Albilad Capital

December 17, 2015

Herfy Food Services Co.

Initiation of Coverage

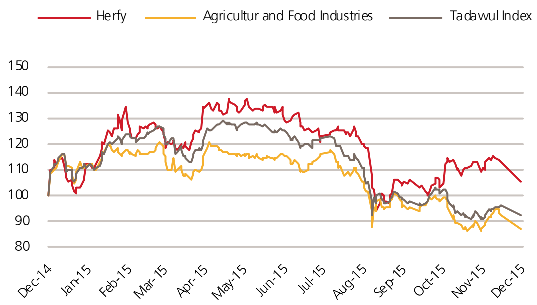
Recommendation	**Overweight**
Fair Value (SAR)	129.00
Price as of December 16, 2015	91.22
Expected Return	41.2%

Company Data

Tadawul Symbol	6002.SE
52 Week High (SAR)	134.00
52 Week Low (SAR)	83.00
YTD Change	-6.9%
3-Month Average Volume (Thousand Shares)	90.5
Market Cap. (SAR Million)	4,214
Market Cap. (USD Million)	1,124
Outstanding Shares (Million Shares)	46.2

Major Shareholders (> 5%)

Savola Group	47.60%
Ahmed Hamad Mohammed Al-Saeed	20.30%



Herfy Food Services Co. was founded in 1981 by Ahmed Saeed, Hamoud Al Ibrahim. Herfy has three lines of business; (i) fast-food operations through 290 restaurants at the end of September 2015, (ii) bakeries and others (iii) meat factory. The restaurants derived 85.2% of total revenues in 2014 versus 12% and 3%, respectively for the bakeries and meat factories. The central region of the kingdom accounted for 64% of aggregate revenues in 2014, followed by the eastern and the southern regions which contributed 12% and 10%, respectively.

According to a report by USDA Foreign Agricultural Service published in December 2014, the sales from fast food subsector are expected to reach approximately USD 6.9 billion by 2017. We believe the young and rapidly growing population as well as increased women employment will play a crucial role in stimulating the QSR market in Saudi Arabia.

In third quarter, Herfy's net profit came in at SAR 56.6 million (-0.12% y-o-y). The company's bottom-line slightly declined due to decrease in other income as the previous period includes a capital gain of SAR 13 million earned from the sale of land owned by the company. However, eliminating the capital gain earned Herfy's net profit for the quarter rose 29.6% y-o-y, despite financial expenses moving up compared to the same period last year, while the amount provisioned for Zakat declined. Accordingly, nine-month profits increased 0.21% hovering at SAR 157.5 million compared to SAR 157.1 million in 9M 2014

By the end of September 2015, Herfy had 290 restaurants (35 owned and leased 255), versus 257 restaurants in 2014 (31 owned and 226 leased). The management unveiled its plan to add 25 restaurants annually.

Herfy pays a semiannual dividend to shareholders; the payout ratio approximated 62.6% of net profits in 2014 compared to 58.5% in 2013. Herfy paid a cash dividend of SAR 1.5 per share, for the first half of 2015. We predict a total dividend of SAR 145 million in 2015; thus a payout ratio of 67.9%.

Valuation and Recommendation

We initiate our coverage for the share with a fair value of SAR 129.00 per share, thus we assign an "Overweight" recommendation. The share is trading at a P/E of 15.2x based on 2015 figures versus 19.9x for the market index.

FY - Ending December	2013A	2014A	2015E	2016F
EV/EBITDA	17.8	16.2	14.9	13.9
EV/Sales	5.2	5.0	4.8	4.6
P/E	17.1	16.0	15.2	14.5
Dividend Yield	3.2%	3.7%	4.2%	4.4%
P/BV	5.0	4.5	4.1	3.8
Price/Sales	35.5	46.3	38.8	36.2
Current Ratio	2.3	2.7	3.1	3.5
Revenue Growth	7.2%	5.4%	4.5%	3.6%

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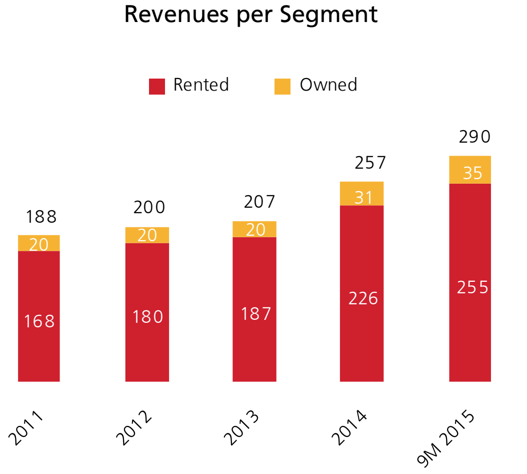
Company Description

Herfy Food Services Company (Herfy) is leading food services company in Saudi Arabia founded in 1981 by Ahmed Alsaeed and Hamod Al brahim. The company underwent major ownership changes before becoming public in 2010. In 1994, Panda United was acquired by Prince Waleed bin Talal's Kingdom Holding Company, which resulted in the transfer of Panda's 70% stake in Herfy to Kingdom. In 1998, Herfy became part of the Savola Group when Al Azizia Panda United (formerly Panda United) was acquired by the group. In 2008, Herfy became a closed joint stock company and in early 2010, Herfy became a public joint stock company, floating 30% of its shares for public subscription.

