

■ Profitability Decreases in 3Q

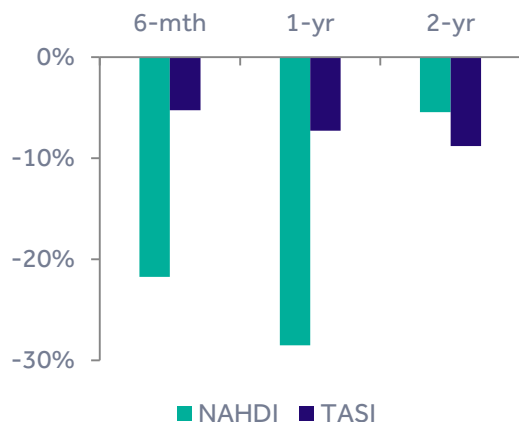
November 1, 2023

Upside to Target Price	50.9%	Rating	Buy
Expected Dividend Yield	2.1%	Last Price	SAR 141.80
Expected Total Return	53.0%	12-mth target	SAR 214.00

Market Data	
52-week high/low	SAR 204.8 / 135.0
Market Cap	SAR 18,434 mln
Shares Outstanding	130 mln
Free-float	30%
12-month ADTV	229,228
Bloomberg Code	NAHDI AB

NAHDI	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	2,163	2,159	0%	2,231	(3%)	2,188
Gross Profit	874	911	(4%)	896	(2%)	923
Gross Margins	40%	42%		40%		41%
Operating Profit	230	279	(17%)	283	(19%)	306
Net Profit	213	254	(16%)	265	(20%)	273

(All figures are in SAR mln)



- NAHDI record revenues of SAR 2.2 bln, in-line with our estimates, a result which was flat Y/Y but lower -3% Q/Q. This slight decrease Q/Q was expected, considering seasonality. However, the extent to which the gross margins contracted was unanticipated, with decreases of -100 bps Q/Q and -200 bps Y/Y. Gross profit also came in lower, at SAR 874 mln, a decrease of -2% Q/Q and -4% Y/Y, respectively. Management stated that declines in gross profit and gross margin were a result of increases in promotional spending, which would have an adverse effect on COGS.
- NAHDI posted a net profit for the quarter of SAR 213 million, a decline of -16% Y/Y, but also -20% Q/Q, which is a stark contrast, given that according to management, this was actually offset by returns generated from deposits. This material decline Y/Y was driven by increases in operating expenses, which are tied to growth related initiatives. NAHDI experienced similar decreases in operating profitability, which came in at of SAR 230 million; a decline of -17% Y/Y. Declines in this metric were a result of lower gross margins and self-funded investments in other aspects of the business, such as the healthcare business, clinics, and the continued digital transformation of NAHDI.
- For 1H2023, NAHDI declared a cash dividend of SAR 2.50 per share. Given the current capital position of the Company, a rising interest rate environment, and its top position in its given market, we believe these distributions will be well covered and continue. Thus, we maintain our target price of SAR 214.00 and Buy 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

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