


**US\$0.783bn**

Market cap

**66%**

Free float

**US\$3.951mn**

Avg. daily volume

**Target price**
**99.80**

13.73% over current

**Consensus price**
**91.70**

4.5% over current

**Current price**
**87.75**

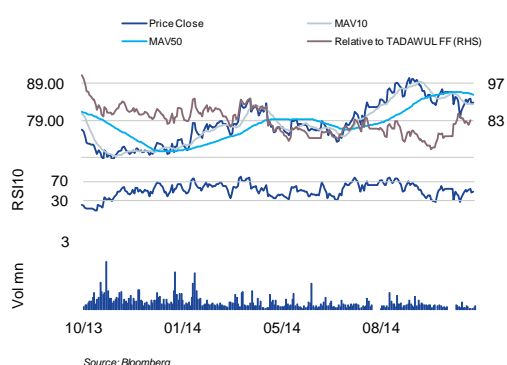
as at 30/10/2014

**Existing rating**
**Underweight**
**Neutral**
**Overweight**

## Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

## Performance



## Earnings

Period End (SAR)	12/12A	12/13A	12/14E	12/15E
Revenue (mn)	1,738	1,741	987	365
Revenue Growth	11.0%	0.2%	-43.3%	-63.0%
EBITDA (mn)	267	226	139	73
EBITDA Growth	12.0%	-15.3%	-38.3%	-47.8%
EPS	5.36	3.57	12.93	3.74
EPS Growth	4.1%	-33.4%	261.8%	-71.1%

Source: Company data, Al Rajhi Capital

## Valuation



Source: Company data, Al Rajhi Capital

# Al-Hassan G.I. Shaker Co

## Strong Q3 indicates recovery

Shaker's Q3 2014 results exceeded our as well as consensus expectations. The company posted around 40% jump in its net profit during the quarter, albeit on a low base of Q3 2013. Shaker also reported an increase in revenue though it has not disclosed its top-line figure. The company's improving financial performance indicates a gradual recovery in the AC segment from the negative impact of the stringent regulatory changes that came into effect in the second half of 2013. Further, the revival in construction activity is also expected to drive AC demand. We will revisit our estimates on the company after the release of the detailed financial results. For now, we reiterate our Neutral rating on Shaker with a target price of SAR99.80.

Earnings vs our forecast	Above	In Line	Below
<b>Likely impact:</b>			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- Revenues:** Shaker has not reported its Q3 revenues as yet. We expected the company to report a revenue of SAR379mn (-3.8% y-o-y), while the consensus forecast stood at SAR395mn. However, Shaker has announced that it witnessed increased sales during the quarter. Thus, we believe the company's revenue could come in ahead of our expectations.
- Profits beats estimates:** The Company's gross profit jumped 19.2% y-o-y to SAR110.8mn as compared to our SAR98mn estimate. Operating profit surged 56.1% y-o-y to SAR39.4mn, beating our SAR28mn estimate. The net profit stood at SAR43.8mn (+39.7% y-o-y) against our estimate of SAR38mn (consensus estimate: SAR38.2mn).
- Conclusion:** Shaker reported a robust set of results for the third quarter, beating our as well as consensus estimates. The company's bottom-line growth of around 40%, albeit over the low base of Q3 2013 indicates that it has started to recover from the impact of regulatory changes, which affected sales in H2 2013. Moreover, with the revival in construction activity, we expect the air-conditioner industry to continue its growth path. We will revisit our estimates on Shaker after the release of detailed results. For now, we reiterate our Neutral rating on Shaker with a target price of SAR99.80.

**Figure 1 Shaker: summary of Q3 2014 results**

(SAR mn)	Q3 2013	Q2 2014	Q3 2014	% chg y-o-y	% chg q-o-q	ARC est
Revenue	394	484	NA	-	-	379
Gross profit	92.9	131.4	110.8	19.2%	-15.7%	98.0
Gross profit margin (%)	23.6%	27.1%	NA			25.9%
Operating profit	25.2	58.8	39.4	56.1%	-33.0%	28.0
Net profit	31.3	382.5	43.8	39.7%	-88.6%	38.0

Source: Company data, Al Rajhi Capital



## Major Developments

### Wins contract from Ministry of Education

Shaker announced that one of its fully-owned subsidiaries – Ibrahim Hussein Shaker Projects and Maintenance Company – won a contract from the Ministry of Education to supply LG air-conditioners to its associated schools. The value of the contract is worth SAR38.34mn. The delivery time for the ACs is four months from the signing of the contract.

### Buys office building in Riyadh

Shaker bought 12 floors of an office building in Riyadh for SAR48mn. The deal will be financed through a long-term Sharia compliant loan. The company plans to move all its business units and its fully-owned subsidiaries in one location. Such a move will save rental expenses for the company from Q2 2015.

### Signs agreement to acquire ASDA Gulf Trading

Shaker has signed an agreement to acquire 100% stake in ASDA Gulf Trading for a sum of SAR20mn. The company will fund the acquisition from internal sources. ASDA is a distributor of Bissell products (Vacuum cleaners and other cleaning products) in Saudi Arabia. However, there are a couple of preconditions for the acquisition. The first condition is that ASDA should obtain an approval from Bissell Company and also renew an exclusive distribution agreement with the company for not less than 5 years after March 2015. The second condition is that the company should secure an approval from the Ministry of Commerce and Industry.



## Disclaimer and additional disclosures for Equity Research

# Disclaimer

This research document has been prepared by Al Rajhi Capital Company ("Al Rajhi Capital") of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital's clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

## Additional disclosures

### 1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

**"Overweight"**: Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

**"Neutral"**: We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 6-9 month time horizon.

**"Underweight"**: Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

### 2. Definitions

**"Time horizon"**: Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

**"Fair value"**: We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

**"Target price"**: This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

## Contact us

Jithesh Gopi, CFA

Head of Research

Tel : +966 11 2119332

[gopij@alrajhi-capital.com](mailto:gopij@alrajhi-capital.com)

Al Rajhi Capital

Research Department

Head Office, King Fahad Road

P.O. Box 5561

Riyadh 11432

Kingdom of Saudi Arabia

Email: [research@alrajhi-capital.com](mailto:research@alrajhi-capital.com)

Al Rajhi Capital is licensed by the Saudi Arabian Capital Market Authority, License No. 07068/37.