Through its headquarters in Riyadh, Herfy runs business segments;

- Restaurants: Targeting individuals and corporates, Herfy is rapidly expanding its restaurant network in the Kingdom planning to add 25 restaurants annually. As of September 2015, Herfy operated 290 restaurants (35 owned and 255 leased respectively) versus 257 outlets in 2014 (31 owned and 226 leased) across Saudi Arabia. The company also operates restaurants outside Saudi through franchisee model. It has franchised restaurants in UAE, Kuwait, and Bahrain. Restaurants account for major proportion of its overall revenues (85.2% in 2014).
- Meat Factory: The factory was established in 2005 in Riyadh to provide restaurants needs from meat and manufactured poultry to ensure the quality level in the company's restaurants. The plant satisfies all restaurants requirements and sells externally in the local market.
- Bakeries and Others: The production and sale of all baked products through two factories in Riyadh, in addition to the management and operation of a series of sweets and chocolate exhibitions. At the end of 2014, the number of outlets totaled 18. Herfy plans to launch operations in a new production line in Q4 2015.

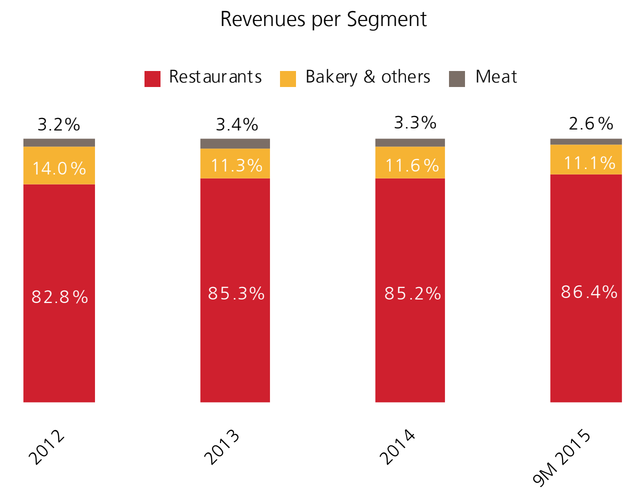


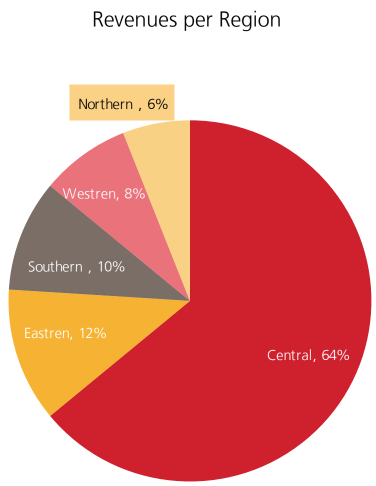
Financial and Operational Performance

For the period between 2011 and 2014, Herfy's revenues grew at a Compounded Annual Growth Rate (CAGR) of 8.7% from SAR 708.6 million to SAR 910.1 million, while net income has grown at a CAGR of 12.0% from SAR 146.7 million to SAR 205.9 million.

Restaurants generated SAR 775 million in 2014 which is equivalent to 85.4% of total revenues, while external sales of bakeries amounted to SAR 105 million representing 11.8% of total revenues. The external sales of meat reached SAR 30 million, thus equating 2.8% of total revenues. Between 2012 and 2014, revenues from restaurants and meat segments grew at a CAGR of 5.4% and 5.2% respectively while revenues from bakery declined 5.5%. For the same period, the contribution from restaurants in total revenues increased from 82.8% to 85.2% and meat segment increased from 3.2% to 3.3%. On the other hand, the contribution from bakery declined from 14.0% to 11.6%.

On a geographical basis, the central region of the Kingdom generated revenues of SAR 585 million in 2014, which is equivalent to 64% of the company's revenues in 2014, followed by the eastern and the southern regions which contributed 12% and 10%, respectively. In terms of growth rates, the western region revenues achieved the largest growth among all regions with a growth rate of 27.2%, followed by the northern and eastern regions where revenues mounted by 18.3% and 10.3%, respectively. The least growth was in the central region, where revenue increased 3.7%, while the company's total revenues climbed by 7.2% in 2014.





