

1Q as of 30 June 2022 Results Update

September 28, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	31.3
Target Price (SAR)	32.0
Upside/Downside (%)	2.2%
<i>As of September 28, 2022</i>	

Key Data (Source: Bloomberg)	
Market Cap (SAR mn)	626.0
52-wk High (SAR)	50.3
52-wk Low (SAR)	26.5
Total Outstanding shares (in mn)	20.0
Free Float (%)	89.5%

ABO MOATI vs. TASI (Rebased)

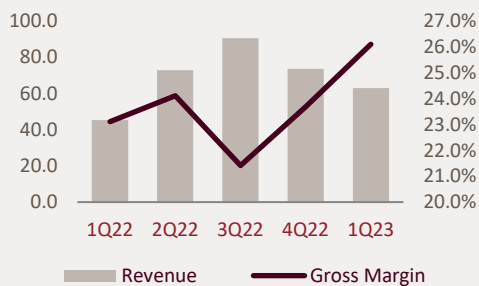


Price Performance (%)	Absolute	Relative
1m	(14.9%)	(4.1%)
6m	(16.0%)	(1.5%)
12m	(37.4%)	(35.5%)

Major Shareholders (%)

Saeed Omar Saeed Basaeed	5.33%
Saad Abdullah Saad Abo Moati	5.02%

Revenue (SAR mn) and Gross Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;
Data as of September 28, 2022

Top line surged on return of offline education and commercial activities

Abdullah Saad Mohammed Abo Moati for Bookstores Co. (Abo Moati)'s revenue surged 38.7% YoY to SAR 62.9mn in 1Q23, primarily due to return of commercial activities to normal levels and resumption of offline education during the quarter. Cost of sales increased at a slower pace (up 33.3% YoY to SAR 46.5mn) compared to the top line and led to a 56.7% YoY rise in gross profit to SAR 16.4mn in 1Q23. Consequently, gross margin expanded 299 bps YoY to 26.1% during the quarter. Despite a 38.7% YoY surge in selling, general, and administrative (SG&A) expenses and a 4.6% YoY decline in other operating income, the company's operating income soared 95.5% YoY to SAR 5.4mn in 1Q23. Subsequently, operating margin advanced 248 bps to 8.5% in 1Q23. Lower interest expenses and other operating expenses offset the rise in zakat expenses, leading to 125.9% YoY increase in net income to SAR 4.3mn in 1Q23. Meanwhile, net margin expanded 265 bps YoY to 6.9% during the quarter.

Abo Moati continued to report improved performance in 1Q23, as top line and bottom line advanced during the quarter. The company's net profit advanced 125.9% YoY as the rise in top line, improvement in margins and lower finance cost countervailed the rise in cost of sales, SG&A, and zakat expenses. Resumption of offline schooling across levels propelled demand for stationery supplies during the quarter. Revenue from the wholesale and retail segment surged 68.5% YoY to SAR 48.6mn in 1Q23, while that from the inks segment dropped 13.2% YoY to SAR 14.4mn. The company recently opened a new showroom in Al-Ahsa and is expected to start witnessing positive financial impact from the new store during the upcoming quarter. The company aims to cover all the main regions in KSA by opening new branches or finding new distributors. Additional stores openings, resumption of offline education and improved margins are expected to positively impact the company. Considering the aforementioned factors, we maintain our "Neutral" rating on the stock.

- Abo Moati's revenue surged 38.7% YoY to SAR 62.9mn during the quarter. However, on QoQ basis, revenue declined 14.4% from SAR 73.5mn in 4Q22.
- Rise in cost of sales was offset by a higher top line, resulting in a 56.7% YoY surge in gross profit to SAR 16.4mn in 1Q23. Gross margin widened to 26.1% in 1Q23 from 23.1% in 1Q22.
- Operating income increased 95.5% YoY to SAR 5.4mn as rise in SG&A expenses was offset by higher top line during the quarter. Operating margin advanced to 8.5% in 1Q23 from 6.1% in 1Q22.
- Abo Moati's net income grew 125.9% YoY to SAR 4.3mn in 1Q23, supported by decline in interest expenses. Consequently, net margin stood at 6.9% compared to 4.2% in 1Q22.
- Net profit surged 532.9% QoQ from SAR 0.7mn in 4Q22 due to impairment loss on goodwill recorded in the previous quarter.
- The company reported EPS of SAR 0.22 in 1Q23 compared to SAR 0.10 in 1Q22.

Valuation: We revise our target price to a fair value of SAR 32.0 per share but maintain our "Neutral" rating on the stock.

	1Q23	1Q22	% YoY	FY23E	FY22	%YoY
Revenues (SAR mn)	62.9	45.4	38.7%	310.5	282.3	10.0%
Gross Profit (SAR mn)	16.4	10.5	56.7%	74.5	64.9	14.8%
EBITDA (SAR mn)	8.2	5.2	57.3%	44.4	36.1	23.0%
Net Profit (SAR mn)	4.31	1.91	125.9%	21.1	15.1	39.4%
EPS Basic (SAR)	0.22	0.10	125.9%	1.05	0.76	39.4%
Gross Margin (%)	26.1%	23.1%	3.0%	24.0%	23.0%	1.0%
EBITDA Margin (%)	13.0%	11.5%	1.5%	14.3%	12.8%	1.5%
Net Profit Margin (%)	6.9%	4.2%	2.6%	6.8%	5.4%	1.4%

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.

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