

May 19, 2024

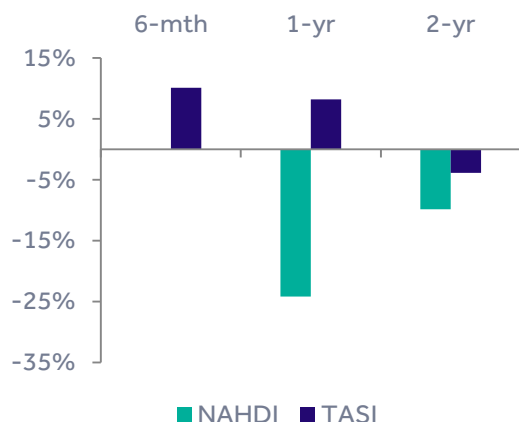
Margins Under Pressure During Steady Growth

Upside to Target Price	33.9%	Rating	Buy
Expected Dividend Yield	4.5%	Last Price	SAR 134.40
Expected Total Return	38.4%	12-mth target	SAR 180.00

Market Data	
52-week high/low	SAR 183.4 / 129.0
Market Cap	SAR 17,472 mln
Shares Outstanding	130 mln
Free-float	40.0 %
12-month ADTV	229,278
Bloomberg Code	NAHDI AB

NAHDI	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	2,258	2,105	7%	2,214	2%	2,230
Gross Profit	861	889	(3%)	865	0%	937
Gross Margins	38%	42%		39%		42%
Operating Profit	232	263	(12%)	185	25%	260
Net Profit	233	244	(5%)	171	37%	244

(All figures are in SAR mln)



- NAHDI recorded revenues of SAR 2.3 bln, in-line with our estimates, an increase of +7% Y/Y and +2% Q/Q. Annual topline growth is very close to management's guidance of 5%, however, gross profits decreased -3% Y/Y, recording SAR 861 mln, while gross margin also contracted by almost -100 bps Q/Q and -400 bps Y/Y. We understand that these changes are negative, material, and potentially concerning for investors; especially given our thesis that the Company had a stronger margin profile than its competitors. However, we also note management's success in growing its Polyclinic network Y/Y, to 7 in 1Q24, an increase of +75% Y/Y, driving revenue from these clinics up +122% Y/Y as well.
- Management's ability to lower general and administrative expenses as a percent of revenue from 3.8% to 3.6% Y/Y provided support for operating profit of SAR 232 mln, an increase of +25% Q/Q, but unfortunately a -12% decrease Y/Y. NAHDI also posted a net profit for the quarter of SAR 233 mln, up +37% Q/Q, but down -5% Y/Y. We believe that gross margin contractions are to blame for lower Y/Y results, despite increases in finance and other income.
- Within the current environment of geopolitical uncertainty, inflation, and higher rates, NAHDI's top market position and debtless balance sheet being maintained, support optionality. While we also note management's guidance trending in-line with current performance and conservative cash management, also supports our conviction on Nahdi's current growth trajectory continuing and therefore, we maintain our rating, but adjust our target price to 180.

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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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