

## FY21 Results Update

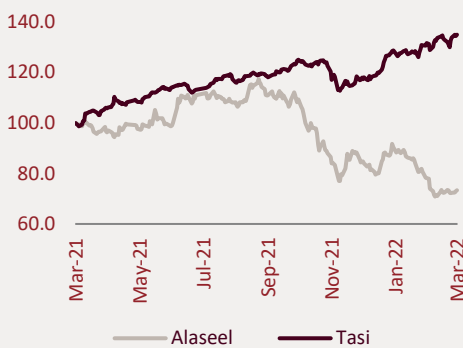
March 22, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	43.2
Target Price (SAR)	45.0
Upside/Downside (%)	4.2%
As of March 22, 2022	

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	1.7
52-wk High (SAR)	70.3
52-wk Low (SAR)	41.8
Total Outstanding shares (in mn)	40.0
Free Float (%)	94.5%

### ALASEEL vs. TASI (Rebased)

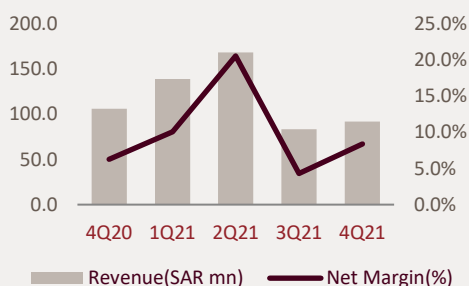


Price Performance (%)	Absolute	Relative
1m	(6.2%)	(8.7%)
6m	(33.9%)	(48.2%)
12m	(26.7%)	(61.6%)

### Major Shareholders (%)

Mohammed Abdullah Ibrahim Al Jedaie.	5.56%
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### Revenue (SAR mn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of March 22, 2022

### Lower topline impacts earnings in FY21

Thob Al Aseel (ALASEEL)'s revenue slipped 8.6% YoY to SAR 481.9mn in FY21, mainly due to lower revenue recorded by the ALASEELs segment. Meanwhile, cost of sales dropped 9.3% YoY to SAR 307.4mn. Consequently, gross profit fell 7.4% YoY to SAR 174.5mn. However, gross margin expanded 47bps YoY to 36.2% in FY21. Lower impairment losses were offset by higher SG&A expense, which led to a 20.9% YoY slump in operating profit to SAR 78.3mn in FY21. Consequently, EBIT margin narrowed 253 bps YoY to 16.3%. Higher finance and Zakat expense, in addition to lower topline, led to a 27.5% YoY decline in net profit to SAR 59.7mn. Consequently, net margins fell 323bps YoY to 12.4% in FY21.

ALASEEL reported weak FY21 results as its topline was down 8.6% YoY to SAR 481.9mn while bottom line nosedived 27.5% YoY to SAR 59.7mn. The decline in the topline in FY21 could be attributed to a higher revenue base in FY20, after the company signed a contract for supply of medical supplies last year. Moreover, in FY20, there was a higher base as customers took advantage of government initiatives to mitigate the effects of COVID-19. Furthermore, the topline also dropped due to an 11.4% YoY decline in revenue from the ALASEELs segment to SAR 390.4mn during the year, despite revenue from the Fabrics segment growing 5.7% YoY to SAR 91.5mn in FY21. In FY21, a surge in selling and distribution expense was reported due to higher spending on promotional activities. The company recently announced completion of a bonus issue to raise equity capital to SAR 40mn through a one-for-three bonus share distribution. This would support the company's growth plans in this segment and maintain its solvency. Therefore, considering these factors, we maintain our rating to "Neutral" on the stock.

- ALASEEL's revenue dropped 8.6% YoY to SAR 481.9mn in FY21, mainly due to a high base last year as the company signed a new contract to supply medical supplies in 2021. Excluding the sale of medical supplies, ALASEEL's sale grew 12.2% YoY.
- In 4Q21, revenue fell 13.5% YoY to SAR 91.7mn. However, the topline rose 10% QoQ from SAR 83.3mn in 3Q21.
- Despite a fall in cost of sales, gross profit decreased 7.4% YoY to SAR 174.5mn in FY21 owing to lower topline. However, gross margin improved to 36.2% from 35.7% in FY20.
- Higher total SG&A expense offset the fall in impairment losses, as operating profit plunged 20.9% YoY to SAR 78.3mn in the year. Consequently, operating margin narrowed to 16.3% in FY21 from 18.8% in FY20.
- Lower topline and higher finance expense resulted in 27.5% YoY decrease in net profit to SAR 59.7mn in FY21. Consequently, net margin shrank to 12.4% from 15.6% in FY20.
- On February 20, 2022, Thob Al Aseel Co.'s Board of Directors recommended a cash dividend of SAR 0.75 per share (7.5% of capital) amounting to SAR 30mn for 2H21.

**Valuation:** We revise our target price to a fair value of SAR 45.0 per share and maintain our rating on the stock to "Neutral".

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	91.7	106.0	(13.5%)	530.1	481.9	10.0%
Gross Profit (SAR mn)	35.3	39.1	(9.7%)	181.4	174.5	3.9%
EBITDA (SAR mn)	2.8	9.7	(70.8%)	80.7	80.1	0.8%
Net Profit (SAR mn)	7.7	6.6	16.0%	61.6	59.7	3.1%
EPS Basic (SAR)	0.19	0.22	(13.0%)	1.5	1.5	3.1%
Gross Margin (%)	38.5%	36.9%	1.6%	34.2%	36.2%	(2.0%)
EBITDA Margin (%)	3.1%	9.2%	(6.1%)	15.2%	16.6%	(1.4%)
Net Profit Margin (%)	8.4%	6.3%	2.1%	11.6%	12.4%	(0.8%)

Source: Company Financials, Yaqeen Capital

## Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

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