

## Almarai Company (2280.SE)

## OVERWEIGHT

<b>CMP</b>	<b>SAR 191.50</b>
<b>Target</b>	<b>SAR 221.81</b>
<b>Potential Upside</b>	<b>15.8%</b>

MSCI GCC Index	406.21
Tadawul All Share Index	6,089.95

### Key Stock Data

Sector	Dairy
Reuters Code	2280.SE
Bloomberg Code	ALMARAI AB Equity
Net Out. Shares (bn)	0.115
Market Cap (SAR bn)	22.023
Market Cap (USD bn)	5.882
Avg. 12m Vol. (mn)	0.124
Volatility (30 day)	20.994
Volatility (180 day)	18.297

### Stock Performance (%)

52 week high / low (SAR)	201.25 / 151.25		
	1M	3M	12M
Absolute (%)	0.7	-1.9	24.4
Relative (%)	5.2	8.4	15.8

### Shareholding Pattern (%)

Public	36.29
Private	30.71
Savola Group Company	27.30
Al Omran Company	5.70

### Almarai and TASI



### Quarterly Result Update

- Almarai reported total sales of SAR 3,298.36 million during 1H10, up 18.9% YoY from SAR 2,773.20 million in 1H09.
- Net profit increased 19.1% YoY to SAR 577.15 million during the period under review.
- We have maintained our FY2010E sales at SAR 7,171.53 million. Meanwhile, the net profit estimate has been revised upwards by 2.2%.
- We are reiterating our earlier OVERWEIGHT recommendation on Almarai with a revised target price of SAR 221.81, implying an upside of 15.8%.

### Overview

SAR Million	2008A	2009A	2010E	2011E	2012E
Revenue	5,030	5,869	7,172	8,581	9,866
EBITDA	1,275	1,567	1,861	2,227	2,578
EBITDA Margin	25.3%	26.7%	25.9%	25.9%	26.1%
Net Profit	910	1,097	1,296	1,607	1,915
Net Profit Margin	18.1%	18.7%	18.1%	18.7%	19.4%
Adjusted EPS (SAR)	7.92	9.54	11.27	13.97	16.65
Total Assets	8,181	10,987	12,534	14,134	15,485
RoAE	27.3%	24.4%	22.6%	24.3%	24.6%

### Revenues

For 1H10, Almarai's sales jumped 18.9% to SAR 3,298.36 million from SAR 2,773.20 million in the corresponding period last year, buoyed by strong performances across all the business lines. The Bakery product group recorded highest revenue growth of 33.9% to SAR 394.83 million, benefiting from increased sales from its joint venture with Vivartia. Revenue from the Fruit Juice segment was up 20.6% to SAR 348.04 million; Fresh Dairy was up 11.9% to SAR 1,467.65 million; Long-life Dairy rose 19.2% to SAR 332.04 million; and Cheese & Butter increased 10.4% to SAR 635.51 million. In addition, following the acquisition of Hadco during the last quarter of 2009, sales of Poultry products stood at SAR 78.20 million, and that from Arable and Horticulture was SAR 27.96 million. However, other sales declined 41.7% to SAR 14.13 million from SAR 24.25 million in the same period last year.

### Expenses

In line with increasing sales, cost of sales (CoS) jumped 21.1% to SAR 2,027.20 million from SAR 1,673.64 million, due to higher raw material costs. As a percentage of revenues, CoS was up 111 bps to 61.5% from 60.4% in 1H09. Selling and distribution expenses increased 22.0% to SAR 498.30 million, whereas general and administrative (G&A) expenses dropped 0.5% to SAR 107.03 million. Meanwhile, as a percentage of revenues, selling and distribution expenses were up 38 bps to 15.1%, whereas G&A expenses reduced 63 bps to 3.2%. Depreciation of property, plant, and equipment (PPE) increased by SAR 61.09 million or 26.8% to SAR 289.22 million, while net appreciation of biological assets slipped 4.4% to SAR 101.64 million. Net bank charges declined 27.1% to SAR 62.82 million from SAR 86.17 million in 1H09.

