

BinDawood posted net income of SAR 57.4mn (SAR 0.50 EPS), below our and consensus estimate of SAR 105.5mn and SAR 118.5mn, respectively. An 8.8% Y/Y decline in revenue and a 230 bps Y/Y contraction in the GP Margin led to a 53.6% Y/Y decline in the net profit. The company results were severely impacted due to a significant decline in the number of pilgrims caused by travel restrictions imposed to contain the spread of the COVID-19 pandemic. Although the company is expected to face ST challenges due to the pandemic, we are optimistic about the company's prospects from an LT perspective. We maintain our "Neutral" rating on the stock with a TP of **SAR 117.0/share**.

- BinDawood's net income stood at SAR 57.4mn in Q4-20 (EPS of SAR 0.50), down 53.6% Y/Y and 27.0% Q/Q. The net profit for Q4-20 was below our and market estimates of SAR 105.5mn and SAR 118.5mn, respectively. Travel restrictions to contain the spread of the COVID-19 pandemic, which led to a decline in the pilgrim inflow; store restrictions in Makkah and Madinah; and a lack of promotional campaigns led to an 8.8% Y/Y decline in revenue. The company also incurred additional costs to meet restocking demands during lockdowns. This, along with increase in VAT, impacted the company's margins and profitability in Q4-20.
- The company's revenue decreased 8.8% Y/Y to SAR 1,113.2mn in Q4-20, below our estimate of SAR 1,262.9mn. Travel restrictions in Makkah and Madinah, hike in the VAT rate in July, and loss of "back-to-school" sales (due to the shift to online education to contain the spread of the virus) adversely hit sales. We believe these factors would impact the company's performance in the near term. However, its long-term prospects remain positive.
- Gross profit declined 14.9% Y/Y to SAR 359.1mn, below our estimate of SAR 423.1mn. The GP Margin decreased to 32.3% in Q4-20 from 34.6% in Q4-19, below our estimate of 33.5%.
- Operating profit decreased 57.1% Y/Y to SAR 63.1mn, below our estimate of SAR 105.5mn. Net OPEX increased 7.8% Y/Y to SAR 295.8mn from SAR 274.3mn in Q4-19, in line with our estimate of SAR 286.7mn. The Operating Margin shrank to 5.7% against 12.1% in Q4-19, below our estimate of 10.8%.

AJC view: The company's results were below our expectations. We expect sales to be pressured in the near term due to travel restrictions to contain the spread of the pandemic, hike in the VAT rate, and the shift to online education. We anticipate the group to outpace its supermarket-focused peers in the sector in the LT, as the company offers a better investment opportunity due to its efficiency, profitability, and value metrics. BinDawood Holding Group has a promising headroom for growth based on its strategic positioning over the LT – it is well placed to capitalize on socioeconomic trends and government initiatives. We value BinDawood on 50% weight for DCF and 25% weight each for relative valuation based on P/E (27.5x FY21 EPS) and EV/EBITDA (15.9x FY21 EBITDA). The valuation yields a target price of SAR 117.0/share, implying an upside of 8.5% from the current levels. The stock is currently trading at a P/E of 28.5x, based on our FY21 EPS estimate. We maintain our "Neutral" rating on BinDawood with a TP of **SAR 117.0/share**.

Results Summary

SARmn	Q4-19	Q3-20	Q4-20	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	1,220.3	1,082.5	1,113.2	-8.8%	2.8%	-11.9%
Gross Profit	421.8	356.3	359.1	-14.9%	0.8%	-15.1%
Gross Margin	34.6%	32.9%	32.3%	-	-	-
EBIT	147.5	86.8	63.2	-57.1%	-27.2%	-53.6%
Net Profit	123.9	78.7	57.4	-53.6%	-27.0%	-45.6%
EPS	1.08	0.69	0.50	-	-	-

Source: Company Reports, Aljazira Capital

Neutral

Target Price (SAR)	117.0
Upside / (Downside)*	8.5%

Source: Tadawul *prices as of 29th of March 2021

Key Financials

(in SAR mn, unless specified)	FY19	FY20	FY21E
Revenue	4,843.8	5,156.5	5,256.9
Growth %	6.4%	6.5%	1.9%
Net Income	419.1	447.7	433.5
Growth %	5.4%	6.8%	-3.2%
EPS	3.67	3.92	3.79

Source: Company reports, Aljazira Capital

Key Ratios

	FY19	FY20	FY21E
Gross Margin	34.0%	32.4%	32.6%
Net Margin	8.7%	8.7%	8.2%
P/E (x)	NA	30.4	28.4
P/B (x)	NA	10.3	8.8
EV/EBITDA (x)	NA	22.9	16.5
Dividend Yield	NA	2.3%	2.8%

Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	12.3
YTD %	-9.4%
52 Week (High)/(Low)	131.0/105.6
Shares Outstanding (mn)	114.3

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

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- Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
- Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
- Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
- Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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