EXTRA

الأهلي كابيتال
NCB Capital

EVENT FLASH

Strong results on lower Opex and strong sales

Extra reported a strong set of 1Q17 results with a net profit of SR12.9mn. This compares to a net loss of SR45.9mn in 1Q16. This is significantly higher than the NCBC estimate of a net loss of SR3.8mn. We believe the strong results are mainly driven by a lower than expected Opex, supported by a strong top-line growth and margin expansion.

- **NCBC view on the results:** Extra reported a better than expected set of 1Q17 results, with a net income of SR12.9mn vs. a loss of SR45.9mn in 1Q16. This is significantly higher than the NCBC estimates of a loss of SR3.8mn. We believe the strong results are due to significantly lower than expected Opex, supported by a strong revenue growth and gross margin expansion.
- Sales increased +8.3%YoY to SR805mn, broadly in-line with our estimates of SR757mn. We believe this growth was supported by a strong LFL growth of c.+6%. Moreover, the opening of one new store (42 stores vs. 41 in 1Q16) further supported revenue growth. This growth reflects a lower than expected impact of allowance cuts on discretionary spending. According to the PoS data published for February, PoS increased +6.1% YoY to SR29.9bn during the first two months of 2017.
- Gross margins expanded 357bps YoY to 16.7%, the highest 1Q margin since 2014. This is in-line with our estimates of 17.0%. We believe the strong margin growth is due to a change in the overall product mix towards higher margin products. Consequently, gross profits grew at a higher rate of 37.8% YoY to SR134mn, coming in-line with our estimates of SR129mn.
- Extra reported its first ever decline in Opex, down -15.3% YoY to SR120mn, despite the +8.3% YoY revenue growth. This is lower than the NCBC estimates of SR132mn and is the lowest 1Q Opex level since 2015. This came despite the additional expenses associated with opening the new store. This led to an EBIT income of SR14.0mn vs. a loss of SR44.7mn in 1Q16 and the NCBC estimates of a loss of SR3.8mn.
- We are Neutral on Extra with a PT of SR26.3, due to the muted overall outlook regarding discretionary spending in Saudi and limited store openings. We believe the full impact of the allowance cut will be experienced in 1H17 for companies selling discretionary products. However, declining Opex and strong margin expansions at Extra are key positives.

1Q17 Results Summary

SR mn	1Q17A	1Q16A	% YoY	1Q17E	% Var^
Sales	805	743**	8.3	757	6.3
Gross income	134.4	97.5**	37.8	128.7	4.4
Operating income	14.0	(44.7)**	NM	(3.8)	NM
Net income	12.9	(45.9)**	NM	(3.8)	NM
EPS	0.36	(1.28)**	NM	(0.11)	NM

Source: Company, NCBC Research ^ % Var indicates variance from NCBC estimates; ** Restated

NEUTRAL

Target price (SR)	26.3
Current price (SR)	33.8
Upside/Downside (%)	(22.2)

STOCK DETAILS

M52-week range H/L (SR)	38/16
Market cap ($mn)	325
Shares outstanding (mn)	36
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	23.9	27.3	31.4
Rel. to market	24.4	30.2	18.9

Avg daily turnover (mn)	SR	US$
3M	16.9	4.5
12M	15.0	4.0

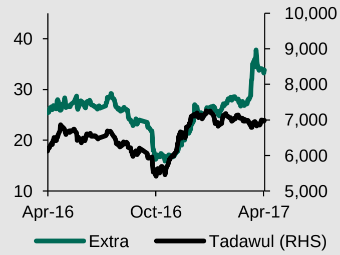
Reuters code	4003.SE
Bloomberg code	EXTRA AB
	www.extrastores.com

VALUATION MULTIPLES

	16A	17E	18E
P/E (x)	18.5	NM	70.5
P/B (x)	2.3	2.9	3.1
EV/EBITDA (x)	18.0	36.0	17.3
Div Yield (%)	0.0	3.0	3.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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NCBC Investment Ratings

OVERWEIGHT: Target price represents an increase in the share price in excess of 15% in the next 12 months

NEUTRAL: Target price represents a change in the share price between -10% and +15% in the next 12 months

UNDERWEIGHT: Target price represents a fall in share price exceeding 10% in the next 12 months

PRICE TARGET: Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company