BinDawood Holding Group - Riding the consumption wave

Initiating Coverage I November 2020

ALJAZIRA CAPITAL الجزيرة كابيتال الجزيرة للأسواق المالية

BinDawood Holding Company, is one of the leading KSA retailer, operating through its supermarket chains BinDawood and Danube. The resilient retail sector performance, in the advent of the Covid-19 pandemic could not have played better for BinDawood's IPO. Superior margins to peers, strategic location and a vibrant growth strategy, tactically places it to capitalize on the rising domestic consumption making BinDawood an attractive investment bet on the KSA retail sector over the long term. We initiate coverage on BinDawood with a 'Neutral' recommendation at a TP of SAR 117.0/share.

Third largest company in retail grocery sector: The company operates nationwide through two supermarket brands BinDawood and Danube, as well as its bakery subsidiary Danube Star. It is the Kingdom's third largest retail grocery store by value at 11.3% (2019), led by Panda Retail Co at 19.8%.

Strong performance amid COVID-19 pandemic: While majority of global business operations were affected by measures taken to contain the spread of the virus, retailers across the globe remained resilient given the non-discretionary nature of the product offering. Similarly, the group saw a highly propelled H1-20 due to the forced trend of home cooking as result of the lockdown after closures of restaurants. This specification bridges the company's financial performance to the expected post-COVID recovery.

Attractive macro environment to drive demand in the long term: Factors driving the Retail Foods sector and the macro economy favor the company's growth expectations. Government initiatives also support demographic and socioeconomic factors pertaining to the group's earnings. The group is highly subject to variables such as the number of affluent families; changes in disposable income; and sector performance in the western region, particularly in Mecca and Medina, where the group has competitive presence. We anticipate a buoyant earnings performance for the company for the next five years given the current economic and financial environment.

Higher margins provide edge over peers: The groups FY19 gross margin and net margins of 34.0% and 8.7%, were significantly higher than industry gross and net margins of 24.4% and 3.0% respectively. BinDawood, the value supermarket chain, also outperformed its biggest value competitor, Al Othaim, which recorded a 5% net profit margin. GP Margins for the group consistently grew to 34% from 21.1% between FY17 and FY19, outperforming the industry average, which rose to 24.4% from 19.9%.

AJC View & Valuation: We value BinDawood Holding Company on a 50% weight for DCF and 25% for P/E and 25% for EV/EBITDA based on relative valuation to arrive at our TP of SAR 117.0 per share. We anticipate the group to outpace its supermarket-focused peers in the sector in the immediate to medium term, as the company offers a better investment opportunity due to its efficiency, profitability, and value metrics. Over the longer term, BinDawood Holding Group has a promising headroom for growth based on its strategic positioning that is well placed to capitalize on socioeconomic trends and government initiatives; given the current market price, we are "Neutral" on the stock, however LT we recommend an overweight classification for the group for any participant looking for an exposure to the sector.

Neutral

Target Price (SAR)	117.0
Upside / (Downside)	-5.6%

*prices as of 3rd of November 2020

Key Financials

SARmn (unlesss pecified)	FY18	FY19	FY20E	FY21E
Revenue	4,554	4,844	5,646	5,570
Growth %	-4.5%	6.4%	16.6%	-1.4%
Gross Profit	1,553	1,645	1,835	1,821
Net Profit	398	419	544	485
EPS*	3.48	3.67	4.76	4.24

Source: Company Prospectus, Aljazira Research

Key Ratios

	FY18	FY19	FY20E	FY21E
Gross Margin	34.1%	34.0%	32.5%	32.7%
Net Margin	8.7%	8.7%	9.6%	8.7%
EV/EBITDA	NM	NM	19.1x	20.4x
ROA	18.6%	12.1%	11.1%	9.5%
ROE	43.3%	38.1%	40.1%	29.1%

Source: Company Prospectus, Aljazira Research

Major Shareholders After IPO

Name of shareholders	Holdings
Akasia Star Trading Co. Ltd.	67.57%
Abdullah BinDawood Sons Co. Ltd.	6.83%
Commercial Growth Development Company	5.60%

Source: Company Prospectus, Aljazira Research

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Adoption of modern grocery retail, strong presence in high-growth western region, and expansion plans make BinDawood an attractive bet on Saudi retail market

Favorable demographics, coupled with preference for modern grocery retail market, promote optimism over long term: Saudi Arabia's per capita disposable income is estimated to increase at a CAGR of 3.5% from FY20 to FY24E, driven by low single-digit growth in GDP. The number of affluent households is forecast to rise to 1.7mn in FY24 from 1.1mn in FY-19. This is supported by favorable demographics, with 47.1% of the population under the age of 29 as of FY19. Increasing urbanization backed by changing consumer preferences has been witnessed in Saudi Arabia, thereby offering a favorable outlook for modern grocery retailing in the Kingdom. During FY17–19, the Middle East and Africa reported the strongest growth in the grocery retailing market among regions globally, reporting a CAGR of 5.3%. Euromonitor International forecast sales of modern grocery retailers to surge at a CAGR of 5.5% from FY20 to FY24.

BinDawood offers premium products catering to multiple categories of customers: The group offers a wide range of premium products, including from reputed international brands such as Starbucks and Organic Larder. The group has over 140,000 SKUs from regional, local, and international suppliers, through which it caters to different categories of consumers. It is also focusing on non-food offerings to serve tourists and pilgrims. The company has differentiated its product offerings through its brands Danube and BinDawood: Danube has strong presence in premium retail, while BinDawood attracts customers via competitive pricing. Through this approach, it has been able to cater customers based on their preference and purchasing power.

Adoption of grocery digitization enables company to identify consumer trends and optimize its product offering: The group has introduced digitization to enhance its customer engagement experience. Online sales represented 1.3% of revenues in FY-19, registering a CAGR of 136.3% over FY17–19. The online platform allows the company to capture customer trends and thereby optimize its product offering. The company has also undertaken offline digitation initiatives such as click and collect, digitized signage, and proprietary supplier management. We believe these initiatives would bode well in the long term as they enhance the overall consumer experience.

Strong market presence in western region to benefit in long term: The company commands 13.2% market share in the western region. The modern grocery retailing market is estimated to expand by SAR 5bn from FY19 to FY24, supported by various investments by the government to boost religious tourism in the region. The company's presence in the region positions it to capitalize on the increasing pilgrim population, which is estimated to touch 30mn by FY30. Even though the group faces pandemic-induced challenges in the short term, it is expected to benefit in the long term.

Expansion plans to drive revenue and profitability: To leverage the strong growth prospects, the company intends to open more stores in the western, eastern, and central regions. The company's experience in identifying suitable locations for its stores and scaling them would prove beneficial. Though it plans to open both the Danube and BinDawood brands, the focus would be more on growing the Danube brand. We have modeled mid-single-digit store openings over the next few years. We estimate revenue to grow in mid-single digits, while operating margins would be in low double digits in the near to medium term.

Favorable demographics coupled with strong sector growth potential offers attractive investment opportunity

Economic growth to recover after pandemic in FY21: The IMF forecasts KSA's GDP to contract 5.4% in FY20 due to the biological pandemic, however is expected to marginally recover to 3.1% by FY21. Government initiatives through the Vision 2030 initiative are likely to propel growth in non-oil sectors, which would lead to job creation and a larger labor force, boosting private consumption.

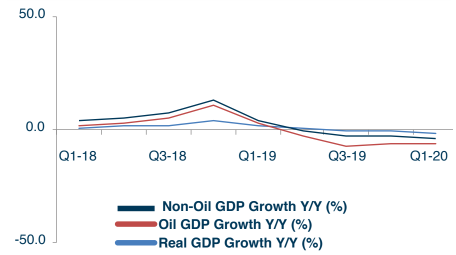
Attractive demographics would be beneficial in long term: Saudi Arabia's population grew at an average rate of 2.5% between FY17 and FY19. With 47.1% of the population under the age of 29, KSA's demographic profile ensures rising demand for the Retail Foods sector in the long term. With more female participation in the labor force and increased government initiatives to decrease unemployment to the targeted 9% by FY22, disposable income per capita is forecast to rise at a CAGR of 3.5% from FY20 to FY24 compared to the 1.8% CAGR during FY17–19. Along with the predicted increase in affluent households to 1.7mn in FY24 from 1.1mn in FY19, the growing and young Saudi demographic profile represents positive prospects for the Retail Foods sector.

Position as largest retail sector in GCC region, together with attractive demographics, presents growth potential: Saudi Arabia houses the largest retail sector in the GCC region, reaching a market size of ~SAR 137bn in FY19. The sector is driven by macroeconomic, socioeconomic, and government support on investments and tourism. Vision 2030 will be among the largest drivers of the industry, which aims to increase female participation in the economy as well as the capacity for pilgrim visitors. A growing population and rise in household disposable income provide growth opportunity for the sector.

Share of modern grocery retail in total grocery sales to increase in medium term: While the Retail Foods market contracted in value to SAR 137bn in FY19 from SAR 146bn in FY17 due to one-off events such as higher labor costs and introduction of VAT in FY18, it is projected to expand at a CAGR of 2.3% from FY20 to FY24. The share of modern grocery retailing (defined as retailing in supermarkets and hypermarkets that offer a wide variety in selection and quality) in total grocery sales is estimated to increase to ~48% in FY24 from 41% in FY19. The Central and Western regions are the largest grocery retail markets in the Kingdom with a share of 37.1% and 30.3%, respectively (FY19), followed by the eastern, southern, and northern regions.

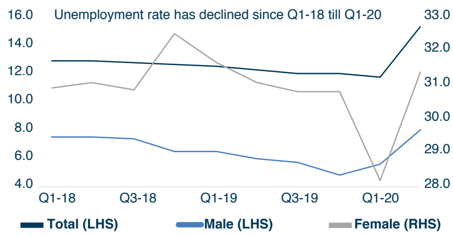
Consumer spending to pick up with easing of restrictions: Consumer and credit card loans increased 6% Y/Y in Q2-20 from Q2-19 levels; moreover, POS transactions rose by SAR 4.0bn in Q2-20. These figures translated into an increase in private consumption by 1.5% Y/Y in Q1-20. However, in Q2-20, private consumption declined 15.8% Y/Y on lockdown restrictions. With restrictions now being lifted, we expect consumption growth to resume the uptrend. The increase in these indicators signifies consumers are financially better positioned with a higher confidence level when making big-value purchase decisions, which would in turn spur private consumption demand. With respect to the Retail Foods sector, the closures of restaurants and increase in home cooking during COVID-19 had a positive impact on the sector, as reflected by buoyant grocery sales in H1-20.

GDP Growth



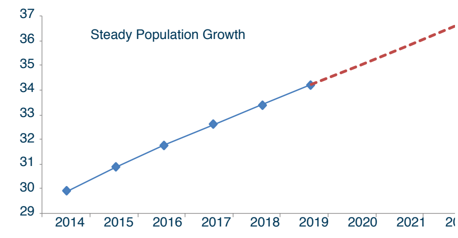
Source: KSA Ministry of Statistics

Unemployment rate (%) (Saudi Nationals)



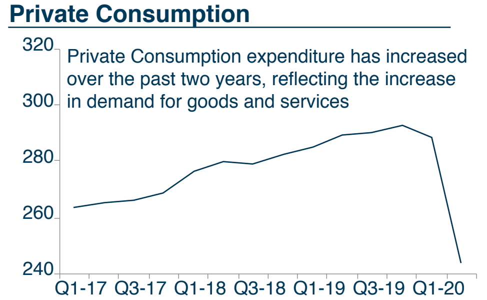
Source: KSA Ministry of Statistics

Saudi Arabia's Population (Millions)



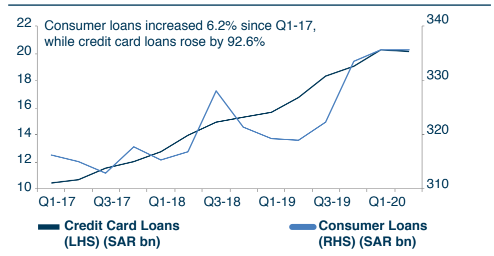
Source: SAMA

Private Consumption



Source: SAMA

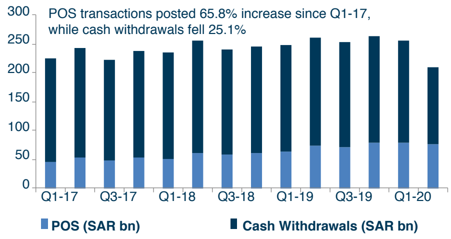
Retail Loans



Source: SAMA

VAT hike and withdrawal of cost-of-living allowance to have short-term impact: The shift in policies led to increased prebuying in June. However, retail purchases may be adversely affected in H2-20, as consumers come to terms with the impact of the new measures and new budgeting. However, this is not anticipated to largely affect the Retail Foods sector in the medium and long terms given the nature of the industry.

POS and Cash Withdrawals



Source: SAMA

BinDawood caters to premium and non-premium food segments; strong presence in western region

Caters to premium and non-premium food retailers through Danube and BinDawood: Danube has strong presence in the premium retail market, as it offers international merchandising and imported goods; over 90% of the surveyed participants branded Danube as a premium supermarket (in a 1,361-person survey conducted by Euromonitor International). The BinDawood brand targets customers seeking value at competitive prices. About 59% of BinDawood's branches are located in Mecca and Medina, where BinDawood generates more than half of its revenues. The brand is highly exposed to pilgrim inflows and thus offers more higher margin non-food items than its sister company Danube to cater to pilgrims seeking gifts and travel items.

Strong presence in western region: Of the 73 stores that the group operates, 48% are located in the western region, where it has robust presence in both BinDawood and Danube brands. As of June 2020, there were 46 Danube stores compared to 27 BinDawood stores, of which 25 are located in the Western region. The group's presence in the western region yields a 13.2% market share ,behind Panda, which holds a 16.6% market share.

Seasonality in revenue led by consumption patterns: The group's revenues are seasonal in nature throughout the Hijri calendar due to consumer purchasing behavior and the group's geographic locations. Sales peak in the Hijri months of Shaban and Ramadan during preparation and during fasting periods along with heavy discounts provided by retailers, consequently resulting in stocking which result in a slump post Ramadan. The financial period of this seasonality differs from year to year due to the shifting differences in the Gregorian and Hijri calendars.

Macro-economic factors, store increase and online sales to drive growth

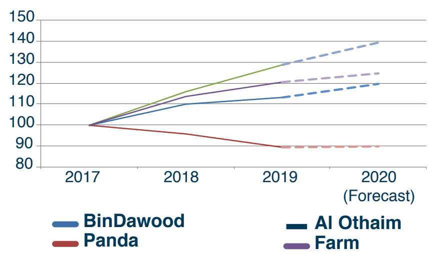
Online sales a key channel to grow revenue: The group intends to boost online sales by increasing the number of stores to 51 by the end of FY20. Through FY17 to FY19, online sales rose to SAR 62.4mn from SAR 11.2mn to account for 1.3% of revenues for FY19. The impact of this sales channel on the group's income is still not clear as the data makes up a very modest portion of total sales. However in-line with the global trend, we expect the online sales to eventually form a higher portion of total sales, which can result in lowering costs.

Macroeconomic factors to bolster revenue growth: The management aims to continue taking advantage of the macro growth drivers of the industry through initiatives such as catering to the increase in affluent households by growing the Danube brand; catering to the government initiative to increase religious visit visas; and building a footprint in government megaprojects, such as NEOM, KAEK, and the national train line.

Number of stores remains key growth driver: Sector revenue growth is proportional to the stores growth. BinDawood plans to expand its brands throughout the nation. Before opening a store, the company takes into consideration the store's surrounding demographic population traffic, and cannibalization effect on nearby branches. It also manages the coinciding effect that diminishes earnings from more mature stores by advertising offers unique to those branches in order to mitigate the downside effect from older stores.

