



EVENT FLASH

In-line set of results from Extra

Extra announced its preliminary 3Q12 results on 7 October 2012. Revenues were strong with a YoY growth of 14.5%, although margin contraction led to EBIT and Net Profit growth of 7-8%. Nine additional stores YoY contributed to the growth, although we believe organic was also strong. QoQ declines were mainly due to seasonality factors.

- In summary, Extra reported a good set of 3Q12 results, in-line with our estimates. The top line grew by 14.5% YoY with this leading to 7-16% YoY growth across all profit lines.
- Revenue increased by 14.5% YoY to SR699mn driven by growth at existing stores as well as opening nine new stores YoY (20 in 3Q11 and 29 in 3Q12).
- QoQ, due to seasonality factors, revenue was down 3.8% with profit lines down significantly (Operating and Net profit down 40% QoQ). Management highlighted the strong sales of the higher margin household items in 2Q12 due to the wedding season which helped margins. With this not present in 3Q12 and higher sales of lower margin smartphones/tablets, this led to the QoQ margin contraction.
- For margins, Gross margins increased by 27bps YoY to 17.3% in 3Q12 although Operating and Net margins decreased by 25bps and 26bps YoY respectively. We believe on Gross margins, better rebates may be helping Extra in supporting the margin, although on the Operating and Net lines, higher OpEx and lower Other Income is leading to the pressure.
- We are currently Overweight on Extra with a PT of SR106.2. The stock currently trades on 13.5x 2013 P/E. We believe continued consolidation of a fragmented market will lead to increasing market share for Extra. This, combined with focus on its private label brand, sourcing products directly from the manufacturer and increased rebates from suppliers due to higher volume purchases should support net profit growth.

3Q12 Result Summary

SR mn	3Q12A	3Q11A	% YoY	3Q12E	% Var [^]
Sales	699	610	14.5	690	1.4
Gross income	121	104	16.3	110	9.7
Operating income	29.3	27.1	8.2	29.3	0.0
Net income	28.4	26.4	7.5	28.6	(0.7)
EPS (SR)	1.18	1.10	7.5	1.19	(0.7)

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

OVERWEIGHT

Target price (SR) 106

Current price (SR) 96

STOCK DETAILS

M52-week range H/L (SR)	97/83
Market cap (\$mn)	615
Shares outstanding (mn)	24
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	5.5	8.4	31.5
Rel. to market	5.9	20.7	27.1

Avg daily turnover (mn)	SR	US\$
3M	2.9	0.8
12M	37.3	10.0

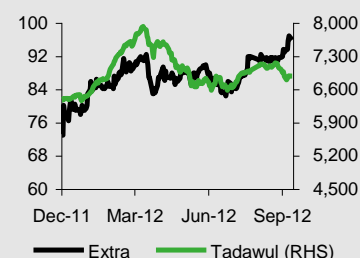
Reuters code	4003.SE
Bloomberg code	EXTRA AB
	www.extrastores.com

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	17.4	15.8	13.5
P/B (x)	6.1	5.3	4.6
EV/EBITDA (x)	14.2	13.0	11.1
Div Yield (%)	2.6	3.6	4.7

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

Farouk Miah, CFA +966 2 690 7717
f.miah@ncbc.com

07 OCTOBER 2012

Kindly send all mailing list requests to research@ncbc.com

NCBC Research

research@ncbc.com
+966 2690 7698

Brokerage website

www.alahlitadawul.com
www.alahlbrokerage.com

Corporate website

www.ncbc.com

NCBC Investment Ratings

OVERWEIGHT: Target price represents expected returns in excess of 15% in the next 12 months

NEUTRAL: Target price represents expected returns 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

Important information

The authors of this document hereby certify that the views expressed in this document accurately reflect their personal views regarding the securities and companies that are the subject of this document. The authors also certify that neither they nor their respective spouses or dependants (if relevant) hold a beneficial interest in the securities that are the subject of this document. Funds managed by NCB Capital and its subsidiaries for third parties may own the securities that are the subject of this document. NCB Capital or its subsidiaries may own securities in one or more of the aforementioned companies, or funds or in funds managed by third parties. The authors of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. The Investment Banking division of NCB Capital may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this document or are mentioned in this document.

This document is issued to the person to whom NCB Capital has issued it. This document is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. NCB Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. Any investment recommendations contained in this document take into account both risk and expected return. Information and opinions contained in this document have been compiled or arrived at by NCB Capital from sources believed to be reliable, but NCB Capital has not independently verified the contents of this document and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the maximum extent permitted by applicable law and regulation, NCB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document constitute NCB Capital's judgment as of the date of production of this document, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this document may be reproduced without the written permission of NCB Capital. Neither this document nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this document should make themselves aware, of and adhere to, any such restrictions. By accepting this document, the recipient agrees to be bound by the foregoing limitations.

NCB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under licence number 37-06046. The registered office of which is at Al Mather street in Riyadh, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.