

Arabian Centres Co. (Cenomi Centers) - 2Q23 Result Review

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Previous Recommendation:

UR

Target Price (SAR):

UR

Previous TP & Date:

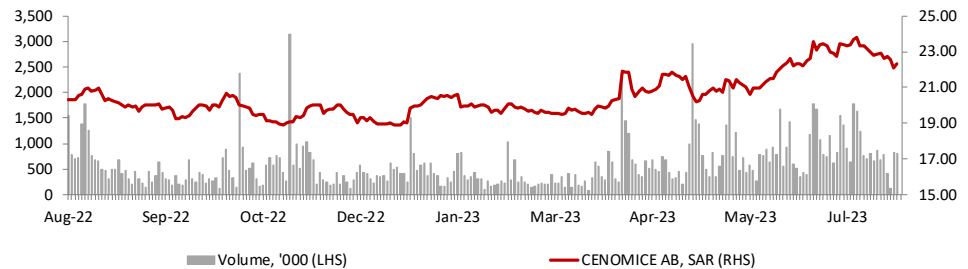
TP: — on 24-May-2023

Current Upside / (Downside):

-

Date: 8/9/2023

Bloomberg Ticker	CENOMIC AB
Current Market Price (SAR)	22.32
52wk High / Low (SAR)	23.88/17.845
12m Average Vol. (000)	595.6
Mkt. Cap. (USD/SAR mn)	2,869/10,764
Shares Outstanding (mn)	475.0
Free Float (%)	33%
3m Avg Daily Turnover (000)	20,109.8
6m Avg Daily Turnover (000)	15,056.3
P/E '23e (x)	10.1
P/BV '23e (x)	0.7
Dividend Yield '23e (%)	6.7%
Price Perf. (1m/3m) (%)	-3.4/12.2



Revenue stays almost flat YoY, in line with our estimate

Arabian Centres' (Cenomi Centers) revenue during 2Q 2023 stood nearly flat YoY at SAR 565.3mn, coming in line with our estimate. Net rental revenue accounted for ~91% of the company's total revenue during the quarter. Period-end occupancy on the like-for-like basis fell QoQ to 91.4% in 2Q 2023 from 92.3% in 1Q 2023.

Operating and net profit surged YoY, beating our estimate by a wide margin

Direct costs remained largely stable; consequently, gross profit came in flat YoY. However, boosted by SAR 72.9mn net fair value gain on investment properties (2Q 2022: SAR 100.00mn fair value loss; our estimate: NIL), and SAR 1.2mn impairment reversal (2Q 2022: SAR 15mn impairment loss; our estimate: SAR 20mn loss), operating profit surged 54% YoY to SAR 432.1mn, beating our estimate by a wide margin. The company's interest expense on lease liabilities also declined 34.9% YoY, which further aided in lifting the net profit by a sharp 82% YoY to SAR 337.1mn (our estimate: SAR 217.6mn).

Place on Under Review

We would like to wait for the availability of detailed financials to ascertain how much of the strong growth in the operating and net profit is driven by one-off or non-core items, given the stagnant revenue and gross profit. Accordingly, we keep the stock Under Review as of now.

Valuation

At the current market price, the stock is trading at 7.4x TTM P/E, below its average historical P/E of about 18x.

Income Statement												
(SAR mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	2QFY23e	YoY (%)	QoQ (%)	Var (%)	1H 22	1H 23	YoY (%)
Sales/Revenue	562.9	573.7	550.8	576.8	565.3	582.0	0%	-2%	-3%	1,082.1	1,142.0	5.5%
Gross Profit (Loss)	458.3	354.3	462.5	491.1	458.0	394.7	0%	-7%	16%	902.3	949.2	5.2%
Operating Profit (Loss)	280.1	350.2	542.7	490.1	432.1	311.3	54%	-12%	39%	575.7	922.1	60.2%
Net Profit (Loss) after Zakat and tax	184.9	244.2	459.1	388.0	337.1	217.6	82%	-13%	55%	356.7	725.1	103.3%
Balance Sheet												
(SAR mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	2QFY23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	13,772.4	5,800.1	15,895.7	14,046.3	13,952.6	14,263.9	1%	-1%	-2%			
Key Ratios												
	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	2QFY23e						
Gross Profit Margin	81.4%	61.7%	84.0%	85.2%	81.0%	67.8%						
Operating Profit Margin	49.8%	61.0%	98.5%	85.0%	76.4%	53.5%						
Net Profit Margin	32.8%	42.6%	83.3%	67.3%	59.6%	37.4%						
Return on Equity (RoE)	5.4%	16.8%	11.6%	11.0%	9.7%	6.1%						
Annualized EPS (SAR)	0.27	0.51	0.97	0.81	2.84	0.46						
BVPS (SAR)					29.37	30.03						
TTM P/E (x)					7.4							
Current P/BV (x)					0.8							

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%