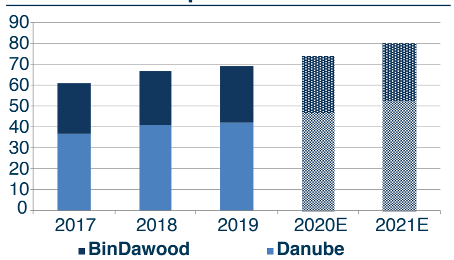
New store openings to propel revenue: BinDawood Holding Group's revenue is driven by the company's expansion via new store openings in strategic locations to optimize traffic inflow, demographic exposure, and minimize cannibalization of other nearby stores. Store count increased at a CAGR of 6.4% to 69 by the end of FY19 from 61 in FY17. The group was operating 73 stores as of June 2020, with reported expectations to operate 80 stores by the end of FY21. It intends to shift focus on opening more of the Danube franchise in a bid to leverage the high urbanization rates, anticipated increase in affluent households (from 1.1mn in FY19 to 1.7mn by FY24), and rise in household disposable income (at a CAGR of 3.5% over FY20–24).

Number of Stores Growth (Indexed at 100)



Source: Company Prospectus, Aljazira Research

BiDawood Group Stores



Source: Company Prospectus, Aljazira Research

Increase in tourism to benefit BinDawood: The group operates in mid- and high-end grocery retailing through BinDawood and Danube. The BinDawood franchise is largely exposed to pilgrim visitors, as 60% of its stores operate in Mecca and Medina, which enables the group to benefit from the government's plan to increase religious tourism by fourfold. The group's consolidated market share is the highest for the western region at about 13%, where the region is expected to undergo the fastest expansion in modern grocery retailing across all regions, reaching about SAR 5bn during FY20–24.

Moderate growth in revenue to be supported by stable margins

Revenue decreased 4.5% in FY18 but increased 6.4% in FY19. Growth during FY17–19 was driven by store openings and expansion of the average basket size.

The GP Margin was steady at ~34% for the past two years (FY18 and FY19). It is likely to narrow in FY20E and rise gradually thereon.

The operating margin widened to 10.7% in FY19 from 8.6% in FY18 on lower selling and distribution expense. We expect the margins to grow in low double digits in the near to medium term

Danube accounts for two-third of total revenue

Danube contributed 64% to revenue in FY19, while BinDawood made up for the rest.

BinDawood's revenue grew 12.1% Y/Y to SAR 1.7bn in FY19, supported by a strategic focus on qualitative retail customers and managing more festivals.

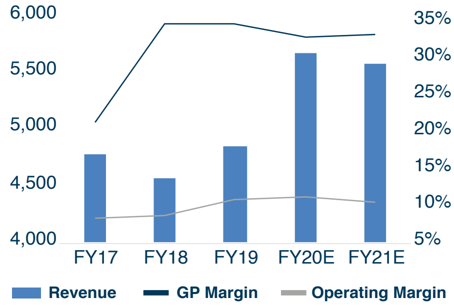
Danube's revenue rose 11.7% Y/Y to SAR 3.1bn, mainly due to the addition of new stores.

BinDawood reports second highest sales growth in H1-20

In H1-20, Farm Superstores recorded the highest retail sales growth of 33% Y/Y, followed by BinDawood at nearly 22% Y/Y.

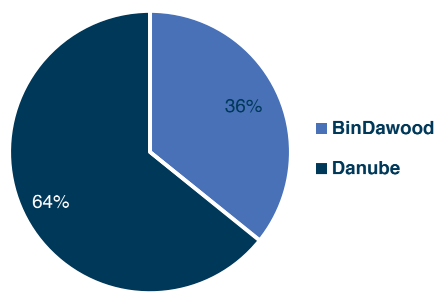
Increased demand due to lockdown restrictions during March–May boosted sales in H1-20. With the easing of restrictions, the sales could return to historical levels in H2-20.

