

AL HOKAIR



EVENT FLASH

Other income supports net income growth

Al Hokair reported a good set of results on 16 July 2012 after market close. Although gross income/Ebit grew by 13-21% YoY, net income came in at SR121mn, up 48% YoY and 18% above our estimate, supported by other income which we believe to be mainly FX gains. We await full details before updating our model.

- **Sales:** Not provided by the company. The NCBC estimate is SR812mn.
- **Gross profit:** Results for the three months ending June 2012 came in at SR406mn vs. NCBC estimate of SR373mn. This was an increase of 21% YoY and 33% QoQ.
- **Operating profit:** Results for the three months ending June 2012 came in at SR105mn vs. NCBC estimate of SR106mn. This was an increase of 13% YoY and 61% QoQ.
- **Net Income:** Results for the three months ending June 2012 came in at SR121mn vs. NCBC estimate of SR102mn. This was an increase of 48% YoY and 39% QoQ.
- In summary, Al-Hokair reported a good set of results with good YoY increase across all profit lines, although the growth slowed at the Ebit level. While gross and net profit was 9-18% above our estimate, Ebit came in 1% lower than what we had been expecting due to higher than expected OpEx.
- The company attributed the impressive performance in the three months ending June 2012 to a) growth in same store sales b) opening of new stores during the year c) addition of new brands, and d) higher other income due to increased investments as well as FX gains.
- We believe the recent commencement of payments to unemployed locals continues to support the YoY growth in profitability at Al Hokair. Over 1mn people are currently receiving SR2,000 per month with around 80% of the recipients females.
- We are Neutral on Al Hokair with a PT of SR74 as we believe most of the positives of the stock are priced in at current levels. The stock currently trades at 11.2x trailing P/E against its three year historic average of 11.8x.

Results for the three months ending 30 June 2012

| SR mn | 30Jun12A | 30Jun11A | % Y o Y | 30Jun12E | % Var [^] |
|------------------|----------|----------|---------|----------|--------------------|
| Sales | N/A | 725 | N/A | 812 | N/A |
| Gross income | 406 | 335 | 21.4 | 373 | 8.9 |
| Operating income | 105 | 93 | 12.8 | 106 | (0.9) |
| Net income | 121 | 82 | 48.0 | 102 | 18.3 |
| EPS (SR) | 1.73 | 1.17 | 48.0 | 1.46 | 18.3 |

Source: Company, NCBC Research [^] % Var indicates variance from NCBC forecasts

NEUTRAL

Target price (SR) 74.2

Current price (SR) 82.0

STOCK DETAILS

| | |
|-------------------------|---------|
| M52-week range H/L (SR) | 87/47 |
| Market cap (\$mn) | 1,533 |
| Shares outstanding (mn) | 70 |
| Listed on exchanges | TADAWUL |

| Price perform (%) | 1M | 3M | 12M |
|-------------------|-----|------|------|
| Absolute | 8.3 | 0.6 | 74.1 |
| Rel. to market | 9.9 | 12.2 | 71.3 |

| Avg daily turnover (mn) | SR | US\$ |
|-------------------------|-----|------|
| 3M | 7.2 | 1.9 |
| 12M | 8.6 | 2.3 |

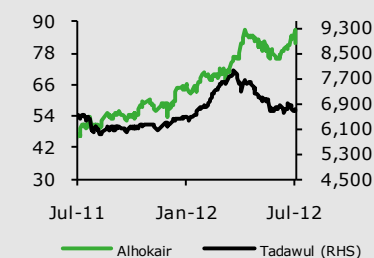
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|----------------|--|
| Reuters code | 4240.SE |
| Bloomberg code | ALHOKAIR AB |
| | www.fawazalhokair.com |

VALUATION MULTIPLES

| | FY12A | FY13E | FY14E |
|---------------|-------|-------|-------|
| P/E (x) | 12.8 | 11.2 | 10.0 |
| P/B (x) | 4.1 | 3.3 | 2.7 |
| EV/EBITDA (x) | 10.7 | 8.4 | 7.1 |
| Div Yield (%) | 4.6 | 5.8 | 5.8 |

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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NCBC Investment Ratings

- OVERWEIGHT:** Target price represents expected returns in excess of 15% in the next 12 months
- NEUTRAL:** Target price represents expected returns between -10% and +15% in the next 12 months
- UNDERWEIGHT:** Target price represents a fall in share price exceeding 10% in the next 12 months
- PRICE TARGET:** Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

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