Q1 2015

Herfy reported a 22.8% y-o-y jump in revenues in Q1 2015 to SAR 265.2 million, driven primarily by the restaurant segment which grew 24% and contributed SAR 227 million or 85% of total revenues. Record new restaurant openings in 2014 particularly in late 2014 led the revenue increase in the restaurant segment. Both Meat factory and Bakeries segment revenues grew 15%. Herfy's gross profit stood at SAR 86.9 million (+21.8% y-o-y), while gross profit margin slipped by a marginal 30 basis points to 32.8%. Operating profit rose 13.3% y-o-y to SAR 55.7 million while operating margin fell by around 180 basis points to 21% as new restaurant openings pulled up marketing and administrative costs. The company's net profit for the quarter rose 13.6% y-o-y supported by a higher other income and lower Zakat expenses.

Q2 2015

Herfy revealed a 14.4% y-o-y growth in revenues in Q2 2015 to SAR 259.4 million. The company opened 15 new restaurants by the end of the quarter, taking the total to 58 over the last 12 months. In comparison to its aggressive expansion plan, Herfy's top-line growth was slower which is attributable to the low daily average sales (y-o-y) due to the holy month of Ramadan beginning couple of weeks earlier (June 18th) compared to previous year (June 29th). Herfy's gross profit stood at SAR 75.0 million (-1.7% y-o-y), despite a double digit growth in top-line as company witnessed increase in labor costs and high fixed costs. Gross profit margin contracted by around 480 basis points y-o-y to 28.9%, while operating profit dropped by 7.4% y-o-y to SAR 49.3 million. Herfy's net profit slipped 11.7% y-o-y to SAR 46.3 million impacted by an increase in interest expenses due to rise in debt levels.

Q3 2015

In third quarter, Herfy's net profit came in at SAR 56.6 million (-0.12% y-o-y). The company's bottom-line slightly declined due to decrease in other income as the previous period includes a capital gain of SAR 13 million earned from the sale of land owned by the company. However, eliminating the capital gain earned Herfy's net profit for the quarter rose 29.6% y-o-y, despite financial expenses moving up compared to the same period last year, while the amount provisioned for Zakat declined. For the quarter, Herfy's sales stood at SAR 279.5 million (+24.4% y-o-y), while gross profit came in at SAR 85.4 million (+19.0% y-o-y). The company opened 14 new restaurants in the quarter, of which six were opened in September. New stores added by the company are believed to have played a significant role in driving the sales, despite pushing up the cost of sales, driven by labor cost and other associated fixed costs. Herfy's operating profit for the quarter came in at SAR 57.0 million jumping 29.1% y-o-y. The company's operating profit growth is driven by the growth in gross profit and lower general and administrative expenses partially offset by higher selling and marketing expenses compared to same period last year.

Herfy's EBITDA and net profit margins have remained relatively stable, ranging between 26.0 - 29.0% and 20.0 - 25.0% respectively, over the past five quarters. EBITDA margin for 2Q15 was 26.9% vs. 29.8% recorded in 2Q14, while net profit margin slipped to 17.8% from 23.1%. We expect net profit margin and EBITDA margins to be slightly under pressure over the next few quarters due to company's aggressive expansion plans.

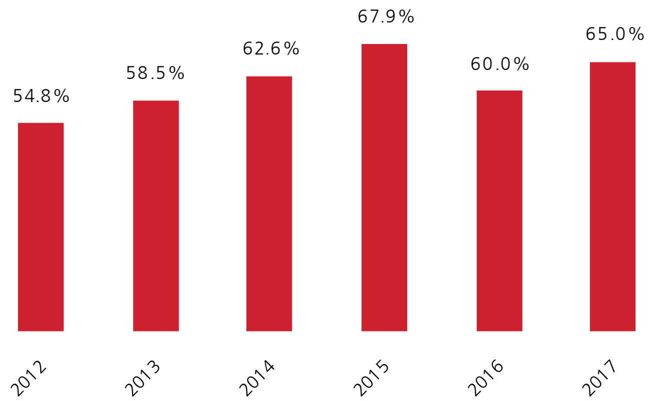
Non-critical nature of the Fast Food industry helped to maintain stable margins

Fast food companies in Saudi Arabia don't rush to raise their prices due to presence of stiff competition. The companies, in order to enhance their overall portfolio's pricing, adopt to introduce new value added product ranges which can be either in the form of variation of existing offerings or introducing completely new relatively expensive product lines. We expect Herfy's ability to adapt to this strategy as a reason for increasing its yields despite not increasing its product prices over significant period of time in the past.

