Al Majed Oud Co.

Results Flash Note Q1-25

ALJAZIRA CAPITAL الجزيرة للأسواق المالية

Results top estimates due to full effect of pre-eid shopping season and better operational performance

Almajed oud posted net income of SAR 120.9mn in Q1-25, up 88.8% Y/Y and 704.3% Q/Q, respectively. The net income was above AJC and consensus estimates of SAR 57.8mn and SAR 63.5mn, respectively. The Y/Y increase in bottom-line is owed to the robust topline expansion and better operational performance. Company's revenues increased by 60.2% Y/Y to SAR 410mn driven by new store openings, pre-eid shopping season and new product launches. Opex to sales improved from 40.7% in Q1-24 to 34.8% in Q1-25. The company is poised to benefit from favorable demographics of large young population, increasing disposable income, rising leisure and religious tourism and innovations in product offerings. Further healthy cash generation and reduction in capex levels would enable the company to maintain strong dividend yield which could rise to 6.5% by FY28e, basis our estimates. We maintain our "Overweight" rating on the stock with target price of SAR 171.3 per share, implying an upside of 32.8%. However, we await for detailed financials to update our investment case.

- Almajed oud posted net income of SAR 120.9mn in Q1-25, which corresponds to EPS of SAR 4.84, up 88.8% Y/Y and 704.3% Q/Q, respectively. The net income was above AJC and consensus estimates of SAR 57.8mn and SAR 63.5mn respectively. The Y/Y increase in bottom-line is owed to 60.2% Y/Y expansion in topline and better operational performance. The deviation to AJC estimates is mainly attributable to higher sales, which were driven by pre-eid shopping season which fell entirely in Q1-25, unlike the same quarter last year.
- Company's revenues increased by 60.2% Y/Y to SAR 410mn (+69.3% sequentially), above our estimate of SAR 290mn (deviation of +41.4%). Revenue growth was driven by new store openings, pre-eid shopping season and new product launches.
- Almajed reported a gross profit of SAR 270.9mn (+57.1% Y/Y, +84.5% Q/Q), 47.2% above our estimate of SAR 184mn. The GP margin was recorded at 66.1%, contraction of 130bps Y/Y (+543bps Q/Q) and 261bps above our estimate of 63.5%. The Y/Y reduction in margins is most likely due to more promotions and discounts. The deviation to our estimates was mainly due to above expected revenues.
- The company reported operating profit of SAR 128.4mn, a rise of 87.8% Y/Y and 455.5% Q/Q. The improvement is on account of better operating efficiencies, opex to sales improved from 40.7% in Q1-24 to 34.8% in Q1-25, reflecting enhanced operating leverage. Consequently, operating margins improved to 31.3% in Q1-25 (+4.6ppts Y/Y; 21.7ppts Q/Q).

AJC view and valuation: Almajed has posted above expected Q1-25 net income of 120.9mn due to pre-eid shopping season and new store openings. The company is poised to benefit from favorable demographics of large young population, increasing disposable income, rising leisure and religious tourism and innovations in product offerings. Its two pronged strategy, 1) expanding domestic and international store presence, and 2) broadening its product portfolio could lift revenue per store. Store maturity, higher revenue per store, and operational leverage would aid in margin expansion across gross, operating, and net levels. Further healthy cash generation and reduction in capex levels would enable the company to maintain strong dividend yield which could rise to 6.5% by FY28e, basis our estimates. We maintain our "**Overweight**" rating on the stock with target price of **SAR 171.3 per share**, implying an upside of 32.8%. However we await for detailed financials to update our investment case.

Results Summary

SAR mn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	256	242	410.2	60.2%	69.3%	41.4%
Gross Profit	173	147	270.9	57.1%	84.5%	47.2%
Gross Margin	*67.4%*	*60.6%*	*66.1%*	-	-	-
EBIT	68	23	128.4	87.8%	455.5%	105.6%
Net Profit	64	15	120.9	88.8%	704.3%	109.3%
EPS	**2.56**	**0.6**	**4.84**			

Source: Tadawul, Aljazira Capital Research

Recommendation	Overweight
Target Price (SAR)	171.3
Upside / (Downside)*	32.8%

Source: Tadawul *prices as of 8th of May 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	588	767	926	1,056
Growth %	32.9%	30.4%	20.7%	14.0%
Gross profit	377	511	610	713
EBIT	138	160	179	228
Net Income	125	149	157	210
Growth %	24.1%	18.6%	5.6%	33.7%
EPS	5.01	5.95	6.28	8.39
DPS	3.92	5.0	4.0	5.0

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	64.1%	66.6%	65.8%	67.5%
Net Margin	21.3%	19.4%	17.0%	19.9%
P/E (x)	18.8	15.8	23.2	15.37
P/B (x)	7.4	5.5	7.7	5.8
EV/EBITDA (x)	10.5	8.8	12.2	10.9
Dividend Yield	4.2%	5.3%	2.7%	3.8%

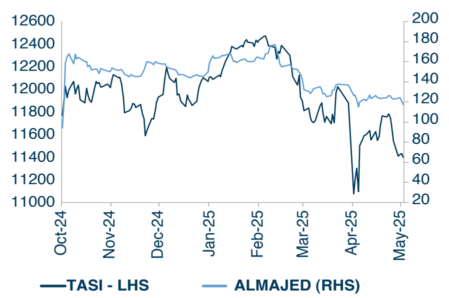
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	3.2
YTD%	-19.59%
52 week (High)/(Low)	198.8/103.4
Share Outstanding (mn)	25

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, Aljazira Capital Research

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RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer