In terms of net profit, our net profit reached SAR 604 million, an increase of SAR 8 million year-on-year. This growth reflects higher EBITDA, partially offset by an increase in depreciation and amortization, mainly due to the additional spectrum amortization. Excluding the SAR 233 million, as mentioned by our CEO previously, the non-recurring Zakat withholding tax benefits recorded in 2024, the operational net profit increased by SAR 240 million, representing 66% growth, demonstrating the strength of the underlying business performance.

In terms of Capex, our full year Capex amounted SAR 1.34 billion, equivalent to 12% of revenue compared to SAR 1.48 billion, 14% last year, including SAR 410 million of spectrum capitalization.

The total commitment declined to SAR 1.85 billion compared to SAR 2.4 billion last year.

In terms of cash and liquidity, we started the year with SAR 840 million in cash and closed at SAR 951 million. Key cash movements include Capex payments of SAR 490 million, an additional SAR 265 million Capex funded through facility. You can see it on the non-cash note. Operating cash flow generation of SAR 1.8 billion. Our operating cash flow was lower by SAR 269 million versus last year, primarily due to SAR 1.1 billion increase in receivable, largely driven by delayed collection within the B2B segment.

Free cash flow remained positive at SAR 1.3 billion compared to SAR 1.5 billion last year. Net debt reached SAR 7.6 billion, reflecting Capex financing drawdown and new facilities. We continue optimizing our debt structure towards longer maturities, improving flexibilities for prepayment and reducing debt service pressure. Our net debt-to-EBITDA, excluding lease liability, improved to 2.19x compared to 2.21x in 2024. Our debt represents 49% of the capital structure at year-end. Our leverage remains controlled and within the internal thresholds. With that, I conclude the financial part and hand over to Faisal.

Faisal Alkahtani (Manager of Investors Relation, Zain KSA)

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

Omar Maher (Host)

Thank you. So, to ask your questions you can either use the raise hand function to ask the question verbally or use the Slido box for written questions. And first question is from Thando. Please go ahead.

Thando (Analyst)

Hopefully, you can hear me and congratulations on the results. I've got a couple of questions, but I'll start off with three, ask them one by one and then give others a chance. The first one is just on B2B. I mean, if you can comment on Q4, in particular, around B2B growth. I mean, it seems like it was up 12%, which is quite different to what we see from your two peers that have just recently reported. So just comments there on what you're seeing and how sustainable that growth is as we head into 2026, please?

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Thank you, Thando, for the question. Let's start by answering the first question. We have a couple of clients that we are renegotiating with them to bring back the deals, and this is what we did previously recently in order to push the relationship with them and to have a sustainable agreement with them for the coming period.

Thando Skosana (Analyst)

Just thinking about 2026 now. I mean, in the first three quarters, you had negative growth in the B2B segment, then you had 12%. So, I'm just trying to think what we can expect in 2026. Should we expect maybe high single-digit growth coming in? Or is it still going to be a challenging segment in 2026?

Eng. Saad Al-Sadhan (CEO, Zain KSA)

It is an opportunity. We cannot disclose the expectations about 2026. However, the market is growing in Saudi, especially in the B2B sector. We are equipping our entire portfolio with rich content to meet market demand. The demand was low at the end of the year 2025 somehow because of the government at the end of the year, but we are expecting to see some growth in 2026, especially with the government projects and key account and the private sector as well as the SME sector.

Thando Skosana (Analyst)

Thank you. That's very helpful. And then just in terms of my second question, it's just around EBITDA margins. Mehdi, this one is for you. Just trying to think about 2026 because if I look at your 2025 margins, right, it's 31. 6%. If I exclude the one-off you had last year, it's about 110 basis points of margin improvement in 2025. So I'm just trying to wonder, I mean, you did a great job there, but just in 2026, whether you expect margins to expand from that 31.6%? And what would be the key drivers? If you can give comments on both EBITDA margins as well as gross profit, that will be helpful. Thank you.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Let me answer the first part, and I will hand over to Mehdi, the CFO. The most important thing, 2025 on the EBITDA side, only 15% is coming from the cost optimization. That means we are still focusing on growth in operation, which contributes around 85%, 86% on the operation itself. We have the strategy; we have the plan to depend on operation more than definitely cost optimization.