Revenue (SAR mn) and Margin Trends



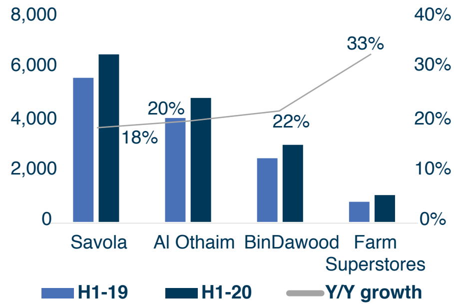
Source: Company Prospectus, Aljazira Research

Revenue by Subsidiaries (FY19)



Source: Company Prospectus, Aljazira Research

H1-20 vs. H1-19 retail sales (SAR mn)



Source: Company Prospectus, Aljazira Research

BinDawood leads peer set in terms of profitability

While BinDawood lags in the share of total sales, the group took the lead on earnings at SAR 419mn in FY19, with Al Othaim being the next competitor, reporting just 57.7% of BinDawood's FY19 earnings. The group was the only company to report annual revenue growth from FY17 to FY19.

Retail Sales (SAR Million)

Company	FY17	FY18	FY19	CAGR (%)
Savola	11,643	11,118	11,497	-1%
Al Othaim	7,981	7,359	7,916	-0.4%
BinDawood	4,766	4,554	4,844	1%
Farm Superstores	1,547	1,512	1,528	-1%

Source: Argaam, Aljazira Capital Research

Net Profit (SAR Mn)

Company	FY17	FY18	FY19
BinDawood	414.3	397.8	419.1
Al Othaim	262.6	208.9	241.9
Farm Superstores	44.1	3.4	12.7
Savola	(1,016)	(917)	(342)

Source: Argaam, Aljazira Capital Research

The group leads on average revenue per store at SAR 70.2mn for FY19 by showing efficient capability in store management, followed by Panda at SAR 56.1mn per store. Other leading indicators for the group are annualized FY-20 EPS, which stood at SAR 5.45 compared to an industry average of 2.93, and an ROE of 3.16x that of the industry average (FY19). The company is currently trading at a P/E multiple of 29.6x based on our FY21E EPS estimates.

Stock Market Data (TTM as of 26th of October 2020 Prices)

Company	EPS	P/E Ratio	Book Value	P/BV
BinDawood	4.91	25.88	12.32	10.31
Farm Superstores	0.81	27.50	13.43	1.66
Savola	1.76	23.88	14.46	2.91
Al Othaim	4.92	22.75	17.47	6.40

Source: Argaam, Aljazira Capital Research

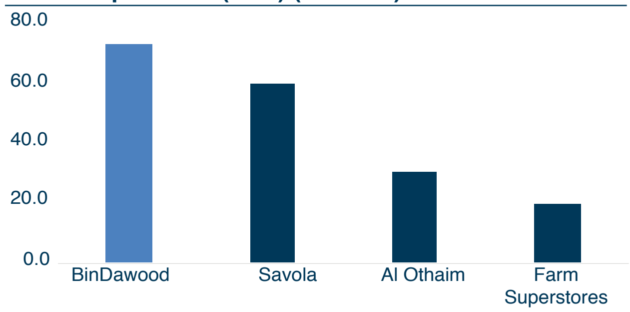
Key Financial Indicators

Company	Net Profit Margin	Return on Equity	Debt/ Equity	Inventory Turnover Times
BinDawood	9%	38%	0.00%	3.71
Al Othaim	4.92%	29.75%	0.00%	9.19
Savola	4.14%	12.58%	82.99%	6.05
Farm Superstores	2.00%	6.20%	74.41%	1.75

Source: Argaam, Aljazira Capital Research

BinDawood leads the market in terms of revenue per store. On a TTM basis, BinDawood had revenue per store of SAR 73.7mn, followed by Savola at SAR 60.8mn. As companies expand through new store openings, increasing revenue per store would be one of the key drivers.

