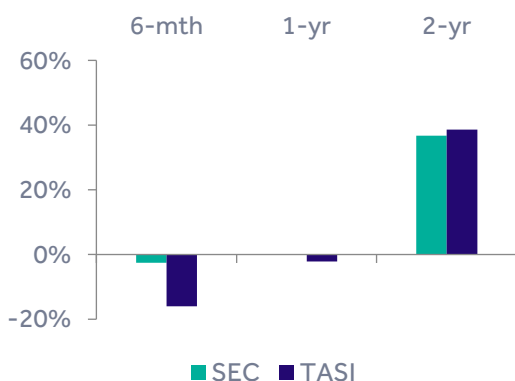


Market Data	
52-week high/low	SAR 31.00/21.74
Market Cap	SAR 105,425 mln
Shares Outstanding	4,167 mln
Free-float	18.76%
12-month ADTV	2,644,754
Bloomberg Code	SECO AB



■ Bottomline Falls -14% Y/Y

November 11, 2022

Upside to Target Price (1.2%)
 Expected Dividend Yield 2.7%
 Expected Total Return 1.5%

Rating Neutral
 Last Price SAR 25.30
 12-mth target SAR 25.00

SEC	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Operating Revenue	22,750	21,832	4%	19,402	17%	23,036
Gross Profit	7,496	8,595	(13%)	6,545	15%	9,012
Gross Margins	33%	39%		34%		39%
Operating Profit	7,192	7,818	(8%)	5,861	22%	8,166
Net Profit*	6,375	7,380	(14%)	5,502	16%	7,469

(All figures are in SAR mln)

* Before deducting Mudaraba Instrument.

- Operating revenues improved slightly by +4% Y/Y to SAR 22.8 bln, in-line with our SAR 23.0 bln forecast. This was a result of growth in the demand for electric power, increase in balancing account amounts as well as higher fiber optic rental revenues from Dawiyat Company. The subscriber base grew by 3.8% Y/Y to 10.8 million while there was a +13% Y/Y increase in FTTH connections.
- Gross Profit declined by -13% Y/Y to SAR 7.5 bln as gross margins contracted from 39% last year to 33% in 3Q2022. Management has attributed this to higher purchased power and O&M costs.
- Similar to the trend in Gross Profit, Operating Profit decreased by -8% Y/Y to reach SAR 7.2 bln. G&A Expenses were up by +49% Y/Y due to an increase in Productivity Program (SAR 120mln) and higher contract cost.
- Net income before Mudaraba Instrument came in at SAR 6.4 bln for the quarter, down -14% Y/Y but up +16% Q/Q (due to seasonality). The Company faced higher financial charges (+17% Y/Y) as well as lower income from discontinued operations. Bottomline missed our expectations by -15% due to higher than expected costs leading to a contraction in gross margins. We maintain a Neutral rating on the stock.

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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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