

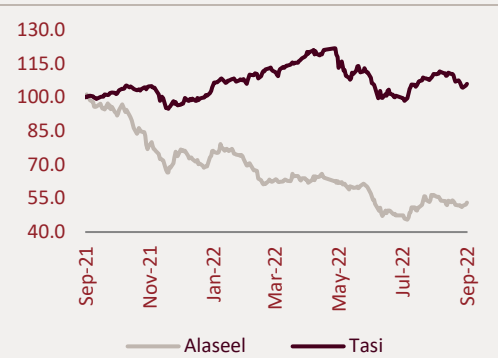
2Q22 Results Update

September 13, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	36.3
Target Price (SAR)	38.9
Upside/Downside (%)	7.2%
<i>As of September 12, 2022</i>	
<b>Key Data (Source: Bloomberg)</b>	

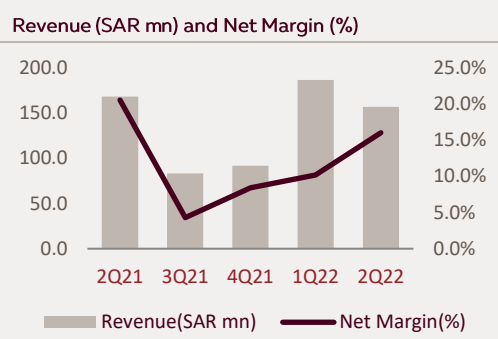
Market Cap (SAR bn)	1.5
52-wk High (SAR)	69.5
52-wk Low (SAR)	31.0
Total Outstanding shares (in mn)	40.0
Free Float (%)	94.5%

ALASEEL vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	(6.0%)	(1.9%)
6m	(15.1%)	(9.9%)
12m	(46.9%)	(52.9%)

Major Shareholders (%)	
Mohammed Abdullah Ibrahim Al Jedaie.	5.03%



Source: Bloomberg, Company Financials, Yaqeen Capital;  
Data as of September 12, 2022

**Weak performance across business segments drags topline in 2Q22**

Thob Al Aseel (ALASEEL)'s revenue dropped 6.8% YoY to SAR 156.6mn in 2Q22, primarily due to low revenue contribution from the Thobes and Fabric segment. However, gross profit surged 25.6% YoY to SAR 76.6mn during 2Q22 owing to a 25.3% YoY decline in cost of sales to SAR 80.0mn. Consequently, gross margin expanded 1,262bps YoY to 48.9% in 2Q22. Rise in impairment losses offset the decline in selling and marketing expenses and general and administrative expenses, leading to a 25.4% YoY fall in operating profit to SAR 30.3mn during the quarter. Subsequently, operating margin narrowed 481bps YoY to 19.3% in 2Q22. Lower zakat expense was countervailed by a rise in finance charges, leading to a 27.4% YoY decline in net profit to SAR 25.0mn. Consequently, net margin contracted 453bps YoY to 16.0% during the quarter.

ALASEEL reported a weak performance in 2Q22, with the topline and bottom line declining 6.8% YoY and 27.4% YoY, respectively. The decline in the topline was mainly attributable to low contribution across segments. Revenue from the Thobes segment decreased 6.7% YoY to SAR 132.9mn, while that from the Fabrics segment declined 7.6% YoY to SAR 23.7mn. However, on quarterly basis, the bottom line advanced 32.0% YoY to SAR 25mn, with net margin expanding 581bps owing to increased sales of highly profitable products compared with that in 1Q22. Rise in provision for credit losses owing to increase in trade receivable in line with IFRS 9 requirement, led to a 27.5% YoY decline in the company's net profit. Nevertheless, the company expects growth over the upcoming quarters, driven by a rise in demand owing to the back-to-school season, in addition to the continued improvement in business conditions. We maintain our "Neutral" rating on the stock.

- ALASEEL's revenue decreased 6.8% YoY to SAR 156.6mn in 2Q22 owing to lower revenue contribution across segments.
- On quarterly basis, revenue dropped 15.9% from SAR 186.3mn in 1Q22.
- A 25.3% YoY decline in cost of sales led gross profit to surge 25.6% YoY to SAR 76.6mn in 2Q22. Consequently, gross margin expanded to 48.9% from 36.3% in 2Q21.
- Increase in impairment losses on trade receivable offset the decline in selling and marketing expenses and general and administrative expenses, as operating profit dropped 25.4% YoY to SAR 30.3mn during the quarter and operating margin narrowed to 19.3% in 2Q22 from 24.2% in 2Q21.
- Lower zakat expense was offset by higher finance expenses, resulting in a 27.4% YoY decline in net profit to SAR 25.0mn in 2Q22. Consequently, net margin narrowed to 16.0% from 20.5% in 2Q21.
- However, on quarterly basis, the company's net profit climbed 32.0% from SAR 19.0mn in 1Q22, while net profit margin expanded 581bps.
- Thob Al Aseel's board of directors declared a 7.5% cash dividend for 1H22 at SAR 0.75 per share, amounting to SAR 130mn.

**Valuation:** We revise our target price to a fair value of SAR 38.9 per share but maintain our "Neutral" rating on the stock.

	2Q22	2Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	156.6	168.1	(6.8%)	602.4	481.9	25.0%
Gross Profit (SAR mn)	76.6	61.0	25.6%	231.9	174.5	32.9%
EBITDA (SAR mn)	35.8	43.7	(18.0%)	102.0	80.1	27.4%
Net Profit (SAR mn)	25.0	34.5	(27.4%)	78.7	59.7	31.7%
EPS Basic (SAR)	0.63	0.86	(27.4%)	2.0	1.5	31.7%
Gross Margin (%)	48.9%	36.3%	12.6%	38.5%	36.2%	2.3%
EBITDA Margin (%)	22.9%	26.0%	(3.1%)	16.9%	16.6%	0.3%
Net Profit Margin (%)	16.0%	20.5%	(4.5%)	13.1%	12.4%	0.7%

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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