

Abdullah Al Othaim Markets Co.

Q4 2016

Recommendation

Neutral

Fair Value (SAR)

104.40

Price as of January 26, 2017

105.04

Expected Return

-0.6%

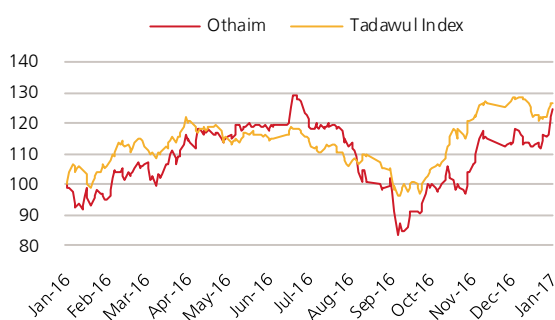
Company Data

Tadawul Symbol	4001.SE
52 Week High (SAR)	110.00
52 Week Low (SAR)	63.00
YTD Change	7.2%
3-Month Average Volume (Thousand Shares)	78
Market Cap. (SAR Million)	4,727
Market Cap. (USD Million)	1,260
Outstanding Shares (Million Shares)	45

Major Shareholders (> 5%)

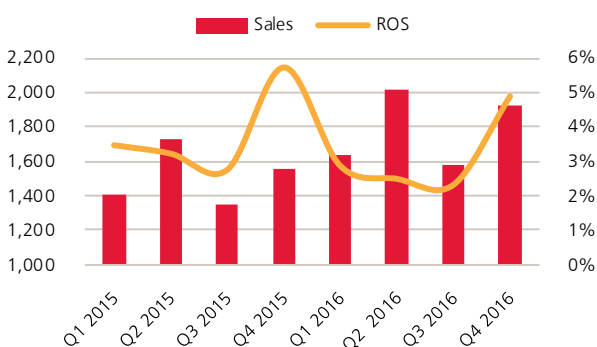
Othaim Holding Company	27.66%
General Organization for Social Insurance	6.36%
Abdullah Saleh Ali Al Othaim	6.00%

52-week Stock Price Movement



Source: Tadawul

Quarterly Sales (SAR mn) and ROS



Source: Company Filings, Albilad Capital Research Estimates

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Abdullah Al Othaim Markets Co. disclosed the preliminary results for Q4 2016, posting net profit of SAR 94.5 million leaping 5.9% from SAR 89.2 million in Q4 2015 and skyrocketing 158% compared to SAR 36.6 million in the previous quarter. Therefore, the annual bottom line slumped by 1.1% to SAR 228.4 million compared to SAR 230.9 million for 2015.

The growth in net profit compared to Q4 2015 was fueled by growth in sales of existing outlets and the expansion in opening new outlets, despite higher operating and financing expenses. Meanwhile, the QoQ surge in net profit was due to the receipt of incentives from achieving annual sales target for the whole year, as well as sales growth and the increase in other operating income.

On the other hand, the drop in the annual bottom line was driven by incurring impairment of SAR 8.6 million in 2016, for a fire incident in one of its facilities in 2015. Moreover, the company recorded higher SG&A expenses, particularly the cost of workers and promotional expenses, plus higher transport and fuel and electricity as well as funding cost.

Gross profit in Q4 2016 reached SAR 372.6 million surging 17.6% compared to SAR 316.7 million in Q4 2015, thus concluding the annual gross profit at SAR 1,272 million compared to SAR 998.5 million during last year.

Operating profit edged down 20% YoY in Q4 2016 recording SAR 102.3 million compared to SAR 85.3 million in Q4 2015. Accordingly, the annual figure hit SAR 233.8 million increasing 11.4% compared to SAR 209.8 million in 2015.

The company's results beat our estimate of SAR 91 million; we expect continuing growth in sales as a result of the defensive nature of the sector and the expansions in the number of outlets. It is worth noting that as of the issuance of this report, the number of outlets reached 160 in Saudi Arabia compared to 142 outlets at the beginning of 2016, in addition to the opening of 14 outlets in Egypt during 2016. Thus, we maintain our valuation at SAR 104.4 per share assigning an "Neutral" recommendation.

