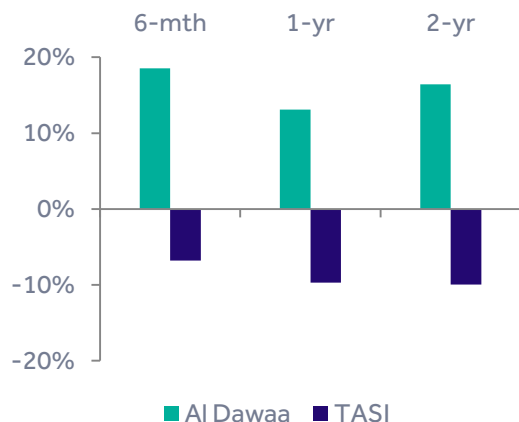


Market Data	
52-week high/low	SAR 109.0 / 67.0
Market Cap	SAR 7,778 mln
Shares Outstanding	85 mln
Free-float	53%
12-month ADTV	187,436
Bloomberg Code	ALDAWAA AB



## Debt Continues to Weigh

October 31, 2023

Upside to Target Price	9.3%	Rating	Neutral
Expected Dividend Yield	2.7%	Last Price	SAR 91.50
Expected Total Return	12.0%	12-mth target	SAR 100.00

AL DAWAA	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	1,439	1,309	10%	1,437	0%	1,445
Gross Profit	521	485	7%	526	(1%)	514
Gross Margins	36%	37%		37%		36%
Operating Profit	102	83	23%	122	(16%)	109
Net Profit	71	48	48%	89	(20%)	60

(All figures are in SAR mln)

- Al Dawaa's topline performance was in-line with our estimates, with SAR 1.4 bln in revenues, SAR 521 mln in gross profit, and an operating profit of SAR 102 mln; an increase of +23% Y/Y but down -16% Q/Q. We believe that softer results Q/Q are mostly driven by seasonality, which was expected. Management has also reported an increase in promotion expenses as well as general and administrative expenses, led by new pharmacies opening. Based on these results we believe that management's approach to growth is adequate and positive.
- Al Dawaa posted a net profit for the quarter of SAR 71 million, a decline of -20% Q/Q and an increase of +48% Y/Y. The increase Y/Y was mainly due to increases in topline revenues, as the Company grew its retail store footprint, and a slightly higher operating margin of 7%, as compared to 6% previously. On a quarterly basis, we were not surprised by some metrics trending downwards, given the seasonality of Al Dawaa's business, which we anticipated.
- For 1H2023, Al Dawaa declared a cash dividend of SAR 1.25 per share, given that our expectations are conservative, we believe this current rate of distribution will be maintained. However, we also believe given current levels of debt, distributions could come under pressure. With results in-line, we maintain our current growth profile. With debt levels adding uncertainty, we lower our target price to SAR 100.00 per share but maintain a Neutral rating.

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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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