

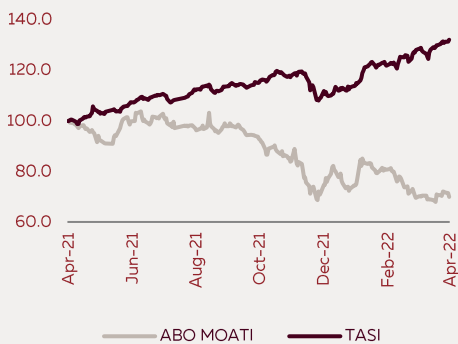
31, December 21 Results Update

April 4, 2022

Recommendation	Neutral
Previous Recommendation	Underweight
Current Price (SAR)	37.1
Target Price (SAR)	35.0
Upside/Downside (%)	(5.6%)
As of April 4, 2022	

Key Data (Source: Bloomberg)	
Market Cap (SAR mn)	741.0
52-wk High (SAR)	56.6
52-wk Low (SAR)	35.7
Total Outstanding shares (in mn)	20.0
Free Float (%)	89.5%

ABO MOATI vs. TASI (Rebased)

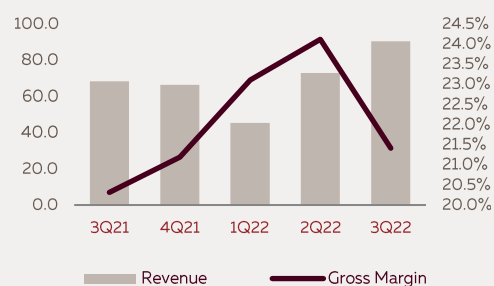


Price Performance (%)	Absolute	Relative
1m	0.5%	(2.7%)
6m	(24.7%)	(39.5%)
12m	(30.1%)	(62.2%)

Major Shareholders (%)

Saeed Omar Saeed Basaeed	5.33%
Saad Abdullah Saad Abo Moati	5.17%

Revenue (SAR mn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 4, 2022

Pick-up in commercial activities boosts top line

Abdullah Saad Mohammed Abo Moati for Bookstores Co. (Abo Moati)'s revenue increased 32.3% YoY to SAR 90.5mn in 31, December 21, mainly ascribed to return of commercial activities to normalcy during the current quarter. Cost of sales rose at a slower pace compared to the top line, which led to 39.4% YoY rise in gross profit to SAR 19.4mn, while gross margin widened 110 bps YoY to 21.4% in 31, December 21. Selling, general, and administrative (SG&A) expense went up 15.6% YoY but was offset by a higher top line, as the company reported 81.4% YoY rise in operating profit to SAR 8.9mn in 31, December 21. Operating margin stood at 9.8% during the quarter. Consequently, Abo Moati reported 140.4% YoY increase in net income to SAR 7.2mn in 31, December 21, while net margin expanded 358 bps YoY to 8.0%. Abo Moati reported strong performance in 31, December 21, supported by a higher top line. The company's improved top line, margins, and lower finance cost countervailed the rise in operating and zakat expenses, as net profit rose 140.4% YoY during the quarter. In addition to schools and offices partially restarting, return of commercial activities to normal levels led to improvement in demand for stationery supplies during the quarter compared with 31, December 20. Revenue from the wholesale & retail segment surged 40.2% YoY to SAR 56.4mn in 31, December 21 while that from the inks segment climbed 21.0% YoY to SAR 34.1bn during the quarter. The KSA's Ministries of Education and Health announced resumption of in-person classes for primary and kindergartens across the country. Additionally, a further pick-up in economic activities on the back of vaccination rollout would support retail store performance in terms of traffic and new space contribution. With offices already starting to function offline, we expect a boost in demand for stationery supplies in the coming quarters. Nevertheless, with the threat of COVID-19 still looming, the company's business activities could be affected in case of any further resurgence in cases. Although complete lockdown now seems unlikely, the company stands to gain from resumption of offline education, supported by additional store openings and improved margins. After factoring in the aforementioned points, we change our rating to "Neutral" on the stock.

- Abo Moati's revenue climbed 32.3% YoY to SAR 90.5mn in 31, December 21, as commercial activities returned to normalcy during the quarter. On QoQ basis, Abo Moati's revenue increased 24.0% from SAR 72.9mn in 31, December 20.
- Gross profit surged 39.4% YoY to SAR 19.4mn 31, December 21 as a rise in cost of sales was offset by growth in the top line. Gross margin widened to 21.4% from 20.3% in 31, December 20.
- The higher top line offset the rise in SG&A expense, leading to 81.4% YoY rise in operating profit to SAR 8.9mn in 31, December 21. Operating margin stood at 9.8% in 31, December 21 as against 7.2% in 31, December 20.
- Lower interest expense and zakat charge helped Abo Moati report 140.4% YoY rise in net income to SAR 7.2mn in 31, December 21, while net margin stood at 8.0% compared with 4.4% in 31, December 20.
- On a quarterly basis, lower finance cost and zakat expense offset the rise in cost of sales as the company's net profit rose 35.5% QoQ from SAR 5.3mn in 30, September 2021.
- The company reported EPS of SAR 0.36 in 31, December 21 compared with SAR 0.15 in 31, December 20.
- On 17 March 2022, Abo Moati opened a new showroom for the trademark "Ilahui" in Riyadh, with investments worth SAR 1.95mn.

Valuation: We maintain our target price at a fair value of SAR 35.0 per share but change our rating to "Neutral" rating on the stock.

	31, December 21	31, December 20	% YoY	FY21E	FY20	%YoY
Revenues (SAR mn)	90.5	68.4	32.3%	277.4	231.2	20.0%
Gross Profit (SAR mn)	19.4	13.9	39.4%	63.8	48.3	32.2%
EBITDA (SAR mn)	11.7	6.6	76.3%	35.2	17.3	103.5%
Net Profit (SAR mn)	7.2	3.0	140.4%	20.3	5.3	279.9%
EPS Basic (SAR)	0.36	0.15	140.4%	1.01	0.27	279.9%
Gross Margin (%)	21.4%	20.3%	1.1%	23.0%	20.9%	2.1%
EBITDA Margin (%)	12.9%	9.7%	3.2%	12.7%	7.5%	5.2%
Net Profit Margin (%)	8.0%	4.4%	3.6%	7.3%	2.3%	5.0%

Source: Company Financials, Yaqeen Capital

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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.

Yaqeen Capital

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