FY - Ending December	2014A	2015A	2016A	2017F
EV/EBITDA	15.67	14.78	12.99	10.69
EV/Sales	0.91	0.83	0.69	0.57
P/E	22.01	20.47	20.69	12.74
Dividend Yield	1.7%	1.9%	1.9%	2.9%
P/BV	4.96	4.28	3.82	3.11
P/Revenue	0.90	0.78	0.66	0.61
Current Ratio	0.64	0.83	0.75	0.92
Revenue Growth	14.5%	15.0%	18.7%	8.8%

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017F
Sales Revenue	4,580.0	5,251.9	6,035.8	7,171.7	7,801.6
Rent Revenue	51.8	52.8	62.2	67.2	73.1
Total Revenues	4,631.8	5,304.7	6,098.0	7,239.0	7,874.7
COGS	3,785.0	4,347.4	4,908.2	5,752.7	6,254.8
COGS/Sales	81.7%	82.0%	80.5%	79.5%	79.4%
SG&A	581.9	651.8	850.9	1,105.1	1,202.2
SG&A/Sales	12.6%	12.3%	14.0%	15.3%	15.3%
EBITDA	265	305	339	381	418
EBITDA Margin	5.7%	5.8%	5.6%	5.3%	5.3%
Depreciation and Amortization	92.5	102.9	129.1	147.3	170.3
EBIT	172.4	202.5	209.8	233.8	247.5
EBIT Margin	3.72%	3.82%	3.44%	3.23%	3.14%
Net Interest Income	(7.6)	(7.2)	(9.0)	(17.2)	(11.3)
Investment Income	27.4	20.3	27.3	27.2	27.8
Others *	4.7	4.2	6.5	(16.1)	118.9
Pre-Tax Income	197.0	219.8	234.5	227.7	382.8
Tax and Zakat	4.6	5.3	5.3	11.6	14.6
Net Income	192.4	214.6	229.2	216.1	368.3
Minority	(0.1)	(0.2)	(1.7)	(12.4)	(2.8)
NAI	192.5	214.8	230.9	228.4	371.0
ROS	4.2%	4.1%	3.8%	3.2%	4.8%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017F
Cash and Marketable Securities	110.3	183.5	329.4	375.6	687.9
Inventory	368.0	465.5	604.0	679.1	731.6
Others	90.3	137.1	267.3	211.3	259.6
Total ST Assets	568.6	786.1	1,200.8	1,266.0	1,679.1
Net Fixed Assets	1,198.3	1,267.6	1,486.7	1,922.4	1,821.1
Projects Under Implementation	24.5	90.9	208.2	92.6	55.6
Intangible assets	14.9	13.1	11.4	9.4	6.4
Others	195.6	197.5	187.1	188.2	186.9
Total LT Assets	1,433.4	1,569.1	1,893.4	2,212.6	2,070.0
Total Assets	2,002.0	2,355.2	3,094.2	3,478.6	3,749.1
Short Term Debt and CPLTD	122.8	118.0	212.3	187.2	169.0
Accounts Payable	758.3	879.5	958.6	1,130.5	1,242.1
Accrued Expenses	123.6	213.3	271.3	362.4	394.2
Others	6.4	8.6	9.8	10.9	22.0
Total ST Liabilities	1,011.2	1,219.4	1,452.0	1,691.0	1,827.4
Total Long Term Debt	135.0	125.0	399.5	412.3	257.7
Other Noncurrent Liabilities	50.4	58.2	138.1	138.7	146.2
Equity	805.5	952.6	1,104.6	1,236.7	1,517.7
Total Liabilities and Equity	2,002.0	2,355.2	3,094.2	3,478.6	3,749.1

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

*FY 2017 including capital gain.

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by $< 10\%$

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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