



RESULT ANALYSIS

Mega sale and consumer finance drive earnings

Extra reported a strong set of Q4 20 results, with net income increasing +41.2% yoy to a record high of SAR101.8mn. This is higher than the NCBC and consensus estimates of SAR73.5mn and SAR80.0mn, respectively. Revenues increased +3.9% yoy to SAR1.96bn, broadly in line with our estimates of SAR1.89bn. This is the highest quarterly revenue on record. We believe the positive variance was mainly due to higher than expected gross margins supported by increasing contribution from consumer financing business and e-commerce sector, in addition to lower than expected operating expenses.

- Sales increased +3.9% yoy to SAR1.96bn, the highest quarterly revenue on record and was broadly in line with our estimates of SAR1.89bn. We believe sales growth, despite the VAT hike to 15% from Q3 20, was driven by 1) strong mega sales, 2) higher consumer finance contribution and 3) growth in e-commerce sales.
- Gross margins expanded by +53bps yoy to 16.5% in Q4 20 vs our estimates of 16.1%. We believe the variance and yoy improvement is driven by strong performance of the high-margin consumer finance sales which also led gross profits to grow by 7.3% in Q4 20.
- Opex declined -0.9% yoy to SAR202mn, lower than our estimates of SAR213mn. Opex-to-sales stood at 10.3% in Q4 20 vs 10.8% in Q4 19 and our estimates of 11.3%. We believe higher opex efficiencies are attributed to higher contribution of e-commerce sales. Non-operating expenses declined -22.9% yoy to SAR19.2mn, coming in line with our estimates of SAR18.6mn, which we believe is due to lower finance costs.
- The performance of the consumer finance subsidiary is the key highlight of Q4 20 earnings. The segment recorded a net profit of SAR15.1mn in Q4 20 vs net loss of SAR3.0mn in Q4 19.
- We recently upgraded Extra to Overweight in our December 2020 update and the stock is one of our top picks in 2021f. We believe consumer finance business and sector consolidation are the key growth drivers going forward. Moreover, the increase in demand following to Ministry of Housing initiatives are expected to support demand further. The stock is trading at 2021f P/E and EV/EBITDA of 19.6x and 14.2x, respectively.

Q4 20 Results Summary

SR mn	Q4 20	Q4 19	%yoy	Q4 20f	%Var [^]	% qoq
Revenues	1,955	1,881	3.9%	1,887	3.6%	59.6%
Gross income	323	301	7.3%	305	6.0%	43.2%
Gross margin (%)	16.5%	16.0%	53bps	16.1%	37bps	(190)bps
EBIT	121.0	97.0*	24.7%	92.1	31.4%	86.2%
EBIT Margin (%)	6.2%	5.2%	103bps	4.9%	131bps	88bps
Net income	101.8	72.1	41.2%	73.5	38.4%	90.5%
Net Margin (%)	5.2%	3.8%	138bps	3.9%	131bps	84bps
EPS (SAR)	1.70	1.13	50.6%	1.23	38.4%	90.5%

Source: Company, NCBC Research, [^] % Var indicates variance from NCBC forecasts, *:Restated

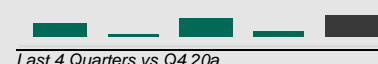
OVERWEIGHT

Price target (SR) **90.8**

Current price (SR) **87.9**

**PT last updated in December 2020*

NET INCOME



Last 4 Quarters vs Q4 20a

STOCK DETAILS

M52-week range H/L (SAR)	90/43
Market cap (\$mn)	1,406
Shares outstanding (mn)	60
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	11.4	23.1	40.6
Rel. to market	10.2	18.6	34.1

Avg daily turnover (mn)	SR	US\$
3m	22.8	6.1
12m	31.6	8.4

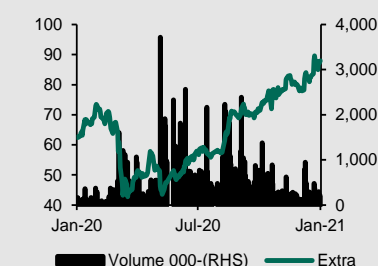
Reuters code	4003.SE
Bloomberg code	EXTRA AB
	www.extrastores.com

VALUATION MULTIPLES

	19a	20f	21f
P/E (x)	25.6	18.8*	19.6
P/B (x)	8.0	6.4*	5.9
EV/EBITDA (x)	18.6	14.3	14.2
Div Yield (%)	2.1	2.6	2.8

Source: NCBC Research estimates, *:Actual

SHARE PRICE PERFORMANCE



Source: Tadawul

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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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