

Saudi Retail Sector

Retail –Industrial

Saudi Arabia

June 2013

الراجحي المالية
Al Rajhi Capital



US\$ 7.6 bn Market cap
73% Free float
US\$6.2mn Avg. daily volume

Target mkt cap 27.4bn -3.5% below current
Consensus mkt cap. 24.7bn -13% below current
Current mkt cap. 28.4bn as at 22/06/2013

Research Department

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Underweight **Neutral** **Overweight**

Key themes

We expect the retail sector in Saudi Arabia to continue growing on the back of ever-increasing population, improving education, and changing lifestyle. We have changed our valuation methodology for EVA by combining the DCF and RV methodologies. As a result, we have changed our target price of the companies under our coverage.

Implications

Based on our new valuation methodology, we have revised our target price on the companies under our coverage. Considering the companies' Q1 2013 results and other newsflow, we have upgraded the target price of Alhokair and Alothaim by about 24% and 19% respectively. However, since these stocks have experienced a sharp upmove this year, we have downgraded our rating on these stocks from Overweight to Neutral.

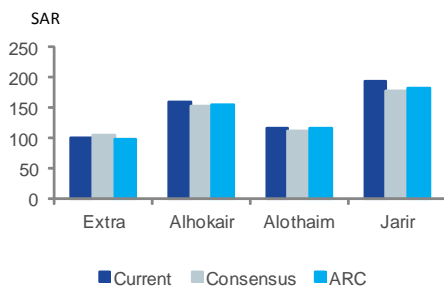
What do we think?

Stock	Rating	Price Target
Extra	Neutral	SAR 98.9
Alhokair	Neutral	SAR154.3
Alothaim	Neutral	SAR115.7
Jarir	Neutral	SAR183.4

Why do we think it?

Stock	YTD Gain	2014E P/E
Extra	22%	17.9x
Alhokair	52%	13.7x
Alothaim	42%	13.5x
Jarir	25%	16.7x

Where are we versus consensus?



Source: Bloomberg, Al Rajhi Capital



Retail Sector: Limited upside following strong rally

The retail sector has been one of the best performing sectors in Saudi Arabia, giving a return of more than 28% on an YTD basis. In our last report, we had highlighted an optimistic outlook for the sector and accordingly, had maintained an Overweight rating on most of our covered sector stocks. However, due to the sharp rise in retail stock prices over the last few months, we assign a Neutral rating on the sector at the current valuations. The retail sector's fundamentals still remain intact in the Kingdom on the back of a young population and rising income. New store openings, consolidation, and launch of new electronic products (iPhone 5, PS4, Xbox One) will drive growth, which is already priced in at the current valuations limiting further upside potential.

Growth drivers intact: The retail sector continues to enjoy a strong growth outlook on the back of a young Saudi population, and rising income in the Kingdom. New product launches like the iPhone 5 augur well for the sector. Similarly, the next generation of gaming consoles (PS4 and Xbox One), which are expected to be launched in the Kingdom in early 2014, will also boost sales of electronic retailers. Moreover, retail companies continue to expand their store networks across the Kingdom and are also investing internationally.

Expectations for Q2 2013: We expect Jarir and Extra to continue to report double-digit growth in Q2 2013, on the back of rising same-store sales and new store openings. Alhokair's top-line is expected to grow by over 50% y-o-y due to the Nesk Group acquisition. However, Alothaim is expected to witness only single digit growth due to a slow increase in same-store sales.

Valuation: We have raised our target price for Alhokair, Alothaim, and Jarir by about 24%, 19%, and 9% respectively, after revising our estimates (taking into account Q1 results) and accordingly changed our valuation methodology. However, due to the strong YTD performances of these stocks we have downgraded our ratings on three stocks (Alhokair, Alothaim, and Extra) to Neutral from Overweight, while we remain Neutral on Jarir.



Limited Upside following strong rally

The retail sector has been one of the best performing sectors in the Saudi market this year, giving a return of more than 28% on YTD basis. The young Saudi population, along with rising income, augurs well for the Retail sector in the Kingdom. Though we remain positive on the sector, the sharp rally witnessed over the past few months leaves limited further upside potential.

Figure 1 Stock return for companies under coverage

Company	CMP	YTD	3m Return	MTD
Extra	100	21%	2%	-1%
Alhokair	158.3	52%	31%	-1%
Alothaim	117	42%	41%	8%
Jarir	194	25%	25%	2%

Source: Company data, Al Rajhi Capital

stocks seem fairly priced at the current level

The stocks for all the retail companies under our coverage have met our target prices, and have moved significantly higher. Based on our updated estimates and the new valuation method, we believe these stocks are fairly priced, and offer limited upside potential under the current scenario.

We have updated our valuations for all the covered retail stocks after revising our estimates, taking into account the new developments since our last update and Q1 results. Moreover, we have also changed our valuation methodology from the earlier Economic Value Added (EVA) to a blended methodology. Based on the new approach, we are now valuing stocks combining the DCF and Relative Valuation (RV) methodologies.

DCF Valuation:

We have used a two-stage DCF model, with an explicit period of five years till 2017, and a terminal value after 2017. For Alhokair, our DCF fair value price comes in at SAR162.3, which is 30% higher than our earlier target price of SAR124. The fair value of Extra, on the other hand, has risen by only 7.7%. For Jarir and Alothaim, the DCF fair value comes in at SAR195.7 and SAR121.9 respectively, reflecting an increase of 16% and 26% respectively. The summary of our DCF valuation is given below.

Figure 2 Companies valuation: DCF

	Jarir	Extra	Othaim	Alhokair
Valuation as per FCFF	11,818,003	2,814,657	2,765,945	11,907,207
Adjust:				
Associates and non-core assets	33,704	297	172,153	239,499
Net Debt	(107,834)	376,734	(194,400)	(811,907)
Minorities	-	-	-	22,941
Equity Value	11,743,873	3,191,688	2,765,945	11,357,739
Number of shares	60,000	30,000	22,500	70,000
Fair Value per share	195.7	106.4	121.9	162.3

Source: Company data, Al Rajhi Capital

Relative Valuation:

We have performed a relative valuation considering a peer group of seven major retail sector companies in the Kingdom. Based on the trading multiples, Alothaim and Alhokair are trading at a marginal discount to the average PE multiple (based on the FY13E earnings), whereas Jarir and Extra are trading at a moderate premium. However, we believe the premiums are justified by the strong growth potential of these companies, which are also reflected in the case of EV/EBITDA multiples. We have arrived at the fair value of the companies under our coverage by multiplying the average sector PE multiple (FY 2013E) to



the 2013 expected EPS for the respective companies (see the table below for comparable multiples).

