

Abdullah Al Othaim Markets Co. (Al Othaim) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

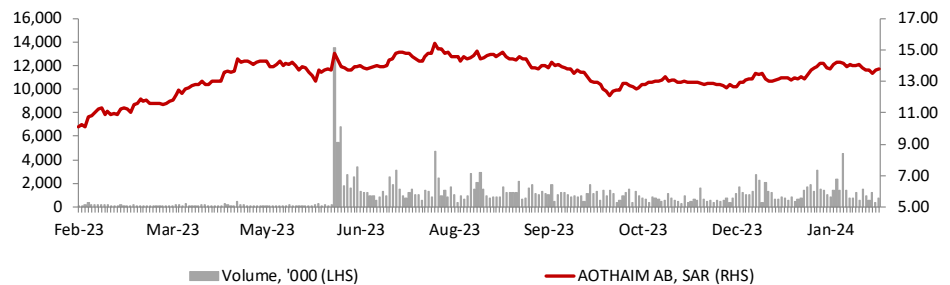
Target Price (SAR): **14.00**

Previous TP & Date: TP: SAR 14.00 per share on 29-Nov-2023

Current Upside / (Downside): 2%

Date: 7-Feb-2024

Bloomberg Ticker	AOTHAIM AB
Current Market Price (SAR)	13.66
52wk High / Low (SAR)	15.6/10.08
12m Average Vol. (000)	1,254.7
Mkt. Cap. (USD/SAR mn)	3,278/12,294
Shares Outstanding (mn)	900.0
Free Float (%)	66%
3m Avg Daily Turnover (000)	14,372.6
6m Avg Daily Turnover (000)	14,764.0
P/E'23e (x)	24.4
P/BV'23e (x)	8.8
Dividend Yield '23e (%)	4.5%
Price Perf. (1m/3m) (%)	-0.6/4.3



Al Othaim's 4Q23 revenue edges higher by 2.9% YoY, 4% below consensus, and 6.5% below U Capital's estimate

Abdullah Al Othaim's revenue in 4Q23 increased 2.9% YoY to SAR 2.56bn, 3.9% below the Bloomberg consensus estimate and missing our expectations by 6.5%. During 4Q23, the company added 22 new shopping outlets on a net basis (opened 23 and closed one), which is the highest quarterly addition of outlets since 1Q19, surpassing the 16 stores added each in 4Q22 and 3Q23.

Net Profit exceeds Bloomberg consensus by a notable margin, in line with U Capital's estimate

Al Othaim's operating profit missed our estimate by around 6% (-4% vs. Bloomberg consensus) as it rose 2.9% YoY to SAR 186.7mn, indicating a higher-than-expected increase in operating expenses, which could also be due to ramp-up efforts on the newly added stores. However, bottom-line performance was in line with our expectations. The bottom line edged lower 3.0% YoY to SAR 165.7mn, matching our estimate (-1.6% variance), but exceeded Bloomberg's consensus forecast by 27.5%.

Maintain rating and target price

Al Othaim's above-expected store additions in the last quarter indicate the company continues to pursue an aggressive organic expansion strategy, which will surely aid it in cementing its market position and gaining a larger pie of the Kingdom's expanding retail market. However, it remains to be seen whether the moderate revenue growth despite solid store additions was due to any pressure on sales or was a result of the timing of the stores opening. Hence, we maintain our Hold rating and SAR 14.00 target price on the stock as of now. Al Othaim's board has recommended a SAR 0.30 dividend per share (DPS) for 2H23, slightly higher than our expectation of SAR 0.28 DPS. Considering 1H 2023 DPS of SAR 0.3, the yield at the current market price comes to c. 4.4%.

Valuation

At the current market price, the stock trades at 29.0x on our FY24e EPS and 14.6x FY24e EBITDA, above its average 3-year forward P/E of 24.8x but similar to its average 3-year forward EV/EBITDA of 14.4x.

Income Statement												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY 22	FY 23	YoY (%)
Sales/Revenue	2,492.1	2,781.4	2,419.8	2,439.1	2,563.4	2,742.1	2.9%	5.1%	-6.5%	9,549.6	10,203.8	6.9%
Gross Profit (Loss)	628.6	574.1	508.3	539.4	649.8	675.9	3.4%	20.5%	-3.9%	2,085.6	2,271.6	8.9%
Operating Profit (Loss)	181.4	122.7	64.8	86.7	186.7	199.2	2.9%	115.4%	-6.3%	411.1	460.9	12.1%
Net Profit (Loss) after Zakat and tax	170.8	121.6	140.9	63.3	165.7	168.5	-3.0%	161.7%	-1.6%	1,079.5	487.5	-54.8%
Balance Sheet												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,407.2	1,271.6	1,413.8	1,207.1	1,355.1	1,350.6	-3.7%	12.3%	0.3%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	25.2%	20.6%	21.0%	22.1%	25.3%	24.6%						
Operating Profit Margin	7.3%	4.4%	2.7%	3.6%	7.3%	7.3%						
Net Profit Margin	6.9%	4.4%	5.8%	2.6%	6.5%	6.1%						
Return on Equity (RoE)	48.6%	38.3%	39.9%	21.0%	48.9%	49.9%						
Annualized EPS (SAR)	0.76	0.53	0.62	0.28	0.74	0.74						
BVPS (SAR)					1.51	1.50						
TTM P/E (x)					25.0							
Current P/BV (x)					9.1							