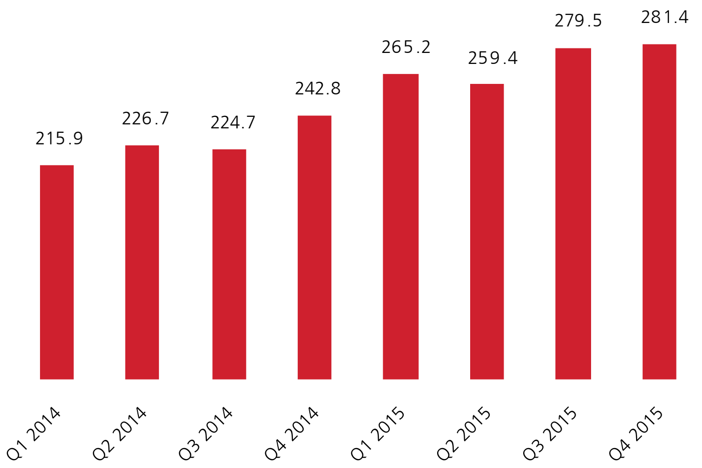
Dividend Policy

Harfy paid a cash dividend of SAR 1.5 per share for the first half of the 2015; thus paying a total of SAR 69.3 million. The company pays a semi-annual cash dividend. In 2014, Herfy disabused SAR 3.1 per share thus a payout ratio of 62.6% versus 58.5% in 2013. In addition to the cash payment, the paid-in capital was augmented by 40% from SAR 330 million to SAR 462 million; through a 2:5 stock dividend financed from retained earnings. The number of shares surged to 46.2 million shares from 33 million shares prior to the increase.

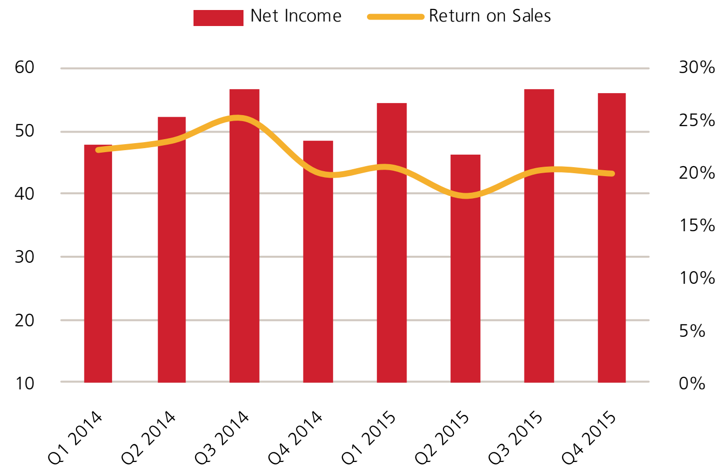
Dividend Payout Ratio (%)



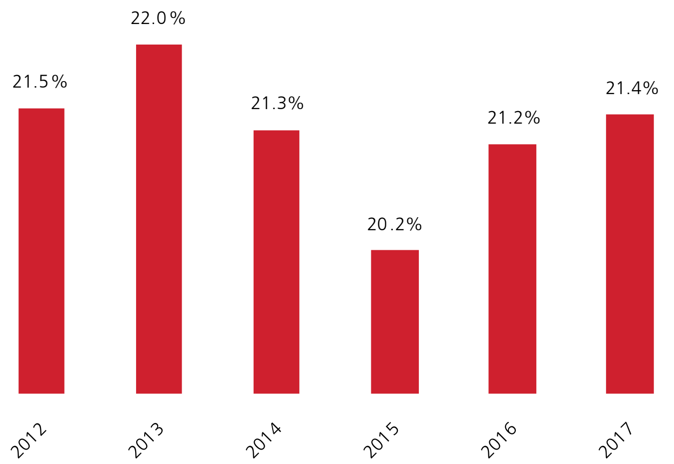
Quarter Revenues (SAR mn)



Quarter Net income (SAR mn) and ROS (%)



Operating Margin (%)



Annual Net income (SAR mn) and ROS (%)

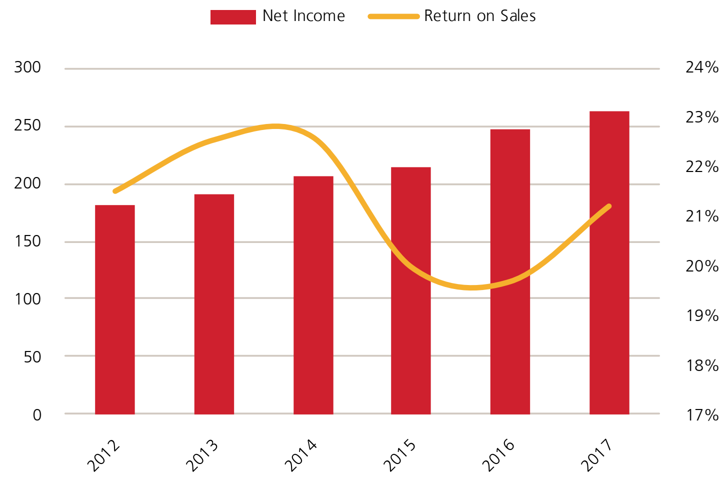


Table below shows selected financial information for the nine months periods summarized by the business segments.