**Profitability**

Gross profit increased 15.6% to SAR 1,271.16 million due to higher sales. However, gross profit margin was down 111 bps to 38.5% from 39.6%, following the substantial increase in CoS vis-à-vis sales. EBITDA was up 21.0% to SAR 853.41 million from SAR 705.46 million, and EBITDA margin expanded 44 bps to 25.9%. Net profit increased 19.1% to SAR 577.15 million from SAR 484.47 million in 1H09, attributable to lower finance charges. However, net profit margin remained flat at 17.5%. Adjusted annualised earnings per share (EPS) stood at SAR 10.04 compared to SAR 8.43 in 1H09. However, annualised RoAA declined to 5.1% from 5.7% on a higher asset base. Annualised RoAE dropped to 10.7% from 13.0%.

**Risks and Concerns to Valuation:**

- ❖ Our revenue and net profit estimates for Almarai are based on the expected expansion of planned product categories and higher capacity utilisation. Any delay in these plans may negatively impact revenue realisations, necessitating a revision of our estimates.

**Valuation Methodology:**

We have used the DCF valuation method to arrive at the fair value of Almarai, as discussed below:

**Assumptions:**

- (i) Risk free Rate (Rf) of 3.50%, taken as the 12-month average yield on 10-year US T-bill;
- (ii) Levered Beta of 0.73;
- (iii) A terminal growth rate of 2.00%.

Based on the inputs and the Capital Asset Pricing Model (CAPM), we have arrived at a Cost of Equity of 8.70% and WACC of 7.79%.

## DCF Calculation

DCF Valuation (FCFF Model)					
(in SAR Million)	2010E*	2011E	2012E	2013E	2014E
<b>Operating Profit (EBIT)</b>	<b>833</b>	<b>1,828</b>	<b>2,143</b>	<b>2,449</b>	<b>2,767</b>
Zakat on EBIT	18	40	47	53	60
Effective Tax Rate	2.2%	2.2%	2.2%	2.2%	2.2%
<b>NOPAT</b>	<b>815</b>	<b>1,788</b>	<b>2,096</b>	<b>2,396</b>	<b>2,707</b>
Add: Net Depreciation and Amortisation	174	399	435	449	473
Less: Capex	448	1,343	1,366	1,086	1,037
Less: Change in Net Working Capital	84	125	107	117	112
<b>Operating Free Cash Flows to Firm</b>	<b>457</b>	<b>719</b>	<b>1,058</b>	<b>1,642</b>	<b>2,032</b>
Non-Operating Income	0.42	1.52	2.60	3.53	4.59
Tax on Non-Operating Income	0.01	0.03	0.06	0.08	0.10
<b>Add: Non-Operating Cash Flows (After Tax Non-Operating Income)</b>	<b>0.41</b>	<b>1.49</b>	<b>2.55</b>	<b>3.46</b>	<b>4.49</b>
<b>Free Cash Flow to Firm (FCFF)</b>	<b>458</b>	<b>721</b>	<b>1,061</b>	<b>1,645</b>	<b>2,036</b>
<b>WACC (Ko)</b>	<b>7.79%</b>	<b>7.79%</b>	<b>7.79%</b>	<b>7.79%</b>	<b>7.79%</b>
Present Value / Discount Factor	0.9632	0.8936	0.8290	0.7691	0.7136
<b>Long-Term Growth Rate (g)</b>					<b>2.00%</b>
Terminal Multiple					17.62
<b>Nominal Terminal Value</b>					<b>35,883</b>
<b>Present Value of Free Cash Flows</b>	<b>441</b>	<b>644</b>	<b>879</b>	<b>1,266</b>	<b>1,453</b>

\*2010E excludes 1H10A

Calculation of Equity Value and Fair Value Per Share*	
<b>NPV of Free Cash Flows to Equity (during Explicit Forecast Period)</b>	<b>4,683</b>
<b>Terminal Value:</b>	
Residual Cash Flow (FCFE of 2014E)	2,036
WACC	7.79%
Long-Term/Terminal Growth Rate (g)	2.00%
Divided by Capitalisation Rate (WACC - g)	5.79%
Equals Nominal Terminal Value	35,883
<i>Implied Multiple of 2014E EBITDA</i>	<i>11.07</i>
Times PV/ Discount Factor	0.71
<b>Present Value of Terminal/Residual Value</b>	<b>25,605</b>
<b>Enterprise Value</b>	<b>30,288</b>
<i>Implied Multiple of 2014E EBITDA</i>	<i>9.35</i>
Less: Market Value of Long-term Debt	4,780
<b>Equity Value</b>	<b>25,508</b>
Net shares outstanding (Million)	115
<b>Fair Value Per Share (SAR)</b>	<b>221.81</b>