Figure 3 Comparative multiple analysis

Companies	Enterprise		PE Ratio		EV/EBITDA	
	Market Cap	Value	2013E	2014E	2013E	2014E
	SAR (mn)	SAR (mn)				
United Electronics Company	3,038	2,945	18.2	17.9	13.1	11.8
Jarir Marketing Co	11,610	11,439	18.0	16.7	17.1	15.8
Abdullah Al Othaim Markets Company	2,627	2,067	15.3	13.5	8.9	8.3
Fawaz Abdulaziz AlHokair Company	11,078	11,056	15.5	13.7	12.2	10.6
Aldreess Petroleum & Transport Services Co.	1,098	1,296	10.4	9.4	7.2	6.6
Mouwasat Medical Services Company	3,475	3,575	16.6	14.1	13.1	11.0
National Medical Care Company	2,601	2,386	21.9	16.9	16.1	12.5
Average	5,075	4,966	16.5	14.6	12.5	11.0

Source: Company data, Al Rajhi Capital

Price target calculation:

We have assigned a weight of 70% to DCF and 30% to relative valuation, and arrived at the target price of the companies under coverage. We have maintained our Neutral rating on Jarir. However, we have downgraded our ratings on Extra, Alhokair and Alothaim, even though we have raised the target prices of these stocks. The downgrade is primarily a price-based action due to the sector's strong 28% YTD return, driven by significant buying interest among investors. Among our covered stocks, Alhokair has witnessed a 50% rally during the year, followed by Alothaim, which has jumped about 42%.

Figure 4 Company rating

Company	CMP	Target price	Upside/Downside	Rating
Extra	100	98.9	-1.1%	Neutral
Alhokair	158.3	154.3	-2.5%	Neutral
Alothaim	117	115.7	-1.1%	Neutral
Jarir	194	183.4	-5.5%	Neutral

Source: Al Rajhi Capital

Our WACC calculations for companies are below:

Figure 5 WACC calculations for companies

	Jarir	Extra	Othaim	Alhokair
Risk-free Rate	4.3%	4.3%	4.3%	4.3%
Country Risk Premium	1.1%	1.1%	1.1%	1.1%
Equity Market Risk Premium	5.2%	5.2%	5.2%	5.2%
Adjusted Beta	0.67	0.63	0.76	0.83
Cost of Equity	8.81%	8.60%	9.3%	9.7%
Pre-tax cost of Debt	2.95%	2.5%	3.6%	4.0%
Effective Tax rate	2.56%	2.5%	2.8%	2.5%
After tax cost of debt	2.88%	2.4%	3.5%	3.9%
Target D/(D+E)	2.05%	0.0%	12.8%	11.9%
WACC	8.69%	8.6%	8.6%	9.0%

Source: Company data, Bloomberg, Al Rajhi Capital

In our CAPM model used to calculate the cost of equity, we have used the last ten-year average of the US 10-year bond yield (at 3.6%), and the country default premium of 0.7% based on Moody's sovereign rating, to arrive at a risk free rate of 4.3%. We have then added a country risk premium of 1.05% (default premium of 0.7% multiplied by an average equity-to-debt market volatility of 1.5x times). Our equity market risk premium of 5.2% is based on the historical US market premium of 4.2% and an additional 1% premium for the local market. Our WACC calculations have been mainly dependent on the companies' debt/asset ratio and effective interest cost at the end of 2013. Our WACC ranges between 8.5-9.0% with Alhokair on the higher band due to its high beta.



Rating NEUTRAL
Target price **SAR98.93 (-1.1% downside)**
Current **SAR100.00 as 22/06/2013**

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Key themes & implications

Extra is likely to benefit from the launch of new electronic devices at regular intervals. The recent launch of iPhone 5 and the Samsung Galaxy 4 have driven revenues in 2013. Further, the launch of the next-generation gaming consoles (PS4 and Xbox One) will boost sales in 2014. In addition, the company continues to expand its store network. We have raised our target price for Extra, but have assigned a Neutral rating, as the stock has already seen a sharp surge over the past few months.

Share information

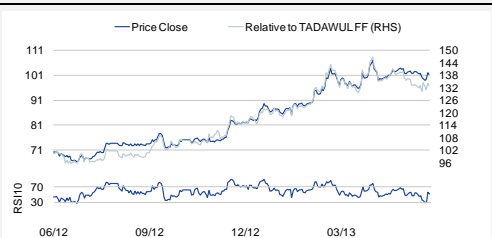
Market cap (SAR/US\$)	3.037bn / 0.810bn		
52-week range	66.00 - 107.0		
Daily avg volume (US\$)	1.56mn		
Shares outstanding	30.00mn		
Free float (est)	40%		
Performance	1M	3M	12M
Absolute	-1.2%	-0.4%	41.4%
Relative to index	-4.3%	-6.8%	31%
Major Shareholder:			
Fawzan Holding Company	45.4%		
Abdulaziz Alsaghyir Investment Company	14.9%		

Valuation

	12/12A	12/13E	12/14E	12/15E
P/E (x)	19.2	18.2	17.9	14.2
P/B (x)	6.4	4.7	4.1	3.6
EV/EBITDA (x)	15.6	13.1	11.8	10.1
Dividend Yield	2.0%	2.0%	2.0%	4.2%

Source: Company data, Al Rajhi Capital

Performance



Source: Bloomberg, Company data, Al Rajhi Capital

Company summary

Extra (United Electronics Company) is one of the fastest growing electronic retail companies in Saudi Arabia. Extra has established 29 stores across the Kingdom and aims to achieve a store count of 42 by 2015. The company has emerged as a leader within a short span of time thanks to its aggressive expansion plans.

United Electronics Company

Strong growth to continue

Extra's Q1 2013 results were in line with our expectations. The company's revenue grew by 15.5% y-o-y, while net profit improved by 10.1% y-o-y. The improvement in earnings was driven by an increase in the total number of outlets and rising same-store sales. We believe Extra will continue its growth on the back of new store openings. We have valued the company combining the Discounted Cash Flow (DCF) and Relative Valuation methodologies, and arrived at a fair value of SAR98.9 for Extra. Our fair value for the stock provides a potential downside of 1.1% from the current market price. Hence, we assign a Neutral rating to the stock.

Q1 2013 results meet expectations: Extra posted a revenue growth of 15.6% y-o-y in Q1 2013 to SAR723.4mn, mostly in line with our expectations of SAR725.4mn. The top-line growth can be attributed to the higher number of stores as compared to last year (25 at the end of Q1 2012 to 32 at the end of Q1 2013). The company's net profit grew by 10.2% y-o-y to SAR26.2mn, meeting our expectations. However, its net profit margin fell by a moderate 17bps y-o-y to 3.62% (vs. our estimate of 3.61%).

Second quarter expected to remain strong: We expect Extra to continue its strong growth during the second quarter of 2013, supported by the higher number of outlets and growing demand for latest electronic products. The company is likely to report a revenue of SAR831.9mn in Q2, reflecting a 14.5% y-o-y growth. We expect Extra to post a net profit of SAR53.5mn, up 10.7% y-o-y. The company's net margin is estimated to fall by about 22bps to 6.44% from the same period last year.

Valuation: Extra has given a return of around 20% year-to-date, performing positively after it had announced a bonus issue of 1 share for every 4 shares held last December. The stock has met our target price of SAR98.8 (adjusted for the bonus issue) given in our retail sector report (dated on January 5, 2013). Based on our new valuation methodology and revised assumptions, we arrive at a target price of SAR98.9 for Extra, which implies a potential downside of 1.1% from the current market price. Hence, we assign a Neutral rating to the stock.

