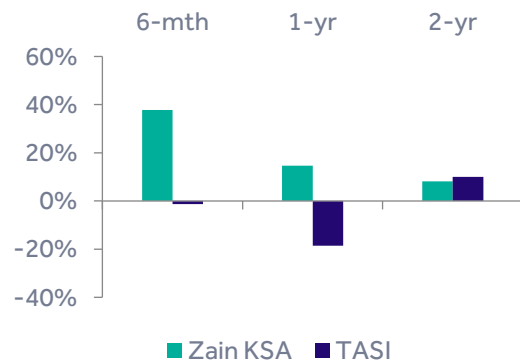


Market Data	
52-week high/low	SAR 16.34/9.86
Market Cap	SAR 14,492 mln
Shares Outstanding	899 mln
Free-float	62.93%
12-month ADTV	3,706,964
Bloomberg Code	ZAINKSA AB



Tower Gains Support Bottom-line

May 09, 2023

Upside to Target Price (16.3%)
 Expected Dividend Yield 3.1%
 Expected Total Return (13.2%)

Rating Neutral
 Last Price SAR 16.12
 12-mth target SAR 13.50

Zain KSA	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	2,422	2,179	11%	2,404	1%	2,441
Gross Profit	1,415	1,236	14%	1,452	(3%)	1,472
Gross Margins	58%	57%		60%		60%
Operating Profit	201	201	0%	379	(47%)	288
Net Profit	563	81	595%	250	125%	446

(All figures are in SAR mln)

- Zain's registered an increase in top-line by +11% Y/Y and +1% Q/Q to SAR 2,422 mln, in-line with our estimates. We believe this rise in revenues was driven by the growth in Tamam revenues as well as partial benefit from Ramadan Umrah season, which pushed up prepaid SIM sales. We expect the next quarter will see a stronger revenue impact from Ramadan.
- Operating profit was stable Y/Y but decreased significantly Q/Q by -47%. We believe this decrease was mainly due to a contraction in gross margins as well as an increase in Opex related to leasing back the towers and expected credit loss. Going forward, lease back expense of the towers will be higher than the Opex before the deal. Thus, we could see some pressure on operating margins in the short to medium-term.
- The Company recognized a SAR 532 mln (before Zakat) gain which resulted in an increase in net profit by +595% Y/Y and +125% Q/Q to SAR 563 mln. Capital gains would continue to support the bottom-line during the upcoming quarters. However, we believe the value of the recognized gains will be less during the coming quarters since in January 2023 the Company received the financial completion (transfer of 3,000 towers out of 8,069). This means that profits prior to January have been accumulated and recognized in January, in addition to what was transferred after that date.
- We increase our target price to SAR 13.50 from SAR 12.00 per share but we are still Neutral 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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