

US\$1.93bn  
Market Cap.

26.54%  
Free Float

US\$1.76mn  
Avg. Daily Value traded

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# BinDawood Holding Co.

## Trying to find growth through Acquisitions

### Neutral

#### Price Target (SAR): 6.00

Current (27 April 2025): 6.33  
Upside/Downside: 5.2% below current

Valuation Multiples	24A	25E	26E
P/E (x)	26.6	23.8	21.4
EV/EBITDA (x)	10.7	9.5	8.9

#### Major Shareholders % Ownership

Akasiya Star Trading Company	67.57
Abdullah Dawood BinDawood and Sons Company Ltd.	5.13
Al-Attayah Holding Company	5.03

Price Performance	1M	3M	YTD
Absolute	-0.9%	-3.2%	-2.2%
Relative to TASI	1.3%	1.8%	0.2%

### Earnings

(SAR Mn)	2024	2025E	2026E
Revenue	5,678	6,282	6,561
Revenue growth	1.3%	10.6%	4.4%
Gross profit	1,894	2,061	2,165
Gross margin	33.4%	32.8%	33.0%
EBITDA	846	919	958
EBITDA margin	14.9%	14.6%	14.6%
Net Income to Shareholders	272	303	338
Net margin	4.8%	4.8%	5.2%
EPS	0.24	0.27	0.30
DPS	0.20	0.23	0.25
Payout ratio	83.9%	85.0%	85.0%
P/E	26.6x	23.8x	21.4x
ROE	18.6%	20.2%	21.8%

Source: Company data, Al Rajhi Capital.

We update our investment case for BinDawood with a Neutral rating and fair value of SAR6.00/sh, having a downside of 5.2% to the last close. Our Investment case is based on expectation of low single digit growth in the company's food retailing business (core business) on the back of 1) consumers becoming bargain hunters, 2) gaining popularity of discounters, and 3) backward integration of food delivery platforms. Furthermore, we opine that store expansion plans of other food retailers (especially in the western region) does not bode well for BinDawood. However, the company can be expected to continue to attract quality conscious customers by leveraging on its brand equity as it has in the past. We expect the company's earnings to grow at a 3-year CAGR of 7.2%, mainly driven by recent acquisitions in Ykone and company's plans of opening small Zahrat Al Rawdah pharmacies in its BinDawood and Danube stores.

**Investment Thesis:** Our Neutral rating on BinDawood Holding is based on the following:

- As per our understanding high rents (especially in Riyadh) has made the consumers bargain hunters. As a result, while food retailers have witnessed a mid-single digit growth in volumes across most product categories, revenue growth has remained lacklustre.
- Increase in value conscious customers has created the demand for a flourishing segment within the grocery retailers call discounters that are offering the same product at significantly lower prices (by paying the wholesalers in cash and having very thin gross and operating margins).
- Backward integration of food delivery platforms aimed at offering groceries fulfilled through their own dark stores also can be expected to negatively impact traditional food retailers.
- Furthermore, we opine that store expansion plans of other food retailers (especially in the western region) does not bode well for BinDawood.
- Amidst the above, we expect the management to continue its hunt for growth through acquisitions (as it has in the past), these acquisitions, however, might not come cheap.
- However, the company can be expected to continue to attract quality conscious customers by leveraging on its brand equity as it has in the past

**2025/2026 Expectations & Assumptions:** Despite a low single digit growth (of 3.7% between 2025-28) in the company's core business segment of food retailing, BinDawood's earnings is expected to grow by 7.2% on the back of high/mid-single digit growth expected in Ykone (on account of its recent acquisitions) and company's plans of opening small Zahrat Al Rawdah pharmacies in its BinDawood and Danube stores. Other major assumptions include:

- Four hypermarket/supermarket stores of BinDawood and Danube to be opened annually and three standalone stores of Zahrat Al Rawdah to be opened annually
- Operating expense to be around 26% of the topline (in-line with the company's history)
- Effective tax rate of 6% (in-line with history) and dividend payout to be ~85% (in-line with history)

### Recommendation and Valuation:

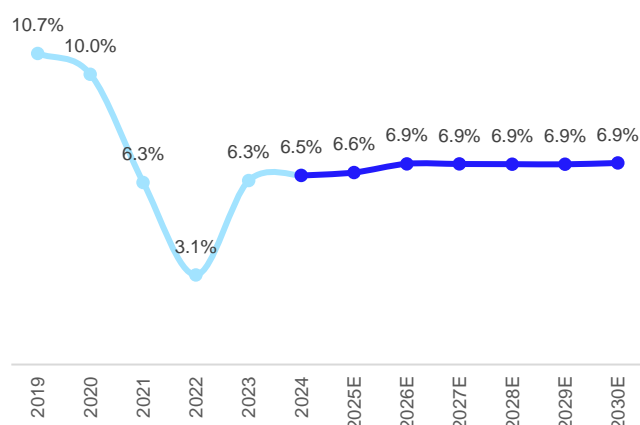
We value the company using discounted cashflow method using a cost of equity of 10% and terminal growth rate of 2.5% to arrive at our fair value of SAR6.00/sh, having a downside of 5.2% to the last close. Hence, we have a Neutral rating on the stock.