9M 2015- SAR million	Restaurants	Meat factory	Bakeries and other	Total
Total segment sales	694.3	89.9	113.5	897.7
Inter segment sales	0.0	(69.1)	(24.5)	(93.6)
Sales from external customers	**694.3**	**20.7**	**89.0**	**804.0**
Net Income	115.4	23.0	19.0	157.5
Financial charges	3.5	85.0	0.0	3.6
Depreciation and amortization	44.5	3.7	9.6	57.8
Property, plant and equipment	658.2	37.8	190.4	886.3
Total assets	**826.0**	**84.9**	**243.7**	**1,154.6**

Food Service sector in Saudi Arabia to witness rapid growth

The hotel, restaurant and institutional food service sector in Saudi Arabia has been rapidly growing in the past decade. Major changes in work and life styles as well as changes in the consumption patterns among Saudis have led to increase in frequency of people eating outside their homes. According to a report by USDA Foreign Agricultural Service published in December 2014, the annual revenue derived from food services, restaurants and cafes in Saudi Arabia is forecasted to reach USD 18 billion by 2016. Revenues from the food catering is the leading sector due to a huge number of foreign workers and more than 7 million people visiting the Kingdom during Hajj and Umrah every year. Among the countries in the Middle East, Saudi Arabia is one of the main destinations, even though the Kingdom is not a tourist destination. In the coming years, we expect the demand in the food service market to grow further driven by social and cultural changes, increased pilgrims and higher women employed. In this context, we expect Herfy to benefit the most due to its leadership position in the fast food industry.

Quick Service Restaurant (QSR) market attractive in Saudi Arabia

Saudi Arabia experienced rapid socio-cultural changes in the last two decades due to accelerating economy which allowed many Saudi nationals to travel to the west which exposed them to Western culture and foods. Meanwhile, in early 1990s major American fast food chains like Burger King, KFC, and McDonald's have started to open outlets in the Saudi Arabia as the country proved to be an attractive market due to the presence of young, fast growing population with high earning capacities and stagnation in the developed markets. In the coming years, we expect the QSR market in the Kingdom to turn more even more attractive due to its relatively low levels of penetration vis-à-vis other developed markets in the West. According to a report by USDA Foreign Agricultural Service published in December 2014, the sales from fast food subsector are expected to reach to approximately USD 6.9 billion by 2017. We believe the presence of young and rapidly growing population to play a crucial role in stimulating the QSR market in Saudi Arabia. In the coming years, we expect the industry to grow considering increasing influence from the West, growing awareness on global trends and the horizontal expansion of urban areas and changing Saudi lifestyle. On the flip side, high demand for land and Saudization are expected to remain a drag on the QSR market. Under favorable market conditions, we expect Herfy to benefit as it can leverage on its strong network, brand loyalty and technical expertise it has developed over a period of time.

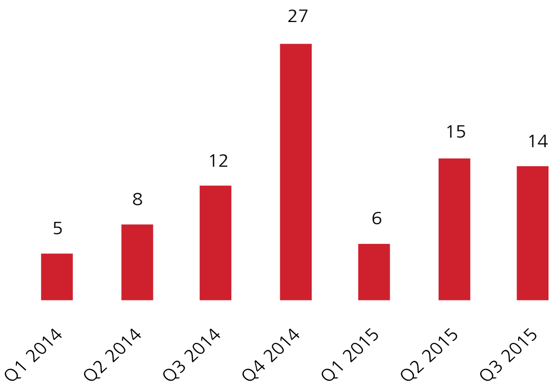
Herfy occupies a leading position in QSR market in Saudi Arabia

With a wide network of c.290 restaurants across the country (as of September 2015), Herfy is the biggest and the fastest growing fast food chain in Saudi Arabia. The company has also started expanding overseas with franchisees in Bahrain, Emirates, Kuwait, and Egypt. A solid and quick grasp of local tastes and most varied menus fuelled Herfy's phenomenal growth over the last several years. Herfy brand is promoted as 100% owned by Saudi nationals, which has helped it to build strong loyalty among Saudi customers by tapping into the strong patriotism in KSA.