Period End (SAR)	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (mn)	2,462	3,015	3,283	3,720	4,210
Revenue Growth	38.4%	22.5%	8.9%	13.3%	13.2%
Gross profit margin	17.7%	17.6%	17.3%	17.1%	17.4%
EBITDA margin	6.4%	6.4%	6.2%	5.7%	6.3%
Net profit margin	5.4%	5.3%	5.1%	4.6%	5.1%
EPS	4.40	5.29	5.58	5.66	7.12
EPS Growth	35.1%	20.1%	5.5%	1.4%	25.8%
ROE	42.7%	37.4%	30.1%	24.4%	26.7%
ROCE	35.3%	34.0%	26.5%	23.0%	25.4%
Capex/Sales	2.9%	3.6%	3.4%	3.5%	3.9%

Source: Company data, Al Rajhi Capital



Income Statement (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue	2,462	3,015	3,283	3,720	4,210
Cost of Goods Sold	(2,026)	(2,485)	(2,714)	(3,085)	(3,478)
Gross Profit	435	531	568	635	733
Government Charges					
S.G. & A. Costs	(299)	(367)	(397)	(461)	(514)
Operating EBIT	136	164	172	174	219
Cash Operating Costs	(2,304)	(2,823)	(3,079)	(3,508)	(3,946)
EBITDA	158	192	204	212	264
Depreciation and Amortisation	(22)	(28)	(32)	(38)	(45)
Operating Profit	136	164	172	174	219
Net financing income/(costs)	(1)	(0)	(0)	-	-
Forex and Related Gains	-	-	-	-	-
Provisions	-	-	-	-	-
Other Income	0	(0)	0	-	-
Other Expenses					
Net Profit Before Taxes	135	163	172	174	219
Taxes	(3)	(5)	(4)	(4)	(5)
Minority Interests	-	-	-	-	-
Net profit available to shareholders	132	159	167	170	213
Dividends	(60)	(60)	(60)	(60)	(128)
Transfer to Capital Reserve					
	12/11A	12/12A	12/13E	12/14E	12/15E
Adjusted Shares Out (mn)	30.00	30.00	30.00	30.00	30.00
CFPS (SAR)	5.14	6.23	6.64	6.92	8.61
EPS (SAR)	4.40	5.29	5.58	5.66	7.12
DPS (SAR)	2.000	2.000	2.000	2.000	4.269
	12/11A	12/12A	12/13E	12/14E	12/15E
Growth					
Revenue Growth	38.4%	22.5%	8.9%	13.3%	13.2%
Gross Profit Growth	35.1%	21.9%	7.1%	11.8%	15.3%
EBITDA Growth	33.6%	21.4%	6.2%	4.0%	24.6%
Operating Profit Growth	36.7%	20.3%	5.0%	1.4%	25.8%
Net Profit Growth	35.1%	20.1%	5.5%	1.4%	25.8%
EPS Growth	35.1%	20.1%	5.5%	1.4%	25.8%
	12/11A	12/12A	12/13E	12/14E	12/15E
Margins					
Gross profit margin	17.7%	17.6%	17.3%	17.1%	17.4%
EBITDA margin	6.4%	6.4%	6.2%	5.7%	6.3%
Operating Margin	5.5%	5.4%	5.2%	4.7%	5.2%
Pretax profit margin	5.5%	5.4%	5.2%	4.7%	5.2%
Net profit margin	5.4%	5.3%	5.1%	4.6%	5.1%
	12/11A	12/12A	12/13E	12/14E	12/15E
Other Ratios					
ROCE	35.3%	34.0%	26.5%	23.0%	25.4%
ROIC	57.3%	51.3%	39.5%	64.6%	100.3%
ROE	42.7%	37.4%	30.1%	24.4%	26.7%
Effective Tax Rate	2.5%	2.8%	2.5%	2.5%	2.5%
Capex/Sales	2.9%	3.6%	3.4%	3.5%	3.9%
Dividend Payout Ratio	45.4%	37.8%	35.9%	35.4%	60.0%
	12/11A	12/12A	12/13E	12/14E	12/15E
Valuation Measures					
P/E (x)	23.0	19.2	18.2	17.9	14.2
P/CF (x)	19.7	16.3	15.2	14.6	11.8
P/B (x)	8.1	6.4	4.7	4.1	3.6
EV/Sales (x)	1.2	1.0	0.8	0.7	0.6
EV/EBITDA (x)	18.8	15.6	13.1	11.8	10.1
EV/EBIT (x)	21.8	18.3	15.5	14.4	12.2
EV/IC (x)	9.6	7.0	10.1	11.7	5.6
Dividend Yield	2.0%	2.0%	2.0%	2.0%	4.2%

Source: Company data, Al Rajhi Capital



Balance Sheet (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Cash and Cash Equivalents	65	48	377	536	374
Current Receivables	5	12	4	4	4
Inventories	341	417	401	440	589
Other current assets	46	78	82	82	82
Total Current Assets	457	556	863	1,062	1,050
Fixed Assets	317	390	470	562	682
Investments	1	0	0	0	0
Goodwill	-	-	-	-	-
Other Intangible Assets	-	-	-	-	-
Total Other Assets	-	-	-	-	-
Total Non-current Assets	318	391	470	563	682
Total Assets	775	946	1,334	1,625	1,732
Short Term Debt	-	-	-	-	-
Accounts Payable	370	439	656	838	842
Accrued Expenses	-	-	-	-	-
Dividends Payable	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	370	439	656	838	842
Long-Term Debt	-	-	-	-	-
Other LT Payables	9	8	9	9	9
Provisions	21	27	29	29	29
Total Non-current Liabilities	30	35	38	38	38
Minority interests	-	-	-	-	-
Paid-up share capital	240	240	300	300	300
Total Reserves	135	233	340	449	552
Total Shareholders' Equity	375	473	640	749	852
Total Equity	375	473	640	749	852
Total Liabilities & Shareholders' Equity	775	946	1,334	1,625	1,732
Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
Net Debt (SARmn)	(65)	(48)	(377)	(536)	(374)
Net Debt/EBITDA (x)	(0.41)	(0.25)	(1.85)	(2.53)	(1.42)
Net Debt to Equity	-17.2%	-10.2%	-58.9%	-71.6%	-43.9%
EBITDA Interest Cover (x)	270.6	731.5	1,146.6		
BVPS (SAR)	12.51	15.75	21.33	24.98	28.40
Cashflow Statement (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Net Income before Tax & Minority Interest	135	163	172	174	219
Depreciation & Amortisation	22	28	32	38	45
Decrease in Working Capital	(38)	(46)	238	142	(145)
Other Operating Cashflow	6	0	(2)	(4)	(5)
Cashflow from Operations	126	146	440	350	113
Capital Expenditure	(72)	(109)	(112)	(130)	(164)
New Investments	0	-	-	-	-
Others	(0)	-	-	-	-
Cashflow from investing activities	(73)	(109)	(112)	(130)	(164)
Net Operating Cashflow	53	37	328	220	(51)
Dividends paid to ordinary shareholders	-	(60)	-	(60)	(111)
Proceeds from issue of shares	-	-	-	-	-
Effects of Exchange Rates on Cash	-	(0)	(0)	-	-
Other Financing Cashflow	(3)	(1)	-	-	-
Cashflow from financing activities	(22)	(61)	(0)	(60)	(111)
Total cash generated	32	(24)	328	160	(162)
Cash at beginning of period	30	65	48	377	536
Implied cash at end of year	62	41	376	536	374
Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
Capex/Sales	2.9%	3.6%	3.4%	3.5%	3.9%

Source: Company data, Al Rajhi Capital



Rating NEUTRAL
Target price SAR154.3 (-2.5% upside)
Current SAR158.3 as at 22/06/2013

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Key themes & implications

Alhokair reported a strong set of results for Q4 2012/13. Revenue is expected to rise by more than 55% y-o-y in Q1 2013/14, due to the consolidation of the Nesk Group. The stock has given a return of more than 52% on a YTD basis. We have raised our target price on the stock to SAR154.3. Thus, we have downgraded the stock to a Neutral rating.

