



EVENT FLASH

Strong results on record high sales and margins

Extra reported a strong set of 4Q16 results, with net income increasing three folds YoY to SR27.5mn. This is higher than the NCBC and consensus estimates of SR6.4mn and SR15.8mn, respectively. Excluding the SR15.6mn impairment loss, adj. net income grew 375% YoY to SR43.1mn. The better than expected results are attributed to record high sales due to the Mega Sale discounts, launch of iPhone7 and improvement in margins.

- NCBC view on the results:** Extra reported a strong set of 4Q16 results, with net income increasing by three folds YoY to SR27.5mn. Adjusting for the one-off impairment loss of SR15.6mn incurred in 4Q16, net income increased +375% YoY to SR43.1mn. This is significantly higher than the NCBC and consensus estimates of SR6.4mn and SR15.8mn, respectively. We believe the strong results came as a result of 1) record high sales of SR1.39bn (+8.8% YoY) due to the Mega Sale event and launch of iPhone 7 and 2) expansion in gross and EBIT margins.
- Sales grew 8.8%YoY to a record high of SR1.39bn, broadly in-line with our estimates of SR1.32bn. We believe this growth was supported by a strong LFL growth of c.6%, due to expectations of a record high footfall during the Mega Sale event and strong sales of iPhone 7. Moreover, the opening of one new store (42 stores vs. 41 in 4Q15) further supported the revenue growth.
- Gross margins expanded 149bps YoY to 15.3%, higher than our estimates of 13.5%, due to a change in the overall product mix towards higher margin products. We believe this offset the higher discounts offered during the Mega Sale, leading to a +20.6% YoY growth in gross profit to SR212mn.
- Opex grew at a relatively slower pace than revenue (+2.5% YoY) to SR168mn. This compares to the NCBC estimates of SR171mn. We believe the new store opening and promotional expenses led to the increase in Opex. EBIT margins expanded by +219bps YoY to 3.2%, higher than the NCBC margin estimate of 0.5%. This is the highest EBIT margin since 3Q14.
- We downgraded Extra to Neutral in our previous update with a PT of SR26.3, due to the lower discretionary spending in Saudi and limited store openings. We believe the full impact of allowance cuts will be experienced in 1Q17 for companies selling discretionary products.

4Q16 Results Summary

SR mn	4Q16A	4Q15A	% YoY	4Q16E	% Var [^]
Sales	1,386	1,274	8.8	1,317	5.3
Gross income	212.2	176.0**	20.6	178.0	19.2
Operating income	44.1	12.6	250	6.8	552
Net income	27.5	9.1	202	6.4	332
EPS	0.76	0.25	202	0.18	332
Adj. Net Income	43.1	9.1	374	6.4	577
Adj. EPS	1.20	0.25	374	0.18	577

Source: Company, NCBC Research [^] % Var indicates variance from NCBC estimates; ** Restated

OVERWEIGHT

Target price (SR) 26.3

Current price (SR) 25.2

STOCK DETAILS

M52-week range H/L (SR)	31/16
Market cap (\$mn)	243
Shares outstanding (mn)	36
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	1.0	52.0	(12.9)
Rel. to market	4.0	28.4	(37.4)

Avg daily turnover(mn)	SR	US\$
3M	13.4	3.6
12M	16.6	4.4

Reuters code	4003.SE
Bloomberg code	EXTRA AB
	www.extrastores.com

VALUATION MULTIPLES

	15A	16E	17E
P/E (x)	18.5	NM	NM
P/B (x)	1.7	1.9	2.2
EV/EBITDA (x)	8.4	209.8	27.2
Div Yield (%)	3.6	0.0	4.0

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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NCBC Investment Ratings

- OVERWEIGHT:** Target price represents an increase in the share price in excess of 15% in the next 12 months
- NEUTRAL:** Target price represents a change in the share price 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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