

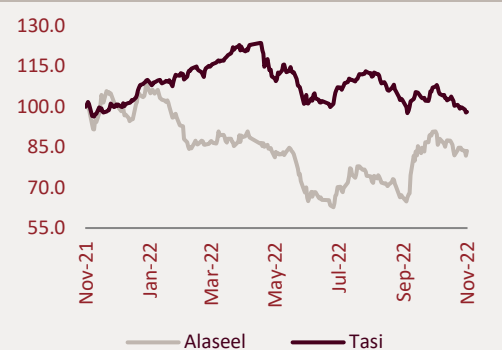
### 3Q22 Results Update

November 24, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	41.4
Target Price (SAR)	39.1
Upside/Downside (%)	(5.6%)
<i>As of November 22, 2022</i>	
<b>Key Data (Source: Bloomberg)</b>	

Market Cap (SAR bn)	1.7
52-wk High (SAR)	55.1
52-wk Low (SAR)	31.0
Total Outstanding shares (in mn)	40.0
Free Float (%)	86.0%

#### ALASEEL vs. TASI (Rebased)

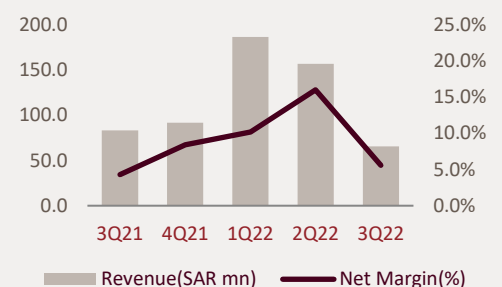


Price Performance (%)	Absolute	Relative
1m	(7.8%)	0.5%
6m	3.0%	14.1%
12m	(16.4%)	(14.5%)

#### Major Shareholders (%)

Mohammed Abdullah Ibrahim Al Jedaie	5.11%
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#### Revenue (SAR mn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;  
Data as of November 22, 2022

#### Rise in sales of highly profitable products improves margins in 3Q22

Thob Al Aseel (Thob)'s revenue declined 21.5% YoY to SAR 65.4mn in 3Q22, primarily attributed to lower revenue contribution from the Thobes and Fabric segment. Despite a 30.2% YoY decline in cost of sales, gross profit fell 6.4% YoY to SAR 28.7mn during 3Q22. However, gross margin expanded 705bps YoY to 43.8% in 3Q22, mainly due to increased sales of highly profitable products compared with the same quarter of the previous year. Rise in selling and marketing expenses, and general and administrative expenses offset the fall in impairment losses and led to a 3.3% YoY decline in operating profit to SAR 7.9mn during the quarter. Nevertheless, operating margin expanded 226bps YoY to 12.0% in 3Q22. Lower zakat expense offset the rise in finance charges, leading to a 2.2% YoY rise in net profit to SAR 3.7mn. Consequently, net margin expanded 129bps YoY to 5.6% during the quarter.

Thob continues to report weak performance in the third quarter of the year, as the topline slipped 21.5% YoY. The decline in the topline was mainly attributed to low contribution across segments. Revenue from the Thobes segment nosedived 28.1% YoY to SAR 49.3mn. However, revenue from the Fabric segment increased 9.5% YoY to SAR 16.1mn. Shaban and Ramadan sales were up 23.4% YoY following the resumption of Umrah for foreign pilgrims. The bottom line advanced 2.2% YoY to SAR 3.7mn during the quarter. The profit margin expanded in 3Q22 owing to rise in the sales of highly profitable products. On quarterly basis, the topline dropped 58.2% on decline in sales resulting from the seasonality of activity. Nevertheless, the company expects to witness a surge in demand in the upcoming quarter, owing to the back-to-school season, as the company prepared a bundle of plans and incentives to take advantage of the season and meet customers' needs. Thus, due to the above-mentioned factors, we maintain our "Neutral" rating on the stock.

- Thob's revenue nosedived 21.5% YoY to SAR 65.4mn in 3Q22 owing to lower revenue contribution across segments.
- On quarterly basis, revenue declined 58.2% from SAR 156.6mn in 2Q22.
- Gross profit dropped 6.4% YoY to SAR 28.7mn in 3Q22, despite a 30.2% YoY decline in cost of sales during the quarter. However, improved sales of highly profitable products led to an expansion in gross margin to 43.8% from 36.8% in 3Q21.
- Operating profit fell 3.3% YoY to SAR 7.9mn as rise selling and marketing expenses, and general and administrative expenses countervailed lower impairment losses. However, operating margin widened to 12.0% in 3Q22 from 9.8% in 3Q21.
- Lower zakat expense countervailed the rise in finance expenses, resulting in a 2.2% YoY surge in net profit to SAR 3.7mn in 3Q22. Consequently, net margin narrowed to 5.6% from 4.3% in 3Q21.
- However, on quarterly basis, the company's net profit plunged 85.4% from SAR 25.0mn in 2Q22, while net profit margin narrowed 1040bps.

**Valuation:** We revise our target price to a fair value of SAR 39.1 per share but maintain our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	65.4	83.3	(21.5%)	506.0	481.9	5.0%
Gross Profit (SAR mn)	28.7	30.7	(6.4%)	217.4	174.5	24.6%
EBITDA (SAR mn)	10.8	11.2	(3.5%)	84.6	80.1	5.6%
Net Profit (SAR mn)	3.7	3.6	2.2%	64.8	59.7	8.4%
EPS Basic (SAR)	0.09	0.09	2.2%	1.6	1.5	8.4%
Gross Margin (%)	43.8%	36.8%	7.0%	43.0%	36.2%	6.8%
EBITDA Margin (%)	16.6%	13.5%	3.1%	16.7%	16.6%	0.1%
Net Profit Margin (%)	5.6%	4.3%	1.3%	12.8%	12.4%	0.4%

Source: Company Financials, Yaqeen Capital

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## 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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