

March 20, 2024

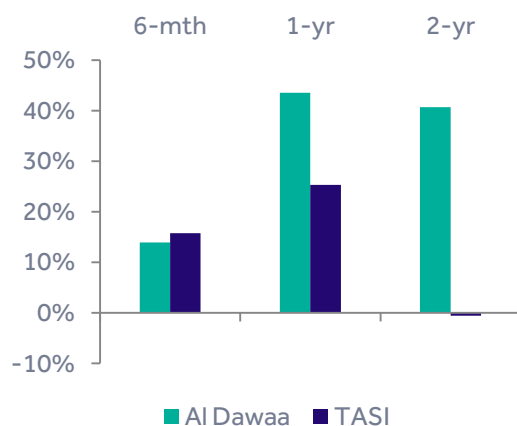
## Opex & Finance Costs Trending Lower

Upside to Target Price	6.9%	Rating	Neutral
Expected Dividend Yield	2.4%	Last Price	SAR 104.80
Expected Total Return	9.3%	12-mth target	SAR 112.00

Market Data	
52-week high/low	SAR 121.6 / 72.0
Market Cap	SAR 8,908 mln
Shares Outstanding	85 mln
Free-float	53.4 %
12-month ADTV	187,436
Bloomberg Code	ALDAWAA AB

AL DAWAA	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	1,458	1,458	0%	1,439	1%	1,446
Gross Profit	525	534	(2%)	521	1%	552
Gross Margins	36%	37%		36%		38%
Operating Profit	126	125	1%	102	24%	131
Net Profit	92	95	(3%)	71	30%	94

(All figures are in SAR mln)



- Al Dawaa's performance was in-line with our estimates, with SAR 1.4 bln in revenues, SAR 525 mln in gross profit, and an operating profit of SAR 126 mln; an increase of +1% Y/Y and +24% Q/Q. We believe that 4Q23 performance was greater Q/Q due to seasonality and stronger cost controls by Management. FY23 results however, told a more positive story, with net and operating profits growing Y/Y, by +7.8% and +24.3%, respectively. FY23 was also a standout year for Operating expenditure discipline, where SAR 1.64 bln in FY23 trended down -0.2% Y/Y, vs. SAR 1.64 bln in FY22.
- Al Dawaa posted a net profit for the quarter of SAR 92 mln, representing sequential growth of +30% and a decrease of -3% Y/Y. The decrease Y/Y was driven by the drop in gross profits and flat revenue growth. These results further cascaded into 4Q23 operating margins, which remained flat Y/Y at 9%; still higher than 3Q23, at 7%. On a quarterly basis, we were not surprised by operating profits rebounding, as Al Dawaa tends to have seasonally strong 4Q results.
- For 2H2023, Al Dawaa declared a cash dividend of SAR 1.25 per share. As previously stated, we believe this current rate of distribution will be maintained, given our estimated payout ratio of ~65%. With results in-line, we maintain our current growth profile and still, remain cautious of current debt levels. Accordingly, we adjust our target price to SAR 112.00 per share but maintain a Neutral rating; as we believe that the positive annual results and share price appreciation during 2023 are currently priced-in.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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