\*Figures in SAR Million unless specified

## Sensitivity Analysis

The following tables present a sensitivity analysis, showing the probable nominal terminal value, discounted terminal value and enterprise value, given different growth rate and WACC assumptions. The shaded areas represent the most probable outcomes.

Sensitivity Analysis of Nominal Terminal Value (SAR Million)					
Discount Factor	Long-Term Growth Rate				
	1.00%	1.50%	2.00%	2.50%	3.00%
5.79%	42,952	48,198	54,829	63,478	75,228
6.79%	35,531	39,083	43,377	48,673	55,367
<b>7.79%</b>	30,296	32,867	<b>35,883</b>	39,468	43,803
8.79%	26,406	28,357	30,596	33,191	36,234
9.79%	23,401	24,936	26,667	28,637	30,896

Sensitivity Analysis of Discounted Terminal Value (SAR Million)					
Discount Factor	Long-Term Growth Rate				
	1.00%	1.50%	2.00%	2.50%	3.00%
5.79%	33,345	37,417	42,565	49,279	58,401
6.79%	26,440	29,083	32,279	36,219	41,201
<b>7.79%</b>	21,619	23,453	<b>25,605</b>	28,163	31,256
8.79%	18,076	19,411	20,944	22,720	24,803
9.79%	15,372	16,381	17,518	18,812	20,296

Sensitivity Analysis of Enterprise Value (SAR Million)					
Discount Factor	Long-Term Growth Rate				
	1.00%	1.50%	2.00%	2.50%	3.00%
5.79%	38,306	42,378	47,526	54,240	63,362
6.79%	31,259	33,902	37,098	41,038	46,020
<b>7.79%</b>	26,301	28,136	<b>30,288</b>	32,846	35,939
8.79%	22,628	23,964	25,496	27,273	29,356
9.79%	19,800	20,808	21,946	23,239	24,724

## Investment Opinion

The global food and beverage (F&B) market stood at USD 5.7 trillion at the end of 2008. The Middle East region's food industry is valued at around USD 30 billion, of which the GCC countries account for nearly USD 12 billion. Going forward, the industry is likely to register strong growth, helped by the high population growth rate, availability of high-quality certified raw materials, and higher income levels. The GCC region imports USD 15 billion worth of food products annually, translating into 90% of their total food requirement. The food services sector is estimated to be worth more than USD 31 billion annually. According to industry experts, food sales in the GCC are estimated to grow at 5-10% a year. Furthermore, the sector continues to grow with categories like 'Halal' estimated to be worth more than USD 650 billion by the end of 2010, according to the World Halal Forum.

Saudi Arabia is the region's largest importer of agricultural products, which accounts for around 15% of aggregate national imports and represent the fourth largest domestic import sector. During 2009, imports of food and agricultural products were worth SAR 65.25 billion, driven by favourable demographics (population growing 3% annually), rising personal income levels, and sustained economic growth. Moreover, the government's attractive financing schemes and exemption of duty on equipment, raw material, and packaging materials supported the industry. Saudi Arabia has allocated SAR 46 billion towards agriculture, water and infrastructure, up 30% over the previous year allocation. With over 90 licensed factories, the country's beverage processing sector represents a very large segment of the food processing industry. Going forward, Saudi Arabia's F&B industry is expected to register substantial growth, as foreign investors are seeking joint venture agreements and investment opportunities. Multinational groups have formed strategic partnerships with local companies to produce dairy and juice products that will not only serve the local market, but will also be distributed across Southeast Asia, the Middle East, and Africa. In addition, the annual influx of over 10 million tourists, and the projected increase in foreign labour over the next five years for various economic diversification projects will further boost the country's food demand. According to the Central Department of Statistics and Information (CDSI), Saudi Arabia's population is estimated at around 24.81 million, as of 2008. Expatriates account for 27.0% or 6.69 million, while Saudi nationals comprise around 18.12 million. The country's population is expected to reach 28.87 million by 2014, as estimated by the International Monetary Fund (IMF). In addition, the country's 2008 GDP per capita of USD 18,855 is expected to increase to more than USD 20,829 by 2014. Meanwhile, annual inflation rose to 5.5% in June 2010, up from 5.4% in May 2010, according to the General Statistics Department. Food prices, which have the largest weight of 26% in the basket, rose 6.2% YoY in June 2010. Thus, annual inflation in Saudi Arabia has started growing again after slowing to a 30-month low of 3.5% in October 2009, but remains below the record high of 11.1% in July 2008.