Mehdi Khalfaoui (CFO, Zain KSA)

In terms of EBITDA margin, as you remember, we were always disclosing that 30% is an acceptable margin. We managed to deliver 31.6% this year. Hopefully, this year, 31% is the acceptable margin, and we'll end up delivering more. But the business model, as our CEO mentioned, majority of the growth today, 85%, is driven by the gross margin and only 15% is delivered through cost optimization. Thank you.

Omar Maher (Host)

Thank you. Next question comes from Nishit Lakhotia. Please go ahead. Nishit?

Omar Maher (Host)

I think you're having a problem with your mic. We can't hear you. Alright. Perhaps we could move to the next one from Maddy Singh. Please go ahead.

Maddy Singh (Analyst)

So, I have three quick questions. The first question is on Tamam. Can you please discuss the revenue split by segments, which are the main business activities driving the growth? So if you could talk about the various sources of revenue within Tamam. Then secondly, just wondering if your license for Tamam, which all services is permitted under that? And do you have plans to launch any new products and services? And then final question is on your target net debt to EBITDA, given the progress you have made so far on deleveraging, if you could discuss what's the targeted net debt to EBITDA level? Thank you.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Thank you very much for your question, Maddy. On Tamam side, we are focusing on the growth with the quality as well. We achieved 18% growth year-on-year on Tamam. Currently, we have one product, which is microfinancing. The license is only one product. However, we are applying for other products, and this is part of the Central Bank which allows us as a fintech company to apply for additional products. We have a plan to apply for more definitely products very soon.

Mehdi Khalfaoui (CFO, Zain KSA)

In terms of net debt to EBITDA, our net debt-to-EBITDA improved slightly to 2.19x from 2.21x last year, this is on a debt basis only without lease liability. And this is despite the spectrum amortization and refinancing. We remain comfortably within covenant threshold with substantial headroom on leverage and coverage ratios. Additionally, we have today longer maturities secured, lower financing costs are achieved, no short-term liquidity pressure. We view current leverage as optimized for growth while maintaining the balance sheet discipline and the leverage is set to improve, I mean, with the current business performance that we are seeing. Thank you.

Maddy Singh (Analyst)

So, I was wondering what do you target? I mean, are you targeting to go below 1x or you are happy to be around 2x?

Mehdi Khalfaoui (CFO, Zain KSA)

Maddy, we are never happy and we always look for improvement. Even with 2.2x, we are not happy. Today, deleveraging depends on the excess cash, and we have a plan to improve the leverage further. But I mean, to answer your question. 2.2x it is coming from, a long way from leverage that exceeded 3x a couple of years ago. We continue improving it, but we continue improving it structurally rather than pushing a debt repayment.

I don't know whether you noticed, in December, we had a drawdown of SAR 300 million. That majority came as cash. That's why the net debt was not affected. But we continue, first of all, as I said, extending the maturities of the loan, reducing the cost of debt with no short-term liquidity pressure and any excess cash flow and ultimately, we will continue to deleverage further. Thank you.

Maddy Singh (Analyst)

Understood. And just a follow-up on the Tamam question. Did I understand it correctly that your current license is only for microfinance and you do not have any peer-to-peer transfer or remittance business?

Eng. Saad Al-Sadhan (CEO, Zain KSA)

No, currently, it is microfinance, but we increased the amount. We started with SAR 5,000. Now we are up to SAR 50,000, and it is allowed to go even to SAR 60,000. But on top of the microfinance, it is not only for consumers; but we also started digital, what we call the digital installment with the merchants directly, and this will also enhance the portfolio of Tamam.

Maddy Singh (Analyst)

Understood, thank you.