New restaurant openings to drive key restaurant sector growth

After a disappointing 2013 on restaurant openings (opened only eight restaurants), Herfy opened 52 new restaurants in 2014. The sharp pickup in new restaurant openings in 2014 is attributed to successful resolution of key factors that plagued openings in 2013, which include new designs (completed in May 2013) and diversification of construction contractors (has engaged 10 contractors) to remove hurdles related to illegal immigrant workers. For 2015, management's view on new restaurants has been even more optimistic. In Q1 2015, Herfy opened 6 new restaurants and by the end of Q3 2015, the total number of new restaurants stood at 35 (with 14 new restaurants added in third quarter). Over longer horizon, management expects c.25 new restaurants openings per year and targets expansion of its restaurant network to 500. We believe opening higher number of restaurants (c.25) per year over the foreseeable future will result in meaningful earnings growth. In the coming years, we expect Herfy's restaurant revenue to grow at an impressive pace but at the same time we expect store yields to stabilize near the current levels.

Restaurants Addition per Quarter



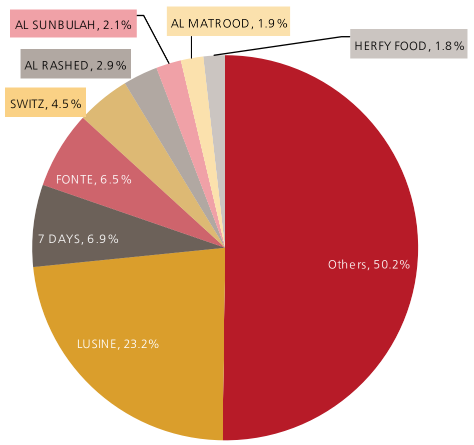
Herfy's expansion of bakery and processed meat products to drive growth

Since inception in 1982, Herfy Bakeries has grown from being just a supplier for Herfy restaurants to a major supplier of fresh baked breads, Arabic sweets, cookies, biscuits, donuts, sandwiches and Arabic breads for various retailers and institutions throughout the Kingdom. Herfy's continuous investment on technology and qualified human capital helped in brand build-up and trust throughout the Kingdom. Leveraging on these factors, the company started expanded its line of bakery and processed meat products, from three modern facilities that include, the Herfy Bakery factory (the original one) followed by the Herfy Rusk and Maamoul factory and the state-of-the-art Herfy Meat Processing.

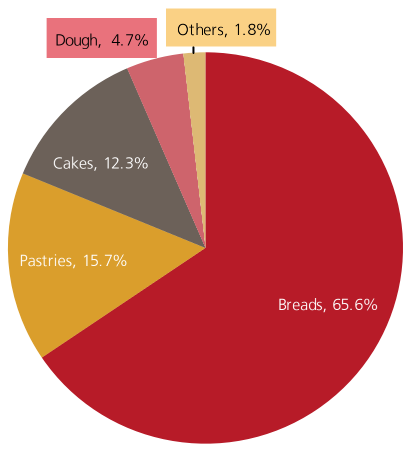
The modern facilities have positioned Herfy as a major force in food products and with this the company has created a new brand 'Herfy Foods'. Herfy Foods portfolio includes maamoul breads, rusks, fully-cooked frozen chicken tenders, chicken nuggets, and burger patties. With Herfy Foods satisfying the needs of local as well as regional consumers, over the next quarters, we expect revenues from Herfy's bakeries segment to grow at a much higher rate than in the previous quarters as company plans for expansion across Saudi Arabia.

Being home to one of the largest young populations in the Middle East, Saudi Arabia has proven to be an attractive market for baked goods. The Bakery market in the Kingdom is dominated by Breads (accounts to ~65.6%), followed by Pastries (~15.7%) and Cakes (~12.3%). On geographical basis, Central region of the Kingdom accounts for ~43% of the total market followed by Western region accounting ~29.9%. Bread remains one of the few baked products which is consumed on a daily basis by consumers. Hence it dominates the bakery segment in the Kingdom. On the back of growing health consciousness among the consumers, in long run, we expect healthier food, particularly bread and bread substitutes to witness strong growth. The Bakery segment in the Kingdom is highly fragmented with the top 14 players holding ~54.4% market share as of 2014. The steady growth in the population and consequent increase in the demand for bread has led to an increase in the number of bakeries throughout the country. Over the coming years, we expect steadily growing population to see rapid growth among younger generations who will put pressure on many food categories including bakery. We also expect that pressure would not only be confined to supply of products but also covers new product development, as young people are keen to try out new products. The year 2014 witnessed a healthy trend of new product developments in the bakery segment and in 2015 we expect the companies operating in the bakery segment to increase their investments in new product developments particularly in pastries and cakes.

