

Al Meera Consumer Goods (Al Meera) - 1Q23 Result Review

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Previous Recommendation: **Accumulate**

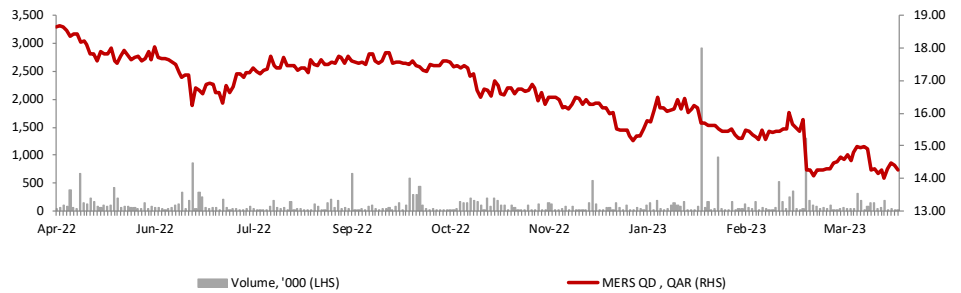
Target Price (QAR): **22.50**

Previous Reco. & Date: TP: QAR 22.5 per share; Accumulate on 14-Mar-2023

Upside / (Downside): 58%

Date: 4/21/2023

Bloomberg Ticker	MERS QD
Current Market Price (QAR)	14.28
52wk High / Low (QAR)	18.777/13.5
12m Average Vol. (000)	117.1
Mkt. Cap. (USD/QAR mn)	804/2,942
Shares Outstanding (mn)	206.0
Free Float (%)	72%
3m Avg Daily Turnover (000)	2,519.1
6m Avg Daily Turnover (000)	1,961.9
P/E'23e (x)	13.7
P/Bv'23e (x)	1.8
Dividend Yield '23e (%)	3.5%
Price Perf. (1m/3m) (%)	0.1/-13.3



Al Meera's revenue in 1Q23 exactly matches our estimate

Al Meera Consumer Goods Company's (MERS) revenue increased 5% YoY in 1Q 2023 to QAR 736.4mn, in line with our estimate (0% variation). While we had assumed the company to add one store in 1Q 2023, it is not corroborated with the latest available filings. Hence, we expect the average realizations to have come in higher than our estimate.

The gross profit comes in line, but the operating profit misses our estimate due to above-expected costs

MERS' gross profit was also in line, with the company registering a gross margin of 18.3% (our estimate: 18.5%). However, operating profit missed our estimate by 16% to come to QAR 38.6mn, due to the overall operating costs exceeding our forecast by about 6.0%. Yet, the variation of a miss at the net profit level was lower (vs. operating profit miss) at 7%, largely due to significantly higher than estimated other income (QAR 10.8mn vs. QAR 5.2mn estimated), which offset higher than expected finance costs (+18% variation).

Maintain target price

In our opinion, the variation of 1Q 2023 numbers is not significant vs. our expectations. Also, the company is working to add more stores in Qatar and Oman during this year and next, which should aid the company's earnings to pick up over the remaining periods of 2023. Hence, we maintain our QAR 22.50 target price on the stock.

Income Statement												
(QAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)	FY 2021	FY 2022	YoY (%)
Sales/Revenue	703.0	708.2	648.6	751.6	736.4	736.8	5%	-2%	0%	2,820.7	2,811.4	-0.3%
Gross Profit (Loss)	130.0	132.9	121.3	164.7	134.9	136.7	4%	-18%	-1%	551.4	548.9	-0.5%
Operating Profit (Loss)	37.6	41.8	37.2	78.2	38.6	46.2	3%	-51%	-16%	200.3	194.8	-2.7%
Net Profit (Loss) after Zakat and tax	43.2	46.0	31.9	75.4	43.2	46.4	0%	-43%	-7%	196.3	196.6	0.2%
Balance Sheet												
(QAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,447.7	1,482.6	1,521.2	1,563.1	1,587	1,609.5	10%	2%	-1%			
Key Ratios												
	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Profit Margin	18.5%	18.8%	18.7%	21.9%	18.3%	18.5%						
Operating Profit Margin	5.4%	5.9%	5.7%	10.4%	5.2%	6.3%						
Net Profit Margin	6.1%	6.5%	4.9%	10.0%	5.9%	6.3%						
Return on Equity (RoE)	11.9%	12.4%	8.4%	19.3%	10.9%	11.5%						
Annualized EPS (QAR)	0.22	0.23	0.16	0.38	0.84	0.23						
BVPS (QAR)					7.70	7.81						
TTM P/E (x)					15.0							
Current P/BV (x)					1.9							

Source: Financials, QSE 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%

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