

## Arabian Centres Co. (Cenomi Centers) - Mar'23 Quarter Result Review

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Previous Recommendation: **UR**

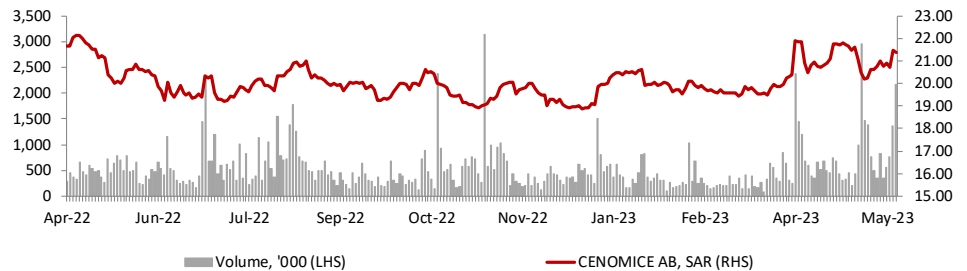
Target Price (SAR): **UR**

Previous Reco. & Date: TP: —; UR on 20-Feb-2023

Current Upside / (Downside): -

Date: 5/24/2023

Bloomberg Ticker	CENOMICE AB
Current Market Price (SAR)	21.40
52wk High / Low (SAR)	21.98/17.845
12m Average Vol. (000)	534.2
Mkt. Cap. (USD/SAR mn)	2,711/10,165
Shares Outstanding (mn)	475.0
Free Float (%)	33%
3m Avg Daily Turnover (000)	12,125.7
6m Avg Daily Turnover (000)	9,744.0
P/E'23e (x)	-
P/BV'23e (x)	-
Dividend Yield '23e (%)	-
Price Perf. (1m/3m) (%)	1.4/14.3



### The top line advances 11% YoY, largely in line with our estimate

Arabian Centres' (Cenomi Centers) revenue in the quarter that ended March 2023 rose 11% YoY to SAR 576.8mn, coming largely in line with our estimate (+4% variation). The revenue growth was led by a 5.6% YoY increase in media sales and higher net rental revenue but was offset partially by a ~32% YoY dip in utilities and other revenues. During the period, the company onboarded 38 new brands in its portfolio, though the like-for-like (LFL) period-end occupancy edged lower to 92.3% from 94.1% in the quarter that ended March 2022. Footfalls, however, jumped 47.4% YoY (+8.3% QoQ) to 29.4mn.

### Operating profit jumps 20% YoY to boost the bottom line by 22% YoY

Supported by the top-line growth, gross profit rose 10% YoY to SAR 491.1mn (our estimate: SAR 317.5mn). However, operating profit surged 66% YoY, coming in line with our estimate. The operating profit was mainly lifted by a sharp rise in other operating income (SAR 267.9mn vs. SAR 20.0mn in Mar'22 quarter) resulting from the sale of a land plot in the Al Raed district as part of the company's non-core asset sale program. Net profit (SAR 388.0mn; +126% YoY) also matched our estimate (-3% variation) as cumulative finance cost on debt and lease liabilities of ~SAR 86mn came in line with our estimate of about SAR 83mn.

### We put the stock Under Review

Post the largely in-line earnings in the March 2023 quarter, we hope to revisit our estimates soon upon the availability of detailed financials and come up with a revised rating and target price.

### Valuation

At the current market price, the stock is trading at 8.4x TTM P/E, below its 3-year daily average forward P/E of about 19x.

Income Statement												
(SAR mn)	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23	Mar'23e	YoY (%)	QoQ (%)	Var (%)	Apr-Dec'21	Apr-Dec'22	YoY (%)
Sales/Revenue	519.2	562.9	573.7	550.8	576.8	557.0	11%	5%	4%	1,518.3	1,687.5	11.1%
Gross Profit (Loss)	446.1	306.1	354.3	462.5	491.1	317.5	10%	6%	55%	1,244.5	1,417.1	13.9%
Operating Profit (Loss)	295.6	223.0	350.2	542.7	490.1	496.9	66%	-10%	-1%	1,046.4	1,090.8	4.2%
<b>Net Profit (Loss) after Zakat and tax</b>	<b>171.9</b>	<b>126.0</b>	<b>244.2</b>	<b>455.7</b>	<b>388.0</b>	<b>398.9</b>	<b>126%</b>	<b>-15%</b>	<b>-3%</b>	<b>786.1</b>	<b>804.7</b>	<b>2.4%</b>
Balance Sheet												
(SAR mn)	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23	Mar'23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	13,585.3	5,910.4	5,800.1	15,895.7	14,100.4	15,938.4	4%	-11%	-12%			
Key Ratios												
	Mar'22	Jun'22	Sep'22	Dec'22	Mar'23	Mar'23e						
Gross Profit Margin	85.9%	54.4%	61.7%	84.0%	85.1%	57.0%						
Operating Profit Margin	56.9%	39.6%	61.0%	98.5%	85.0%	89.2%						
Net Profit Margin	33.1%	22.4%	42.6%	82.7%	67.3%	71.6%						
Return on Equity (RoE)	5.1%	8.5%	16.8%	11.5%	11.0%	10.0%						
Annualized EPS (SAR)	-0.29	0.27	0.51	0.97	3.27	0.84						
BVPS (SAR)					29.69	33.55						
TTM P/E (x)					8.4							
Current P/BV (x)					0.7							

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%

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