

## Q1 2017

# United Electronics Co. (EXTRA)

### Recommendation

Neutral

### Fair Value (SAR)

32.00

Price as of April 06, 2017 34.90  
Expected Return -6.9%

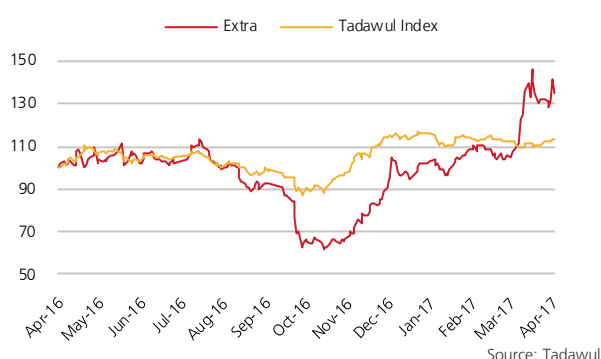
### Company Data

Tadawul Symbol 4003.SE  
52 Week High (SAR) 39.60  
52 Week Low (SAR) 15.50  
YTD Change 39%  
3-Month Average Volume (Thousand Shares) 586  
Market Cap. (SAR Million) 1256  
Market Cap. (USD Million) 335  
Outstanding Shares (Million Shares) 36

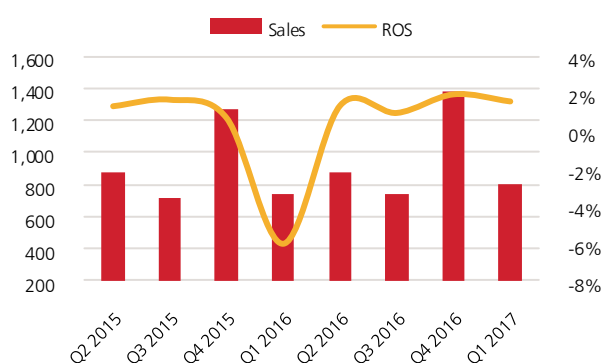
### Major Shareholders (> 5%)

Al Fozan Holding Company 45.42%  
Abdulaziz Alsghyir Commercial Investment Co. 14.93%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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United Electronics Company - EXTRA reported net earnings of SAR 12.9 million in Q1 2017 recovering from a net loss of SAR 45.9 million in Q1 2016. Nevertheless, the bottom line slid 53% QoQ.

It merits mentioning that the net loss of the comparable quarter was triggered by the slump in sales, surging SG&A expenses and unusual provisions of SAR 9 million. However, the consumer goods retailer elevated sales margins on some of its products and trimmed SG&A expenses in Q1 2017.

Moreover, the net profit slump compared to Q4 2016 occurred as EXTRA reported record sales in the fourth quarter of 2016 fueled by the annual mega.

Sales in Q1 2017 hit SAR 805 million up 8.3% from SAR 743 million in Q1 2016, however the top line dwindled by 42% from Q4 2016 because of all-time sales record of SAR 1,385 million in Q4 2016.

EXTRA reported EBIT of SAR 14 million in Q1 2017 rebounding from an operating loss of SAR 45 million in Q1 2016, but lower than the operating profit of SAR 44 million booked in Q4 2016. Moreover, EXTRA reported an EBIT margin of 2% in Q1 2017 compared to a negative margin of 6% in Q1 2016. Excluding the EBIT margin of 3.18% posted in Q4 2016, the first-quarter margin is the highest quarterly margin after Q1 2015 which coincided with an EBIT margin of 2%.

Overall, the net profit of the first quarter came lower than our estimate of SAR 15 million and the analysts' average forecast of SAR 14 million.

