

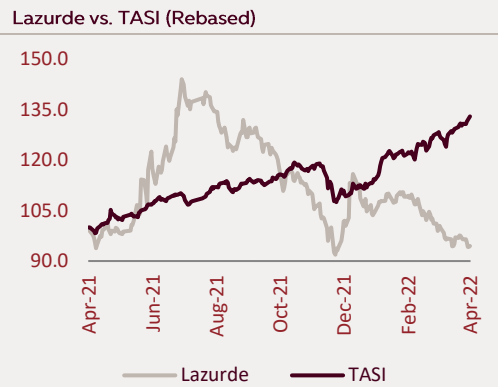
FY21 Results Update

April 7, 2022

Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	18.4
Target Price (SAR)	21.0
Upside/Downside (%)	14.1%

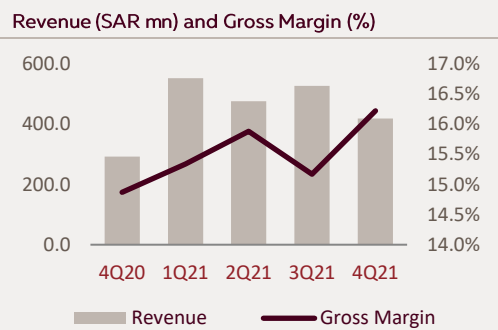
As of April 7, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	1.1
52-wk High (SAR)	28.8
52-wk Low (SAR)	17.6
Total Outstanding shares (in mn)	57.5
Free Float (%)	47.7%



Price Performance (%)	Absolute	Relative
1m	(4.6%)	(8.5%)
6m	(18.7%)	(33.6%)
12m	(5.5%)	(38.5%)

Major Shareholders (%)	
Abdullah Abdulaziz Saleh Al-Othaim	11.21%



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 7, 2022

Lazurde records highest net income in five years

Lazurde Company for Jewelry (Lazurde)'s revenue soared 54.2% YoY to SAR 2.0bn in FY21, driven by higher revenues across all segments and geographies. Gross profit rose 68.2% YoY to SAR 307.8mn in FY21, despite a 51.9% YoY rise in cost of sales; gross margin improved 130bps YoY to 15.6% during the year. Operating profit stood at SAR 81.5mn in FY21, as against operating loss of SAR 23.9mn in FY20; operating margin stood at 4.1% during the year. Lower finance cost offset the rise in other expense. This helped the company register a net profit of SAR 22.0mn in FY21 as against a net loss of SAR 120.5bn in FY20; net profit margin stood at 1.1% in FY21 compared to a net loss margin of (9.4%) in FY20.

Lazurde reported strong performance in FY21, driven by higher revenues in the wholesale segment (up 58.3% YoY to SAR 1.7bn) and retail segment (up 28.5% YoY to SAR 225.2mn). Revenue from operations surged 45.4% YoY to SAR 505.3mn in FY21. The company's new initiatives Miss L' and InStyle, launched recently, have performed well and contributed 21% to operating revenue in FY21. In KSA, revenue from the retail segment increased 20.9% YoY in FY21, while in Egypt, retail operating revenue grew 38.9% during the year. The growth was ascribed to higher revenues in same shops, increase in Miss L' and L'azurde InStyle brands, growth in ecommerce platforms, opening of new outlets, and easing of COVID-related precautionary measures. Revenue from the company's E-commerce segment rose to SAR 24.3mn in FY21 from SAR 6.2mn in FY20. The company has managed to significantly reduce its finance costs by 38.1% YoY to SAR 31.2mn in FY21, following the implementation of strategic and commercial initiatives such as optimization of gold working capital and rights issue. Lazurde is diversifying and expanding its revenue streams by adding new brands and entering new channels. The company reported a positive cash inflow from operations of SAR 78.1mn in FY21, the highest since 2015, as it continued to focus on cash generation. Lazurde is well positioned in terms of product innovation and experimentation through new business mediums. In view of these factors, we maintain our "Overweight" rating on the stock.

- Lazurde's revenue surged 54.2% YoY to SAR 2.0bn in FY21 from SAR 1.3bn in FY20 on higher revenue contribution from sales channels and geographies.
- A slower rise in cost of sales led to gross profit growing 68.2% YoY to SAR 307.7mn in FY21; consequently, gross margin expanded to 15.6% in FY21 from 14.3% in FY20.
- The rise in selling & marketing as well as general & administrative expenses was offset by a higher top line as the company reported an operating profit of SAR 81.5mn in FY21 as against an operating loss of SAR 23.9mn in FY20; operating margin stood at 4.1%.
- Lower finance charges compensated for the rise in other expense and income tax expense, which helped the company register a net profit of SAR 22.0mn in FY21 as against a net loss of SAR 120.5mn in FY20. Subsequently, net profit margin stood at 1.1% as opposed to a net loss margin of (9.4%) in FY20.
- In FY21, the company generated a strong positive cash inflow from operations of SAR 78.1mn.
- On 16 March 2022, Lazurde's Board of Directors recommended a 2.5% cash dividend for FY21 at SAR 0.25 per share, amounting to SAR 14.4mn.

**Valuation:** We revise our target price to a fair value of SAR 21.0 per share and retain our "Overweight" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	418.1	291.7	43.3%	2,260.9	1,971.5	14.7%
Gross Profit (SAR mn)	67.8	43.4	56.3%	354.1	307.7	15.0%
EBITDA (SAR mn)	21.0	(8.6)	NM	136.7	128.0	6.8%
Net Profit (SAR mn)	(4.0)	(33.9)	NM	39.0	22.0	77.0%
EPS Basic (SAR)	(0.07)	(0.79)	NM	0.68	0.38	77.0%
Gross Margin (%)	16.2%	14.9%	1.3%	15.7%	15.6%	0.1%
EBITDA Margin (%)	5.0%	(3.0%)	NM	6.0%	6.5%	(0.4%)
Net Profit Margin (%)	(1.0%)	(11.6%)	NM	1.7%	1.1%	0.6%

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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