

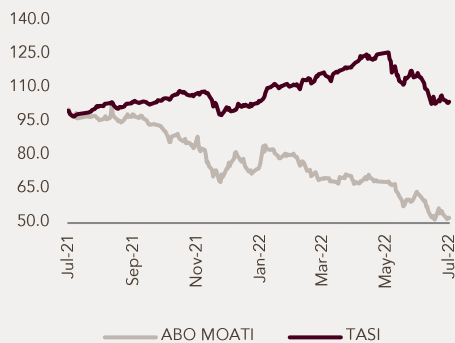
FY Ending on 31 March 2022 Results Update

July 13, 2022

<b>Recommendation</b>	<b>Neutral</b>
Previous Recommendation	Neutral
Current Price (SAR)	27.9
Target Price (SAR)	29.0
Upside/Downside (%)	3.9%
<i>As of July 6, 2022</i>	

<b>Key Data (Source: Bloomberg)</b>	
Market Cap (SAR mn)	558.0
52-wk High (SAR)	55.2
52-wk Low (SAR)	27.0
Total Outstanding shares (in mn)	20.0
Free Float (%)	89.5%

**ABO MOATI vs. TASI (Rebased)**

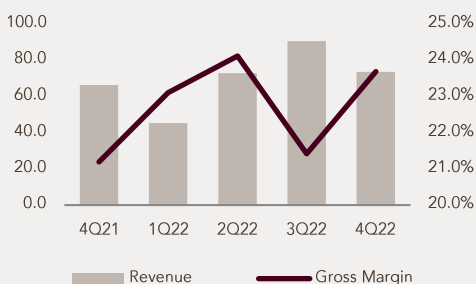


Price Performance (%)	Absolute	Relative
1m	(16.8%)	(5.9%)
6m	(31.6%)	(31.5%)
12m	(47.7%)	(51.7%)

**Major Shareholders (%)**

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

**Revenue (SAR mn) and Gross Margin (%)**



Source: Bloomberg, Company Financials, Yaqeen Capital;  
Data as of July 6, 2022

**Resumption of commercial activities, offline education boosts top line**

Abdullah Saad Mohammed Abo Moati for Bookstores Co. (Abo Moati)'s revenue surged 22.7% YoY to SAR 282.3mn in FY22, primarily driven by the resumption of commercial activities and offline education during the year. Gross profit advanced 37.7% YoY to SAR 64.9mn as cost of sales rose at a slower pace compared to the top line in FY22. Consequently, gross margin widened 250 bps YoY to 23.0% during the year. Selling, general, and administrative (SG&A) expenses rose 2.1% YoY but was offset by a higher operating income and rise in the top line. Consequently, the company reported a 218.9% YoY surge in operating profit to SAR 25.5mn in FY22. Operating margin advanced to 9.0% in FY22 from 3.5% in FY21. Lower interest expenses offset the rise in zakat expense, leading to 183.2% YoY increase in the net income to SAR 15.1mn in FY22. Meanwhile, the net margin expanded 303 bps YoY to 5.4% during the year.

Abo Moati reported a much-improved performance in FY22, supported by a surge in the top line. Improvement in the top line and margins and lower finance cost countervailed the rise in SG&A, other non-operating, and zakat expenses, as the net profit advanced 183.2% YoY during the year. Resumption of offline education and offices led to improvement in demand for stationery supplies during the year compared to FY21. Revenue from the wholesale and retail segment surged 51.3% YoY to SAR 202.4mn in FY22, while that from the inks segment dropped 17.0% YoY to SAR 79.9mn during the year. The company recently opened a new showroom in Al-Ahsa covering 318 square meters. The company is expected to start witnessing positive financial impact of the opening in 2Q23. The company aims to cover all the main regions in KSA by opening new branches or finding new distributors. The company is poised to gain from resumption of offline education, supported by additional store openings and improved margins. Factoring in the aforementioned factors, we maintain our "Neutral" rating on the stock.

- Abo Moati's revenue surged 22.7% YoY to SAR 283.3mn during the year, following the resumption of commercial activities in FY22. In 4Q21, Abo Moati's revenue increased 12.7% to SAR 73.5mn (down 18.7% QoQ).
- Rise in cost of sales was offset by a higher topline, resulting in 37.7% YoY surge in gross profit to SAR 64.9mn in FY22. Gross margin widened to 23.0% in FY22 from 20.5% in FY21.
- The higher top line and rise in other operating income offset the rise in SG&A expenses, resulting in 218.9% YoY rise in operating profit to SAR 25.5mn in FY22. Operating margin stood at 9.0% in FY22 compared to 3.5% in FY21.
- Despite the rise in other non-operating and zakat expenses, Abo Moati's net income increased 183.2% YoY to SAR 15.1mn in FY22. Meanwhile, the net margin stood at 5.4% compared to 2.3% in FY21.
- In 4Q21, the net profit slipped 18.3% YoY and 90.5% QoQ to SAR 0.7mn.
- The company reported EPS of SAR 0.76 in FY22 compared to SAR 0.27 in FY21.
- On June 07, 2022, Abo Moati opened a new showroom for the trademark "MiniGood" in Al-Ahsa, with investments worth nearly SAR 2.0mn.

**Valuation:** We revise our target price to a fair value of SAR 29.0 per share but maintain our "Neutral" rating on the stock.

	4Q22	4Q21	% YoY	FY23E	FY22	%YoY
Revenues (SAR mn)	73.5	65.2	12.7%	324.6	282.3	15.0%
Gross Profit (SAR mn)	17.4	12.9	34.8%	76.2	64.9	17.5%
EBITDA (SAR mn)	9.1	1.9	379.8%	44.6	36.1	23.6%
Net Profit (SAR mn)	0.7	0.8	(18.3%)	21.0	15.1	38.8%
EPS Basic (SAR)	0.03	0.04	(18.3%)	1.05	0.76	38.8%
Gross Margin (%)	23.7%	19.8%	3.9%	23.5%	23.0%	0.5%
EBITDA Margin (%)	12.4%	2.9%	9.5%	13.7%	12.8%	1.0%
Net Profit Margin (%)	0.9%	1.3%	(0.4%)	6.5%	5.4%	1.1%

Source: Company Financials, Yaqeen Capital

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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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