Bakery Market Breakdown per Company



Bakery Market Breakdown per Product



Vertical integration offers significant cost advantage

Herfy is one of Saudi's first fully-integrated food services companies with its own bakery factory, bakery outlets and a state-of-the-art meat processing plant. A majority (c.76%) of meat production and c.25% of bakery production is used for internal consumption. The vertical integration of supply chain enables Herfy to attractively price its product range which provides the company a competitive advantage over its peers, particularly local chains of international peers which have to pay royalties. For example, "flagship" burger meals of Herfy is priced c.10-20% cheaper compared to international peers such as McDonalds and Burger King. We also believe the company's low cost structure would also help in maintaining stability in margins. Over a period of time, we expect Herfy to intensify its efforts on vertical integration both organically and inorganically in an environment where competition from other international players is growing.

Expansion through franchisees in Overseas

As part of long term vision to become leading food services company in the GCC region, Herfy plans further expansion of its business beyond the boundaries of Saudi Arabia. Herfy currently has 12 franchised Herfy restaurants in Kuwait, United Arab Emirates, Bahrain, and Egypt. The company has plans to open Herfy restaurants in other GCC countries including one in Lebanon shortly. Herfy also plans to expand its non-restaurant businesses (Herfy bakery items and processed meat products) overseas. We believe the opening of more franchised stores should not only improve Herfy brand image regionally but also result in strong growth in franchising income over the next five years.

Franchising income (included as other income) has grown significantly from SAR 11.0 million in 2013 to SAR 19.0 million in 2014. Over the next few quarters, we expect the franchise income to continue to grow at a robust pace.

SAR 100 million loan to support aggressive growth plan

Herfy announced a significant credit facility of SAR 100 million with Al-Rajhi Bank in April 2015 to support its aggressive growth strategy. The facility is secured by promissory notes and starts from 6 May 2015 until 5 May 2019. Herfy also has SIDF loan facility with undrawn amount of SAR 37.4 million as of December 31, 2014.

Fall in global food prices to support margins, but expansion plans pose a challenge

Food items mainly such as raw meat and poultry make up majority portion of the company's cost of sales (~65% of total revenue). Historically Herfy has not only maintained but also actually improved its margins during the periods of high inflation leveraging vertical integration, price flexibility and cost controls. With global food inflation easing off-late, we expect Herfy to further improve its margins provided it efficiently manages its other selling, general and administrative expenses. With Herfy focusing on aggressive store expansion plans, we believe it would be challenging for the company to improve its margins further at this point.

Investment risks

- Lower than estimated restaurant additions: As the restaurant segment is the principal contributor to the company's overall revenues, its future performance plays a crucial role in the driving Herfy's overall growth. Herfy's aggressive new restaurant additions played a significant role in driving its growth till date and under any unexpected conditions, if the company fails to add new restaurants as anticipated, the overall performance is likely to get impacted which in turn will affect our valuation.
- Regulatory amendments related to workforce: Amendments related to labor force, like change in policies on deploying workforce for stipulated period of time and change in timings related to opening and closing of business establishments are likely to have an impact on the overall performance.
- Competition: The QSR segment in Saudi Arabia is fragmented and highly competitive. Growing competition from local as well as international players is a risk to Herfy's business as it would affect restaurant yields. However, we are not very concerned over short time given Herfy's strong presence in the market where local players are favored.
- Slower than expected utilization of bakery and meat processing facilities: Drop in utilization levels of the bakery and meat processing facilities due to technical as well as non-technical reasons will impact the overall performance of these segments. This in turn will negatively affect the company's top-line growth impacting our valuation.

Income Statement (SAR million)	9M 2014	9M 2015	Growth
Total Revenues	**667.4**	**804.0**	**20.5%**
COGS	448.0	556.8	24.3%
SG&A	72.7	85.2	17.1%
EBITDA	**190.0**	**222.9**	**17.3%**
EBITDA Margin	28.5%	27.7%	-0.7%
Depreciation and amortization	43.3	60.8	40.3%
EBIT	**146.6**	**162.1**	**10.5%**
Net interest income	-1.7	-3.6	116.0%
Others	15.5	1.9	-87.4%
Pre-Tax and Zakat Income	**160.5**	**160.5**	**0.0%**
Tax and Zakat	3.4	3.0	-11.1%
Net Income	**157.1**	**157.5**	**0.2%**
ROS	23.5%	19.6%	-4.0%

