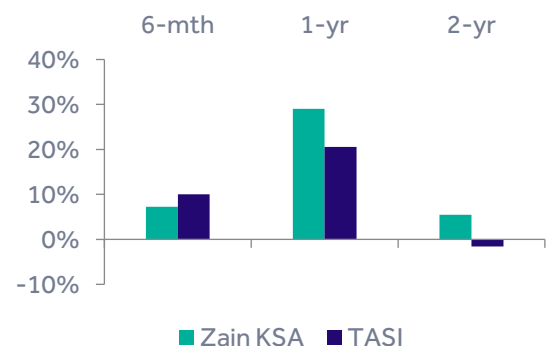


Market Data	
52-week high/low	SAR 16.34/10.36
Market Cap	SAR 12,546 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	3,572,938
Bloomberg Code	ZAINKSA AB



All Gains Recognized in 2023

March 05, 2024

Upside to Target Price	3.9%	Rating	Neutral
Expected Dividend Yield	3.6%	Last Price	SAR 13.96
Expected Total Return	7.5%	12-mth target	SAR 14.50

Zain KSA	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	2,543	2,404	6%	2,525	1%	2,551
Gross Profit	1,477	1,452	2%	1,481	0%	1,502
Gross Margins	58%	60%		59%		59%
Operating Profit	78	380	(79%)	331	(76%)	302
Net Profit	296	250	18%	285	4%	224

(All figures are in SAR mln)

- Zain’s annual sales grew by +9% from SAR 9.1 bln in 2022 to a record SAR 9.9 bln in 2023 driven by the growth in B2B, 5G, digital services, wholesale and Tamam. For 4Q23, topline increased by +6% Y/Y to SAR 2.5 bln, in-line with our estimates.
- Gross margins for the full year expanded by 69 bps supported by the high margin segments. 4Q2023 gross margin contracted to 58.1% as compared to 58.7% in the previous quarter and 60.4% last year likely on revenue mix.
- Annual OPEX increased by +18% from SAR 4.2 bln to SAR 5.0 bln on the back of the increased costs related to tower sale and leaseback and the ECL. 4Q operating margin significantly contracted to 3% from 13% last quarter as these increased OPEX were likely concentrated in 4Q. EBITDA decreased for the same reason. Finance costs has increased as both SAIBOR and LIBOR inclined during the year.
- Full year net profit more than doubled as the sale and leaseback transaction of all 8,069 towers were fully recognized during 2023 for a total of SAR 1.1 bln (including the net gain from the sale of Zain KSA equity in GLIC of SAR 121 mln).
- 4Q2023 bottomline was reported at SAR 296 mln (+18% Y/Y, +4% Q/Q) beating our SAR 224 mln forecast (and the lower market consensus of SAR 165 mln) as the net gains recognized were higher than our expectations. We maintain our SAR 14.50 target price and Neutral rating. 2023 DPS of SAR 0.50 is similar to 2022.

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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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