EXTRA maintained strong sales growth in Q4 2016 in spite of the adverse economic conditions. EXTRA is expected to face a real challenge from the decreasing purchasing power, anticipated energy prices adjustment and tariffs on dependents of foreign residents in H2 2016 factoring in the additional the impact on the company from raising fees on foreign workers in 2018. However, we expect robust recovery in net earnings for the full year as EXTRA incurred staggering nonrecurring provisions and expenses in 2016. We upgraded our valuation to SAR 32 per share reflecting an upward adjustment of previously-forecasted annual bottom line.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	6.24	10.43	15.56	8.86
EV/Sales	0.29	0.28	0.28	0.28
P/E	10.38	25.55	597.81	18.04
Dividend Yield	7.2%	2.6%	0.0%	2.9%
P/BV	2.43	2.36	2.36	2.09
P/Revenue	0.34	0.34	0.34	0.33
Current Ratio	1.13	1.19	1.21	1.38
Revenue Growth	8.9%	1.5%	0.2%	0.6%
EPS (SAR)	3.36	1.37	0.06	1.93

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017E
Total Revenues	3,387.7	3,689.4	3,744.8	3,752.3	3,774.3
COGS	2,786.1	3,068.6	3,167.3	3,167.4	3,166.7
SG&A	391.15	451.02	476.05	516.87	488.15
<b>EBITDA</b>	<b>210.4</b>	<b>169.7</b>	<b>101.5</b>	<b>68.0</b>	<b>119.5</b>
EBITDA Margin	%6.2	%4.6	%2.7	%1.8	%3.2
Depreciation and amortization	38.1	43.9	46.4	44.4	43.1
<b>EBIT</b>	<b>172.3</b>	<b>125.8</b>	<b>55.1</b>	<b>23.6</b>	<b>76.4</b>
EBIT Margin	%5.1	%3.4	%1.5	%0.6	%2.0
Net Interest Income	(0.82)	(3.38)	(2.73)	(1.79)	0.00
Others (Net)	0.51	2.07	0.93	(17.07)	(1.46)
<b>Pre-Tax Income</b>	<b>172.0</b>	<b>124.5</b>	<b>53.3</b>	<b>4.7</b>	<b>74.9</b>
Tax and Zakat	4.7	3.4	4.2	2.6	5.3
<b>Net Income</b>	<b>167.3</b>	<b>121.0</b>	<b>49.2</b>	<b>2.1</b>	<b>69.7</b>
ROS	%4.9	%3.3	%1.3	%0.1	%1.8
Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and Marketable securities	34.8	70.5	66.2	100.2	169.2
Accounts Receivables	15.8	23.5	31.8	65.8	89.0
Inventory	480.0	665.4	651.8	544.0	555.8
Others	63.2	59.6	68.9	60.0	64.9
<b>Total ST Assets</b>	<b>593.9</b>	<b>819.0</b>	<b>818.7</b>	<b>770.1</b>	<b>878.8</b>
Net Fixed Assets	459.0	498.4	470.4	456.6	427.4
Others	0.3	0.5	14.3	24.3	26.5
<b>Total LT Assets</b>	<b>459.3</b>	<b>499.0</b>	<b>484.7</b>	<b>480.9</b>	<b>454.0</b>
<b>Total Assets</b>	<b>1,053.2</b>	<b>1,318.0</b>	<b>1,303.4</b>	<b>1,251.0</b>	<b>1,332.8</b>
Short Term Debt and CPLTD	40.0	20.0	20.0	0.0	0.0
Accounts Payable	333.5	590.8	558.6	488.7	491.6
Others	152.5	112.9	109.9	146.4	147.3
<b>Total ST Liabilities</b>	<b>526.0</b>	<b>723.7</b>	<b>688.5</b>	<b>635.1</b>	<b>638.8</b>
Total Long Term Debt	0.0	30.0	10.0	0.0	0.0
Other Noncurrent Liabilities	39.14	47.04	73.31	83.65	92.09
<b>Equity</b>	<b>488.1</b>	<b>517.3</b>	<b>531.6</b>	<b>532.2</b>	<b>601.9</b>
<b>Total Liabilities and Equity</b>	<b>1,053.2</b>	<b>1,318.0</b>	<b>1,303.4</b>	<b>1,251.0</b>	<b>1,332.8</b>
Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Operating Cash Flow	152.8	250.4	56.8	108.1	82.1
Financing Cash Flow	(59.3)	(134.3)	(53.0)	(30.0)	3.0
Investing Cash Flow	(106.9)	(80.7)	(8.1)	(44.1)	(16.1)
Change in Cash	(13)	35	(4)	34	69

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.

\*\* All the financials statements were prepared in accordance with SOCPA standers until the releasing (IFRS) financial statements.

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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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