Source: Financials, Tadawul Disclosure, Bloomberg


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

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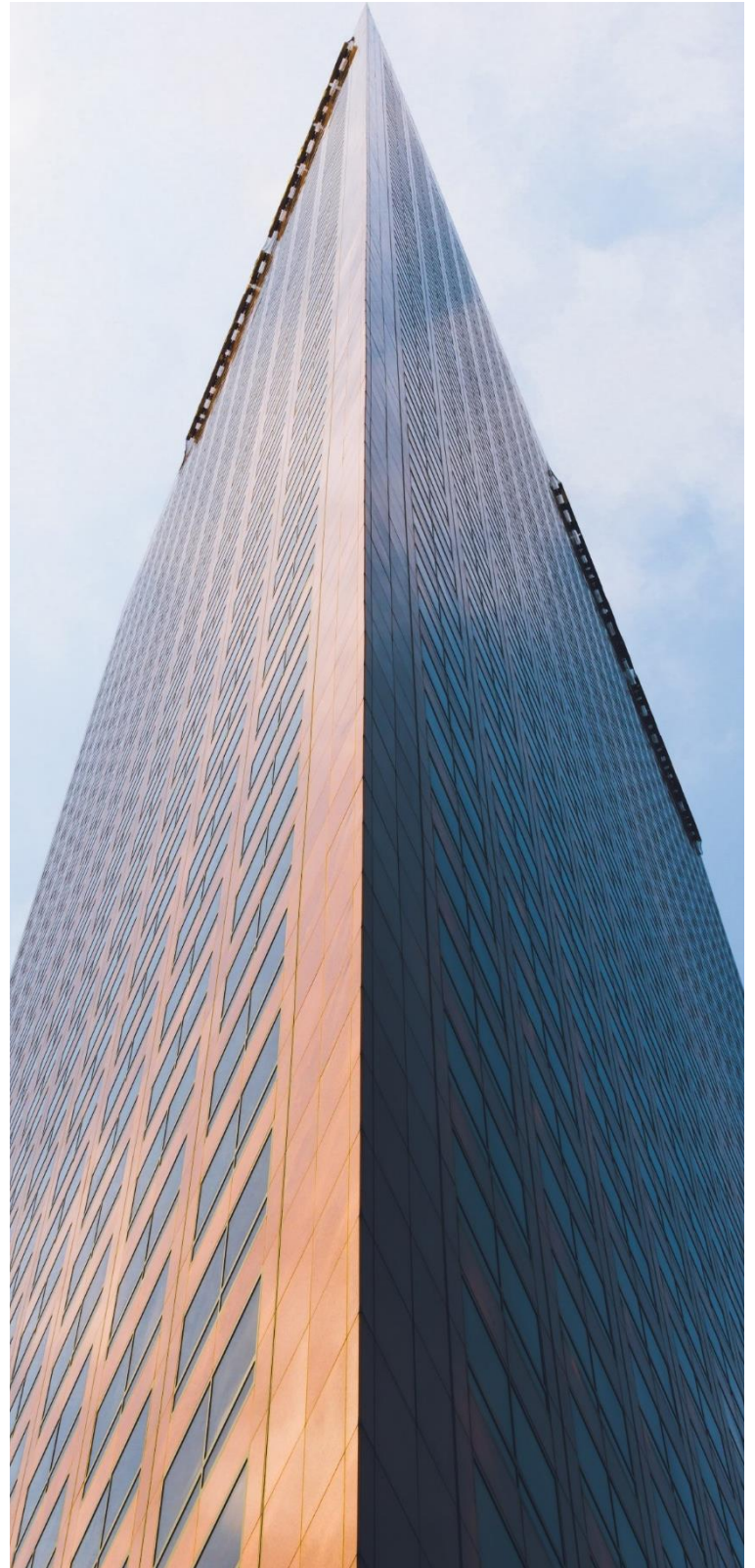
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Disclaimer

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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