Considered as one of the most active food and drink firms in the Gulf region, Almarai operates across dairy, juices, and baked products segments. The company has registered outstanding growth across all the business lines in recent years. The dairy and fruit juice segments registered a 5-year CAGR of 21.1% and 35.1%, respectively during the period 2004-2009. In addition, the growing demand for health and diet foods and new lifestyle choices are driving growth in this sector. Apart from broadening its domestic business, which primarily comprises of the fresh milk segment, Almarai's initiatives to expand presence across the regional non-Gulf markets are gaining momentum. In February 2009, the company partnered PepsiCo to form International Dairy and Juice Limited (IDJ) as a vehicle to acquire dairy and juice processing companies in non-Gulf markets. IDJ has already made two notable acquisitions: the Jordan-based dairy and fruit juice producer Teeba in June 2009, and the Egyptian dairy company Beyti. Furthermore, during the fourth quarter of 2009, the company acquired Hadco to enter the high-growth poultry business. According to industry estimates, investments in Saudi Arabia's poultry industry reached SAR 32 billion. The total output of the country's 536 farms stands at 525,000 tonnes, with annual per capita consumption of chicken at 42 kg and eggs at 120. In a bid to capitalise on the poultry industry's bright future, Almarai plans to invest around SAR 2 billion to develop poultry production facilities and increase Hadco's poultry output five-fold to an average 120,000 chicken per hour. In addition, the joint venture for infant food is scheduled for completion during 2011, and will expand the target market and provide a further fillip to bottom-line. During 1H10, the company's top-line soared 18.9% to SAR 3,298.36 million, boosted by strong performances across all the business lines. Going forward, Almarai is well positioned to capitalise on the country's increasing food demand, primarily driven by the young population below 30 years of age. Furthermore, the company's recent diversification initiatives have helped reduce dependence on the local Saudi market, thereby reducing the systematic risk. Therefore, strong fundamentals and entry into high-growth business lines render the stock an attractive pick.

We had updated Almarai on May 02, 2010 with an OVERWEIGHT recommendation (target price of SAR 22.75 and an upside of 11.8%). Currently, the company's stock is trading at a P/E multiple of 16.99x and 13.70x on 2010E and 2011E earnings, and at a P/BV multiple of 3.61x and 3.08x on 2010E and 2011E BVPS, respectively. Meanwhile, the stock has gained 16.1% since the beginning of this year as against a 0.5% fall in TASI. Considering the above factors, we have arrived at a price target of SAR 221.81, which represents an upside of 15.8% over its closing price of SAR 191.50 (as on July 21, 2010). **Accordingly, we reiterate our earlier OVERWEIGHT recommendation on Almarai Company.**