Omar Maher (Host)

Thank you. And we have some written questions. First one is from Roman Reshetnev. It says the reduction of your ECL in the core business looks encouraging. But at the same time, we noticed a significant expansion of ECL at Tamam to around 34% of total Tamam revenues. Could you please reconcile these divergent trends? And how do you view ECL developing within the mix during 2026?

Mehdi Khalfaoui (CFO, Zain KSA)

So, thank you for the question. We changed or we improved structurally again, the collection business model, majority when it comes to consumer. Whereby we focus more on the longer tenure collection rather than the short-term one. This has immediate impact, as you know, on the ECL.

We took the benefit from the improvement when it comes to consumer ECL to basically improve the nonperforming loan ratio for Tamam that you can see it on their financials. It dropped to 9.5% by end of December. However, during 2025, we even had to take some provisions for the longer tenure B2B that we expect to normalize during this year. Thank you.

Omar Maher (Host)

Thank you. And second question from Roman is what growth assumptions do you incorporate for Tamam this year?

Eng. Saad Al-Sadhan (CEO, Zain KSA)

On Tamam side, as mentioned, we have a lot of initiatives in order to have the growth plan in place, having more products, not only microfinance, enriching the digital installments more and more with merchants. This will clean up even and will have more quality customers. We have a lot of initiatives still we are at the beginning of the year, and we are in the final stage to apply for a couple of licenses as well in order to enrich the portfolio with less NPL. NPL is one of our initiatives as well is not only to grow on the revenue, but we have to make sure that we are controlling the nonperforming loans as we grow.

Omar Maher (Host)

Thank you. And the last question from Roman is we observed a general pattern of Capex step-up across GCC Telecoms, particularly related to data center investments. How are you thinking about your Capex intensity in 2026 and medium term? And would you aim to follow suit with the new areas of Capex investments beyond the core business?

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Thank you. We are balancing the investment based on the vision and the strategy that we are having. As you can see, it's not only data centers. There are a lot of multiple initiatives on the market like the AI, like the 5G in order to serve all the sector and the segment of the company. As you can see, investing in infrastructure like the 5G and beyond the 5G will help all the sectors in the company like the B2C, the B2B, Yaqoot, the digital product and also

MVNO because they are utilizing the same. So, we are looking for the return on the investment and to enhance it as much as we can.

Omar Maher (Host)

Thank you. And next, we have a question from Abdulaziz Alhebaishi Please go ahead.

Abdulaziz Alhebaishi (Analyst)

Hi. Congrats on the successful year. I have a few questions, if you allow me. The first on the subscriber base. I see sequentially subscribers have declined by 0.5 million subscribers. Yet we see revenues from the consumer at the Zain level is almost at all-time high. Margins look decent. If you could just explain what's happening there? And was that decline not fully captured in the fourth quarter, meaning it came towards the end of the quarter? I'll ask my other questions after taking this one.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Thank you, Abdulaziz. As we mentioned usually regarding Zain or Tamam, we are looking for quality, not only numbers. So yes, you are 100% right. We dropped from around 8.6 million to 8.1 million, but this is about a cleanup of dormant customers with no revenue, no value. And this is how the ARPU increased from 61 to 64 with the revenue uplift, as you mentioned.

Abdulaziz Alhebaishi (Analyst)

So, can we comfortably say that drop was fully reflected into the fourth quarter?

Eng. Saad Al-Sadhan (CEO, Zain KSA)

The drop you mean on the revenue?

Abdulaziz Alhebaishi (Analyst)

On the subscribers.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

On the subscribers: It's a continuous cleanup process that we started with because we wanted to target clean customers and to have a customer base that are not utilizing network and not generating any revenue.

Abdulaziz Alhebaishi (Analyst)

Very clear. Thank you. Also on Zain KSA, I noticed there is no government grants being booked on the P&L. I see it on the balance sheet. If you could just comment on, was that an accounting sort of reclassification? Or was there truly not government grants being booked into the results for 2025?

