



US\$0.689bn Market cap
56% Free float
US\$12.51mn Avg. daily volume

Target price **34.4** 0% over current
 Consensus price **41.00** 17.6% over current
 Current price **34.86** as at 19/4/2015

Research Department
 Abdullah Aljarbooa,
 Tel 966 11 211 9471, aljarbooaam@alrajhi-capital.com

Existing rating

Underweight **Neutral** Overweight

Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

Performance



Earnings

Period End (SAR)	12/12A	12/13A	12/14A	12/15E
Revenue (mn)	1,496	1,772	1,925	2,057
Revenue Growth	8.3%	18.4%	8.6%	6.9%
EBITDA (mn)	229	223	175	246
EBITDA Growth	6.5%	-2.7%	-21.5%	40.4%
EPS	3.27	3.41	1.64	2.12
EPS Growth	-2.2%	4.3%	-51.8%	28.8%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

ASTRA Group

Q1: Disappointing results

Astra reported a net profit of SAR42.1mn (-33% y-o-y) for Q1 2015, below our (SAR50.2mn) estimate. The company attributed the y-o-y decline to lower other income from the pharmaceutical unit, fall in gross margins in the steel unit and currency exchange losses incurred in the speciality chemicals as well as pharmaceutical business units. However, on a q-o-q basis, operating profit jumped 106% to SAR42.4mn due to improved margins and reclassification of operating costs. We believe that the geopolitical instability and the slump in commodity prices will continue to impact the company. We will release a detailed update on Astra after a discussion with the management and analysis of the detailed financial results. For now, we reiterate our Neutral rating on the stock with a target price of SAR34.4 per share.

Earnings vs our forecast	Above	In Line	Below
Likely impact:			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- Revenues:** Astra is yet to publish its revenue figures. We had estimated a top line of SAR550mn (+10% y-o-y). However, with gross profits coming at SAR181.6mn below our estimate of SAR191mn, we believe Astra's revenues will come slightly below our forecasts.
- Operating profit met estimate, while net profit disappointed:** Operating profit fell 12.2% y-o-y to SAR42.4mn, in line with our estimate of SAR42.5mn. However, the company's net profit came in at SAR42.1mn, below our SAR50.2mn estimate, mainly due to lower than expected other income.
- Conclusion:** We believe that Astra continues to be bogged down by political instability in Iraq, which is impacting its Iraq steel plant. The slowing global growth and the slump in global commodity prices are negatively impacting the company's chemical and steel business units. In addition, the strength in the US Dollar is resulting in currency losses to the company's business units with operations in countries whose currencies are not pegged with the US Dollar. We will revisit our estimates once detailed financials are published. For now, we reiterate our Neutral rating on the stock with a target price of SAR34.4 per share.

Figure 1 Astra Group: Summary of Q1 2015 results

	Q1 2014	Q4 2014	Q1 2015	% chg y-o-y	% chg q-o-q	ARC Estimate
Revenue	498.9	491.7	Not disclosed	na	na	550
EBITDA	80.6	51.2	Not disclosed	na	na	68.1
EBITDA Margin	16.16%	10.41%	Not disclosed	na	na	12.38%
Operating Profit	48.3	20.5	42.4	-12.2%	106.8%	42.5
Net Profit	63.1	25.7	42.1	-33.3%	63.8%	50.2

Source: Company data, Al Rajhi Capital



Disclaimer and additional disclosures for Equity Research

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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"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 6-9 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 6-9 month time horizon.

2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

Contact us

Prithish Devassy, CFA
Senior Research Analyst
Tel : +966 11 211 9370
Email: devassyp@alrajhi-capital.com

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