

Market Data	
52-week high/low	SAR 15.18/11.76
Market Cap	SAR 10,641mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	3,572,938
Bloomberg Code	ZAINKSA AB

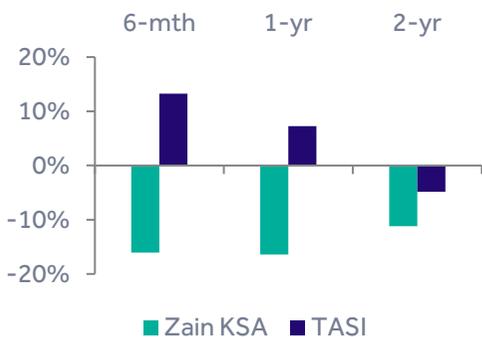
Net Profit Back to Normalized Levels

May 13, 2024

Upside to Target Price	22.5%	Rating	Buy
Expected Dividend Yield	4.2%	Last Price	SAR 11.84
Expected Total Return	26.7%	12-mth target	SAR 14.50

Zain KSA	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	2,535	2,422	5%	2,543	0%	2,689
Gross Profit	1,545	1,415	9%	1,477	5%	1,570
Gross Margins	61%	58%		58%		58%
Operating Profit	251	191	31%	108	132%	273
Net Profit	67	1,137	(94%)	(54)	224%	83

(All figures are in SAR mln)



- Zain posted 1Q revenues at SAR 2.5 bln, up +5% Y/Y but flat Q/Q. The annual increase was driven by growth in B2B segment, 5G services, wholesale segment and Tamam (Zain’s fintech arm).
- Gross margin in this quarter expanded to 61% vs 58% in both the corresponding and last quarters, as well as our estimate. The Company recorded SAR 1.3 mln in OPEX (up +6% Y/Y, but down -5% Q/Q), inline with our SAR 1.3 mln estimate.
- In 1Q2023, full gain from the tower transaction amounting SAR 1.144 bln was recorded. Net income in this quarter came back to normalized levels at SAR 67 mln (-94% Y/Y, +224% Q/Q). If we remove the one-off gain impact in 1Q2023, the Y/Y decline would convert to growth. Furthermore, earnings before zakat would grow by +229% Y/Y to SAR 79 mln (if transaction gain was excluded), coupled with the help of +11% EBITDA growth. In 4Q2023, expected credit loss affected net income which caused the sequential surge in net profit.
- 1Q2024 net profit exceeded market consensus of SAR 59 mln yet lower than our optimistic SAR 83 mln estimate, mainly caused by our +11% Y/Y revenue growth estimate. Despite our attention to the pace in capturing additional sales, we maintain our target price of SAR 14.50 but upgrade to Buy rating, as the stock has underperformed in the past two months.

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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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