

May 8, 2024

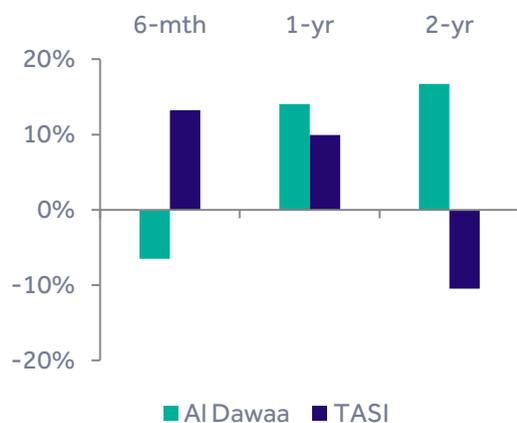
Management Executes On Margins – Rating Upgrade

Upside to Target Price	19.3%	Rating	Buy
Expected Dividend Yield	2.7%	Last Price	SAR 93.90
Expected Total Return	22.0%	12-mth target	SAR 112.00

Market Data	
52-week high/low	SAR 121.6 / 79.8
Market Cap	SAR 7,982 mln
Shares Outstanding	85 mln
Free-float	53.4 %
12-month ADTV	188,737
Bloomberg Code	ALDAWAA AB

AL DAWAA	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	1,516	1,408	8%	1,458	4%	1,496
Gross Profit	564	535	6%	525	7%	561
Gross Margins	37%	38%		36%		38%
Operating Profit	130	115	14%	126	3%	133
Net Profit	95	76	25%	92	3%	122

(All figures are in SAR mln)



- Al Dawaa's performance was in-line with our estimates, with SAR 1.5 bln in revenues, SAR 564 mln in gross profit, and an operating profit of SAR 130 mln; an increase of +14% Y/Y and +3% Q/Q. We believe that 1Q24 growth performance was greater Y/Y due to seasonality and stronger cost controls by Management. Although topline performance appeared more muted, with revenues only up by +4% Q/Q and +8% Y/Y, respectively, net profit results shined, with increases of 25% Y/Y and +3% Q/Q. As of 1Q24 end, store count stood at 933; including 890 Community locations.
- Al Dawaa posted a net profit for the quarter of SAR 95 mln, representing sequential growth of +3% and +25% Y/Y. The increase Y/Y was driven by continual cost control measures, which have been steadily effective. During the 1Q24 conference call management specifically stated that topline increased +7.7%, while expenses only increased +3%. These results cascaded into 1Q24 operating margins, which remained flat Q/Q at 9%, but higher than 1Q23, at 8%.
- As previously stated, we believe current dividend payments will be maintained, although during the 1Q24 earnings call, management did hint at a potential dividend raise, a decision that will be made when leverage is lowered to a certain level. With results in-line, management leveraging their logistics infrastructure to boost margins, and leverage being reduced steadily, we have adjusted our expectations. Accordingly, we maintain our target of SAR 112.00 per share and upgrade our rating to Buy; as we no longer believe net profit increases and superior liquidity levels are 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

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