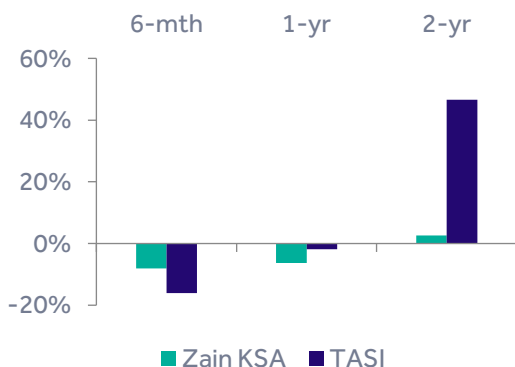


Market Data	
52-week high/low	SAR 14.38/10.58
Market Cap	SAR 11,525 mln
Shares Outstanding	899 mln
Free-float	62.93%
12-month ADTV	3,718,547
Bloomberg Code	ZAINKSA AB



Higher Opex & Finance Cost Q/Q

November 02, 2022

Upside to Target Price	(6.4%)	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 12.82
Expected Total Return	(6.4%)	12-mth target	SAR 12.00

Zain KSA	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Sales	2,287	1,984	15%	2,206	4%	2,256
Gross Profit	1,376	1,244	11%	1,251	10%	1,279
Gross Margins	60%	63%		57%		57%
Operating Profit	246	188	31%	262	(6%)	276
Net Profit	85	60	42%	134	(37%)	138

(All figures are in SAR mln)

- Zain's registered an increase in top-line by +15% Y/Y and +4% Q/Q to SAR 2,287 mln, in-line with our estimates. This growth in revenues was driven by the growth in Business-to-Business (B2B), 5G and the return of international visitors.
- Gross profit came in at SAR 1,376 mln (+11% Y/Y, +10% Q/Q) supported by the increase in revenues. Gross margin expanded on a quarterly basis by +350 bps, which we assume is due to the greater contribution of high margin segment in revenues.
- Operating profit of SAR 246 mln increased on a yearly basis by +31%, but decreased on a quarterly basis by -6%. Operating margin contracted on a quarterly basis by -110 bps, despite the incline in the gross margin due to higher Opex with no considerable change in depreciation expense. On a yearly basis, EBIT margin expanded by +130 bps, due to the decrease in depreciation expense by SAR 271 mln as a result of the announced disposal plan of the telecom towers.
- Net Income came in at SAR 85 mln (up +42% Y/Y, but down -37% Q/Q), below our forecast and market consensus of SAR 138 mln. On a yearly basis, the net income benefited from the lower Dep & Amor expense despite the increase in finance cost by SAR 39 mln due to interest rate increase. On a quarterly basis, net income was under pressure due to higher Opex as well as higher finance costs.
- Our 12-mth target price for the company is arrived at using EV/EBITDA multiples. Taking 6.5x (6.8x earlier) as the comparable and target EV/EBITDA for Zain, we target a price of SAR12.00 per share. Thus, we revise our target price to SAR 12.00 from SAR 13.00 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

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