

**Record Revenues & Zakat Reversal Elevate Profits**

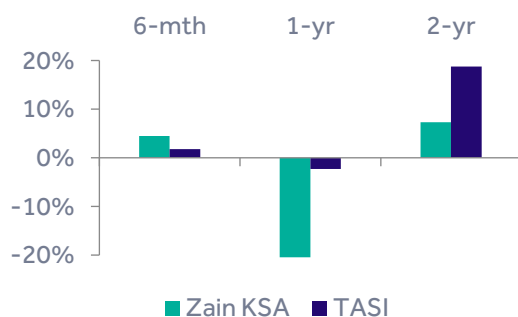
February 20, 2025

Upside to Target Price	5.3%	Rating	Neutral
Expected Dividend Yield	4.4%	Last Price	SAR 11.40
Expected Total Return	9.6%	12-mth target	SAR 12.00

Market Data	
52-week high/low	SAR 15.18/10.14
Market Cap	SAR 10,246 mln
Shares Outstanding	899 mln
Free-float	62.95%
12-month ADTV	3,122,791
Bloomberg Code	ZAINKSA AB

Zain KSA	4Q2024	4Q2023	Y/Y	3Q2024	Q/Q	RC Estimate
Sales	2,694	2,543	6%	2,583	4%	2,589
Gross Profit	1,671	1,477	13%	1,714	(2%)	1,566
Gross Margins	62%	58%		66%		61%
Operating Profit	389	108	260%	318	22%	261
Net Profit	274	(54)	-	150	83%	75

(All figures are in SAR mln)



- Zain KSA continues to post record annual revenues for the third consecutive year, reaching SAR 10.4 bln, up +4.9%, driven by 5G, Wholesale, TAMAM and B2B segments. It also posted record revenues for 4Q at SAR 2.7 bln, up +6% Y/Y and +4% Q/Q, in line with our estimate of SAR 2.6 bln. This increase was likely driven by growth in B2B segment, 5G services, wholesale segment and Tamam (Zain’s fintech arm).
- Gross margin for this quarter came in slightly higher than our estimate at 62%, also higher than 58% last year, but lower than 66% last quarter, which was elevated due to a withholding tax release of SAR 157 mln in that quarter. The Company recorded SAR 1.3 bln in OPEX, down -6% Y/Y, and -8% Q/Q, matching our estimate. Annual ECL of SAR 427 mln represents a concerning increase of +90%, bringing 4Q2024 ECL to SAR 118 mln. However, operating margin came in higher than expected at 14%, compared to 12% in previous quarter and 4% last year on concentrated ECL last year.
- Full-year 2024 net income of SAR 596 mln is half of SAR 1,267 mln last year due to last year’s towers deal gains of SAR 1.1 bln. Excluding these gains, 2024 net income would be 3.5x last year’s. 4Q net income was recorded at SAR 274 mln, reversed losses Y/Y and up +83% Q/Q, higher than SAR 66 mln market consensus and our estimate of SAR 75 mln. This was supported by a Zakat reversal of SAR 74 mln, coupled with higher margins. All of this resulted in a high net margin of 10% for 4Q. The Company announced a SAR 0.5 DPS for the year, yielding 4.4%. We maintain our target price but downgrade our recommendation to Neutral, as the stock is now closer to our target.

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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](mailto:research@riyadcapital.com)

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