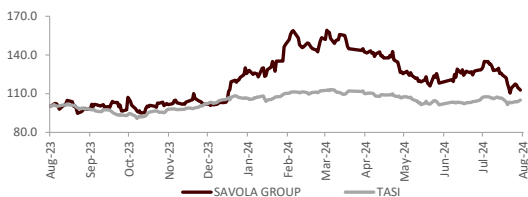


## Savola Group (SAVOLA GROUP)

<b>Recommendation</b>	<b>Buy</b>
Current Market Price (SAR)	40.8
52wk High / Low (SAR)	58.2/33.2
Mkt. Cap. (USD/SAR Mn)	6,475/24,296
Shares Outstanding (mn)	589.7
Free Float (%)	99.4%
3m Average Vol. (000)	701.3
3m Avg Daily Turnover (SAR'000)	30,656
P/E'24e (x)	17.4
EV/EBITDA'24e (x)	10.2

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	28,055	26,818	28,939	30,624
Gross profit	4,874	5,443	6,077	6,431
Gross margin (%)	17%	20%	21%	21%
EBIT	1,702	2,331	2,648	2,866
EBIT margin (%)	6%	9%	9%	9%
EBITDA	2,765	3,455	3,244	3,473
EBITDA margin (%)	10%	13%	11%	11%
Net Income	743	899	1,245	1,470
Net margin (%)	3%	3%	4%	5%
EPS (SAR)	1.39	1.69	2.34	2.77
RoE (%)	8%	9%	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 impacted by decline in food processing segment profits

- SAVOLA GROUP's net profit rose by 2.5% YoY to SAR 135mn in 2Q2024, mainly driven by a turnaround in the retail segment from a SAR 22mn loss in 2Q2023 to a SAR 6mn profit in 2Q2024, supported by the Customer Experience Revival program, increased associate profits, and lower zakat and tax expenses, despite higher operating expenses and rising finance costs. On a QoQ basis, net profit fell by 61.2%, primarily due to seasonal consumption patterns, despite higher associate profits, lower operating expenses, and reduced tax and finance costs affected by the Egyptian Pound's devaluation in 1Q2024. Net profit margin improved by 0.4ppts YoY but dropped 2.0ppts QoQ to 2.5%.
- In 2Q2024, revenue declined by 11.8% YoY and 30.9% QoQ to SAR 5,375mn, mainly due to a decrease in the Food Processing segment's revenues, driven by lower crude edible oil prices and volumes, despite higher prices and volumes in the Sugar segment. The QoQ drop was mainly due to seasonal consumption patterns.
- Gross profit fell by 2.6% YoY and 25.0% QoQ to SAR 1,215mn in 2Q2024, with gross profit margins improving by 2.1ppts YoY (+1.8ppts QoQ) to 22.6% due to a steeper decline in cost of sales than in sales.
- Operating profit declined by 3.5% YoY (-47.2% QoQ) to SAR 427mn in 2Q2024 due to lower gross profits, despite a higher share of associate profits. Operating margin improved by 0.7ppts YoY (-2.4ppts QoQ) to 7.9%.
- In 1H2024, net income dropped by 7.8% YoY to SAR 484mn, mainly due to a SAR 48mn decrease in the Food Processing segment, impacted by SAR 109mn in foreign exchange losses, higher operating expenses, and increased finance costs, despite improvements in the Retail segment, higher associate profits, and lower tax expenses. Net profit margin declined by 0.1ppts YoY to 3.7%.
- In 1H2024, revenue declined by 5.4% YoY to SAR 13,170mn due to lower Food Processing revenues, foreign exchange devaluation, the disposal of investment in Savola Morocco, and the temporary suspension of operations in Sudan. This decline was partly offset by higher revenues in the Retail, Food Services, and Frozen Food segments.

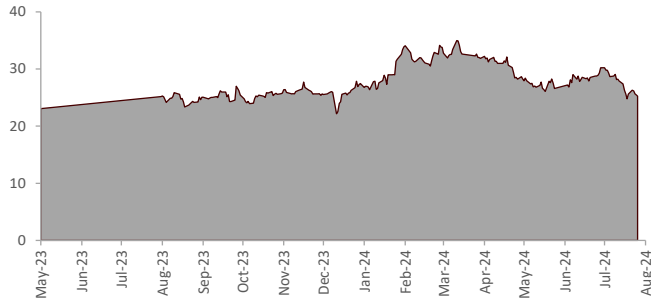
**Outlook & Valuation:** Savola Group expects short-term challenges due to currency devaluation in Egypt and disruptions in Sudan from the conflicts. To address these, the company is cutting costs, diversifying its product range, and exploring new markets. By enhancing operational efficiency and forming strategic partnerships, Savola aims to overcome these hurdles and sustain long-term growth in the food and retail sectors. Based on DCF valuation, we arrive at a fair value of SAR 46.0/share, expected upside of 12.7% from the current level. Hence, we recommend a Buy rating on the stock.

## Financial Summary

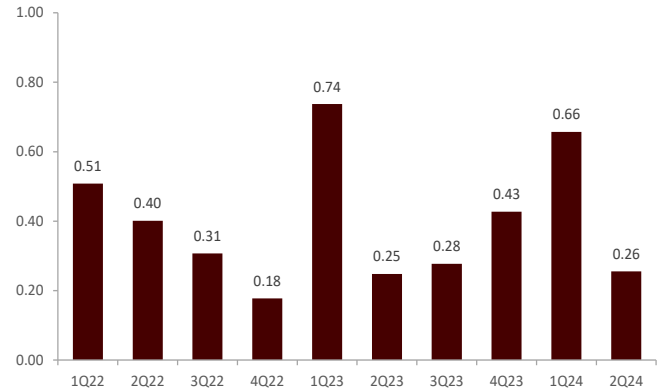
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	5,375	6,093	-12%	7,782	-31%
Gross profit	1,215	1,247	-3%	1,619	-25%
Gross margin (%)	23%	20%		21%	
EBIT	427	443	-3%	809	-47%
EBIT margin (%)	8%	7%		10%	
EBITDA	718	710	1%	1,090	-34%
EBITDA margin (%)	13%	12%		14%	
Net Income	135	132	3%	349	-61%
Net margin (%)	3%	2%		4%	
EPS (SAR)	0.26	0.25	3%	0.66	-61%

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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