

## BinDawood Holding Company (BinDawood) - 2Q22 Result Review

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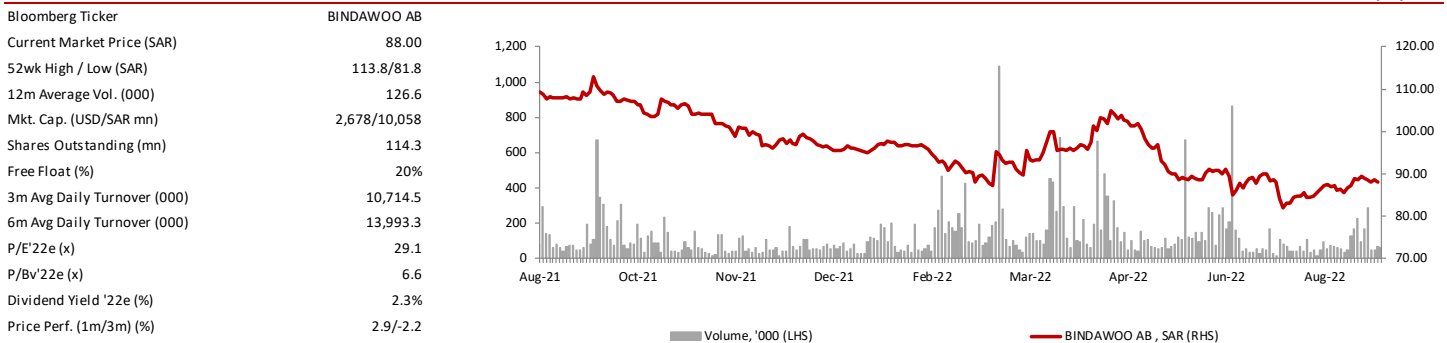
Previous Recommendation: **Accumulate**

Target Price (SAR): -

Previous Reco. & Date: TP: SAR 108 per share; Accumulate on 23-May-2022

Current Upside / (Downside): -

Date: 8/24/2022



### Top-line rises 9% YoY aided by Ramadan season, in line with our estimate

BinDawood Holding's revenue amounted to SAR 1,220.9mn in 2Q22 (+9% YoY), in line with our estimate. Ramadan season primarily aided the company's revenue growth, also supported by the return of Umrah pilgrims as the government eased COVID restrictions on foreign travelers.

### Inorganic transactions related expenses affect operating profit, resulting in a miss

BinDawood's SG&A climbed 10.9% YoY primarily due to costs arising from new stores opening, and transaction expenses related to the acquisition of IATC and Ykone. Given a relatively lesser increase in revenue, this dragged-down operating profit by 45% YoY to SAR 64.8mn in 2Q22, nearly 50% below our estimate of SAR 125.1mn.

### Weakness at the operating level cascades to the bottom-line

Pressure on the operating profit weighed heavily on the bottom line, as it decreased 55% YoY to SAR 42.3mn (our estimate: SAR 118.7mn).

### Putting "Under Review"

Post 2Q22 earnings results, we put BinDawood "Under Review" as the company has underperformed our expectations at the operating level in back-to-back quarters. The company has announced SAR 0.90 per share dividend for 1H22. While this is higher than the 2H21 DPS of SAR .65, it is below 1H21 DPS of SAR 1.25, and our estimate of SAR 1.30. At the current market prices, the TTM dividend gives a yield of 1.8%.

Income Statement												
(SAR mn)	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)	1H 2021	1H 2022	YoY (%)
Sales/Revenue	1,122.8	1,077.8	1,057.1	1,175.2	1,220.9	1,250.4	9%	4%	-2%	2,247.2	2,396.1	6.6%
Gross Profit (Loss)	399.4	397.3	268.9	383.7	378.1	449.7	-5%	-1%	-16%	772.8	761.8	-1.4%
Operating Profit (Loss)	117.2	95.5	(24.8)	72.8	64.8	125.1	-45%	-11%	-48%	203.9	137.6	-32.5%
<b>Net Profit (Loss) after Zakat and tax</b>	<b>95.0</b>	<b>70.2</b>	<b>13.2</b>	<b>65.5</b>	<b>42.3</b>	<b>118.7</b>	<b>-55%</b>	<b>-35%</b>	<b>-64%</b>	<b>157.1</b>	<b>107.8</b>	<b>-31.4%</b>
Balance Sheet												
(SAR mn)	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,470.0	1,397.4	1,336.3	1,402.3	1,444.6	1,521.0	-2%	3%	-5%			
Key Ratios												
	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e						
Gross Profit Margin	35.6%	36.9%	25.4%	32.6%	31.0%	36.0%						
Operating Profit Margin	10.4%	8.9%	-2.3%	6.2%	5.3%	10.0%						
Net Profit Margin	8.5%	6.5%	1.3%	5.6%	3.5%	9.5%						
Return on Equity (RoE)	25.8%	20.1%	4.0%	18.7%	11.7%	31.2%						
Annualized EPS (SAR)	3.32	2.46	0.46	0.57	1.48	4.16						
BVPS (SAR)					12.64	13.31						
TTM P/E (x)					52.6							
Current P/BV (x)					7.0							

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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