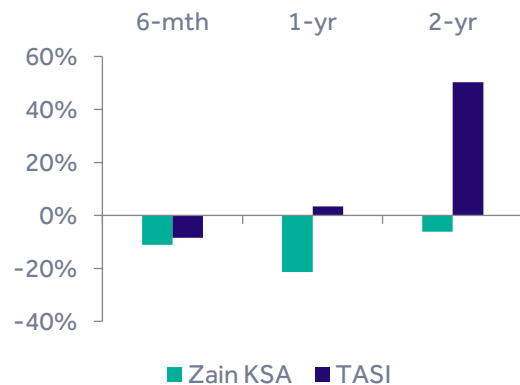


Market Data	
52-week high/low	SAR 14.64/10.58
Market Cap	SAR 10,428 mln
Shares Outstanding	899 mln
Free-float	62.93%
12-month ADTV	3,615,043
Bloomberg Code	ZAINKSA AB



## Strong Profits Helped by Lower D&A

July 18, 2022

Upside to Target Price 12.1%  
 Expected Dividend Yield -  
 Expected Total Return 12.1%

Rating Neutral  
 Last Price SAR 11.60  
 12-mth target SAR 13.00

Zain KSA	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	2,206	1,896	16%	2,179	1%	2,153
Gross Profit	1,251	1,259	(1%)	1,236	1%	1,261
Gross Margins	57%	66%		57%		59%
Operating Profit	262	159	65%	201	30%	206
Net Profit	134	42	219%	81	65%	91

(All figures are in SAR mln)

- For the quarter, Zain's revenues increased by +16% Y/Y and +1% Q/Q to come in at SAR 2.2 bln (in-line with our SAR 2.2 bln forecast). The growth in the top-line was driven by the growth in B2B, 5G, and the return of international visitors (for Umrah and business) after relaxing the COVID pandemic restrictions.
- Gross margin was flat on a quarterly basis but shrunk by -969 bps on a yearly basis. The decline in gross margin on a yearly basis resulted from the increase in COGS by +50% or SR 318 mln, out of which SR 41 mln were related to the reversal of provision released in 2Q2021.
- Operating profit reached SAR 262 mln (+65 Y/Y, +30% Q/Q). The increase in operating profit was mainly due to lower Depreciation and Amortization (D&A), which decreased by SAR 101 mln Y/Y and SAR 17 mln Q/Q along with lower Opex, which also decreased in both yearly and quarterly basis by SAR 10 mln and SAR 29 mln, respectively.
- Net income increased to SAR 134 mln (+219% Y/Y, +65% Q/Q). We believe Zain benefited from lower Depreciation related to the disposal plan of the telecom towers announced in Feb 2022.
- Our 12-mth target price for the company is arrived at using EV/EBITDA, the current average forward EV/EBITDA for local and regional peers is 6.81x (7.17x earlier). Thus, we revise our target price to SAR 13.00 from SAR 14.50 per share but maintain our 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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