

Savola Group (SAVOLA GROUP)

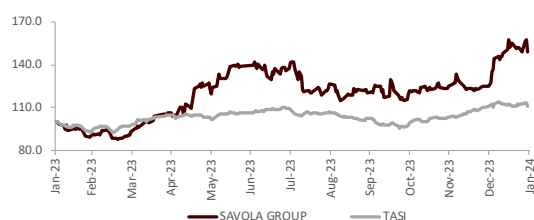
Target Price: SAR 44.0/share

Downside: 1.6%

Recommendation	Hold
Current Market Price (SAR)	44.7
52wk High / Low (SAR)	47.8/26.2
Mkt. Cap. (USD/SAR Mn)	6,361/23,869
Shares Outstanding (mn)	534.0
Free Float (%)	99.4%
3m Average Vol. (000)	802.5
3m Avg Daily Turnover (SAR'000)	32,462
P/E'24e (x)	25.3
EV/EBITDA'24e (x)	14.1

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	24,669	28,055	26,651	27,961
Gross profit	4,479	4,874	5,064	5,313
GPM (%)	18%	17%	19%	19%
EBIT	1,016	1,702	1,875	1,945
EBIT margin (%)	4%	6%	7%	7%
EBITDA	2,086	2,765	2,419	2,489
EBITDA margin (%)	8%	10%	9%	9%
Net Income	222	743	839	939
Net margin (%)	1%	3%	3%	3%
EPS (SAR)	0.42	1.39	1.58	1.76
RoE (%)	9%	10%	11%	12%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Assilah Investment Co	11.24%
Abdul Qader Al Muhaidib & Sons Co	8.23%
Abdullah Mohammed Abdullah Al-Rabiah	8.22%
Al Muhaidib Holding Co	6.36%

Source: Bloomberg, Yaqeen Capital

Earnings fell on lower associate profits and higher costs

- Savola Group's net profit fell 9.9% YoY (+11.6% QoQ) to SAR 147mn in 3Q2023 due to lower associate profits, higher finance costs, increased operating expenses, and elevated zakat and income tax expenses. Net income margin improved marginally by 0.01ppts YoY (+0.2ppts QoQ) to 2.3%.
- In 3Q2023, revenue fell by 10.2% YoY (+4.2% QoQ) to SAR 6,351mn, mainly attributed to decreased revenues in the Food Processing segment. This decline resulted from lower crude edible oil prices, the disposal of investment in Savola Morocco Company, and the temporary suspension of operations in the Republic of Sudan due to the ongoing conflict.
- Gross profit surged to SAR 1,310mn in 3Q2023, up 14.1% YoY and 5.1% QoQ, driven by higher gross profits in the Food Processing and Food Services segments. The gross margin improved to 20.6% (+4.4ppts YoY, +0.2ppts QoQ).
- In 9M2023, net income rose by 3.7% YoY to SAR 672mn, primarily driven by the increase in gross profit of the Food Processing and Retail segments, a capital gain of SAR 189mn from the disposal of investment in Savola Morocco Company, and a net impact of SAR 23mn from the refund of custom duty by the regulatory authority in KSA. The corresponding margin improved to 3.3%, up from 3.0% in the same period of 2022.
- In 9M2023, revenue decreased by 5.6% to SAR 20,259mn compared to SAR 21,450mn in 9M2022. This decline was primarily due to the decrease in revenue from Savola Foods, resulting from a decline in volume and pricing, partially offset by increased Panda sales.
- Savola Group's gross profit reached SAR 4,060mn in 9M2023, 10.3% higher than last year. The margin increased from 17.2% to 20.0% due to improved margins across all managed portfolio companies.

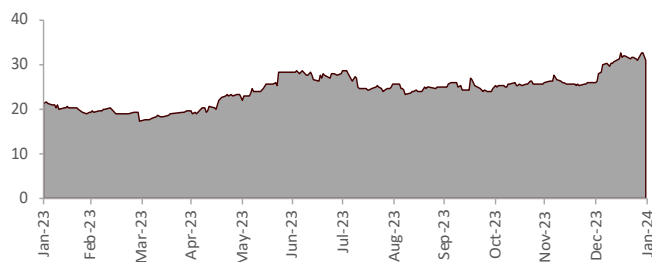
Outlook & Valuation: Savola Group's revenue is projected to be muted for the year 2023, largely due to the decline in edible oil prices as well as lower volume from the sugar segment. However, Panda's performance is set to improve with the completion of CXR stores. The company is expected to face short-term challenges in Egypt due to devaluation. Additionally, operations in Sudan are also expected to be impacted due to ongoing conflicts. The company is addressing these challenges by cutting costs, diversifying its product range, and actively exploring new markets to introduce innovative products that cater to changing consumer preferences by focusing on operational efficiency and strategic partnerships, the company aims to overcome the short-term challenges and maintain long-term growth in the food and retail sectors. Based on DCF valuation, we arrive at a fair value of SAR 44.0/share, expected downside of 1.6% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

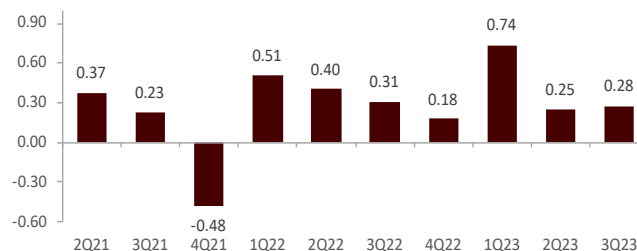
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	6,351	7,072	-10%	6,093	4%
Gross profit	1,310	1,149	14%	1,247	5%
GPM (%)	21%	16%		20%	
EBIT	462	414	12%	443	4%
EBIT margin (%)	7%	6%		7%	
EBITDA	749	682	10%	715	5%
EBITDA margin (%)	12%	10%		12%	
Net Income	147	164	-10%	132	12%
Net margin (%)	2%	2%		2%	
EPS (SAR)	0.28	0.31	-10%	0.25	12%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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