

Arabian Centres Co. (ACC) - 4QFY22 Result Review

Analyst: Ayisha Zia

Previous Recommendation: **Accumulate**

Target Price (SAR): **25.50**

Previous Reco. & Date:

TP: SAR 25.5 per share; Accumulate on 31-Mar-2022

Current Upside / (Downside): 28%

Date: 6/30/2022



4QFY22 revenue matches our estimate

Arabian Centres' revenue in 4Q FY22 rose 16% YoY to SAR 519.2mn, coming in-line with our estimate. The top-line growth was supported by an increase in net rental revenue, as the company registered a dip in the weighted average rental discount rate. In addition, an increase in occupancy and higher media sales also lifted the revenue.

Operating profit surges 70% YoY to beat our estimate...

Gross and operating profit surged 40% and 70% YoY, respectively. As a result, operating profit beat our estimate by 14%, partly aided by a decrease in impairment losses on accounts receivables. As per our estimate, the company reversed impairment loss to the tune of c. SAR 17mn during the quarter, in contrast to our assumption of it posting ~SAR 27mn in impairments of receivables.

...yet, the bottom-line misses our estimate

Despite a strong performance at the operating level, net profit fell 20% YoY to SAR 103.7mn (~21% below our estimate). As per our calculations, the company registered ~SAR 31mn as zakat charges in 4QFY22 (our estimate: ~SAR 3.1mn), which primarily led to the net profit miss.

Maintain target price

Post the in-line revenue growth and better-than-expected operating performance and profitability in 4Q FY22, we maintain our SAR 25.5 target price on the stock. As expected, ACC is witnessing solid growth in footfalls, which increased 27.9% YoY in FY22 to reach 80.8mn (74% of FY19 levels). The Ramadan season and upcoming Hajj season should further boost the footfalls, in our view.

Income Statement												
(SAR mn)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	4QFY22e	YoY (%)	QoQ (%)	Var (%)	FY21	FY22e	YoY (%)
Sales/Revenue	446.2	510.7	497.0	510.6	519.2	506.6	16%	2%	2%	1,856.4	2,037.5	9.8%
Gross Profit (Loss)	220.8	285.7	266.9	290.4	309.7	283.5	40%	7%	9%	1,023.1	1,152.6	12.7%
Operating Profit (Loss)	135.5	214.5	183.1	189.9	230.4	202.2	70%	21%	14%	816.6	817.9	0.2%
Net Profit (Loss) after Zakat and tax	129.5	126.6	91.6	111.9	103.7	131.3	-20%	-7%	-21%	486.7	433.8	-10.9%
Balance Sheet												
(SAR mn)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	4QFY22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	6,051.1	5,821.7	5,912.0	6,025.9	5,780.6	6,062.1	-4%	-4%	-5%			
Key Ratios												
	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	4QFY22e						
Gross Profit Margin	49.5%	55.9%	53.7%	56.9%	59.6%	56.0%						
Operating Profit Margin	30.4%	42.0%	36.8%	37.2%	44.4%	39.9%						
Net Profit Margin	29.0%	24.8%	18.4%	21.9%	20.0%	25.9%						
Return on Equity (RoE)	8.6%	8.7%	6.2%	7.4%	7.2%	8.7%						
Annualized EPS (SAR)	0.27	0.27	0.19	0.24	0.87	0.28						
BVPS (SAR)					12.17	12.76						
TTM P/E (x)					21.9							
Current P/BV (x)					1.6							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%



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