

Arabian Centres Co. (Cenomi Centers) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Buy**

Target Price (SAR): **27.00**

Previous TP & Date: TP — SAR 27.00 on 04-Sep-2023

Current Upside / (Downside): 35%

Date: 11/13/2023



Top line slips YoY on lower occupancy, matching our estimate

Arabian Centres' (Cenomi Centers) top line edged lower 1.1% YoY in 3Q 2023, matching our estimate (-0.7% variance). The company witnessed a slightly lower average occupancy, which offset growth in other revenue streams, including a 17.4% YoY increase in media sales, weighing on the overall top line.

Gross profit comes in line, but operating profit exceeds our estimate on net fair value gain

Gross profit lagged revenue growth as it fell 4.5% YoY, hit by an increase in insurance costs and repairs & maintenance expenses, matching our expectations (+0.5% variance). Despite the lower gross profit, operating profit rose 8.1% YoY (11.0% beat), aided by SAR 60.3mn fair value gain on investment properties booked in 3Q 2023 vs. SAR 4.3mn fair value loss recorded in 3Q 2022. Net profit grew at a relatively higher pace of 11.1% YoY, exceeding our estimate by 15.1%, as a SAR 13.4mn YoY increase in finance costs on borrowings was partly offset by a SAR 8.5mn decrease in the finance expense on lease liabilities.

Maintain target price

Arabian Centres maintained high period-end occupancy at ~90% at 3Q 2023-end with the visitors' footfall climbing 23.5% YoY to 95.2mn, suggesting the company is enjoying a favorable operating environment. Also, considering the better-than-expected operating and net income outcome in 3Q 2023, we retain our SAR 27.00 target price on the stock.

Valuation

At the current market price, the stock is trading at 7.8x P/E and 0.7x P/B, based on our FY 2023 estimates, below its around 10-month daily average forward P/E of 11.8x and P/B of 1.4x.

Income Statement												
(SAR mn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	3QFY23e	YoY (%)	QoQ (%)	Var (%)	9M 22	9M 23	YoY (%)
Sales/Revenue	573.7	550.8	576.8	565.3	567.7	571.8	-1.1%	0.4%	-0.7%	1,655.9	1,709.8	3.3%
Gross Profit (Loss)	484.6	462.5	491.1	458.0	462.8	460.6	-4.5%	1.0%	0.5%	1,386.8	1,411.9	1.8%
Operating Profit (Loss)	368.2	542.7	490.1	432.1	398.2	358.6	8.1%	-7.8%	11.0%	943.9	1,320.4	39.9%
Net Profit (Loss) after Zakat and tax	264.3	459.1	383.3	337.1	293.6	255.1	11.1%	-12.9%	15.1%	621.0	1,018.7	64.0%
Balance Sheet												
(SAR mn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	3QFY23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	13,682.2	15,895.7	14,046.3	13,900.0	13,829.9	14,155.1	1.1%	-0.5%	-2.3%			
Key Ratios												
	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	3QFY23e						
Gross Profit Margin	84.5%	84.0%	85.2%	81.0%	81.5%	80.5%						
Operating Profit Margin	64.2%	98.5%	85.0%	76.4%	70.1%	62.7%						
Net Profit Margin	46.1%	83.3%	66.5%	59.6%	51.7%	44.6%						
Return on Equity (RoE)	7.7%	11.6%	10.9%	9.7%	8.5%	7.2%						
Annualized EPS (SAR)	0.51	0.97	0.81	0.71	2.47	0.54						
BVPS (SAR)					29.12	29.80						
TTM P/E (x)					6.4							
Current P/BV (x)					0.7							

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


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


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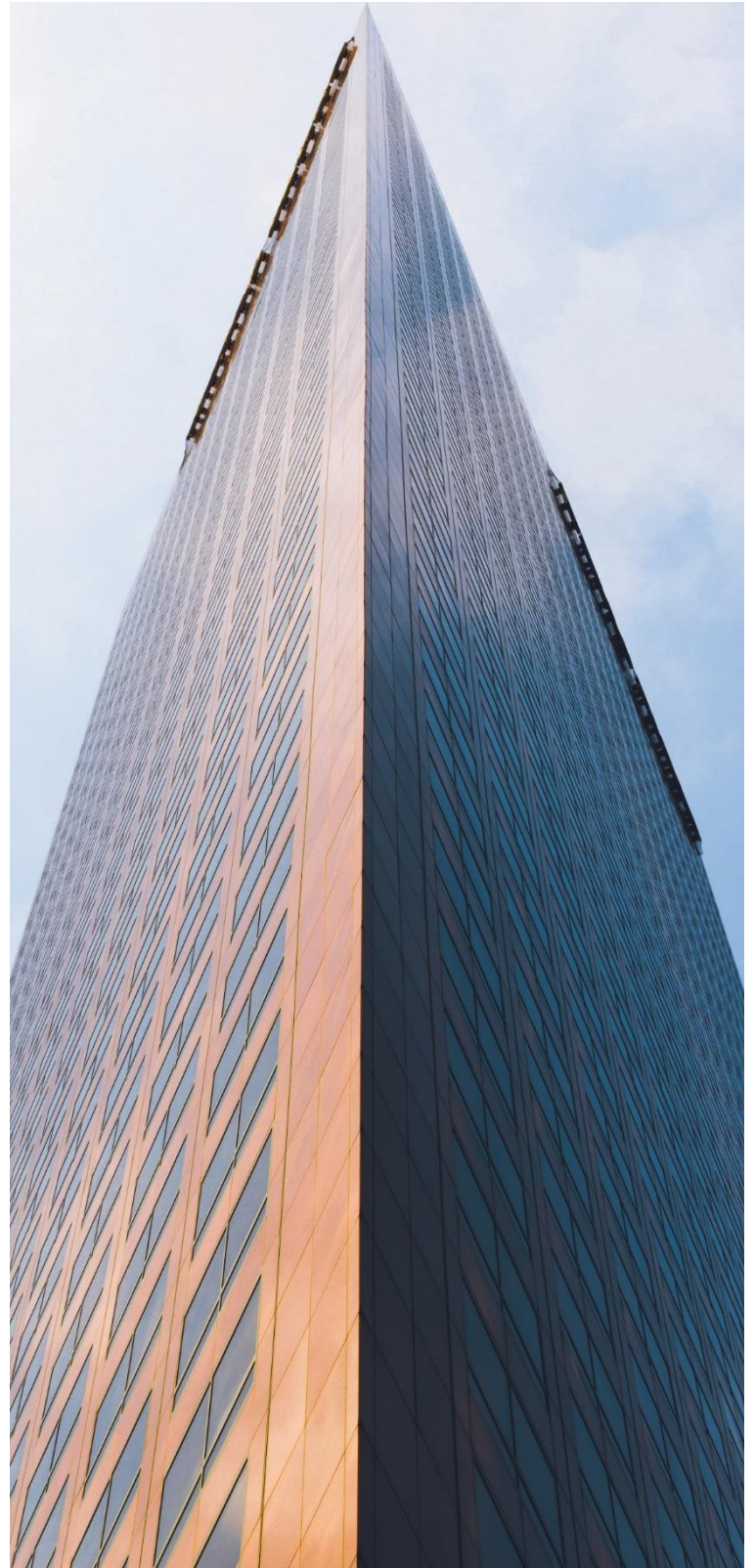
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Disclaimer

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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