

## ■ Lower Margins, Higher Financing Costs

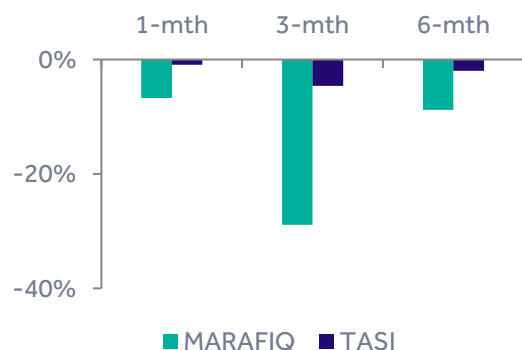
November 05, 2023

Upside to Target Price	7.6%	Rating	Neutral
Expected Dividend Yield	4.0%	Last Price	SAR 53.90
Expected Total Return	11.6%	12-mth target	SAR 58.00

Market Data	
52-week high/low	SAR 91.5/44.25
Market Cap	SAR 13,475 mln
Shares Outstanding	250 mln
Free-float	30%
12-month ADTV	2,009,420
Bloomberg Code	MARAFIQ AB

MARAFIQ	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	1,701	1,768	(4%)	1,592	7%	1,715
Gross Profit	326	431	(24%)	305	7%	393
Gross Margins	19%	24%		19%		23%
Operating Profit	301	425	(29%)	285	6%	347
Net Profit	188	310	(39%)	159	18%	224

(All figures are in SAR mln)



- Revenues decreased by -4% Y/Y to SAR 1.7 bln, in-line with our forecast. However, gross profit fell at a much faster pace, down -24% Y/Y to SAR 326 mln as gross margins contracted substantially by 330 bps Y/Y to 19.1%. On a quarterly basis, Marafiq posted an increase in revenues and gross profit. Given seasonality, a Y/Y comparison is more appropriate.
- Operating profit came in at SAR 301 mln, -29% lower Y/Y. The decline was led by lower gross profits and higher operating expenses. Financing costs have increased due to higher interest rates. We expect a gradual decline in debt levels going forward. Operating margin contracted by -630 bps Y/Y to 17.7%.
- Net profit declined by -39% Y/Y to SAR 188 mln on the back of lower gross margins and higher finance costs. The Company has posted a Y/Y decline in net profit for 3 consecutive quarters. Fourth quarter is like to be impacted as well given prevailing higher interest rates. We reduce our target price from SAR 62.00 to SAR 58.00 per share but maintain our Neutral recommendation. Expected DPS of SAR 2.20 for 2023 implies a good dividend yield of 4.0% at current price.

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## ■ 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)

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