

August 28, 2023

Higher Opex and Margin Pressure

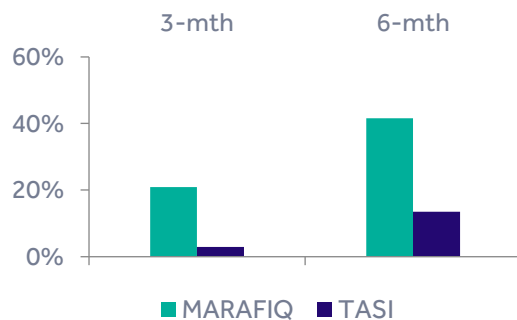
Upside to Target Price (15.6%)
 Expected Dividend Yield 3.0%
 Expected Total Return (12.6%)

Rating Neutral
 Last Price SAR 73.50
 12-mth target SAR 62.00

| Market Data | |
|--------------------|----------------|
| 52-week high/low | SAR 91.5/44.3 |
| Market Cap | SAR 18,375 mln |
| Shares Outstanding | 250 mln |
| Free-float | 30.00% |
| 12-month ADTV | 2,148,275 |
| Bloomberg Code | MARAFIQ AB |

| MARAFIQ | 2Q2023 | 2Q2022 | Y/Y | 1Q2023 | Q/Q | RC Estimate |
|------------------|--------|--------|-------|--------|-----|-------------|
| Sales | 1,592 | 1,656 | (4%) | 1,473 | 8% | 1,724 |
| Gross Profit | 305 | 309 | (1%) | 256 | 19% | 310 |
| Gross Margins | 19% | 19% | | 17% | | 18% |
| Operating Profit | 285 | 342 | (17%) | 234 | 22% | 352 |
| Net Profit | 159 | 262 | (39%) | 107 | 49% | 205 |

(All figures are in SAR mln)



- Top-line declined by -4% Y/Y to SAR 1,592 mln. Despite the decline in the revenues, gross profit was almost flat Y/Y at SAR 305 mln as the gross margin expanded by +49 bps, indicating an improvement in the cost efficiency. On a quarterly basis, we believe Marafiq is likely to register higher revenues and gross profit next quarter due to seasonality.
- Operating profit at SAR 285 mln declined -17% Y/Y to come in below our SAR 352 mln forecast. The decline was a result of higher administrative expenses, impairment in AR and lower other operating income, which led to a contraction in the operating margin by -468 bps Y/Y to 17.9%. We are unsure if operating expenses will continue at these high levels. We are confident in the Company's ability to reduce its operating expenses and improve its operational efficiency in the future.
- Net profit fell by -39% Y/Y to SAR 159 mln on the back of higher finance costs, which increased by almost +130% Y/Y. Due to better business prospects, we increase our target price to SAR 62.00 from SAR 52.00 per share but maintain our Neutral recommendation.

Khalid Obaid Al-Obaid
 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

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.