

BinDawood Holding Company (BinDawood) - 2Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

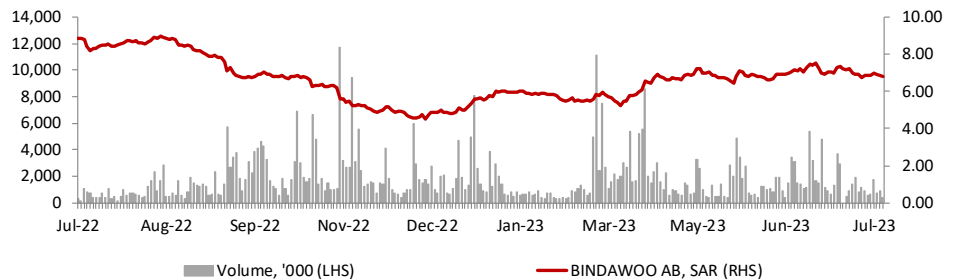
Target Price (SAR): **8.45**

Previous TP & Date: TP: SAR 84.50 per share on 24-May-2023

Current Upside / (Downside): **24%**

Date: **8/14/2023**

Bloomberg Ticker	BINDAWOO AB
Current Market Price (SAR)	6.84
52wk High / Low (SAR)	9.06/4.47
12m Average Vol. (000)	1,877.8
Mkt. Cap. (USD/SAR mn)	2,072/7,772
Shares Outstanding (mn)	1,143.0
Free Float (%)	20%
3m Avg Daily Turnover (000)	10,633.2
6m Avg Daily Turnover (000)	11,310.0
P/E'23e (x)	29.7
EV/EBITDA'23e (x)	12.8
Dividend Yield '23e (%)	NA
Price Perf. (1m/3m) (%)	-5.7/1



Revenue increases 16% YoY partly driven by the Hajj pilgrimage; largely in line with our estimate

BinDawood Holding's revenue rose 16% YoY in 2Q 2023 to ~SAR 1.41bn, coming largely in line with our estimate of c. SAR 1.35bn. The healthy revenue growth was primarily driven by a strong Hajj season and targeted marketing campaigns carried out by the company in both Danube and BinDawood banners.

Operating and net profit post an even sharper growth, yet fell short of our expectations

Backed by healthy revenue growth, improved product mix, easing inflation, and a higher supplier support income, gross profit advanced 20% YoY, perfectly matching our estimate. Operating and net profit registered an even sharper growth of 38% YoY and 55% YoY, respectively. However, they came in 15% and 27% below our estimate, indicating a faster-than-estimated rise in operating and other costs, attributable to the expansion and renovation of some stores, and an increase in expenses due to the acquisitions done last year.

Maintain target price

BinDawood's financial performance indicates the company is making a healthy recovery, matching our expectations, and we expect it to continue working on growth and optimization strategies going forward. Accordingly, we maintain our SAR 84.5 target price on the stock as of now.

Valuation

At the current market price, the stock is trading at 29.7x P/E and 12.8x EV/EBITDA, based on our FY 2023 estimates, above its 3-year daily average forward P/E of about 27.5x and EV/EBITDA of ~13.0x.

Income Statement												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	FY 2021	FY 2022	YoY (%)
Sales/Revenue	1,220.9	1,182.5	1,299.0	1,381.2	1,411.6	1,352.4	16%	2%	4%	4,382.2	4,897.0	11.7%
Gross Profit (Loss)	378.1	307.2	365.4	416.6	452.0	452.7	20%	9%	0%	1,438.9	1,437.1	-0.1%
Operating Profit (Loss)	64.8	(26.5)	41.4	76.2	89.7	105.3	38%	18%	-15%	274.6	151.0	-45.0%
Net Profit (Loss) after Zakat and tax	42.3	(48.3)	65.9	51.5	65.8	86.6	55%	28%	-24%	240.6	124.7	-48.1%
Balance Sheet												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,444.6	1,286.8	1,312.7	1,401.9	1,364.1	1,488.5	-6%	-3%	-8%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	31.0%	26.0%	28.1%	30.2%	32.0%	33.5%						
Operating Profit Margin	5.3%	-2.2%	3.2%	5.5%	6.4%	7.8%						
Net Profit Margin	3.5%	-4.1%	5.1%	3.7%	4.7%	6.4%						
Return on Equity (RoE)	11.7%	-15.0%	20.1%	14.7%	19.3%	23.3%						
Annualized EPS (SAR)	0.15	-0.17	0.23	0.18	0.23	0.31						
BVPS (SAR)					1.19	1.30						
TTM P/E (x)					57.9							
Current P/BV (x)					5.7							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report, 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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