

# BinDawood Holding Co.

Retail – Industrial

BINDAWOO AB: Saudi Arabia

06 April 2021

الراجحي المالية  
Al Rajhi Capital



**US\$3.292bn** Market cap  
**20%** Free float  
**US\$7.78mn** Avg. daily volume

Target price **102.0** -5.5% over current  
Current price **108.0** as at 5/4/2021

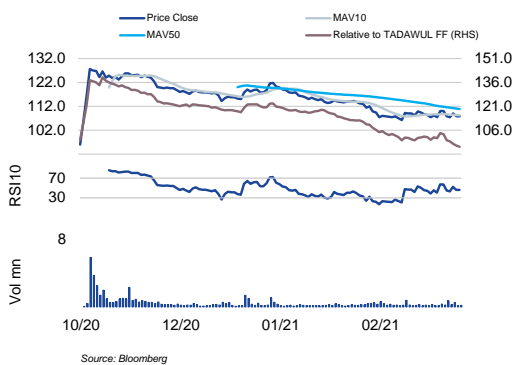
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## Existing rating

**Underweight** **Neutral** **Overweight**

## Performance



## Earnings

(SARmn)	2020	2021E	2022E
Revenue	5,156	5,103	5,347
Y-o-Y	6.5%	-1.0%	4.8%
Gross profit	1,672	1,678	1,770
Y-o-Y	1.7%	0.4%	5.5%
Gross margin	32.4%	32.9%	33.1%
EBITDA	949	891	1,030
Y-o-Y	1.2%	-6.2%	15.6%
EBITDA margin	18.4%	17.5%	19.3%
Net profit	448	401	555
Y-o-Y	6.8%	-10.4%	38.5%
Net margin	8.7%	7.9%	10.4%
EPS (SAR)	3.92	3.51	4.86
DPS (SAR)	2.00	2.11	2.91
Payout ratio	51.1%	60.0%	60.0%

Source: Company data, Al Rajhi Capital

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## Missed Estimates; Downgrade to Neutral

BinDawood's Q4 2020 net profit missed our and consensus earnings expectations of SAR128mn and SAR122mn respectively by huge margin mainly due to 27% y-o-y drop in BinDawood segment sales. The key reason for the drop in overall revenue was lower footfalls in Harmain stores due to limited number of Umrah pilgrims. Other reasons for weak sales were absence of back to school sales and reduced promotional activities to adhere to social distancing norms. The Danube segment, which caters to high-end segment of the society, reported a flattish growth of 0.6% y-o-y in Q4 2020. Consequently, the overall gross margins diluted 230bps y-o-y leading to a drop in operating and net margins. BinDawood continued its expansion plans as it opened five new Danube stores in 2020 taking the total store count to 74 stores. Company plans to expand 5-6 new stores in FY 2021e.

**Q4 2020 Earnings Summary:** Revenue declined 8.8% y-o-y to SAR1.13bn in Q4 2020 driven by 27% y-o-y drop in BinDawood segment sales. The gross margins diluted 230bps y-o-y due to lower sales as well as likely due to unfavourable product mix. The SG&A increased 7.8% y-o-y, which along with lower GPM led to a decline in operating margins by 640bps y-o-y. The company reported a net income of SAR57mn a drop of 54% y-o-y due to lower sales and gross margins.

## Figure 1 4Q20 results summary

(SAR mn)	Q4 2020	Q4 2019	Y-o-Y	Q3 2020	Q-o-Q	ARC est	vs ARC
Revenue	1,113	1,220	-8.8%	1,082	2.8%	1,266	-12.1%
Gross profit	359	422	-14.9%	356	0.8%	418	-14.1%
Gross margin	32.3%	34.6%		32.9%		33.0%	
Operating profit	63	148	-57.1%	87	-27.2%	133	-52.5%
Operating margin	5.7%	12.1%		8.0%		10.5%	
Net profit	57	124	-53.7%	79	-27.0%	128	-55.2%
Net margin	5.2%	10.2%		7.3%		10.1%	

Source: Company data, Al Rajhi Capital

**Outlook and Valuation:** The key reasons such as lower religious tourism, delay in school reopening and change in consumer buying behaviour, which led to an adverse impact on the company's business in Q4 2020 might continue during H1 2021. We expect a recovery in H2 2021 driven by promotional activities and pick up in religious tourism. Therefore we revise our estimates and expect a -10% LFL growth for BinDawood and +2% y-o-y LFL growth for Danube segment in FY 2021e (previously +3.5% and 5% for BinDawood and Danube segment respectively). Post revision of forecasts our DCF based target price (WACC 8.17%, terminal growth 2%) stands at SAR112/sh while PE based relative valuation based on 26x FY 2021 eps stands at SAR92/sh thus equal weighted target price stands at SAR102/sh (earlier SAR126/sh). We change our rating from "Overweight" to "Neutral" on BinDawood.

Key downside risks to our valuation includes delay in pick-up of religious tourism and school re-opening while key upside risk includes any further lockdown which will lead to a panic buying and impact the revenue positively.



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"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 12 month time horizon.

"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

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