

## 1Q22 Results Update

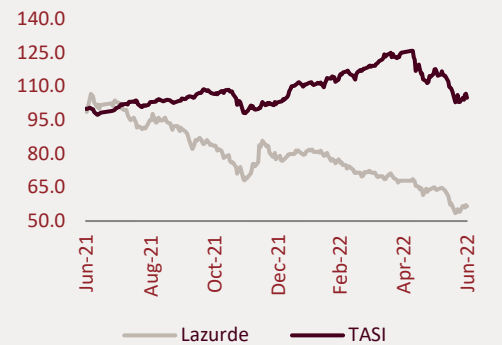
June 30, 2022

Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	14.9
Target Price (SAR)	16.5
Upside/Downside (%)	11.0%

As of June 30, 2022

Key Data (Source: Bloomberg)	
Market Cap (SAR mn)	854.5
52-wk High (SAR)	28.8
52-wk Low (SAR)	14.0
Total Outstanding shares (in mn)	57.5
Free Float (%)	47.7%

### Lazurde vs. TASI (Rebased)

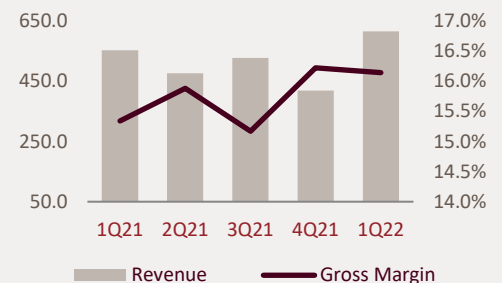


Price Performance (%)	Absolute	Relative
1m	(13.1%)	(2.4%)
6m	(27.6%)	(29.7%)
12m	(43.5%)	(48.4%)

### Major Shareholders (%)

Abdul Aziz Saleh Ali Al-Othaim	11.21%
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### Revenue (SAR mn) and Gross Margin (%)



Source: Bloomberg, Company Financials, Yaqaen Capital;  
Data as of June 30, 2022

### Improved revenue contribution across geographies boosts topline

Lazurde Company for Jewelry (Lazurde)'s revenue climbed 11.4% YoY to SAR 614.5mn in 1Q22, driven by higher revenues across geographies. A slower rise in cost of sales compared to the topline led to a 17.2% YoY rise in gross profit to SAR 99.2mn during the quarter. Consequently, gross margin improved 80bps YoY to 16.1% in 1Q22. Despite the rise in selling and marketing, general and administrative, and provisions, operating profit increased 7.8% YoY to SAR 30.1mn in 1Q22. However, operating margin narrowed 17bps YoY to 4.9% during the quarter. The surge in other income and lower finance cost offset the increase in income tax and resulted in 34.8% YoY growth in net profit to SAR 13.7mn in 1Q22; net profit margin expanded 39bps YoY to 2.2% in 1Q22.

Lazurde reported improved performance in 1Q22, led by higher revenues in the wholesale segment (up 12.5% YoY to SAR 555.6mn) and retail segment (up 2.1% YoY to SAR 58.9mn). Revenue from operations went up 9.3% YoY to SAR 151.7mn in 1Q22 owing to higher contribution from all geographies. In KSA, wholesale operating revenue rose 7.9% YoY during the quarter, following strong sales from the L'azurde Instyle brand, selling fashionable and affordable jewelry by piece in traditional gold souks. In Egypt, wholesale operating revenue grew 18.0% YoY on high demand for L'azurde gold jewelry. The company launched the Miss L' and Lazurde InStyle brands in 2019 and 2020, respectively, which have performed well and contributed 19.6% to operating revenue in 1Q22. Revenue from the company's E-commerce segment rose to SAR 7.4mn in 1Q22 from SAR 5.2mn in 1Q21. The company has reduced its finance costs by 14.5% YoY to SAR 8.1mn in 1Q22, while the group has managed to generate a positive cash inflow from operations of SAR 17.3mn during the quarter, as it continued to focus on cash generation. Currently, Lazurde plans to expand the E-commerce segment by enhancing its UX/UI fundamentals, introducing a new technology, driving more CRM, and implementing efficient omnichannel strategies. The company also plans to expand its Miss L' fashion jewelry line through its own retail points of sales, e-commerce, and third-party retailers, which will boost its topline. Lazurde is well positioned in terms of product innovation and experimentation through new business lines. In view of these factors, we maintain our "Overweight" rating on the stock.

- Higher revenue contribution across geographies during the quarter resulted in an 11.4% YoY rise in revenues to SAR 614.5mn.
- Gross profit climbed 17.2% YoY to SAR 99.2mn in 1Q22 as topline growth outpaced cost of sales; consequently, gross margin expanded to 16.1% in 1Q22 from 15.3% in 1Q21.
- Operating profit grew 7.8% YoY to SAR 30.1mn in 1Q22 as the rise in selling and marketing, provisions, and general and administrative expense was offset by a higher topline; however operating margin narrowed to 4.9% in 1Q22 from 5.1% in 1Q21.
- Lower finance charges, rise in other income, and reduction in zakat expense led to a 34.8% YoY increase in net profit to SAR 13.7mn in 1Q22. Subsequently, net profit margin improved to 2.2% as opposed to 1.8% in 1Q21.
- In 1Q22, the company generated a strong positive cash inflow from operations of SAR 17.3mn.

**Valuation:** We revise our target price to a fair value of SAR 16.5 per share and retain our "Overweight" rating on the stock

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	614.5	551.4	11.4%	2,352.8	1,971.5	19.3%
Gross Profit (SAR mn)	99.2	84.6	17.2%	368.4	307.7	19.7%
EBITDA (SAR mn)	41.4	39.3	5.4%	152.4	128.0	19.1%
Net Profit (SAR mn)	13.7	10.2	34.8%	43.5	22.0	97.3%
EPS Basic (SAR)	0.24	0.24	0.8%	0.76	0.38	97.3%
Gross Margin (%)	16.1%	15.3%	0.8%	15.7%	15.6%	0.0%
EBITDA Margin (%)	6.7%	7.1%	(0.4%)	6.5%	6.5%	(0.0%)
Net Profit Margin (%)	2.2%	1.8%	0.4%	1.8%	1.1%	0.7%

Source: Company Financials, Yaqaen 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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