Revenue per store (TTM) (SAR mn)



Source: Argaam, Aljazira Capital Research

SWOT Analysis

The company can utilize its experience in store management through diversifying into new regions. Identifying the appropriate location and turning new stores profitable would remain one of the key challenges. The impact of COVID-19 has impacted store traffic in Mecca and Medina, and represents near term challenge.

Strengths	Weaknesses
• Diversification of revenue streams by serving several demographic targets • Nationwide store locations • Online infrastructure for virtual shopping in line with trend in consumer behavior • Active management and strategy • Strong presence in western region, where sector growth is expected	• Maturing stores witnessing lower sales, forcing companies to constantly expand through new stores • Cannibalization effect of new stores on other nearby ones, limiting space for group expansion and prolonging duration to achieve growth • Slow store openings or below expectation rates likely to downgrade valuations
Opportunities	**Threats**
• Stores located in Mecca and Medina to benefit from government initiatives for increasing pilgrim visa quotas • Well positioned in western region to take advantage of high growth prospects. • Forecast growth of affluent households provides larger target demographic for Danube franchise • New scalable sales funnel through virtual stores • Continuous government subsidizations in new residential areas, such as NEOM and KAEC, offer new target space for expansion	• BinDawood's strong exposure in Mecca and Medina poses short-term risk due to COVID-led halt in pilgrimage visas • Continued drop in consumer spending likely to drive shoppers to the more contested bracket of non-premium supermarkets that BinDawood competes with and away from the growing and more profitable Danube • Government infrastructure initiatives pose risk from road blockages affecting nearby stores • Ministry of Finance's openness to income tax, on implementation of tax infrastructure, to decrease disposable income to spend on sector in long term

Source: Aljazira Capital Research, Company Prospectus

Valuation

Based on our blended valuation approach, we arrive at a TP of SAR 117.0/share for the company.

Peer Comparison Table (FY21)

Company Name	EV/EBITDA	P/E
Al-Othaim Markets Co.	13.2	22.9
Farm Stores	8.9	26.6
Savola	18.4	25.0
Sector Median	13.2	25.0

EV/EBITDA (FY21)

All Figures in SAR mn, unless specified	
Sector EV/EBITDA (FY21)	13.2
Premium/(Discount) to peers	20.0%
Implicit EBITDA Value	11,996
Net Debt	2,000
Net Worth	9,996
Net Worth	9,996
Shares (Mn)	114.3
Relative Value (SAR/share)	**87**

P/E (FY21)

All Figures in SAR mn, unless specified	
Sector P/E (FY21)	25.0
Premium/(Discount) to peers	10.0%
Implicit Market Cap	13,359
Net Worth	13,359
Shares (Mn)	114.3
Relative Value (SAR/share)	**117**

We have assigned a premium of 10% and 20% to P/E and EV/EBITDA multiples, respectively, over the average peer set, due to superior margins of BinDawood. The company has an EBITDA Margin of 13.6% in FY21E compared to the median peer margin of 4.6%, while the net margin stands at 8.9% vis-à-vis the peer median of 4.6%.

Blended Valuation (update based on market price (% potential) – updated based on CMP

Valuation Summary	Fair Value	Weight	Weighted Avg
DCF	132	50%	66.0
P/E	117	25%	29.2
EV/EBITDA	87	25%	21.9
Weighted Avg 12-month TP			**117.0**
CMP (SAR /share)			**124.0**
Expected Capital Gain			**-5.6%**

We value BinDawood Holding Group on a 50% weight for DCF and 25% weight on P/E and EV/EBITDA based on relative valuation. These yield a TP of **SAR 117.0/share**. Based on our derived TP of SAR 117.0/share, the implied PE multiple based on FY21E earnings is 25.8x, as compared to the PE of 29.3x based on the CMP of SAR 124.0/share.

