

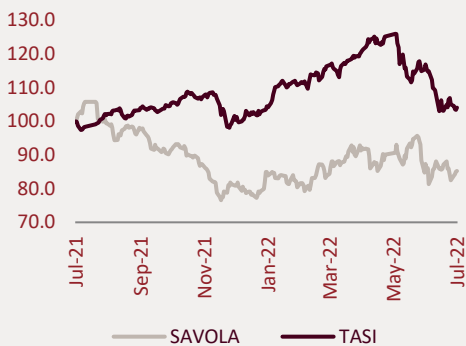
1Q22 Results Update

July 12, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	34.75
Target Price (SAR)	37.0
Upside/Downside (%)	6.5%
As of July 6, 2022	
<b>Key Data (Source: Bloomberg)</b>	

Market Cap (SAR bn)	18.6
52-wk High (SAR)	43.2
52-wk Low (SAR)	31.2
Total Outstanding shares (in mn)	534.0
Free Float (%)	65.9%

SAVOLA GROUP vs. TASI (Rebased)

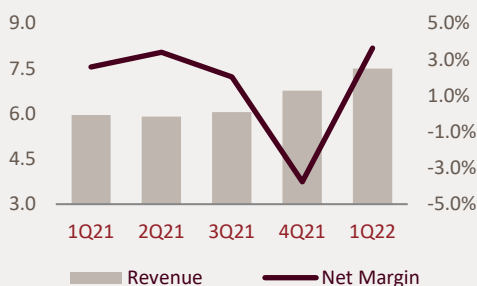


Price Performance (%)	Absolute	Relative
1m	(2.4%)	8.6%
6m	1.6%	1.7%
12m	(14.7%)	(18.8%)

Major Shareholders (%)

Assilah Investment Co.	11.23%
Abdulqader Al Muhaidib & Sons Co.	8.23%
Abdullah M. A. Al Rabeia	8.21%
Al Muhaidib Holding Co.	6.36%

Quarterly Sales (SAR bn) and Net Margin (%)



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

Improved revenue across all business segments boots topline in 1Q22

Savola Group (Savola's revenue surged 25.8% YoY to SAR 7.5bn in 1Q22, driven by higher sales volumes, slightly offset by higher commodity prices in the food processing segment. Gross profit rose 6.1% YoY to SAR 1.3bn in 1Q22. However, gross margin shrank 319 bps YoY to 17.2% during the quarter, as cost of sales increased faster than the topline. Higher share of results from associates and lower selling general and administrative (SG&A) expenses led to a 41.9% YoY surge in operating profit to SAR 528.9mn, while operating margin improved 80 bps YoY to 7.1%. Despite the rise in zakat and finance expenses, the company's net income swelled 76.1% YoY to SAR 270.9mn. Consequently, net margin rose 103 bps YoY to 3.6% in 1Q22.

Savola Group continued to post solid performance in 1Q22, supported by improvement in topline and profitability, despite increased worldwide inflationary pressure in 1Q22. The rise in topline was supported by higher revenue contribution from the food processing and retail segments, which grew 48.9% YoY and 3.2% YoY, respectively, during the quarter. The rise in the food processing segment was led by higher volumes, continued recovery in the B2B channel, and increase in commodity prices. The retail segment advanced during the quarter owing to pre-Ramadan stocking. Volumes in the food business jumped around 6% YoY in 1Q22, attributable to expansion in the edible oil category on continued growth in the B2B channel. Net income surged significantly in 1Q22 compared with 1Q21, aided by higher net income in the food segment and increased share of income from associates. Savola's subsidiary, Savola Foods Limited, recently signed an asset-purchase agreement with Egyptian Belgian Co. (Egybel) to expand its manufacturing and distribution footprint in Egypt. Savola aims to increase sales in the snacks segment. The company plans to further invest in Egypt over the next two years to upgrade factories and increase production capacity, which is expected to support its topline growth going forward. However, delay in Panda's turnaround journey and constant growth in commodity prices are likely to pressurize the bottom line and margins. Considering these factors, we maintain our "neutral" rating on the stock.

- Revenue increased 25.8% YoY to SAR 7.5bn in 1Q22, led by 48.9% YoY and 3.2% YoY growth in revenue from the food processing and retail segments, respectively, supported by higher sales volumes.
- The food processing and retail segments contributed 57.8% and 37.5%, respectively, to total revenue in 1Q22.
- The KSA remained the primary market geographically for Savola, accounting for 65% of the sales in 1Q22, followed by Egypt and other countries, which accounted for 17% and 18% of the total sales, respectively, during the quarter.
- Gross profit increased 6.1% YoY to SAR 1.3bn, supported by higher revenue. The growth was partly offset by a 30.8% YoY rise in cost of sales to SAR 6.2bn. As a result, gross profit margin narrowed to 17.2% in 1Q22 from 20.4% in 1Q21.
- Lower SG&A and growth in its share in net results of associates and dividend income of available-for-sale investments led to a 41.9% YoY rise in operating profit to SAR 528.9mn. Consequently, operating profit margin jumped to 7.1% in 1Q22 from 6.3% in 1Q21.
- Consequently, Savola's net income climbed 76.1% YoY to SAR 270.9mn. As a result, net profit margin improved to 3.6% from 2.6% in 1Q21.
- Savola Group's subsidiary company, Savola Foods Limited, signed an asset-purchase agreement with Egyptian Belgian Co. for industrial investments of SAR 124.6mn.

**Valuation:** We revise our target price to a fair value of SAR 37.0 per share and maintain our "neutral" rating on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	7,489	5,954	25.8%	26,723	24,660	8.4%
Gross Profit (SAR mn)	1,285	1,212	6.1%	4,719	4,478	5.4%
EBITDA (SAR mn)	781	641	21.7%	2,638	2,084	26.6%
Net Profit (SAR mn)	271	154	76.1%	922	222	315.3%
EPS Basic (SAR)	0.51	0.29	76.1%	1.73	0.42	315.3%
Gross Margin (%)	17.2%	20.4%	(3.2%)	17.7%	18.2%	(0.5%)
EBITDA Margin (%)	10.4%	10.8%	(0.3%)	9.9%	8.5%	1.4%
Net Profit Margin (%)	3.6%	2.6%	1.0%	3.4%	0.9%	2.5%

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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