

Abdullah Al Othaim Markets Co. (Al Othaim) - 1Q23 Result Review

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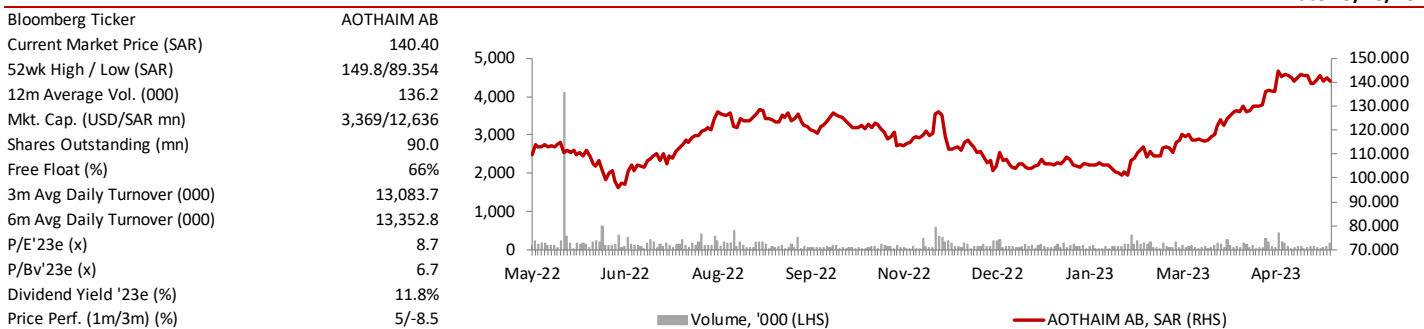
Previous Recommendation: **Hold**

Target Price (SAR): **130.00**

Previous Reco. & Date: TP: SAR 130 per share; Hold on 19-Feb-2023

Current Upside / (Downside): -7%

Date: 5/18/2023



Revenue increases 13% YoY with the addition of 10 new stores, largely in line with our estimate

Abdullah Al Othaim's revenue increased 13% YoY in 1Q 2023 to c. SAR 2.8bn. The revenue came largely in line with our expectation (+5% variation) although the company opened 9 new stores on a net basis (10 opened, one closed) during the quarter as compared to 5 estimated by us.

Operating and net profit beat our estimate on better-than-expected efficiency and some one-off income

Al Othaim's operating and net profit increased at a more than-estimated pace by 20% YoY and 18% YoY, beating our estimate by 16%, and 24%, respectively. Apart from better than expected improvement in efficiency, the bottom line was boosted by SAR 8.09mn due to a change in the recognition method of growth incentive revenues from suppliers from an annual to quarterly basis, to comply with the requirements of IFRS 15 and IAS 34.

Maintain target price

Post the 1Q 2023 earnings outcome, we maintain our SAR 130.0 target price on Al Othaim's stock. We would like to dwell into more details once the complete financials are available, before deciding to revise our estimates and/or target price and rating.

Valuation

At the current market price, the stock trades at 29.6x on our FY 2023e EPS and 15.8x FY 2023e EBITDA, in line with its average 3-year P/E and EV/EBITDA of ~29.7x and ~15.7x, respectively.

Income Statement												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)	FY 2021	FY 2022	YoY (%)
Sales/Revenue	2,462.4	2,254.5	2,348.2	2,492.1	2,781.4	2,650.6	13%	12%	5%	8,415.9	9,565.8	13.7%
Gross Profit (Loss)	507.1	458.1	462.6	629.8	574.1	523.6	13%	-9%	10%	1,787.8	2,072.5	15.9%
Operating Profit (Loss)	102.2	57.4	50.8	182.7	122.7	106.2	20%	-33%	16%	348.4	392.7	12.7%
Net Profit (Loss) after Zakat and tax	101.8	46.7	745.0	172.0	120.0	96.6	18%	-30%	24%	300.1	1,079.1	259.6%
Balance Sheet												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,279.2	1,324.7	1,892.2	1,406.8	1,271.6	1,503.1	-1%	-10%	-15%			
Key Ratios												
	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Profit Margin	20.6%	20.3%	19.7%	25.3%	20.6%	19.8%						
Operating Profit Margin	4.2%	2.5%	2.2%	7.3%	4.4%	4.0%						
Net Profit Margin	4.1%	2.1%	31.7%	6.9%	4.3%	3.6%						
Return on Equity (RoE)	31.8%	14.1%	157.5%	48.9%	37.8%	25.7%						
Annualized EPS (SAR)	4.06	2.07	33.09	8.74	5.33	4.28						
BVPS (SAR)					14.13	16.70						
TTM P/E (x)					11.7							
Current P/BV (x)					9.9							

Source: Financials, Tadawul Disclosure, Bloomberg

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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