## Financial Statements

Consolidated Income Statement							
(SAR Million)	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>Sales</b>	<b>5,030</b>	<b>5,869</b>	<b>2,773</b>	<b>3,298</b>	<b>7,172</b>	<b>8,581</b>	<b>9,866</b>
Cost of Sales	-2,906	-3,329	-1,674	-2,027	-4,115	-4,920	-5,637
<b>Gross Profit</b>	<b>2,124</b>	<b>2,539</b>	<b>1,100</b>	<b>1,271</b>	<b>3,056</b>	<b>3,662</b>	<b>4,230</b>
Selling and Distribution Expenses	-672	-790	-408	-498	-980	-1,182	-1,363
General and Administration Expenses	-178	-182	-108	-107	-215	-253	-288
Depreciation of PPE and livestock	-485	-601	0	0	-700	-792	-889
Live stock Appreciation	272	313	0	0	338	394	454
<b>Income before Bank Charges, Zakat and Minority Interest</b>	<b>1,061</b>	<b>1,279</b>	<b>584</b>	<b>666</b>	<b>1,499</b>	<b>1,828</b>	<b>2,143</b>
Net Bank Charges	-125	-148	-86	-63	-156	-165	-162
<b>Income from Main and Continuing Operations</b>	<b>935</b>	<b>1,129</b>	<b>497</b>	<b>602</b>	<b>1,342</b>	<b>1,664</b>	<b>1,983</b>
Zakat	-25	-29	-12	-13	-29	-36	-43
<b>Income before Minority Interest</b>	<b>911</b>	<b>1,100</b>	<b>485</b>	<b>589</b>	<b>1,313</b>	<b>1,628</b>	<b>1,940</b>
Minority Interest	-1	-3	-1	-11	-17	-21	-25
<b>Net Income for the Year</b>	<b>910</b>	<b>1,097</b>	<b>484</b>	<b>577</b>	<b>1,296</b>	<b>1,607</b>	<b>1,915</b>

Consolidated Balance Sheet							
(SAR Million)	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>Current Assets</b>							
Cash and Cash Equivalents	247	508	229	209	621	934	987
Derivative Financial Instruments	7	0	34	0	0	0	0
Receivables and Prepayments	410	455	509	609	611	719	817
Inventories	1,097	1,219	1,076	1,140	1,357	1,571	1,744
<b>Total Current Assets</b>	<b>1,760</b>	<b>2,182</b>	<b>1,848</b>	<b>1,958</b>	<b>2,589</b>	<b>3,224</b>	<b>3,548</b>
<b>Non Current Assets</b>							
Investments and Financial Assets	489	963	724	964	1,130	1,345	1,657
Property, Plant and Equipment	4,705	6,282	5,057	7,048	7,084	7,649	8,166
Intangible Assets - Goodwill	549	793	549	793	793	793	793
Deferred Charges	40	32	36	28	28	28	28
<b>Total Non Current Assets</b>	<b>6,422</b>	<b>8,805</b>	<b>7,033</b>	<b>9,575</b>	<b>9,946</b>	<b>10,910</b>	<b>11,937</b>
<b>TOTAL ASSETS</b>	<b>8,181</b>	<b>10,987</b>	<b>8,881</b>	<b>11,533</b>	<b>12,534</b>	<b>14,134</b>	<b>15,485</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current Liabilities</b>							
Short Term Loans	511	396	707	399	442	364	306
Payables and Accruals	670	963	730	1,010	1,145	1,341	1,506
Derivative Financial Instruments	108	82	63	148	148	148	148
<b>Total Current Liabilities</b>	<b>1,289</b>	<b>1,440</b>	<b>1,500</b>	<b>1,557</b>	<b>1,734</b>	<b>1,853</b>	<b>1,959</b>
<b>Non Current Liabilities</b>							
Long Term Loans	3,133	3,981	3,395	4,381	4,466	4,839	4,787
Employees' Termination Benefits	128	166	140	179	195	219	253
<b>Total Non- Current Liabilities</b>	<b>3,261</b>	<b>4,147</b>	<b>3,535</b>	<b>4,560</b>	<b>4,661</b>	<b>5,058</b>	<b>5,040</b>
<b>Total Liabilities</b>	<b>4,550</b>	<b>5,587</b>	<b>5,035</b>	<b>6,117</b>	<b>6,394</b>	<b>6,912</b>	<b>6,999</b>
<b>Shareholders' Equity</b>							
Share Capital	1,090	1,150	1,090	1,150	1,150	1,150	1,150
Share Premium	612	1,601	612	1,601	1,601	1,601	1,601
Statutory Reserves	417	526	417	526	575	575	575
Other Reserves	-83	-81	28	-206	-206	-206	-206
Retained Earnings	1,582	2,187	1,685	2,304	2,974	4,038	5,279
<b>Total Shareholders' Equity</b>	<b>3,617</b>	<b>5,383</b>	<b>3,831</b>	<b>5,375</b>	<b>6,094</b>	<b>7,157</b>	<b>8,398</b>
<b>Minority Interest</b>	<b>14</b>	<b>17</b>	<b>14</b>	<b>42</b>	<b>46</b>	<b>65</b>	<b>87</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,181</b>	<b>10,987</b>	<b>8,881</b>	<b>11,533</b>	<b>12,534</b>	<b>14,134</b>	<b>15,485</b>

