Global Research – KSA

Result Flash

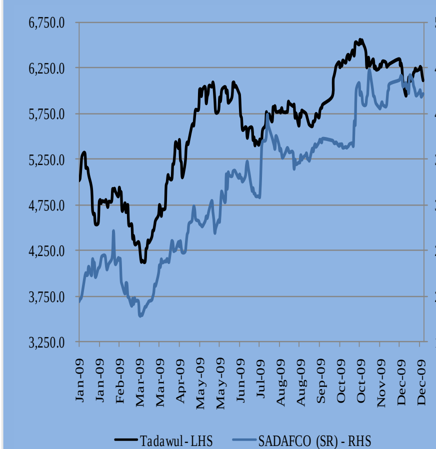
Saudia Dairy & Foodstuff Company-9M2010 Review

Market Data

Bloomberg Code:	SADAFCO AB
Reuters:	2270.SE
CMP (20th Jan 2010):	SR45.1
O/S (mn):	32.5
Market Cap (SRmn):	1,465.7
Market Cap (US$mn):	390.9
Price/EPS 2010e (x):	13.2
Price/Bv 2010e (x):	2.3

Price Performance	1-Yr
High (SR):	45.1
Low (SR):	17.9
Average Volume:	420,058

Share Price Performance



Source: Zawya & Tadawul

- **Saudia Dairy & Foodstuff Company (SADAFCO)** has posted after tax profit of SR85.1mn (EPS; 2.62) during 9M2010. This indicates the company has recorded a growth of 235.0% from the profit after tax of SR25.4mn (EPS; SR0.78) during the corresponding period last year. We believe the company's profitability growth during the period is mainly based on the (i) improvement in the company's market share, which has led the growth in sales volume (ii) higher profitability margins and (iii) lower realized and un-realized gain on trading investment, which was recorded at SR17.1mn in 9M2009.

SADAFCO - 9M2010 Financial Result

SR mn	9M2009 (Mar08-Dec08)	9M2010 (Mar09-Dec 09)	Changes
Gross Profit	198.9	279.2	**40.4%**
Operating Profit	46.0	87.5	**90.2%**
Net Profit	**25.4**	**85.1**	**235.0%**
EPS (SR)	**0.78**	**2.62**	

Source: Company Press Release (Tadawul)

- On quarterly basis the company's profitability has shown a remarkable recovery and posted after tax profit of SR35.5mn (EPS; SR1.10) during 3Q2010 as compared to the loss after tax of SR1.9mn (EPS; SR-0.05) during 3Q2009. The major reason for the loss during the corresponding quarter last year was due to the recognition of SR16.3mn trading investment impairment cost.

SADAFCO - 3Q2009 vs 3Q2010 Financial Result

SR mn	3Q2009 (Oct08-Dec08)	3Q2010 (Oct09-Dec09)	Changes
Gross Profit	60.0	94.6	**57.7%**
Operating Profit	19.6	32.8	**67.3%**
Net Profit	**(1.9)**	**35.5**	**n/a**
EPS (SR)	**(0.05)**	**1.10**	

Source: Company Press Release (Tadawul)

- It is worth mentioning that the company has shown the QoQ growth of 14.8% over the profitability of SR30.9mn recorded in 2Q2010. Furthermore, SADAFCO recently introduced a new triangular cheese, which the management of the company believe will further strengthen the company's position in the market. We believe this will allow the company to extend the usage of its products from domestic household consumption to schools and picnic. In addition, the company has entered into alliances with renowned electronic medias to further promote and maintain the brand image of '**Saudia**'.

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