

Saudia Dairy and Foodstuff Co. (SADAFCO) - 4QFY23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

Target Price (SAR):

UR

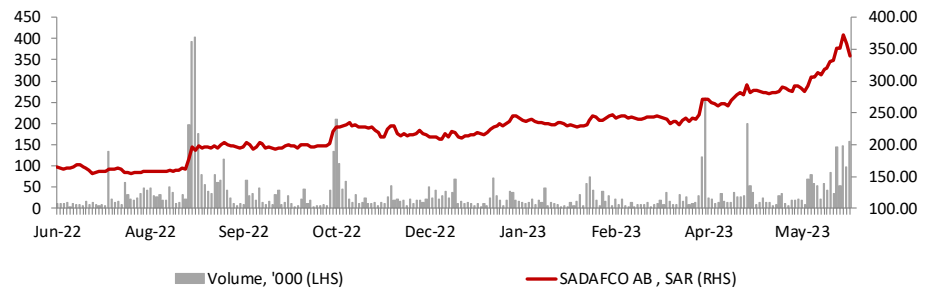
Previous Reco. & Date: TP: SAR 252 per share; Accumulate on 25-Jan-2023

Upside / (Downside):

-

Date: 6/18/2023

Bloomberg Ticker	SADAFCO AB
Current Market Price (SAR)	339.00
52wk High / Low (SAR)	378.2/155
12m Average Vol. (000)	33.8
Mkt. Cap. (USD/SAR mn)	2,938/11,018
Shares Outstanding (mn)	32.5
Free Float (%)	60%
3m Avg Daily Turnover (000)	12,489.2
6m Avg Daily Turnover (000)	8,456.4
P/E'24e (x)	31.6
P/BV'24e (x)	6.1
Dividend Yield '24e (%)	2.1%
Price Perf. (1m/3m) (%)	17.3/38.6



Revenue growth in 4Q FY 2022-23 comes exactly in line with our estimate

SADAFCO's revenue in the quarter ended March 2023 edged higher 6% YoY to SAR 668.2mn, coming perfectly in line with our estimate. The revenue growth was likely driven by an increase in sales across different product categories and sales channels.

The gross profit comes in line, but operating and net profit exceeds our estimate

Gross profit increased 9% YoY to reach SAR 201.3mn, matching our expectation, likely supported by better efficiencies in the manufacturing processes and prudent raw material sourcing. However, performance at the operating and net income level was better than expected, with the operating profit (+27% YoY) and net profit (+50% YoY) beating our estimate by 7%, and 13%, respectively.

We put the stock Under Review

Although the company's latest results were largely in tandem with our expectations, we put the stock under review. SADAFCO's stock has appreciated significantly since our last report and we would like to revisit our fundamental and valuation estimates, as we believe the stock has undergone some sort of rerating.

Valuation

At the current market price, the stock is trading at 31.6x P/E and 6.1x P/B, based on our FY'24 estimates, well above its 3-year daily average forward P/E of 18.5x and forward P/B of 3.5x.

Income Statement												
(SAR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	4QFY23e	YoY (%)	QoQ (%)	Var (%)	FY21-22	FY22-23	YoY (%)
Sales/Revenue	627.9	631.3	694.5	654.0	668.2	665.3	6%	2%	0%	2,170.3	2,648.0	22.0%
Gross Profit (Loss)	184.5	202.2	223.3	196.0	201.3	202.9	9%	3%	-1%	656.6	822.7	25.3%
Operating Profit (Loss)	72.1	89.9	114.5	75.0	91.6	85.9	27%	22%	7%	236.2	371.0	57.1%
Net Profit (Loss) after Zakat and tax	61.4	54.3	85.6	78.4	92.1	81.6	50%	17%	13%	209.1	310.5	48.5%
Balance Sheet												
(SAR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	4QFY23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,582.6	1,540.2	1,498.4	1,581.8	1,653.2	1,663.1	4%	5%	-1%			
Key Ratios												
	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	4QFY23e						
Gross Profit Margin	29.4%	32.0%	32.2%	30.0%	30.1%	30.5%						
Operating Profit Margin	11.5%	14.2%	16.5%	11.5%	13.7%	12.9%						
Net Profit Margin	9.8%	8.6%	12.3%	12.0%	13.8%	12.3%						
Return on Equity (RoE)	15.5%	14.1%	22.8%	19.8%	22.3%	19.6%						
Annualized EPS (SAR)	10.69	7.68	10.69	10.69	11.34	7.68						
BVPS (SAR)					50.87	51.17						
TTM P/E (x)					35.5							
Current P/BV (x)					6.7							

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%

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

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