Consolidated Cash Flow Statement							
(SAR Million)	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>Net Income for the Year</b>	<b>910</b>	<b>1,097</b>	<b>484</b>	<b>577</b>	<b>1,296</b>	<b>1,607</b>	<b>1,915</b>
Adjustments for:							
Depreciation of Property, Plant and Equipment and Livestock	485	601	228	289	700	792	889
Livestock Appreciation	-272	-313	-106	-102	-338	-394	-454
Loss on Disposal of Property, Plant and Equipment	-1	-4	-5	-4	-4	0	0
Loss on Sale of Biological Assets	57	79	33	43	79	88	94
Bank Charges	125	148	86	63	156	165	162
Share of Results of Associates	0	2	0	1	1	-2	-3
Change in Employees' Termination Benefits	23	26	12	13	29	24	34
Share of Minority Interest in Net Income of Consolidated Subsidiary	1	3	1	11	17	21	25
Changes in:							
Receivables and Prepayments	-42	26	-99	-153	-155	-108	-98
Inventories	-363	-33	21	78	-139	-214	-173
Payables and Accruals	92	170	59	42	182	197	165
<b>Cash Flows from Operating Activities</b>	<b>1,016</b>	<b>1,802</b>	<b>713</b>	<b>859</b>	<b>1,824</b>	<b>2,178</b>	<b>2,556</b>
<b>INVESTING ACTIVITIES</b>							
Net additions to Property, Plant and Equipment	-1,530	-1,319	-540	-1,050	-1,378	-1,212	-1,231
Net Additions to Biological Assets	-43	91	9	52	-36	-24	-13
Investments in Associates	0	0	0	0	0	0	0
Acquisition of Investments and Financial Assets	0	-458	-196	-61	-227	-213	-309
Acquisition of Subsidiaries, Net of Cash Acquired	0	-26	0	0	0	0	0
<b>Cash Flows used in Investing Activities</b>	<b>-1,572</b>	<b>-1,711</b>	<b>-727</b>	<b>-1,060</b>	<b>-1,642</b>	<b>-1,449</b>	<b>-1,554</b>
<b>FINANCING ACTIVITIES</b>							
Increase in Loans	1,052	690	458	403	530	296	-110
Dividends Paid	-270	-380	-380	-455	-460	-544	-674
Distribution to Minority Interests	-1	-1	-1	-1	-2	-2	-3
Bank Charges	-125	-148	-86	-63	-156	-165	-162
Change in Deferred Charges	-6	9	4	4	4	0	0
Minority Interest Share in Modern Food Industries Company Ltd.	14	0	0	14	14	0	0
<b>Cash Flows from Financing Activities</b>	<b>665</b>	<b>170</b>	<b>-4</b>	<b>-97</b>	<b>-69</b>	<b>-415</b>	<b>-949</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>109</b>	<b>261</b>	<b>-18</b>	<b>-298</b>	<b>113</b>	<b>313</b>	<b>52</b>
Cash and Cash Equivalents (Opening balance)	138	247	247	508	508	621	934
<b>Cash and Cash Equivalents (Closing balance)</b>	<b>247</b>	<b>508</b>	<b>229</b>	<b>209</b>	<b>621</b>	<b>934</b>	<b>987</b>