Mehdi Khalfaoui (CFO, Zain KSA)

Thank you, Abdulaziz, you will see the details on Note 38 of the financials. So, these are projects that are fully subsidized. We talk about the Universal Service Fund projects, whereby even the assets are capitalized at zero value, yes, because it's fully subsidized. Then during the year, we will estimate the basically the gain, if any, from these projects, and it will be accordingly reflected in our Financial Statements.

But you will see all the details on Note 38. However, in terms of cash flow, it is captured within the cash flow statement when it comes to Capex paid. So, the Capex paid is a net of how much we paid for the cash in terms of cash from the operation minus how much we received in terms of subsidy government grant for this project.

Abdulaziz Alhebaishi (Analyst)

Okay. Very clear. And my last question on the wholesale segment. We have seen the segment performing quite well over the last couple of quarters. If you could just elaborate on that improvement more, that would be helpful.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Thank you, Abdulaziz. On the wholesale side, as you know, we are focusing on all the segments, international and inbound roaming and also the MVNO where we focus on the two MVNOs, Salam Mobile and Red Bull Mobile as well in order to lock them with our network. Also, we have in the wholesale revenue, the site sharing on top of the inbound roaming and the international costs. We are focusing on all the segments, and we are pushing all the segments on the wholesale side, and all of them are growing.

Abdulaziz Alhebaishi (Analyst)

And just a follow-up on this, most of the improvement that you're seeing is mostly seasonal due to traveling and except for the agreement with Salam, but I believe that was there from before.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Agreement with Salam on the MVNO for Salam and Red Bull Mobile as well as for the 2 MVNOs. In terms of season, as you can see, Umrah Season is all the way. So, the inbound roaming is not only for the roaming to subscribe to opt in on the package while you are traveling outside the Kingdom. Now we are targeting also the visitors to Saudi.

As you can see the tourism sector is growing and the amount of people visiting Saudi for Umrah Season and other than Umrah and pilgrimage are increasing as well, where we promote our product and services for them with their home country in order to opt in on the service. And this is how it's contributing a lot on the wholesale revenue that we call inbound roaming, not only the outbound roaming.

Mehdi Khalfaoui (CFO, Zain KSA)

And Abdulaziz refer to Note 40 of the financials. You will see that the wholesale segment, and you will see how much growth.

Abdulaziz Alhebaishi (Analyst)

Yes, very clear, thank you, Saad and Mehdi.

Omar Maher (Host)

Thank you. Next question is it's anonymous. So, it says what is the gross profit for Tamam in 2025?

Mehdi Khalfaoui (CFO, Zain KSA)

For Tamam, their gross profit is quite high as the cost of sales is mainly related to customer eligibility check. However, it is worth looking at the EBITDA margin or return on sales. So gross profit is around 80%,85%, exact number being 89%. EBITDA margin, 25% return on sales, 19%. Thank you.

Omar Maher (Host)

Thank you, Mehdi. And next, we have a question from Muhammad Siddiqui. It says, any further cost optimization plan for 2026?

Mehdi Khalfaoui (CFO, Zain KSA)

Cost optimization is part of the operating model. We, usually during the beginning of the year, identify the areas where we can change the business model, where we can improve further the cost structure. But today, I mean, the biggest contributor of our cost is the build-to-suit and the usage fee and the maneuvering there is quite low.

We continue optimizing our costs as it is part of our operating model.

Omar Maher (Host)

Thank you, Mehdi. We'll pause for a moment in case anyone has any questions before we wrap up. You can either use the raise hand function for verbal questions or the Slido, Q&A for written questions. We have a question from Rovan Sheikhhat. Please go ahead.

Rovan Sheikhhat (Analyst)

I just wanted to ask you about your dividend policy and if there is room to increase dividends.

Mehdi Khalfaoui (CFO, Zain KSA)

Our dividend policy is based on the retained earnings that we have. However, our free cash flow remains strong as last year, we delivered SAR 1.3 billion. Again, the dividend decisions remain subject to Board approval, capital allocation priorities. But I mean, this year, it's the fourth consecutive year where our Board recommends a dividend payment. For us, we focus more on creating value for the company. And then basically, like any year, hopefully if we deliver a solid profit and our Board continue to recommend, then distribution of dividends will be there. Ultimately, this is a decision beyond management authority. Thank you.

