

1Q22 Results Update

June 8, 2022

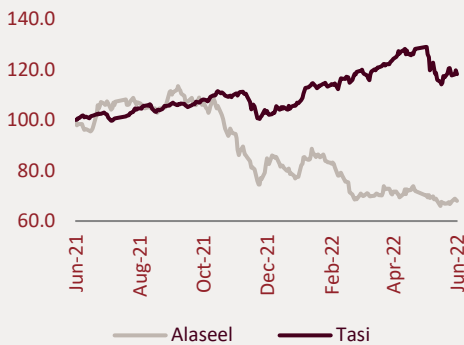
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	41.4
Target Price (SAR)	43.0
Upside/Downside (%)	3.9%

As of June 7, 2022

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	1.7
52-wk High (SAR)	70.3
52-wk Low (SAR)	39.8
Total Outstanding shares (in mn)	40.0
Free Float (%)	94.5%

ALASEEL vs. TASI (Rebased)

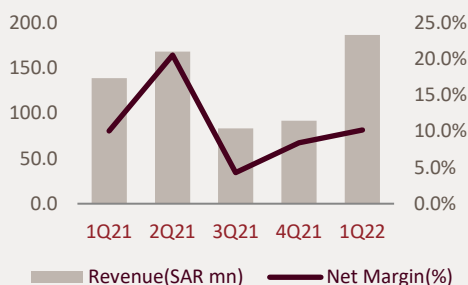


Price Performance (%)	Absolute	Relative
1m	(3.2%)	5.2%
6m	(19.9%)	(33.9%)
12m	(32.1%)	(50.2%)

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 June 7, 2022

Topline surges on improved market conditions in 1Q22

Thob Al Aseel (Thob)'s revenue increased 34.2% YoY to SAR 186.3mn in 1Q22, primarily driven by improved revenue contribution from the Thobes and Fabric segment. Cost of sales rose 34.6% YoY to SAR 122.8mn. However, gross profit soared 33.4% YoY to SAR 63.5mn. Nonetheless, gross margin contracted 19bps YoY to 34.1%. Despite higher selling and marketing expenses and impairment losses, operating profit climbed 27.5% YoY to SAR 24.5mn during the quarter. However, operating margin narrowed 69bps YoY to 13.2% in 1Q22. Lower zakat expenses offset higher finance charges, leading to a 35.8% YoY rise in net profit to SAR 19.0mn. Consequently, net margin expanded 12bps YoY to 10.2% during the quarter.

Thob reported improved performance in 1Q22 as topline soared 34.2% YoY to SAR 186.3mn, while bottom line climbed 35.8% YoY to SAR 19.0mn. The surge in the topline was mainly driven by improvement in the business environment and an increase in the number of Umrah pilgrims coming from outside the Kingdom, which contributed to the gradual recovery of sales in the western region. Revenue from the Thobes segment increased 32.5% YoY to SAR 152.0mn, while that from the Fabrics segment soared 42.0% YoY to SAR 34.3mn. On quarterly basis, topline and bottom line advanced, mainly driven by higher sales due to seasonality of activity. However, the company incurred higher selling and marketing expenses during the quarter due to continued focus on promotional activities. In addition, rise in impairment losses led to lower operating margins compared to 1Q21. Nevertheless, the company expects positive growth to continue over the upcoming quarters, driven by client incentives and programs, in addition to the continued improvement in business conditions. We maintain our "Neutral" rating on the stock.

- Thob's revenue climbed 34.2% YoY to SAR 186.3mn in 1Q22, mainly due to higher revenue contribution across segments.
- On quarterly basis, revenue more than doubled from SAR 91.7mn in 4Q21 on increased sales from seasonality of activity.
- Despite a 34.6% YoY rise in cost of sales, gross profit surged 33.4% YoY to SAR 63.5mn in 1Q22 due to higher topline. However, gross margin contracted to 34.1% from 34.3% in 1Q21.
- Increase in selling and marketing expenses and impairment loss were offset by higher topline, as operating profit soared 27.5% YoY to SAR 24.5mn during the quarter. However, operating margin narrowed to 13.2% in 1Q22 from 13.9% in 1Q21.
- Lower zakat expenses offset the rise in finance expenses, resulting in a 35.8% YoY rise in net profit to SAR 19.0mn in 1Q22. Consequently, net margin improved to 10.2% from 10.1% in 1Q21.
- On quarterly basis, the company's net profit climbed 146.7% from SAR 7.7mn in 4Q21.

**Valuation:** We revise our target price to a fair value of SAR 43.0 per share and maintain our "Neutral" rating on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	186.3	138.8	34.2%	602.4	481.9	25.0%
Gross Profit (SAR mn)	63.5	47.6	33.4%	218.1	174.5	25.0%
EBITDA (SAR mn)	24.5	19.6	25.1%	100.4	80.1	25.4%
Net Profit (SAR mn)	19.0	14.0	35.8%	77.4	59.7	29.5%
EPS Basic (SAR)	0.47	0.47	1.8%	1.9	1.5	29.5%
Gross Margin (%)	34.1%	34.3%	(0.2%)	36.2%	36.2%	0.0%
EBITDA Margin (%)	13.2%	14.1%	(1.0%)	16.7%	16.6%	0.1%
Net Profit Margin (%)	10.2%	10.1%	0.1%	12.8%	12.4%	0.4%

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.

## Yaqeen Capital

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