Figure 1 Valuation

DCF Valuation		
DCF Valuation	SAR/sh	6.0
CMP	SAR/sh	6.3
Upside/(Downside)	%	-5.2%
Dividend yield	%	3.6%
Total returns	%	-1.6%

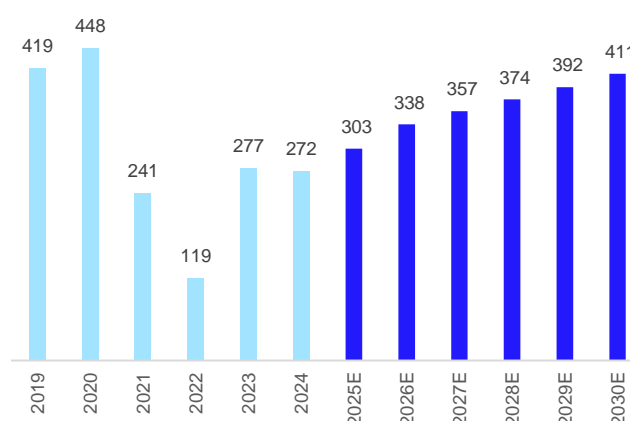
Source: Company Data, Al Rajhi Capital estimates

Figure 2 Operating Margin

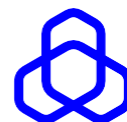


Source: Company data, Al Rajhi Capital.

Figure 3 Net Income to Shareholders (SAR Mn)



Source: Company data, Al Rajhi Capital.



## Financials

Figure 4 **Income Statement**

SAR Mn	2024	2025E	2026E
<b>Revenue</b>	<b>5,678</b>	<b>6,282</b>	<b>6,561</b>
<i>y-o-y growth</i>	1.3%	10.6%	4.4%
Cost of Sales	3,784	4,221	4,396
<b>Gross Profit</b>	<b>1,894</b>	<b>2,061</b>	<b>2,165</b>
<i>y-o-y growth</i>	4.6%	8.9%	5.0%
<i>margins</i>	33.4%	32.8%	33.0%
<b>Operating Profit</b>	<b>369</b>	<b>415</b>	<b>453</b>
<i>y-o-y growth</i>	4.2%	12.4%	9.2%
<i>margins</i>	6.5%	6.6%	6.9%
<b>Net Income to Shareholders</b>	<b>272</b>	<b>303</b>	<b>338</b>
<i>y-o-y growth</i>	-1.6%	11.5%	11.5%
<i>margins</i>	4.8%	4.8%	5.2%
EPS	0.24	0.27	0.30

Source: Company Data, Al Rajhi Capital estimates

Figure 6 **Ratios and Multiples**

	2024	2025E	2026E
ROE	18.6%	20.2%	21.8%
(Debt+Lease)/EBITDA (x)	2.7	2.7	2.5
P/E (x)	26.6	23.8	21.4
D/Y	3.2%	3.6%	4.0%
EV/EBITDA (x)	10.7	9.5	8.9

Source: Company Data, Al Rajhi Capital estimates

Figure 5 **Balance Sheet**

SAR Mn	2024	2025E	2026E
Cash and term deposit	441	661	723
Inventories	1,170	1,100	1,204
Trade and other receivables	166	257	270
Others	183	100	100
<b>Current Assets</b>	<b>1,960</b>	<b>2,118</b>	<b>2,297</b>
Property and equipment	829	894	867
Intangible & goodwill	454	549	549
Right-of-use assets	1,984	1,850	1,790
Investments	37	37	37
<b>Total Assets</b>	<b>5,264</b>	<b>5,448</b>	<b>5,541</b>
Trade payables & others	1,259	1,265	1,385
Lease liabilities	275	299	287
Others	65	90	90
<b>Current Liabilities</b>	<b>1,599</b>	<b>1,654</b>	<b>1,762</b>
Lease liabilities	2,018	1,838	1,765
Borrowing	-	300	300
Others	173	130	130
<b>Total liabilities</b>	<b>3,791</b>	<b>3,922</b>	<b>3,957</b>
Share capital	1,143	1,143	1,143
Retained earnings	302	355	413
Others	28	28	28
<b>Total equity</b>	<b>1,474</b>	<b>1,526</b>	<b>1,584</b>
<b>Total Liabilities &amp; Equity</b>	<b>5,264</b>	<b>5,448</b>	<b>5,541</b>

Source: Company Data, Al Rajhi Capital estimates

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