Rovan Sheikhhat (Analyst)

Thank you.

Omar Maher (Host)

Thank you. We have a question from Abdulaziz Alkadi. Please go ahead.

Abdulaziz Alkadi (Analyst)

Thank you. My name is Abdulaziz Alkadi from Riyad Capital. I just want to hear from the management regarding B2B and B2G, just in general, overall, like do you see any stiffness in terms of negotiations for the new projects, let's say, maybe about the prices, the margins. Do you see also a slowdown coming in the first half regarding the, let's say, execution of these projects? I'm not talking particularly on Zain, but I'm talking overall in terms of like digital projects regarding the government. I just want to understand the management view on that.

Eng. Saad Al-Sadhan (CEO, Zain KSA)

Thank you, Abdulaziz. Regarding the B2B side, we can see potential and growth regardless of some of the giga project slowdown, as you mentioned, but we can see we're seeing a growth in demand. And as you can see, there is some change in the awarding mechanism. Now everything is through the Ministry of Finance platform, Etimad and Marketplace. So, all the previous deals now are in public, no direct awarding. So, the potential and the opportunity to capture all the renewals.

So, it is not only a new project, but also all the previous deals with the renewal, they have to go through the public tendering and the public platform, which is open for everybody. The good news also, they are not allowed to put anything. I'm talking about the B2B unless the budget is allocated. So, the risk is very minimal. You deliver, you execute, then you invoice through the same platform, you upload all the invoices.

On the B2B side, the private sector is booming, is growing as well with the demand on the market. As we can see also the inflation is contained, it's not high. We are expecting also the SME to grow, not only the private sector. All the segments on the B2B side, we can see growth and the demand on the market. As much as you have a rich portfolio, then you can definitely serve the clients. Thank you, Abdulaziz.

Abdulaziz Alkadi (Analyst)

That's great, thank you.

Omar Maher (Host)

We have another follow-up from Rovan Sheikhhat. Please go ahead.

Rovan Sheikhhat (Analyst)

I'm asking about the receivables. So, I can see a growth in the receivables from SAR 6 billion to SAR 6.8 billion. It's like SAR 8 million or SAR 800 million of growth in your receivables. So, is it because of the delays of cash to be collected from the B2B segment? Or is it because of your equipment or handset sales that happened in the fourth quarter of 2025?

Mehdi Khalfaoui (CFO, Zain KSA)

The increase in receivables that you are seeing is timing related, concentrated largely in B2B with government and enterprise clients. So, the majority is B2B.

Rovan Sheikhhat (Analyst)

Okay. Do you face any delays in receiving the cash? And what do you mean by timing?

Mehdi Khalfaoui (CFO, Zain KSA)

Yes, we are seeing a delay with the collection. However, we have already implemented some enhanced collection governance, dedicated B2B control task force. More importantly, I mean, the increase or the receivable increase is largely related to government limiting any credit risk exposure. So, it's a timing delay rather than a default itself. Thank you.

Rovan Sheikhhat (Analyst)

Thank you.

Omar Maher (Host)

We don't have any questions left in the queue. So back to management in case, you'd like to make any concluding remarks.

Faisal Alkahtani (Manager of Investors Relation, Zain KSA)

Thank you all for joining us today and for your continued interest in Zain KSA. Should you have any additional questions or require further information, please do not hesitate to reach out to our Investor Relations team. We look forward to updating you on our progress in the next quarter. Thank you again for your time and support. Have a great day.

Mehdi Khalfaoui (CFO, Zain KSA)

Thank you. Thank you very much.

Omar Maher (Host)

Thank you, Eng. Saad, Mehdi, Faisal, and Reema, and thank you, everyone, for your participation. This concludes the call and have a nice day.

Faisal Alkahtani (Manager of Investors Relation, Zain KSA)

Thank you.