

## Higher Finance Cost Impacts Bottomline

May 04, 2023

Upside to Target Price	(14.5%)	Rating	Neutral
Expected Dividend Yield	3.6%	Last Price	SAR 60.80
Expected Total Return	(10.9%)	12-mth target	SAR 52.00

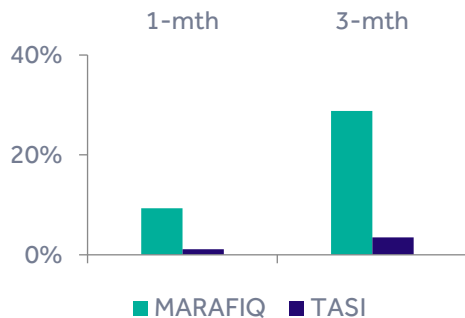
Market Data	
52-week high/low	SAR 63.3/44.3
Market Cap	SAR 15,200 mln
Shares Outstanding	250 mln
Free-float	30.00%
12-month ADTV	2,568,660
Bloomberg Code	MARAFIQ AB

MARAFIQ	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	1,473	1,462	1%	1,620	(9%)	1,535
Gross Profit	256	245	4%	163	57%	302
Gross Margins	17%	17%		10%		20%
Operating Profit	234	216	8%	112	109%	345
Net Profit	107	143	(25%)	131	(19%)	247

(All figures are in SAR mln)

- Top-line grew marginally by +1% Y/Y to SAR 1,473 mln. On a quarterly basis, seasonality dragged revenues down by -9%. During the past two years, revenues have been at their lowest levels in the first quarter and then begin to rise to peak in the third quarter.
- On a yearly basis, net income decreased by -25% despite a +8% increase in operating profit. The company was negatively impacted by the rise in interest rates as debt constitutes around 47% of the total assets. On a quarterly basis, net income dropped by -19% on the back of a decline in the top-line as well as rising finance costs and rising zakat costs. It is pertinent to note that the company reversed a deferred tax charge of SAR 121 mln in the preceding quarter.
- As per the dividend policy, the company is expected to distribute a dividend of SAR 2.20 per share for the year 2023, implying a 3.6% dividend yield at current price. We maintain our target price at SAR 52.00 per share and a Neutral recommendation.

**Khalid Obaid Al-Obaid**  
[khalid.al-obaid@riyadcapital.com](mailto:khalid.al-obaid@riyadcapital.com)  
 +966-11-203-6815



## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.