

### 30, September 21 Results Update

#### Recommendation Underweight

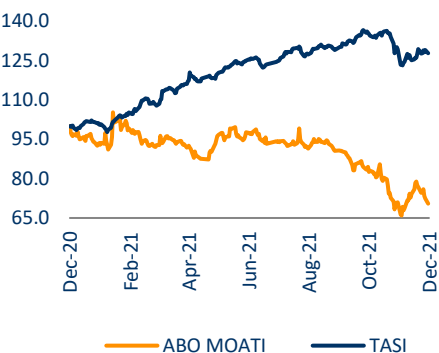
Previous Recommendation	Underweight
Current Price (SAR)	38.9
Target Price (SAR)	35.0
Upside/Downside (%)	(10.0%)

As of December 26, 2021

#### Key Data (Source: Bloomberg)

Market Cap (SAR mn)	778.0
52-Wk High (SAR)	60.8
52-Wk Low (SAR)	36.0
Total Outstanding shares (in mn)	20.0
Free Float (%)	89.5%

#### ABO MOATI vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	(0.8%)	0.4%
6m	(27.7%)	(29.5%)
12m	(29.5%)	(57.3%)

#### Major Shareholders (%)

Saeed Omar Saeed Basaeed	5.33%
Saad Abdullah Saad Abo Moati	5.25%

#### Quarterly Sales (SAR mn) and Gross Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of December 26, 2021

December 27, 2021

#### Commercial activities return to normal, boost topline

Abdullah Saad Mohammed Abo Moati for Bookstores Co. (Abo Moati) reported a 21.0% YoY rise in revenue to SAR 72.9mn in 30, September 21, as commercial activities returned to pre-COVID-19 levels in the quarter. The slower rise in cost of sales helped increase gross profit by 41.9% YoY to SAR 17.6mn and gross margin by 355bps YoY to 24.1% in 30, September 21. Higher topline counterbalanced the rise in selling, general, and administrative (SG&A) expenses, as the company reported a 49.3% YoY rise in operating profit to SAR 7.4mn in 30, September 21. Operating margin stood at 10.2% in 30, September 21. Consequently, Abo Moati reported a 60.9% YoY increase in net income to SAR 5.3mn in 30, September 21, while net margin expanded 180bps YoY to 7.3%.

Abo Moati reported strong performance in 30, September 21, supported by higher top line and rental income. The company's improved topline and lower financing expense countervailed the rise in operating and zakat expenses, as it reported a 60.9% YoY rise in net profit during the quarter. With schools and offices partially restarting, demand for stationery supplies improved during the quarter, compared with that in 30, September 20 when they were functioning remotely, which negatively affected the company's sales. Revenue from the wholesale segment climbed 52.5% YoY to SAR 55.1mn in 30, September 21. This counterbalanced the 26.0% YoY fall in revenue from the ink segment, which stood at SAR 17.9mn in 30, September 21. With schools and offices expected to open to more people on the back of the ongoing vaccination drive, we expect a boost in demand for stationery supplies in the forthcoming quarters. On November 24, the company announced the opening of a new showroom in Riyadh, which will further boost its topline from the upcoming quarter. Nevertheless, the resurgence of COVID-19 due to Omicron could force the Kingdom to impose restrictions, adversely affecting the company's business activities. Furthermore, higher VAT rates could create certain headwinds for the company. After factoring in the aforementioned points, we maintain our "Underweight" rating on the stock.

- Abo Moati's revenue climbed 21.0% YoY to SAR 72.9mn in 30, September 21, driven by the return of commercial activities to pre-COVID-19 levels in the quarter.
- Gross profit rose by 41.9% YoY to SAR 17.6mn 30, September 21 and gross margin widened to 24.1% from 20.6% in 30, September 20.
- Higher top line countervailed the rise in SG&A expenses, leading to a 49.3% YoY rise in operating profit to SAR 7.4mn in 30, September 21. Operating margin was recorded at 10.2% in 30, September 21 as against 8.3% in 30, September 20.
- Abo Moati reported a 60.9% YoY rise in net income to SAR 5.3mn in 30, September 21. Net margin stood at 7.3% in 30, September 21 compared with 5.5% in 30, September 20.
- The company reported an EPS of SAR 0.27 in 30, September 21 compared with SAR 0.17 in 30, September 20.
- On September 16, its shareholders approved board's recommendation of a cash dividend of SAR 0.5 per share for FY21, totaling SAR 10mn.

**Valuation:** We reaffirm our target price of SAR 35.0 per share and maintain our "Underweight" rating on the stock.

	30, Septemb er 21	30, Septemb er 20	% YoY	FY22E	FY21	% YoY
Revenues (SAR mn)	72.9	60.3	21.0%	254.3	231.2	10.0%
Gross Profit (SAR mn)	17.6	12.4	41.9%	63.6	48.3	31.8%
EBITDA (SAR mn)	10.1	6.7	50.3%	31.3	17.3	81.0%
Net Profit (SAR mn)	5.3	3.3	60.9%	18.3	5.3	242.4%
EPS Basic (SAR)	0.27	0.17	60.9%	0.91	0.27	242.4%
Gross Margin (%)	24.1%	20.6%	3.5%	25.0%	20.9%	4.1%
EBITDA Margin (%)	13.8%	11.1%	2.7%	12.3%	7.5%	4.8%
Net Profit Margin (%)	7.3%	5.5%	1.8%	7.2%	2.3%	4.9%

Source: Company Financials, FALCOM Research

30, September 21 Results Update  
**FALCOM Rating Methodology**

December 27, 2021

FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by 10%.

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services, FALCOM Research.

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