AGRICULTURE & FOOD | 18 OCTOBER 2011

SAVOLA

EVENT FLASH

In-line result

Savola announced its 3Q11 results on 17 October 2011 after market hours. Revenue grew 22% YoY, but the growth slowed across all profit lines, with net income rising just 9% YoY to SR308mn, 2.5% above our estimate. We await full details before updating our model.

- **Revenues:** 3Q11 sales came in at an estimated SR6.85bn, up 22% YoY and 1.6% above NCBC estimate of SR6.74bn. 3Q10 sales was SR5.61bn
- **Gross income:** 3Q11 gross income came in at SR982mn, up 8.4% YoY but 7.7% below NCBC estimate of SR1,064mn. 3Q10 gross income was SR906mn
- **Net profit:** 3Q11 reported net income came in at SR308mn, up 8.8% YoY and 2.5% above NCBC estimate for 3Q11 of SR300mn. 3Q10 net income was SR283mn
- In summary Savola reported a robust set of 3Q11 results, coming in broadly in line with our estimates, although the growth slowed at the net income level. Revenue growth of 22% was impressive, driven by market share gains in the Food and Retail division and aided by continued geographic expansions. However, gross margin declined 180bps YoY, despite a decline in selected food prices including sugar. Consequently, net income grew by just 9% YoY to SR308mn in 3Q11.
- Overall, the results came in broadly in line with our expected numbers. While sales came in 1.6% above expectation, gross and operating was 2% and 8% lower than what we had been expecting. However, net income came in 2.5% higher than ours as well as management's own forecast of SR300mn. We believe this may have been due to lower than estimated financial charges, Zakat and/or minority interest payouts
- Savola announced a USD93mn acquisition of a 78% stake in Egypt's Al-Mailka and Al-Farasha companies which are specialised in Pasta. The companies have two factories in Egypt with a production capacity of 120k tons and 30% market share. Savola initially announced its plans to enter the Pasta market at the end of 2009.
- Savola is expecting a 4% YoY increase in net income before capital gains of SR296mn in 4Q11. Thus it is reiterating its full year net income estimate for 2011 of SR1bn.

3Q11 Result Summary

SR mn	3Q11A	3Q10A	% Y o Y	3Q11E	% Var^
Sales	6,846	5,613	22.0	6,735	1.6
Gross income	982	906*	8.4	1,064	(7.7)
Operating income	472	426*	10.7	484	(2.4)
Net income	308	283	8.8	300	2.5
EPS	0.62	0.57	8.8	0.60	2.5

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts *Figure restated by the company

NEUTRAL

Target price	**30.0**
Current price (SR)	**26.0**

STOCK DETAILS

M52-week range H/L (SR)	34/22
Market cap ($ mn)	3,471
Shares outstanding (mn)	500
Listed on exchanges	TADAWUL

Price perform (%)	**1M**	**3M**	**12M**
Absolute	(0.4)	0.4	(23.1)
Rel. to market	(0.2)	4.9	(20.6)

Avg daily turnover (mn)	**SR**	**US$**
3M	6.3	1.7
12M	14.3	3.8

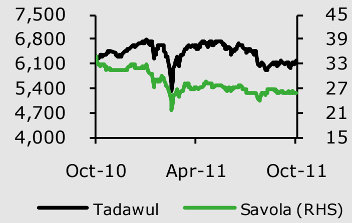
Reuters code	2050.SE
Bloomberg code	SAVOLA AB
	www.savola.com

VALUATION MULTIPLES

	10A	**11E**	**12E**
Reported P/E (x)	14.7	12.7	11.5
Adjusted P/E (x)	7.4	7.1	6.5
P/B (x)	1.9	1.7	1.6
EV/EBITDA (x)	7.6	8.3	7.9
Div Yield (%)	3.7	3.8	3.8

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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NCBC Investment Ratings

OVERWEIGHT: Target price represents expected returns in excess of 15% in the next 12 months

NEUTRAL: Target price represents expected returns between -10% and +15% in the next 12 months

UNDERWEIGHT: Target price represents a fall in share price exceeding 10% in the next 12 months

PRICE TARGET: Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company