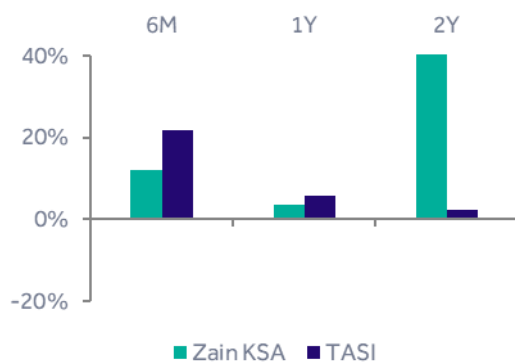


Market Data	
52-week high/low	SAR 15.20/8.50
Market Cap	SAR 11,144 mln
Shares Outstanding	899 mln
Free-float	57.12%
12-month ADTV	5,458,594
Bloomberg Code	ZAINKSA AB



Lower Reversals and Higher Opex

November 03, 2020

Upside to Target Price	-	Rating	Under Review
Expected Dividend Yield	-	Last Price	SAR 12.40
Expected Total Return	-	12-mth target	-

Zain KSA	3Q2020	3Q2019	Y/Y	2Q2020	Q/Q	RC Estimate
Sales	1,928	2,008	(4%)	1,889	2%	1,927
Gross Profit	1,266	1,495	(15%)	1,355	(7%)	1,387
Gross Margins	66%	74%		72%		72%
Operating Profit	138	376	(63%)	297	(54%)	299
Net Profit	60	121	(50%)	59	2%	71

(All figures are in SAR mln)

- Zain reported a topline of SAR 1.9 bln in 3Q2020 (-4% Y/Y, +2% Q/Q) in line with our forecast. Revenue was impacted by the pandemic which led to a minimal numbers of visitors for business, Umrah and limiting Hajj to local pilgrims. In addition, there was a further reduction in MTR.
- Gross profit reached SAR 1.3 bln this quarter while gross margins contracted by -800 bps Y/Y to reach 66%, due to lower reversal of government fees of SAR 39 mln compared to SAR 129 mln in 3Q2019, despite the decline in MTR.
- EBIT decreased by -63% Y/Y and -54% Q/Q on higher depreciation and amortization by SAR 55 mln, as a result of the capex investment.
- Zain reported a net income of SAR 60 mln (-50% Y/Y, +2% Q/Q) close to our SAR 71 mln forecast helped by SAR 45 mln reduction in financial charges Y/Y on the back of decrease in interest rates in addition to recording a SAR 136 mln gain as result of refinancing loans. We change our recommendation to Under Review as we re-evaluate our forecasts after the end of reversal of commercial fees in 2020 and completion of financial restructuring.

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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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