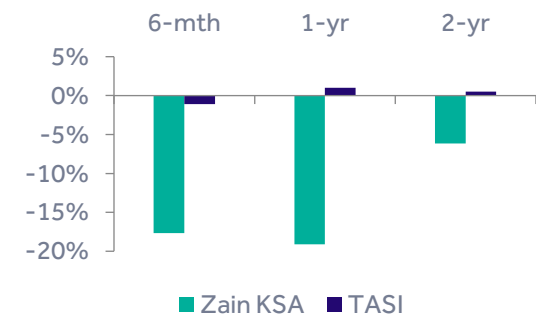


Market Data	
52-week high/low	SAR 15.18/10.84
Market Cap	SAR 9,886 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	3,572,938
Bloomberg Code	ZAINKSA AB



■ **One-Off Grant Boosts Profit Amid Margin Contraction**

July 28, 2024

Upside to Target Price	27.3%	Rating	Buy
Expected Dividend Yield	4.5%	Last Price	SAR 11.00
Expected Total Return	31.8%	12-mth target	SAR 14.00

Zain KSA	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Sales	2,552	2,392	7%	2,535	1%	2,554
Gross Profit	1,540	1,484	4%	1,545	(0%)	1,533
Gross Margins	60%	62%		61%		60%
Operating Profit	242	253	(4%)	251	(4%)	265
Net Profit	105	114	(8%)	67	57%	81

(All figures are in SAR mln)

- Zain posted 2Q revenues at SAR 2.6 bln, up +7% Y/Y and +1% Q/Q, matching our estimate. The annual increase was driven by growth in B2B segment, 5G services, wholesale segment and Tamam (Zain's fintech arm). Hajj season and B2B segment caused the sequential rise. 1H2024 revenues saw a +5.7% growth.
- Gross margin in this quarter contracted by 60 bps Q/Q, as expected, to 60% vs 61% in previous quarter and 62% last year. The Company recorded SAR 1.3 mln in OPEX (up +5% Y/Y, flat Q/Q), in-line with our estimate. Operating margin is down to 9.5% from 9.9% in the previous quarter and from 10.6% last year.
- Net income came in at SAR 105 mln (-8% Y/Y, +57% Q/Q), higher than SAR 78 mln market consensus and our estimate, due to a one-off project closure government grant of SAR 52 mln recorded in other income. Despite the grant, the Y/Y decline was affected by higher OPEX, ECL, and finance cost on interest rates rise, coupled with gross margin contraction.
- We keep our Buy recommendation, with a dividend yield of 4.5%, but tweak our target price to SAR 14.00.

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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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