

SHAKER



EVENT FLASH

Highest ever sales drive bottom-line

Shaker reported a strong set of 2Q15 results, with adjusted net income increasing 5.3% YoY to SR82mn. This is significantly above the NCBC and consensus estimates. We believe this growth was primarily driven by a strong revenue growth of 32.8% YoY, with sales standing at all-time highs. However, higher overall expenses led to a relatively slower growth across other lines.

- NCBC View on Results:** Shaker reported a strong set of 2Q15 results with adjusted net income up 5.3% YoY to SR82mn. This is significantly above the NCBC and consensus estimates. Revenue growth was strong at 32.8% YoY, reaching an all-time high of SR643.3mn. We believe this is primarily driven by higher demand of 3* & 4* ACs and home appliances segment. However, costs grew at a faster pace relative to revenue (Opex up 36.5% YoY on higher wages) thereby limiting growth to only 4.8% YoY at the EBIT level. On a reported basis, net income declined by 78.6% YoY, as 2Q14 included a SR312mn capital gain due to revaluation of the stake in LG Shaker unit.
- Higher revenue growth a significant catalyst:** Shaker reported a strong revenue growth of 32.8% YoY to SR643.3mn. This is the highest level since inception and came in 18.6% above the NCBC estimates. We believe this is due to 1) increased sales of higher priced 3* & 4* ACs with summer being a key driver of higher volumes and 2) strong demand in the home appliances segment. We expect demand for ACs to remain high supported by higher government spending in the education and housing sector.
- Relatively slower growth in profit lines on higher expenses:** Gross profit grew at a relatively slower rate of 22.3% YoY on an increase in COGS (COGS/sales stood at 75% vs. 73% in 2Q14), with margins declining by 214bps. We believe this could be due to potential discounts offered to drive sales. Moreover, higher Opex (Opex/sales stood at 15.4% vs. 15% in 2Q14) from higher wages led to an EBIT growth of only 4.8% YoY, with margins declining 256bps YoY. However, gross-EBIT margins came in 195-199bps above NCBC estimates.
- Overweight on positive outlook:** We remain Overweight on Shaker with a PT of SR51.9. The stock currently trades at a 2015E P/E of 13.6x which we believe is attractive provided the underlying fundamentals and leading position in a relatively defensive industry. The outlook remains positive for the company provided the spending on key development projects and social infrastructure is expected to continue going forward.

2Q15 Results Summary

SR mn	2Q15A	2Q14A	% Y o Y	2Q15E	% Var [^]
Sales	643.3	484.4	32.8	542.5	18.6
Gross income	160.8	131.4	22.3	124.8	28.8
Operating income	61.6	58.8	4.8	51.5	19.5
Net income	82.0	382.5	(78.6)	55.0	49.2
Adj. Net income	82.0	77.9	5.3	55.0	49.2
Adj. EPS	1.3	1.24	5.3	0.87	49.2

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

OVERWEIGHT

Target price	51.9
Current price (SR)	40.0

STOCK DETAILS

M52-week range H/L (SR)	50/32
Market cap (\$mn)	672
Shares outstanding (mn)	63
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(10.6)	(7.7)	(9.1)
Rel. to market	(7.6)	(8.9)	(3.8)

Avg daily turnover (mn)	SR	US\$
3M	37.3	10.0
12M	22.5	6.0

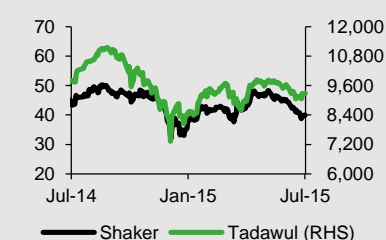
Reuters code	1214.SE
Bloomberg code	SHAKER AB
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VALUATION MULTIPLES

	14A	15E	16E
P/E (x)	5.8	13.6	12.2
P/B (x)	1.5	2.7	2.5
EV/EBITDA (x)	25.5	18.4	16.5
Div Yield (%)	6.3	6.3	6.3

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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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

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