

Savola Group (SAVOLA GROUP)

Recommendation	Buy
Current Market Price (SAR)	26.0
52wk High / Low (SAR)	34.1/20.8
Mkt. Cap. (USD/SAR Mn)	7,848/29,483
Shares Outstanding (mn)	939.9
Free Float (%)	99.7%
3m Average Vol. (000)	2,312.9
3m Avg Daily Turnover (SAR'000)	61,849
P/E'24e (x)	29.5
EV/EBITDA'24e (x)	14.2

Source: Bloomberg

Earnings rose driven by retail and one-time gains

- SAVOLA GROUP's net profit rose 22.8% YoY and 33.7% QoQ to SAR 181mn in 3Q2024. The YoY gain was driven by Retail segment improvement, increased associate profits, lower finance costs, reduced taxes, and a one-time customs duty refund, despite acquisition expenses, cost increases, and weaker Food Services performance. QoQ, the rise came from Retail segment gross profit, lower finance costs, and the one-time gain, offset by higher zakat, tax, and segment-specific challenges. Net profit margin rose 0.7ppts YoY and 0.5ppts QoQ to 3.0%.
- In 3Q2024, revenue dropped 4.6% YoY to SAR 6,061mn, due to lower revenues in the Food Processing segment impacted by crude edible oil price drops and reduced oil volumes. However, sugar operations saw higher volumes, and Retail and Frozen Food segments grew. QoQ, revenue increased by 12.8% due to seasonal consumption patterns.
- Gross profit fell by 8.7% YoY and 1.5% QoQ to SAR 1,197mn in 3Q2024, due to lower revenue YoY and increased cost of revenue QoQ. The gross profit margin declined by 0.9ppts YoY and 2.9ppts QoQ to 19.7%.
- Operating profit decreased by 11.3% YoY and 4.1% QoQ to SAR 410mn in 3Q2024, due to lower gross profits and higher SG&A expenses, despite increased associate profits. Operating margin dropped by 0.5ppts YoY and 1.2ppts QoQ to 6.8%.
- In 9M2024, net income fell by 1.0% YoY to SAR 665mn, mainly due to Food Processing and Food Services losses, higher operating expenses, and finance costs, partially offset by Retail segment gains, one-off refunds, increased associate profits, and lower taxes. Net profit margin rose 0.2ppts YoY to 3.5%.
- In 9M2024, revenue declined 5.1% YoY to SAR 19,218mn, driven by Food Processing segment challenges, lower crude oil prices, currency devaluation in overseas markets, divestiture of Savola Morocco, and a temporary suspension in Sudan due to conflict, though Retail and Frozen Food segments saw growth.

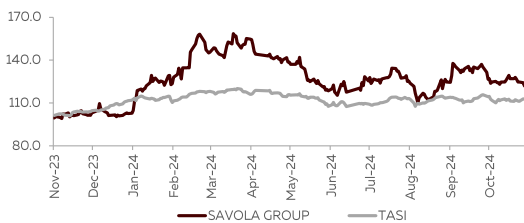
Outlook & Valuation: Savola Group anticipates short-term challenges from currency devaluation in Egypt and conflict-related disruptions in Sudan. In response, the company is reducing costs, expanding its product portfolio, and exploring new markets. By improving operational efficiency and establishing strategic partnerships, Savola seeks to navigate these obstacles and drive sustainable long-term growth in the food and retail sectors. Based on DCF valuation, we arrive at a fair value of SAR 26.0/share, expected upside of 15.4% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	6,061	6,351	-5%	5,375	13%
Gross profit	1,197	1,310	-9%	1,215	-2%
Gross margin (%)	20%	21%	-1%	23%	-2%
EBIT	410	462	-11%	427	-4%
EBIT margin (%)	7%	7%	0%	8%	-1%
EBITDA	689	749	-8%	718	-4%
EBITDA margin (%)	11%	12%	-1%	13%	-2%
Net Income	181	147	23%	135	34%
Net margin (%)	3%	2%	1%	3%	0%
EPS (SAR)	0.34	0.28	23%	0.26	34%

Source: Company Reports, Yaqeen Capital

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	2,285	2,480
EBIT margin (%)	6%	9%	8%	8%
EBITDA	2,765	3,455	2,881	3,087
EBITDA margin (%)	10%	13%	10%	10%
Net Income	743	899	998	1,202
Net margin (%)	3%	3%	3%	4%
EPS (SAR)	1.39	1.69	1.88	2.26
RoE (%)	8%	9%	9%	10%

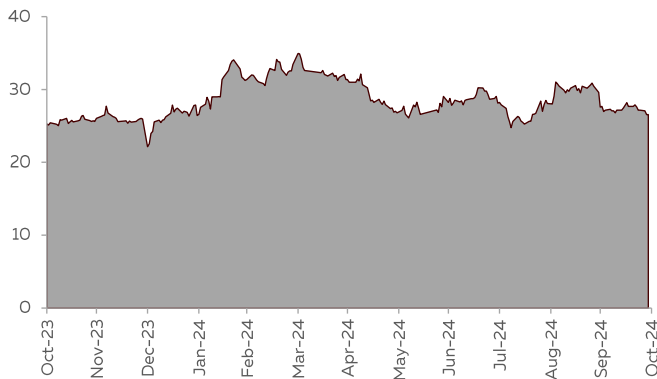
Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

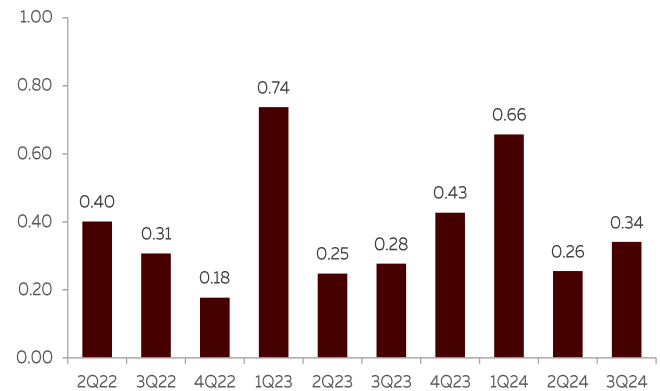
Assilah Investment Co	11.24%
Abdul Qader Al Muhaidib & Sons Co	8.23%
Abdullah Mohammed Abdullah Al-Rabiah	8.22%
Al Muhaidib Holding Co	6.36%

Source: Bloomberg, Yaqeen Capital

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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