

SHAKER



EVENT FLASH

Significant miss in weak 4Q12

Shaker reported weaker than expected 4Q12 results on 21 January 2013. This was due to higher COGS, exacerbated by increased OpEx. This led to a 66% decline in net income, significantly below what we had been expecting. We await full details before updating our model.

- In summary, Shaker reported a weak set of 4Q12 results with numbers significantly below our expectations. The top-line grew by 12.5% YoY with gross profit higher by 7%. However, higher OpEx eroded all of this resulting in 54-66% YoY decline in growth across all profit lines. Revenue was 4% below our estimate with all profit lines 8-69% below what we had been expecting.
- Sales growth was reasonable at 12.5% YoY to SR307mn in 4Q12 although this was 4% below our estimate; we believe the YoY rise will have been largely due to higher volumes sold locally as well as outside KSA.
- Gross margins declined by 134bps to 26.2% in 4Q12 due to increased cost of sales as a result of higher material costs. Increased sales outside of Saudi where margins are lower, coupled with increased sales of lower margin Window AC units could be another reason, we believe. At the EBIT level, however, margin contracted by 447bps YoY to only 3.1% during the quarter. We believe this will have been off the back of higher selling and general expenses as % of sales. Due to worse performance on the non operating lines, net income margin fell by 457bps YoY to 2.0% in 4Q12. Margins across all profit lines came in 109-474bps lower than what we had been expecting.
- On a QoQ basis, revenue is down 33% with all profit lines lower by 42-89%; we believe this is largely due to seasonality as the demand for ACs' are lowest in 4Q which on an average accounts for only 10% of annual net profits. Hence, we believe YoY comparisons are more reflective of the company's performance.
- We are currently Overweight on Shaker with a PT of SR82.0. The company's market leading position in KSA and increased local capacity should enable it to meet incremental demand, as well as potential demand for Government projects & exports. We believe the current valuation of 10.8x 2013e P/E is attractive against peers and its historical trading range.

4Q12 Results Summary

SR mn	4Q12A	4Q11A	% Y o Y	4Q12E	% Var^
Sales	307*	273	12.5	321	(4.4)
Gross income	80.6	75.3**	7.0	87.8	(8.2)
Operating income	9.5	20.6	(54.0)	25.2	(62.3)
Net income	6.2	18.0	(65.5)	19.9	(68.9)
EPS (SR)	0.18	0.51	(65.5)	0.57	(68.9)

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts, *Based on SR1.73bn sales for 2012, **Restated from SR77.2mn

OVERWEIGHT

Target price (SR)	82.0
Current price (SR)	68.3

STOCK DETAILS

M52-week range H/L (SR)	76/59
Market cap (\$mn)	638
Shares outstanding (mn)	35
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	0.4	(5.9)	15.7
Rel. to market	(1.8)	(9.9)	6.5

Avg daily turnover (mn)	SR	US\$
3M	5.6	1.5
12M	6.0	1.6

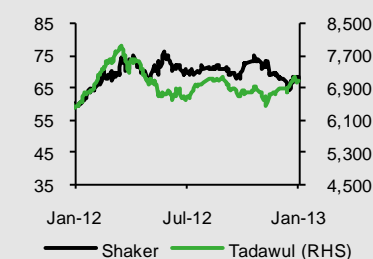
Reuters code	1214.SE
Bloomberg code	SHAKER AB
	www.shaker.com.sa

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	13.3	11.9	10.8
P/B (x)	5.0	4.4	3.8
EV/EBITDA (x)	11.5	9.9	8.9
Div Yield (%)	5.1	5.9	5.9

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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