



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

<b>Target price</b>	<b>30.0</b>
<b>Current price (SR)</b>	<b>26.0</b>

### 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

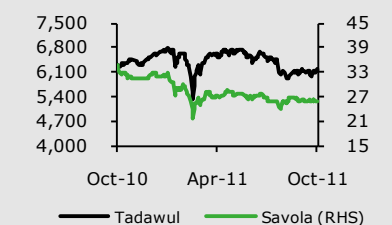
Reuters code	2050.SE
Bloomberg code	SAVOLA AB
	<a href="http://www.savola.com">www.savola.com</a>

### 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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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

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