

Turnaround in performance; however more clarity needed on improvement in operating expenses and other income

SACO posted net income of SAR 3.4mn in Q4-24, as compared to a loss of SAR 24.3mn in the same period last year. The result was above our expectation of loss of SAR 13.7mn. The deviation to our estimate mainly arises from better than expected gross margins and lower than estimated opex. The company posted 16.8% Y/Y increase in revenues to SAR 279mn, compared to AJC estimate of SAR 253mn (+ 10.3% deviation). SACO's gross margins expanded by 628bps Y/Y to 15.7% in Q4-24, the margin improvement is owed to improvement in commercial terms and operational efficiency. Operating profit stood at SAR 27.3mn in Q4-24 as compared to loss of SAR 15.4mn in Q4-23. Opex declined by 56.6% Y/Y and 56.2% Q/Q to SAR 16.4mn, we await more clarity on this front as improvement can be due to one off non-recurring gains or reclassification of 9M24 numbers. We maintain our "Neutral" recommendation on SACO with a TP of SAR 33.0/share.

- SACO posted net income of SAR 3.4mn in Q4-24, as compared to a loss of SAR 24.3mn in same period last year and loss of SAR 9.0mn in Q3-24. The net income was above our expectation of loss of SAR 13.7mn. The deviation to our estimate mainly arises from better than expected gross margins, lower than estimated general & administrative expenses and above expected revenues.
- The company posted 16.8% Y/Y increase in revenues to SAR 279mn (up 13.7% on a sequential basis), compared to AJC estimate of SAR 253mn (+ 10.3% deviation). This improvement was driven by the introduction of new categories & products and the improvement in revenue of logistics services.
- SACO's gross margins expanded by 628bps Y/Y to 15.7% in Q4-24, the margin improvement is owed to improvement in commercial terms and operational efficiency. Overall, gross profit of SAR 43.7mn was 29.3% above AJC estimate and gross margin was 230bps above AJC estimate.
- Operating profit stood at SAR 27.3mn in Q4-24 as compared to loss of SAR 15.4mn in Q4-23 and loss of SAR 4.36mn in Q3-24 (AJC estimate loss of SAR 9.2mn). Operating margin improved by 16.2ppts Y/Y to 9.8% (+11.5ppts Q/Q) (13.4ppts above AJC estimate). The increase is owed to decrease in general and administrative expenses. Opex declined by 56.6% Y/Y and 56.2% Q/Q to SAR 16.4mn, we await more clarity on this front as improvement can be due to one off non-recurring gains or reclassification of 9M24 numbers.

AJC view and valuation: The company under new management and turnaround program has been able to turn to profits in Q4-24, however we believe that SACO needs to improve its store efficiency (revenue per square meter) significantly to return back to pre-pandemic profit levels. Moreover, we await more clarity on opex and other income as improvement can be due to one off non-recurring gains or reclassification of 9M24 numbers. We maintain our "Neutral" recommendation on SACO with a TP of SAR 33.0/share indicating an upside of 9.0% from last close.

Results Summary

| SAR mn | Q4-23 | Q3-24 | Q4-24 | Change Y/Y | Change Q/Q | Deviation from AJC Estimates |
|--------------|--------|--------|-------|------------|------------|------------------------------|
| Revenue | 239.0 | 245.4 | 279.1 | 16.8% | 13.7% | 10.3% |
| Gross Profit | 22.4 | 33.1 | 43.7 | 95.0% | 32.2% | 29.3% |
| Gross Margin | 9.4% | 13.5% | 15.7% | 6.3% | 2.2% | 2.3% |
| EBIT | (15.4) | (4.4) | 27.3 | NA | NA | NA |
| Net Profit | (24.3) | (9.0) | 3.4 | NA | NA | NA |
| EPS | (0.68) | (0.25) | 0.10 | | | |

Source: Tadawul, AlJazira Capital Research

Recommendation Neutral

Target Price (SAR) 33.0

Upside / (Downside)* 9.0%

Source: Tadawul *prices as of 6th Mar 2025

Key Financials

| SARmn (unless specified) | FY21 | FY22 | FY23 | FY24 |
|--------------------------|--------|--------|--------|--------|
| Revenue | 1,273 | 1,137 | 930 | 994 |
| Growth % | -14.1% | -10.7% | -18.2% | 6.8% |
| Gross Profit | 193 | 68 | 104 | 141 |
| Net profit | (28) | (143) | (69) | (14) |
| Growth % | NA | NA | NA | NA |
| EPS | (0.79) | (3.96) | (1.92) | (0.39) |
| DPS | 0 | 0 | 0 | 0 |

Source: Company reports, AlJazira Capital Research

Key Ratios

| | FY21 | FY22 | FY23 | FY24 |
|----------------|--------|---------|--------|--------|
| GP Margin | 15.15 | 5.95 | 11.19 | 14.24 |
| Net Margin | (2.24) | (12.54) | (7.41) | (1.42) |
| P/E (x) | NA | NA | NA | NA |
| P/B (x) | 3.16 | 2.37 | 4.05 | 3.49 |
| EV/EBITDA | 14.81 | 90.91 | 21.50 | NA |
| Dividend Yield | 0.00 | 0.00 | 0.00 | 0.00 |

Source: Company reports, Argaam, AlJazira Capital Research

Key Market Data

| | |
|------------------------|-----------|
| Market Cap(bn) | 1.1 |
| YTD% | -4.11% |
| 52 week (High)/(Low) | 42.7/28.8 |
| Share Outstanding (mn) | 36.0 |

Source: Company reports, Bloomberg, AlJazira Capital Research

Price Performance



Source: Bloomberg, AJC Research

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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.
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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.

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