Balance Sheet (SAR million)	9M 2014	9M 2015	Growth
Cash and marketable securities	39.6	55.4	39.9%
Accounts Receivables	19.6	21.4	9.2%
Inventory	89.4	106.3	18.9%
Others	105.2	83.2	-20.9%
Total ST Assets	**253.7**	**266.2**	**4.9%**
Net Fixed Assets and Projects Under Implementation	664.6	886.3	33.4%
Other	6.4	2.0	-68.8%
Total LT Assets	**671.0**	**888.3**	**32.4%**
Total Assets	**924.7**	**1,154.6**	**24.9%**
Short Term Debt and CPLTD	44.2	84.6	91.5%
Accounts Payable	59.6	66.9	12.1%
Others	42.7	46.1	7.9%
Total ST Liabilities	**146.6**	**197.6**	**34.8%**
Total Long Term Debt	107.8	211.9	96.7%
Other Non-Current Liabilities	41.3	54.9	32.9%
Equity	**629.1**	**690.2**	**9.7%**
Total Liabilities and Equity	**924.7**	**1,154.6**	**24.9%**

Cash Flow (SAR million)	9M 2014	9M 2015	Growth
Cash flow from Operations	153.4	236.7	54.4%
Cash flow from Financing	-125.5	-201.2	60.3%
Cash flow from Investing	-45.5	-8.9	-80.4%
Change in Cash	-17.7	26.6	-250.4%
Ending Cash	**139.9**	**125.6**	**-10.2%**

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

Income Statement (SAR million)	2013A	2014A	2015E	2016F	2017F
Total Revenues	**848.7**	**910.1**	**1,085.5**	**1,163.3**	**1,226.3**
COGS	575.6	618.7	752.8	792.8	834.5
SG&A	86.5	97.8	113.0	124.5	129.4
EBITDA	**242.4**	**251.9**	**302.2**	**343.7**	**376.9**
EBITDA Margin	28.6%	27.7%	27.8%	29.5%	30.7%
Depreciation and amortization	55.7	58.3	82.5	97.7	114.4
EBIT	**186.7**	**193.6**	**219.7**	**246.0**	**262.4**
Net interest income	-1.5	-2.3	-4.9	-3.1	-3.2
Others	11.2	19.0	2.8	9.4	9.9
Pre-Tax and Zakat Income	**196.4**	**210.3**	**217.7**	**252.3**	**269.1**
Tax and Zakat	5.0	4.5	4.0	5.6	5.9
Net Income	**191.4**	**205.8**	**213.7**	**246.7**	**263.1**
ROS	22.6%	22.6%	19.7%	21.2%	21.5%

Balance Sheet (SAR million)	2013A	2014A	2015E	2016F	2017F
Cash and marketable securities	57.3	28.8	97.9	199.3	278.7
Accounts Receivables	16.9	20.0	21.3	22.3	23.5
Inventory	78.0	91.1	107.4	108.6	114.3
Others	65.6	90.7	83.2	83.2	83.2
Total ST Assets	**217.8**	**230.7**	**309.8**	**413.4**	**499.7**
Net Fixed Assets and Projects Under Implementation	565.6	741.3	926.6	1,119.7	1,311.8
Other	4.0	4.0	4.0	4.0	4.0
Total LT Assets	**569.6**	**745.3**	**930.6**	**1,123.7**	**1,315.8**
Total Assets	**787.4**	**976.0**	**1,240.4**	**1,537.1**	**1,815.5**
Short Term Debt and CPLTD	25.0	43.0	69.6	69.6	69.6
Accounts Payable	38.9	48.1	53.7	65.2	68.6
Others	43.8	43.2	46.1	46.1	46.1
Total ST Liabilities	**107.7**	**134.2**	**169.4**	**180.9**	**184.3**
Total Long Term Debt	40.6	116.7	266.9	441.9	617.9
Other Non-Current Liabilities	38.3	47.2	57.6	69.1	76.0
Equity	**600.8**	**677.8**	**746.5**	**845.1**	**937.3**
Total Liabilities and Equity	**787.4**	**976.0**	**1,240.4**	**1,537.1**	**1,815.5**

Cash Flow (SAR million)	2013A	2014A	2015E	2016F	2017F
Cash flow from Operations	218.6	225.8	303.2	365.2	381.0
Cash flow from Financing	-116.5	-216.6	-265.2	-290.8	-306.6
Cash flow from Investing	-105.0	-37.7	31.1	27.0	5.0
Change in Cash	-2.9	-28.5	69.2	101.3	79.4
Ending Cash	**57.3**	**28.8**	**97.9**	**199.3**	**278.7**

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

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 ≥ 10%. We expect the share price to reach the Target price over the next 9-12 months

Neutral: The Target share price is either more or less than the current share price by < 10% We expect the share price to reach the Target price over the next 9-12 months

Underweight: The Target share price is less than the current share price by ≥ 10%. We expect the share price to reach the Target price over the next 9-12 months

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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