Share information

Market cap (SAR/US\$)	11.08bn / 2.954bn		
52-week range	77.00 - 159.5		
Daily avg volume (US\$)	2.73mn		
Shares outstanding	70.00mn		
Free float (est)	30%		
Performance	1M	Performa	1M
Absolute	13%	26.9%	104.2%
Relative to index	9.9%	20.5%	93.8%
Major Shareholder:			
Fas Company	49.0%		
Abdulmajeed Abdulaziz Alhokair	7.0%		

Valuation

	03/12A	03/13A	03/14E	03/15E
P/E (x)	24.5	17.9	15.5	13.7
P/B (x)	7.9	5.5	4.4	3.5
EV/EBITDA (x)	17.8	14.9	12.2	10.6
Dividend Yield	1.3%	1.9%	1.9%	1.9%

Source: Company data, Al Rajhi Capital

Performance



Source: Bloomberg, Company data, Al Rajhi Capital

Company summary

Fawaz Abdulaziz Alhokair & Company is a leading fashion retailer in Saudi Arabia, with a market capitalization of nearly US\$3bn. The company sells a wide gamut of fashion items such as luxury apparel, sport wear, shoes, bags, and fashion accessories. Alhokair is a franchisee for more than 50 international brands such as Zara, Gap, Marks & Spencer, and Aldo.

Alhokair Target met, downgrade to Neutral

Alhokair had an impressive fourth quarter during 2012/13 (financial year ends in March), reporting earnings ahead of our estimates and consensus forecasts. Revenue grew by 74% y-o-y, primarily due to the consolidation of Nesk Group of Trading that was acquired last year. The acquisition has added 120 stores to the company's retail network and more than 10 brands to its portfolio. Alhokair has increased its dividend from SAR2 per share in 2011 to SAR3 in 2012, and also announced a bonus share issue of 50%, which had a positive impact on the stock. For Q1 2013, we expect the company to post a top-line growth of around 55% on a y-o-y basis. Alhokair matched our target price for the stock given in our retail sector report dated January 5, 2013, and has continued to move higher. Since then, we have changed our valuation methodology from EVA, combining the DCF and RV methodologies. Using our new methodology, we have arrived at a target price of SAR154.3 on Alhokair. Hence, we assign a Neutral rating to the stock.

International investment supports bottom-line: Alhokair reported impressive results for Q4 2012/13, beating our as well as consensus estimates. The company posted revenue of SAR1.24bn, up almost 74% y-o-y and surpassing our estimate of SAR1.07bn. The sharp rise in its top-line was mainly driven by the acquisition of Nesk Group (in Q2 2012), higher same-store sales and new store openings. Alhokair's net profit jumped 55.6% y-o-y during the quarter to SAR135.9mn, again beating our estimate of SAR122.8mn. However, this growth was supported by foreign exchange and capital gains related to an international investment.

Strong growth in Q1 due to Nesk consolidation: For the first quarter, we expect the company to post revenue of SAR1.03bn, reflecting an increase of 18.6% y-o-y. The company will benefit from the consolidation of the Nesk Group, higher same-store sales and new store openings. Further, we expect Alhokair's net profit to rise by 34% y-o-y to SAR162mn. Thus, its net profit margin is estimated to improve by 182bps y-o-y to 15.8%.

Valuation: Alhokair has witnessed a strong rally after we rated the stock as Overweight in our earlier retail sector report. The stock met our target price of SAR124.1 and has continued to move higher since then. Following the company's better-than-expected quarterly results, we have updated our estimates to arrive at a target price of SAR154.3 per share for Alhokair, implying a 2.5% downside from the current price. Accordingly, we have downgraded our rating to Neutral.

Period End (SAR)	03/11A	03/12A	03/13A	03/14E	03/15E
Revenue (mn)	2,575	3,203	4,659	5,469	5,866
Revenue Growth	24.1%	24.4%	45.5%	17.4%	7.3%
Gross profit margin	44.2%	45.2%	27.9%	24.1%	24.2%
EBITDA margin	14.1%	17.0%	16.0%	16.4%	17.2%
Net profit margin	12.3%	14.1%	13.3%	13.1%	13.8%
EPS	4.52	6.46	8.85	10.22	11.58
EPS Growth	36.6%	43.0%	37.0%	15.5%	13.3%
ROE	28.9%	36.2%	36.2%	31.5%	28.7%
ROCE	19.4%	24.8%	19.6%	19.6%	19.2%
Capex/Sales	2.5%	8.6%	10.6%	5.0%	4.0%

