



**US\$0.663bn** Market cap    **65.6%** Free float    **US\$1.300mn** Avg. daily volume

Target price **83.50** 17.6% over current  
 Consensus price **82.00** 15.5% over current  
 Current price **71.00** as at 17/7/2012

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Existing rating

Underweight

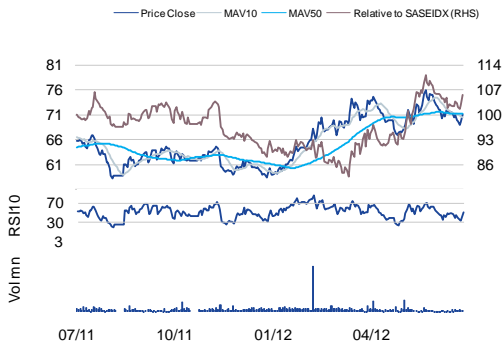
Neutral

**Overweight**

**Flash view**

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

**Performance**



**Earnings**

Period End (SAR)	12/11A	12/12E	12/13E	12/14E
Revenue (mn)	1,566	1,781	1,981	2,122
Revenue Growth	35.5%	13.7%	11.2%	7.1%
EBITDA (mn)	239	294	332	361
EBITDA Growth	21.5%	22.8%	13.0%	8.8%
EPS	5.15	5.96	6.73	7.36
EPS Growth	24.1%	15.8%	12.9%	9.3%

Source: Company data, Al Rajhi Capital

**Valuation**



Source: Company data, Al Rajhi Capital

# Al-Hassan G.I. Shaker Co

## Q2 results as per expectations

Shaker's preliminary results for Q2 2012 showed robust operating and net profit growth. Net profit for Q2 stood at SAR82.9mn, up by 12.7% y-y and lower than our estimate by 4% while operating profit for Q2 stood at SAR103.5mn, up 17.5% y-y and higher than our estimate by around 5%. Overall, the results support our view that Shaker remains well positioned to benefit from strong demand for consumer durable products in the MENA region. We strongly believe these set of good results will boost Shaker's share price. While we await full financials to update our forecasts, we are likely to maintain our target price of SAR83.5 and overweight rating on the company.

Earnings vs. our forecast	Above	<b>In Line</b>	Below
<b>Likely impact:</b>			
Earnings estimates	Up	<b>No Change</b>	Down
Dividend estimates	Up	<b>No Change</b>	Down
Recommendation	Upgrade	<b>No Change</b>	Downgrade
Long term view	Stronger	<b>Confirmed</b>	Weaker

- Revenues:** While we await the revenue details for Q2, we expect that revenues could be lower than our estimate of SAR619mn.
- Gross profit & Operating Profit:** Shaker's gross profit of SAR184.9mn rose by 11.2% year-on-year, higher than our estimate of SAR196.5mn while operating profit for Q2 of SAR103.5mn was up 17.5% y-y, and higher than our estimate by almost 5%. As per the company's announcement on Tadawul, LG Shaker and Modern Vision of Jordan witnessed major improvement in their margins. For Shaker LG, we suspect that this was on volume sales rather than price, as the company will continue to benefit from economies of scale.
- Net profit:** Net profit for Q2 stood at SAR82.9mn, up by 12.7% y-y and lower than our estimate by 4%. As stated earlier, margins have improved for this quarter and we believe this should continue for the next half of 2012.
- Conclusion:** Despite being slightly lower than our estimates, Shaker reported solid Q2 results. We strongly believe Shaker's leading position in the Saudi AC sector assures its growth. We currently forecast that revenues will increase by 13.7% in 2012. At current prices, Shaker still offers 17.6% upside to our target price. It is unlikely that we change our target price or recommendation; however we await full results to confirm that.



### Corporate summary

Al Hasan Shaker Company is one of the biggest manufacturers/distributors of air-conditioners in the Kingdom. The company has a JV with LG through which it manufactures air-conditioners under the famous brand name of LG. Further, Shaker exclusively distributes the respected Chinese Midea AC as well as McQuay Air Conditioning. Moreover, the company has bagged many exclusive distribution rights of many home appliance products such as refrigerators, washing machines and kitchen appliances.

### Share information

Market cap (SAR/US\$) 2.485bn / 0.663bn  
 52-week range 58.25 - 76.00  
 Daily avg volume (US\$) 1.300mn  
 Shares outstanding 35.00mn  
 Free float (est) 65.6%

Performance:	1M	3M	12M
Absolute	-5.7%	0.4%	7.6%
Relative to index	-3.2%	12.7%	5.6%

Major Shareholder:

Ibrahim Abu Nayan and Brothers Co.	12.2%
Abdulgader Almuhaideb and Children Co.	12.2%

Source: Bloomberg, Al Rajhi Capital

### Valuation

Period End	12/11A	12/12E	12/13E	12/14E
Revenue (SARmn)	1,566	1,781	1,981	2,122
EBITDA (SARmn)	239	294	332	361
Net Profit (SARmn)	180	209	236	258
EPS (SAR)	5.15	5.96	6.73	7.36
DPS (SAR)	3.50	4.00	4.50	5.15
EPS Growth	24.1%	15.8%	12.9%	9.3%
EV/EBITDA (x)	13.5	11.3	10.0	9.2
P/E (x)	13.8	11.9	10.5	9.6
P/B (x)	5.2	4.5	4.0	3.5
Dividend Yield	4.9%	5.6%	6.3%	7.3%

Source: Company data, Al Rajhi Capital



## Disclaimer and additional disclosures for Equity Research

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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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