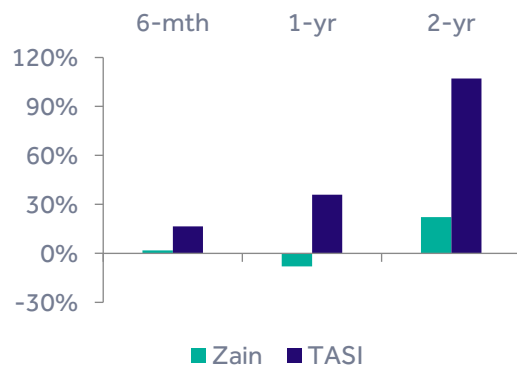


Market Data	
52-week high/low	SAR 15.42/11.66
Market Cap	SAR 12,550 mln
Shares Outstanding	899 mln
Free-float	62.96%
12-month ADTV	4,229,207
Bloomberg Code	ZAINKSA AB



## Net Margin Expands Further

April 19, 2022

Upside to Target Price 7.4%  
 Expected Dividend Yield -  
 Expected Total Return 7.4%

Rating Neutral  
 Last Price SAR 13.96  
 12-mth target SAR 15.00

Zain KSA	1Q2022	1Q2021	Y/Y	4Q2021	Q/Q	RC Estimate
Sales	2,179	1,938	12%	2,083	5%	2,083
Gross Profit	1,236	1,216	2%	1,166	6%	1,208
Gross Margins	57%	63%		56%		58%
Operating Profit	201	158	27%	193	4%	213
Net Profit	81	41	98%	71	14%	87

(All figures are in SAR mln)

- Zain posted revenues of SAR 2.2 bln (+12% Y/Y, +5% Q/Q) for 1Q2022 driven by the growth in Business-to-Business (B2B), 5G revenues and other revenue streams.
- Gross margin shrunk by -600 bps on a yearly basis but expanded by +74 bps on a quarterly basis. There was an increase in cost of revenue and Opex by SAR 254 mln on a yearly basis and SAR 195 mln on a quarterly basis. This was partially offset by a decrease in depreciation and amortization on both yearly and quarterly basis by SAR 56 mln and SAR 107 mln respectively. The decrease in depreciation and amortization was due to the transfer of towers infrastructure of SAR 1.4 bln to assets held for sale, which enabled Zain to avoid charging depreciation on the transferred assets.
- Zain reported a net profit of SAR 81 mln (up +98% Y/Y, +14% Q/Q) and in-line with our SAR 87 mln forecast but higher than market consensus of SAR 65 mln. Net margin continued to expand for the fifth consecutive quarter to stand at 3.72% compared with 3.42% last quarter.
- We maintain our target price at SAR 15.00 and Neutral recommendation.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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