Source: Company data, Al Rajhi Capital



Income Statement (SARmn)	03/11A	03/12A	03/13A	03/14E	03/15E
Revenue	2,575	3,203	4,659	5,469	5,866
Cost of Goods Sold	(1,435)	(1,755)	(3,358)	(4,151)	(4,446)
Gross Profit	1,139	1,447	1,301	1,317	1,419
Government Charges					
S.G. & A. Costs	(877)	(1,017)	(730)	(617)	(617)
Operating EBIT	262	431	571	700	802
Cash Operating Costs	(2,210)	(2,658)	(3,914)	(4,570)	(4,857)
EBITDA	364	545	745	899	1,009
Depreciation and Amortisation	(102)	(114)	(174)	(199)	(206)
Operating Profit	262	431	571	700	802
Net financing income/(costs)	(32)	(18)	(34)	(56)	(59)
Forex and Related Gains	-	-	-	-	-
Provisions	-	-	-	-	-
Other Income	105	76	112	112	112
Other Expenses					
Net Profit Before Taxes	335	489	649	755	856
Taxes	(15)	(36)	(31)	(38)	(43)
Minority Interests	(3)	(1)	1	(2)	(2)
Net profit available to shareholders	316	452	620	716	811
Dividends	(175)	(140)	(210)	(210)	(210)
Transfer to Capital Reserve					
	03/11A	03/12A	03/13A	03/14E	03/15E
Adjusted Shares Out (mn)	70.00	70.00	70.00	70.00	70.00
CFPS (SAR)	6.03	8.10	11.31	13.09	14.56
EPS (SAR)	4.52	6.46	8.85	10.22	11.58
DPS (SAR)	2.500	2.000	3.000	3.000	3.000
Growth	03/11A	03/12A	03/13A	03/14E	03/15E
Revenue Growth	24.1%	24.4%	45.5%	17.4%	7.3%
Gross Profit Growth	24.7%	27.1%	-10.1%	1.3%	7.7%
EBITDA Growth	14.7%	49.5%	36.7%	20.7%	12.2%
Operating Profit Growth	9.5%	64.4%	32.5%	22.6%	14.6%
Net Profit Growth	36.6%	43.0%	37.0%	15.5%	13.3%
EPS Growth	36.6%	43.0%	37.0%	15.5%	13.3%
Margins	03/11A	03/12A	03/13A	03/14E	03/15E
Gross profit margin	44.2%	45.2%	27.9%	24.1%	24.2%
EBITDA margin	14.1%	17.0%	16.0%	16.4%	17.2%
Operating Margin	10.2%	13.4%	12.3%	12.8%	13.7%
Pretax profit margin	13.0%	15.3%	13.9%	13.8%	14.6%
Net profit margin	12.3%	14.1%	13.3%	13.1%	13.8%
Other Ratios	03/11A	03/12A	03/13A	03/14E	03/15E
ROCE	19.4%	24.8%	19.6%	19.6%	19.2%
ROIC	21.8%	33.7%	35.7%	22.3%	24.4%
ROE	28.9%	36.2%	36.2%	31.5%	28.7%
Effective Tax Rate	4.5%	7.3%	4.7%	5.0%	5.0%
Capex/Sales	2.5%	8.6%	10.6%	5.0%	4.0%
Dividend Payout Ratio	55.3%	30.9%	33.9%	29.3%	25.9%
Valuation Measures	03/11A	03/12A	03/13A	03/14E	03/15E
P/E (x)	35.0	24.5	17.9	15.5	13.7
P/CF (x)	26.3	19.5	14.0	12.1	10.9
P/B (x)	10.1	7.9	5.5	4.4	3.5
EV/Sales (x)	3.7	3.0	2.4	2.0	1.8
EV/EBITDA (x)	26.0	17.8	14.9	12.2	10.6
EV/EBIT (x)	36.1	22.4	19.4	15.6	13.3
EV/IC (x)	8.0	6.4	3.7	3.5	3.3
Dividend Yield	1.6%	1.3%	1.9%	1.9%	1.9%

Source: Company data, Al Rajhi Capital



Balance Sheet (SARmn)	03/11A	03/12A	03/13A	03/14E	03/15E
Cash and Cash Equivalents	107	198	134	651	1,106
Current Receivables	-	-	-	-	-
Inventories	599	746	1,103	1,217	1,393
Other current assets	494	476	665	665	665
Total Current Assets	1,199	1,420	1,903	2,533	3,164
Fixed Assets	613	790	1,350	1,425	1,453
Investments	219	245	239	239	239
Goodwill	61	61	479	479	479
Other Intangible Assets	81	78	99	99	99
Total Other Assets	-	-	-	-	-
Total Non-current Assets	975	1,174	2,168	2,243	2,271
Total Assets	2,174	2,594	4,070	4,776	5,435
Short Term Debt	161	227	438	438	438
Trade Payables	-	-	-	-	-
Dividends Payable	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	782	807	1,090	1,134	1,190
Long-Term Debt	225	313	872	1,025	1,025
Other LT Payables	-	-	-	-	-
Provisions	42	49	66	66	66
Total Non-current Liabilities	267	362	938	1,091	1,091
Minority interests	31	23	21	23	25
Paid-up share capital	700	700	700	700	700
Total Reserves	395	702	1,322	1,828	2,428
Total Shareholders' Equity	1,095	1,402	2,022	2,528	3,128
Total Equity	1,126	1,425	2,043	2,550	3,153
Total Liabilities & Shareholders' Equity	2,174	2,594	4,070	4,776	5,435
Ratios	03/11A	03/12A	03/13A	03/14E	03/15E
Net Debt (SARmn)	279	341	1,176	812	358
Net Debt/EBITDA (x)	0.77	0.63	1.58	0.90	0.35
Net Debt to Equity	24.7%	23.9%	57.6%	31.8%	11.3%
EBITDA Interest Cover (x)	11.4	30.7	22.2	15.9	17.2
BVPS (SAR)	15.64	20.03	28.88	36.11	44.69
Cashflow Statement (SARmn)	03/11A	03/12A	03/13A	03/14E	03/15E
Net Income before Tax & Minority Interest	335	489	649	755	856
Depreciation & Amortisation	102	114	174	199	206
Decrease in Working Capital	(119)	(181)	(441)	(69)	(120)
Other Operating Cashflow	15	(23)	(36)	(38)	(43)
Cashflow from Operations	333	400	346	848	899
Capital Expenditure	(63)	(276)	(494)	(274)	(235)
New Investments	30	(31)	(660)	-	-
Others	23	(6)	(26)	-	-
Cashflow from investing activities	(9)	(313)	(1,180)	(274)	(235)
Net Operating Cashflow	324	86	(834)	574	664
Dividends paid to ordinary shareholders	(261)	(140)	-	(210)	(210)
Proceeds from issue of shares	-	-	-	-	-
Effects of Exchange Rates on Cash	-	-	-	-	-
Other Financing Cashflow	9	(9)	(1)	-	-
Cashflow from financing activities	(236)	4	770	(57)	(210)
Total cash generated	88	90	(64)	517	454
Cash at beginning of period	76	107	198	134	651
Implied cash at end of year	164	198	134	651	1,106
Ratios	03/11A	03/12A	03/13A	03/14E	03/15E
Capex/Sales	2.5%	8.6%	10.6%	5.0%	4.0%

Source: Company data, Al Rajhi Capital



Rating NEUTRAL
Target price SAR115.7 (-1.1% downside)
Current SAR117.0 As at 22/06/2013

Key themes & implications

Alothaim witnessed sluggish top-line growth in Q1 2013. However, the company has drawn up ambitious expansion plans over the next couple of years. We expect the company to achieve a store count of 130 stores by 2014-end, from 113 stores currently. We have downgraded the company to a Neutral rating, after the stock jumped more than 40% in 2013.

Share information

Market cap (SAR/US\$)	2.627bn / 0.700bn		
52-week range	79.75 - 116.8		
Daily avg volume (US\$)	3.15mn		
Shares outstanding	22.50mn		
Free float (est)	66%		

Performance	1M	3M	12M
Absolute	18.5%	39.4%	28.3%
Relative to index	15.4%	33%	17.9%

Major Shareholder:

Alothaim company	27.6%
Abdullah Saleh Alothaim	6.0%

Valuation

	12/12A	12/13E	12/14E	12/15E
P/E (x)	15.3	15.3	13.5	12.9
P/B (x)	3.9	3.1	3.6	3.3
EV/EBITDA (x)	9.1	8.9	8.3	7.0
Dividend Yield	3.4%	3.0%	12.0%	3.0%

Source: Company data, Al Rajhi Capital

Performance



Source: Bloomberg, Company data, Al Rajhi Capital

Company summary

Abdullah Al Othaim Markets is the second-largest grocery retailer in Saudi Arabia with a market capitalization of \$US0.7bn. The company is an extension of Saleh Al-Othaim company, which was founded in 1957. Alothaim operates around 113 stores, which sell food products & supplies, household equipments, electrical & mechanical equipments, cooked & non-cooked catering services and other products at both wholesale and retail levels. Furthermore, Al-Othaim owns private labels such as HALEY, Proof, SHERR, and REX.