Key Financial Data

Amount in SAR mn, unless otherwise specified	FY17	FY18	FY19	FY20E	FY21E	FY22E
Income Statement						
Revenues	4,766	4,554	4,844	5,646	5,570	5,843
Y/Y		**-4.5%**	**6.4%**	**16.6%**	**-1.4%**	**4.9%**
Cost of Sales	(3,763)	(3,001)	(3,199)	(3,811)	(3,749)	(3,915)
Gross profit	**1,004**	**1,553**	**1,645**	**1,835**	**1,821**	**1,928**
Other operating income	546	13	11	11	11	11
Selling & distribution exp	(996)	(1,047)	(1,007)	(1,045)	(1,086)	(1,110)
General & administrative exp	(150)	(127)	(131)	(164)	(162)	(164)
Operating profit	**403**	**392**	**518**	**638**	**585**	**665**
Y/Y		**-2.7%**	**32.3%**	**23.0%**	**-8.3%**	**13.8%**
Other income/(expenses)	14	7	8	8	8	8
Financial charges	-	-	(96)	(88)	(95)	(94)
Profit before zakat	**417**	**398**	**430**	**558**	**497**	**580**
Zakat	(3)	(0)	(11)	(14)	(12)	(14)
Net income	414	398	419	544	485	565
Y/Y		**-4.0%**	**5.4%**	**29.8%**	**-10.9%**	**16.6%**
Balance sheet						
Assets						
Cash & bank balance	95	123	215	543	698	952
Other current assets	905	1,016	1,231	1,347	1,346	1,407
Property & Equipment	1,078	1,065	940	943	928	913
Other non-current assets	0	1	2,357	2,262	2,152	2,053
Total Assets	**2,078**	**2,204**	**4,744**	**5,094**	**5,125**	**5,324**
Liabilities & owners' equity						
Total current liabilities	1,179	1,110	1,168	1,218	1,176	1,199
Total non-current liabilities	76	80	2,389	2,352	2,145	1,962
Paid -up capital	530	530	1,143	1,143	1,143	1,143
Statutory reserves	90	130	42	97	145	202
Retained earnings	204	355	1	285	516	819
Total owners' equity	823	1,014	1,186	1,525	1,804	2,164
Total equity & liabilities	**2,078**	**2,204**	**4,744**	**5,094**	**5,125**	**5,324**
Cashflow statement						
Operating activities	645	381	678	901	890	971
Investing activities	(352)	(143)	(36)	(169)	(156)	(164)
Financing activities	(287)	(210)	(550)	(404)	(578)	(553)
Change in cash	6	28	92	328	155	254
Ending cash balance	**95**	**123**	**215**	**543**	**698**	**952**
Key fundamental ratios						
Liquidity ratios						
Current ratio (x)	0.8	1.0	1.2	1.6	1.7	2.0
Quick ratio (x)	0.2	0.3	0.5	0.7	0.9	1.1
Profitability ratios						
GP Margin	21.1%	34.1%	34.0%	32.5%	32.7%	33.0%
Operating Margins	8.4%	8.6%	10.7%	11.3%	10.5%	11.4%
EBITDA Margin	11.6%	12.0%	14.0%	14.3%	13.6%	14.4%
Net Margins	8.7%	8.7%	8.7%	9.6%	8.7%	9.7%
Return on assets	21.7%	18.6%	12.1%	11.1%	9.5%	10.8%
Return on equity	55.6%	43.3%	38.1%	40.1%	29.1%	28.5%
Market/valuation ratios						
EV/sales (x)	NA	NA	NA	2.7	2.8	2.6
EV/EBITDA (x)	NA	NA	NA	19.1	20.4	18.2
EPS (SAR)	3.6	3.5	3.7	4.8	4.2	4.9
BVPS (SAR)	7.2	8.9	10.4	13.3	15.8	18.9
Market price (SAR)*	NA	NA	NA	117.0	117.0	117.0
Market-Cap (SAR mn)	NA	NA	NA	13,377.3	13,377.3	13,377.3
Dividend yield	NA	NA	NA	1.5%	1.5%	1.5%
P/E ratio (x)	NA	NA	NA	24.6	27.6	23.7
P/BV ratio (x)	NA	NA	NA	8.8	7.4	6.2

Source: Argaam, Aljazira Capital Research

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AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. 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.
2. 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.
3. 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.
4. 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.

Disclaimer