## Financial Ratios

	2008A	2009A	1H09A	1H10A	2010E	2011E	2012E
<b>Liquidity Ratios:</b>							
Current Ratio (x)	1.37	1.51	1.23	1.26	1.49	1.74	1.81
Quick Ratio (x)	0.51	0.67	0.51	0.53	0.71	0.89	0.92
Inventory Conversion Period (Days)	115	127	237	212	114	109	107
Average Collection Period (Days)	28	27	60	59	27	28	28
Length of Operating Cycle (Days)	143	154	297	271	141	137	136
Average Payment Period (Days)	78	89	153	178	93	92	92
Length of Cash Cycle (Days)	65	64	145	94	48	45	44
<b>Activity Ratios:</b>							
Debtors Turnover Ratio (x)	12.94	13.57	6.04*	6.20*	13.45	12.91	12.85
Creditors' Turnover Ratio (x)	4.67	4.08	2.39*	2.05*	3.91	3.96	3.96
Total Assets Turnover Ratio (x)	0.69	0.61	0.33*	0.29*	0.61	0.64	0.67
Equity Turnover Ratio (x)	1.51	1.30	0.74*	0.61*	1.25	1.30	1.27
<b>Profitability Ratios:</b>							
Gross Profit Margin	42.2%	43.3%	39.6%	38.5%	42.6%	42.7%	42.9%
EBITDA Margin	25.3%	26.7%	25.4%	25.9%	25.9%	25.9%	26.1%
Operating Profit Margin	21.1%	21.8%	21.0%	20.2%	20.9%	21.3%	21.7%
Net Profit Margin	18.1%	18.7%	17.5%	17.5%	18.1%	18.7%	19.4%
Return on Average Equity	27.3%	24.4%	13.0%*	10.7%*	22.6%	24.3%	24.6%
Return on Average Assets	12.5%	11.4%	5.7%*	5.1%*	11.0%	12.1%	12.9%
<b>Leverage Ratios:</b>							
Debt to Equity (D/E) Ratio (x)	1.01	0.81	1.07	0.89	0.81	0.73	0.61
Shareholders' Equity to Total Assets Ratio (x)	0.44	0.49	0.43	0.47	0.49	0.51	0.54
Total Liabilities to Total Assets Ratio (x)	0.56	0.51	0.57	0.53	0.51	0.49	0.45
Current Liabilities to Equity Ratio (x)	0.36	0.27	0.39	0.29	0.28	0.26	0.23
<b>Growth Rates:</b>							
YoY Growth in Revenue	33.4%	16.7%	17.2%	18.9%	22.2%	19.7%	15.0%
YoY Growth in Operating Profit	35.9%	20.5%	24.8%	14.1%	17.2%	22.0%	17.2%
YoY Growth in EBITDA	29.9%	22.9%	25.5%	21.0%	18.8%	19.7%	15.8%
YoY Growth in Net Profit	36.4%	20.5%	21.9%	19.1%	18.2%	24.0%	19.2%
YoY Growth in Total Assets	29.1%	34.3%	13.1%	29.9%	14.1%	12.8%	9.6%
YoY Growth in Shareholders' Equity	18.5%	48.8%	3.5%	40.3%	13.2%	17.5%	17.3%
<b>Ratios used for Valuation:</b>							
Adj. EPS (SAR)	7.92	9.54	8.43*	10.04*	11.27	13.97	16.65
Adj. BVPS (SAR)	31.45	46.81	33.32	46.74	52.99	62.24	73.03
P/E Ratio (x)	24.19	20.08	22.73	19.08	16.99	13.70	11.50
P/BV Ratio (x)	6.09	4.09	5.75	4.10	3.61	3.08	2.62
Current Market Price (SAR)**	191.50	191.50	191.50	191.50	191.50	191.50	191.50

\*Annualised

\*\* Price as on July 21, 2010

---

**TAIB Securities WLL**  
TAIB Tower, Diplomatic Area  
Post Box 20485, Manama, Kingdom of Bahrain

Tel: +973 17549499  
Fax: +973 17916035  
research@taib.com; [www.taibdirect.com](http://www.taibdirect.com)

**DISCLAIMER:**

All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication, but we make no representation as to its accuracy or completeness. All information is for the private use of the person to whom it is provided without any liability whatsoever on the part of TAIB Securities WLL, any associated company or the employees thereof. Nothing contained herein should be construed as an offer to buy or sell or a solicitation of an offer to buy or sell. The value of any investment may fall as well as rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of the investment to increase or diminish. Consequently, investors may not get back the full value of their original investment