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Alothaim

Ambitious expansion plans

Alothaim reported single digit top-line growth in Q1 2013, due to slow growth in same store sales. However, an improvement in operating efficiency helped the company achieve 20.5% y-o-y growth in net profit. We expect same store sales to remain sluggish for Q2 2013. The company has opened five new stores till date in 2013, which should support its near-term top-line growth. We have revised our estimates after incorporating the first quarter results and changes in our assumptions. Alothaim's stock has already given an impressive return of 42% in 2013. We see limited potential upside from the current level based on our target price of SAR115.7 per share, and accordingly, we downgrade the stock to a Neutral rating.

Slower top-line growth in Q1: Alothaim reported a revenue growth of 9% y-o-y in Q1 2013, which was supported by about 5.6% increase in same-store sales and new store launches. Alothaim has launched five new stores in 2013, taking the store count to 113. Net profit grew by 20.5% in Q1, helped by lower cost of goods sold (as a percentage of revenue). The company's net profit margin has improved by a moderate 35bps to 3.7%.

Q2 2013 expectations: We expect the company to post a top-line growth of 8.2% y-o-y to SAR1.15bn in Q2 2013; further we expect it to achieve a net profit growth of 6.7% y-o-y to SAR39.2mn. We expect a similar growth in same-store sales as witnessed in Q1 2013 (about 5.6%). Net profit margin is estimated to remain at 3.4%, largely flat on a y-o-y basis. Margin pressure may be seen in the second half of the year due to the Nitaqat program (Saudization policy).

Expansion plans: Alothaim has ambitious plans to increase its selling area by focusing more on supermarkets and hypermarkets. We expect the company to open 5-7 more outlets in 2013, and around 10-12 next year to reach a total of 130 outlets by the end of 2014, with a retail space of around 290,000 square meters.

Valuation: In our last retail sector note (dated January 05, 2013), we had assigned an Overweight rating to Alothaim, with a potential upside of about 19%. The stock has moved up considerably since then, returning an impressive 42% on a YTD basis. We have revised our target price for Alothaim to SAR115.7 per share after incorporating its first quarter results as well as changes in our assumptions. We see limited potential upside from the current level and based on our new target price, we have downgraded the stock to a Neutral rating.

Period End (SAR)	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (mn)	4,091	4,266	4,566	5,037	5,544
Revenue Growth	16.2%	4.3%	7.0%	10.3%	10.1%
Gross profit margin	7.9%	7.4%	7.9%	8.0%	8.0%
EBITDA margin	5.7%	5.6%	5.7%	5.7%	6.3%
Net profit margin	3.7%	4.0%	3.8%	3.9%	3.7%
EPS	6.67	7.63	7.62	8.63	9.08
EPS Growth	-7.3%	14.4%	-0.2%	13.2%	5.3%
ROE	30.6%	28.4%	22.4%	24.5%	26.8%
ROCE	22.6%	20.0%	16.2%	18.1%	18.7%
Capex/Sales	5.1%	2.7%	4.0%	3.5%	4.2%

Source: Company data, Al Rajhi Capital



Income Statement (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue	4,091	4,266	4,566	5,037	5,544
Cost of Goods Sold	(3,768)	(3,952)	(4,207)	(4,634)	(5,101)
Gross Profit	323	314	360	403	444
Government Charges					
S.G. & A. Costs	(166)	(158)	(188)	(212)	(233)
Operating EBIT	158	156	172	192	211
Cash Operating Costs	(3,858)	(4,027)	(4,308)	(4,752)	(5,196)
EBITDA	233	239	259	285	348
Depreciation and Amortisation	(75)	(83)	(87)	(93)	(137)
Operating Profit	158	156	172	192	211
Net financing income/(costs)	0	18	2	5	(3)
Forex and Related Gains	-	-	-	-	-
Provisions	-	-	-	-	-
Other Income	(4)	1	2	2	2
Other Expenses					
Net Profit Before Taxes	154	176	176	199	210
Taxes	(4)	(4)	(5)	(5)	(5)
Minority Interests	-	-	-	-	-
Net profit available to shareholders	150	172	171	194	204
Dividends	-	(90)	(79)	(315)	(80)
Transfer to Capital Reserve					
	12/11A	12/12A	12/13E	12/14E	12/15E
Adjusted Shares Out (mn)	22.50	22.50	22.50	22.50	22.50
CFPS (SAR)	10.02	11.31	11.48	12.77	15.19
EPS (SAR)	6.67	7.63	7.62	8.63	9.08
DPS (SAR)	0.00	4.00	3.50	14.00	3.54
	12/11A	12/12A	12/13E	12/14E	12/15E
Growth					
Revenue Growth	16.2%	4.3%	7.0%	10.3%	10.1%
Gross Profit Growth	16.1%	-2.8%	14.5%	12.0%	10.0%
EBITDA Growth	22.4%	2.6%	8.3%	10.2%	22.2%
Operating Profit Growth	12.1%	-1.0%	10.1%	11.5%	10.0%
Net Profit Growth	-7.3%	14.4%	-0.2%	13.2%	5.3%
EPS Growth	-7.3%	14.4%	-0.2%	13.2%	5.3%
	12/11A	12/12A	12/13E	12/14E	12/15E
Margins					
Gross profit margin	7.9%	7.4%	7.9%	8.0%	8.0%
EBITDA margin	5.7%	5.6%	5.7%	5.7%	6.3%
Operating Margin	3.9%	3.7%	3.8%	3.8%	3.8%
Pretax profit margin	3.8%	4.1%	3.9%	4.0%	3.8%
Net profit margin	3.7%	4.0%	3.8%	3.9%	3.7%
	12/11A	12/12A	12/13E	12/14E	12/15E
Other Ratios					
ROCE	22.6%	20.0%	16.2%	18.1%	18.7%
ROIC	23.7%	21.8%	23.0%	21.4%	22.4%
ROE	30.6%	28.4%	22.4%	24.5%	26.8%
Effective Tax Rate	2.3%	2.1%	2.8%	2.5%	2.5%
Capex/Sales	5.1%	2.7%	4.0%	3.5%	4.2%
Dividend Payout Ratio	0.0%	52.4%	45.9%	162.3%	39.0%
	12/11A	12/12A	12/13E	12/14E	12/15E
Valuation Measures					
P/E (x)	17.5	15.3	15.3	13.5	12.9
P/CF (x)	11.7	10.3	10.2	9.1	7.7
P/B (x)	4.9	3.9	3.1	3.6	3.3
EV/Sales (x)	0.6	0.5	0.5	0.5	0.4
EV/EBITDA (x)	10.0	9.1	8.9	8.3	7.0
EV/EBIT (x)	14.8	13.9	13.3	12.4	11.6
EV/IC (x)	3.3	3.0	2.6	2.6	2.4
Dividend Yield	0.0%	3.4%	3.0%	12.0%	3.0%

Source: Company data, Al Rajhi Capital



Balance Sheet (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Cash and Cash Equivalents	44	63	141	96	65
Current Receivables	-	-	-	-	-
Inventories	311	322	381	410	455
Other current assets	97	80	103	103	103
Total Current Assets	452	465	624	609	622
Fixed Assets	1,083	1,112	1,208	1,291	1,387
Investments	119	174	172	172	172
Goodwill	13	12	12	12	12
Other Intangible Assets	-	-	-	-	-
Total Other Assets	-	-	-	-	-
Total Non-current Assets	1,215	1,298	1,392	1,475	1,571
Total Assets	1,667	1,763	2,017	2,084	2,193
Short Term Debt	165	184	129	129	129
Trade Payables	-	-	-	-	-
Dividends Payable	-	-	(68)	(68)	(68)
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	934	941	915	983	1,026
Long-Term Debt	166	101	207	327	327
Other LT Payables	-	-	-	-	-
Provisions	35	41	43	43	43
Total Non-current Liabilities	202	142	250	370	370
Minority interests	-	-	-	-	-
Paid-up share capital	225	225	225	225	225
Total Reserves	306	455	627	506	572
Total Shareholders' Equity	531	680	852	731	797
Total Equity	531	680	852	731	797
Total Liabilities & Shareholders' Equity	1,667	1,763	2,017	2,084	2,193
Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
Net Debt (SARmn)	287	221	194	360	391
Net Debt/EBITDA (x)	1.23	0.93	0.75	1.26	1.12
Net Debt to Equity	54.1%	32.5%	22.8%	49.2%	49.0%
EBITDA Interest Cover (x)	(1,670.3)	(13.0)	(107.9)	(52.6)	109.4
BVPS (SAR)	23.61	30.24	37.86	32.49	35.41
Cashflow Statement (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Net Income before Tax & Minority Interest	154	176	176	199	210
Depreciation & Amortisation	75	83	87	93	137
Decrease in Working Capital	73	(9)	13	38	(1)
Other Operating Cashflow	(7)	(22)	(5)	(5)	(5)
Cashflow from Operations	295	228	272	326	341
Capital Expenditure	(209)	(115)	(182)	(176)	(233)
New Investments	(1)	(26)	-	-	-
Others	-	2	4	-	-
Cashflow from investing activities	(209)	(139)	(178)	(176)	(233)
Net Operating Cashflow	86	89	94	149	108
Dividends paid to ordinary shareholders	(68)	(23)	(68)	(315)	(139)
Proceeds from issue of shares	-	-	-	-	-
Effects of Exchange Rates on Cash	-	-	-	-	-
Other Financing Cashflow	-	-	-	-	-
Cashflow from financing activities	(87)	(69)	(16)	(195)	(139)
Total cash generated	(2)	20	78	(46)	(31)
Cash at beginning of period	45	44	63	141	96
Implied cash at end of year	44	63	141	96	65
Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
Capex/Sales	5.1%	2.7%	4.0%	3.5%	4.2%

Source: Company data, Al Rajhi Capital



Rating NEUTRAL
Target price SAR183.4 (-5% downside)
Current SAR194.0 As at 22/06/2013

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Key themes & implications

New store launches and rising demand for electronic products are driving growth for Jarir. We expect the company to report double-digit growth in Q2 2013. We have revised our estimates for Jarir, and changed our valuation methodology by combining the DCF and RV methodologies. Based on this, we have arrived at a fair value of SAR183.4 on Jarir. Hence, we maintain our Neutral rating on the company.

Share information

Market cap (SAR/US\$)	11.61bn / 3.096bn		
52-week range	148.0 - 193.5		
Daily avg volume (US\$)	1.63mn		
Shares outstanding	60.00mn		
Free float (est)	87%		
Performance	1M	3M	12M
Absolute	9.9%	23.8%	24.8%
Relative to index	4.9%	15.9%	13.1%
Major Shareholder:			
Jarir Investment company	12.0%		
Mohammed Abdulrahman Alaqeel	9.0%		

Valuation

	12/12A	12/13E	12/14E	12/15E
P/E (x)	20.4	18.0	16.7	15.9
P/B (x)	11.3	10.1	8.8	7.7
EV/EBITDA (x)	19.9	17.4	16.1	14.9
Dividend Yield	4.0%	4.7%	4.5%	4.7%

Source: Company data, Al Rajhi Capital

Performance



Source: Bloomberg, Company data, Al Rajhi Capital

Company summary

Jarir Marketing Company is one of the leading retail companies in the GCC with a market capitalization of US\$2.5. The company sells books, school supplies, office supplies, laptops, software, and other electronic products at both wholesale and retail levels. The retail sector of the company contributes approximately 90% of its revenues. Jarir owns 32 branches out of which 27 are in Saudi Arabia, while the remaining four are in the GCC region.

Jarir Marketing Company

Double-digit growth in Q2 2013

Jarir reported double-digit growth in both revenue and net profit figures in Q1 2013, supported by strong sales of electronic products and higher number of stores as compared to Q1 2012. The company's Q1 2013 figures were mostly in line with our estimates. We believe Jarir will continue to witness a double-digit y-o-y growth in the second quarter as well, on the back of rising income among the Saudi population. Our revised target price of SAR183.4 per share, implies a potential downside of 5% from the current market price. Hence, we retain our Neutral rating on the stock.

Double-digit growth in Q1: Jarir reported sales of about SAR1,330mn for Q1 2013, up 11.2% y-o-y and 12.5% on a q-o-q basis. The revenue figure was mostly in line with our estimate of SAR1,368mn for the quarter. The increasing top-line can be attributed to the rise in number of stores from 30 to 32, coupled with higher sales of electronic products, especially tablet PCs and smart phones (iPhone 5 was recently launched). Jarir's Q1 net profit rose 10.1% y-o-y to SAR180.8mn, which was 3.2% higher than our estimate of SAR175mn. Growth in profit margins were mostly flat with the EBITDA margin at 13.9% (vs. 13.8% in Q1 2012), and the net profit margin at 13.6% (vs. 13.7%).

Sustained growth in second quarter: We believe Jarir is likely to report double-digit growth in Q2 2013, driven by store expansion and strong demand for new electronic products. We expect Jarir to post revenue of SAR1,234mn in Q2 2013, (+15.8% y-o-y) and a net profit of SAR123.2mn (+ 15.2% y-o-y). However, revenue is likely to fall by 7.2% on a q-o-q basis due to the seasonality effect.

Valuation: Jarir's stock has witnessed a sharp run-up since the beginning of the year. The stock crossed our earlier target price of SAR168.6, and has continued to move higher to reach SAR194. Based on our new valuation methodology and the revised assumptions, we arrive at a new target price of SAR183.4 for Jarir, which implies a potential downside of only 5% from the current market price. Hence, we assign a Neutral rating to the company.

Period End (SAR)	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue (mn)	4,147	4,634	5,383	6,029	6,665
Revenue Growth	37.6%	11.7%	16.2%	12.0%	10.6%
Gross profit margin	15.3%	15.0%	14.7%	14.6%	14.0%
EBITDA margin	12.7%	12.6%	12.4%	12.0%	11.7%
Net profit margin	12.4%	12.3%	12.0%	11.5%	10.9%
EPS	10.26	9.50	10.73	11.57	12.12
EPS Growth	2.4%	-7.4%	12.9%	7.8%	4.8%
ROE	60.2%	59.0%	59.1%	56.2%	51.6%
ROCE	49.9%	45.8%	46.8%	45.1%	39.4%
Capex/Sales	5.0%	2.0%	2.7%	3.0%	3.8%

Source: Company data, Al Rajhi Capital



Income Statement (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue	4,147	4,634	5,383	6,029	6,665
Cost of Goods Sold	(3,514)	(3,940)	(4,591)	(5,151)	(5,732)
Gross Profit	634	694	792	878	933
Government Charges					
S.G. & A. Costs	(127)	(132)	(155)	(189)	(207)
Operating EBIT	507	562	637	688	727
Cash Operating Costs	(3,620)	(4,051)	(4,718)	(5,306)	(5,885)
EBITDA	527	584	665	723	780
Depreciation and Amortisation	(20)	(22)	(29)	(34)	(54)
Operating Profit	507	562	637	688	727
Net financing income/(costs)	(7)	(5)	(6)	(7)	(7)
Forex and Related Gains	-	-	-	-	-
Provisions	-	-	-	-	-
Other Income	31	32	30	30	30
Other Expenses					
Net Profit Before Taxes	531	588	661	712	750
Taxes	(18)	(18)	(17)	(18)	(22)
Minority Interests	-	-	-	-	-
Net profit available to shareholders	513	570	644	694	727
Dividends	(420)	(465)	(540)	(528)	(546)
Transfer to Capital Reserve					
	12/11A	12/12A	12/13E	12/14E	12/15E
Adjusted Shares Out (mn)	60.00	60.00	60.00	60.00	60.00
CFPS (SAR)	10.67	9.86	11.20	12.14	13.02
EPS (SAR)	10.26	9.50	10.73	11.57	12.12
DPS (SAR)	7.00	7.75	9.00	8.80	9.09
Growth	12/11A	12/12A	12/13E	12/14E	12/15E
Revenue Growth	37.6%	11.7%	16.2%	12.0%	10.6%
Gross Profit Growth	26.4%	9.5%	14.1%	10.8%	6.3%
EBITDA Growth	26.9%	10.7%	14.0%	8.6%	8.0%
Operating Profit Growth	28.1%	10.9%	13.3%	8.1%	5.5%
Net Profit Growth	28.0%	11.1%	12.9%	7.8%	4.8%
EPS Growth	2.4%	-7.4%	12.9%	7.8%	4.8%
Margins	12/11A	12/12A	12/13E	12/14E	12/15E
Gross profit margin	15.3%	15.0%	14.7%	14.6%	14.0%
EBITDA margin	12.7%	12.6%	12.4%	12.0%	11.7%
Operating Margin	12.2%	12.1%	11.8%	11.4%	10.9%
Pretax profit margin	12.8%	12.7%	12.3%	11.8%	11.3%
Net profit margin	12.4%	12.3%	12.0%	11.5%	10.9%
Other Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
ROCE	49.9%	45.8%	46.8%	45.1%	39.4%
ROIC	57.0%	53.5%	56.5%	54.8%	49.9%
ROE	60.2%	59.0%	59.1%	56.2%	51.6%
Effective Tax Rate	3.3%	3.1%	2.6%	2.5%	3.0%
Capex/Sales	5.0%	2.0%	2.7%	3.0%	3.8%
Dividend Payout Ratio	81.9%	81.6%	83.9%	76.1%	75.0%
Valuation Measures	12/11A	12/12A	12/13E	12/14E	12/15E
P/E (x)	18.9	20.4	18.0	16.7	16.0
P/CF (x)	18.1	19.6	17.3	15.9	14.9
P/B (x)	12.8	11.3	10.1	8.8	7.7
EV/Sales (x)	2.3	2.5	2.1	1.9	1.8
EV/EBITDA (x)	18.0	19.5	17.2	15.9	15.0
EV/EBIT (x)	18.7	20.3	18.0	16.7	16.1
EV/IC (x)	11.2	10.4	9.3	8.1	6.6
Dividend Yield	3.6%	4.0%	4.7%	4.5%	4.7%

Source: Company data, Al Rajhi Capital



Balance Sheet (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Cash and Cash Equivalents	60	111	117	95	50
Current Receivables	243	258	300	335	400
Inventories	601	726	763	854	1,020
Other current assets	39	38	48	48	48
Total Current Assets	943	1,133	1,227	1,332	1,518
Fixed Assets	742	814	931	1,077	1,273
Investments	35	34	34	34	34
Goodwill	-	-	-	-	-
Other Intangible Assets	-	-	-	-	-
Total Other Assets	-	-	-	-	-
Total Non-current Assets	777	848	964	1,111	1,307
Total Assets	1,720	1,981	2,192	2,443	2,825
Short Term Debt	96	17	17	17	17
Trade Payables	-	-	-	-	-
Dividends Payable	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	664	697	770	855	916
Long-Term Debt	108	200	208	208	343
Other LT Payables	-	-	-	-	-
Provisions	41	58	62	62	62
Total Non-current Liabilities	149	258	271	271	405
Minority interests	-	-	-	-	-
Paid-up share capital	600	600	600	600	600
Total Reserves	307	426	551	717	903
Total Shareholders' Equity	907	1,026	1,151	1,317	1,503
Total Equity	907	1,026	1,151	1,317	1,503
Total Liabilities & Shareholders' Equity	1,720	1,981	2,192	2,443	2,825
Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
Net Debt (SARmn)	145	106	108	130	310
Net Debt/EBITDA (x)	0.27	0.18	0.16	0.18	0.40
Net Debt to Equity	16.0%	10.3%	9.4%	9.9%	20.6%
EBITDA Interest Cover (x)	78.9	109.1	105.0	107.0	115.5
BVPS (SAR)	15.11	17.11	19.18	21.95	25.05
Cashflow Statement (SARmn)	12/11A	12/12A	12/13E	12/14E	12/15E
Net Income before Tax & Minority Interest	531	588	661	712	750
Depreciation & Amortisation	20	22	29	34	54
Decrease in Working Capital	24	(26)	(15)	(42)	(170)
Other Operating Cashflow	19	21	(15)	(18)	(22)
Cashflow from Operations	594	605	659	687	611
Capital Expenditure	(207)	(93)	(145)	(181)	(250)
New Investments	-	-	-	-	-
Others	0	-	-	-	-
Cashflow from investing activities	(207)	(93)	(145)	(181)	(250)
Net Operating Cashflow	386	512	515	506	362
Dividends paid to ordinary shareholders	(404)	(450)	(519)	(528)	(541)
Proceeds from issue of shares	-	-	-	-	-
Effects of Exchange Rates on Cash	-	-	-	-	-
Other Financing Cashflow	-	-	-	-	-
Cashflow from financing activities	(379)	(408)	(511)	(528)	(407)
Total cash generated	7	104	4	(22)	(45)
Cash at beginning of period	52	60	111	117	95
Implied cash at end of year	60	164	115	95	50
Ratios	12/11A	12/12A	12/13E	12/14E	12/15E
Capex/Sales	5.0%	2.0%	2.7%	3.0%	3.8%

Source: Company data, Al Rajhi Capital



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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"Neutral": We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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