

March 19, 2024

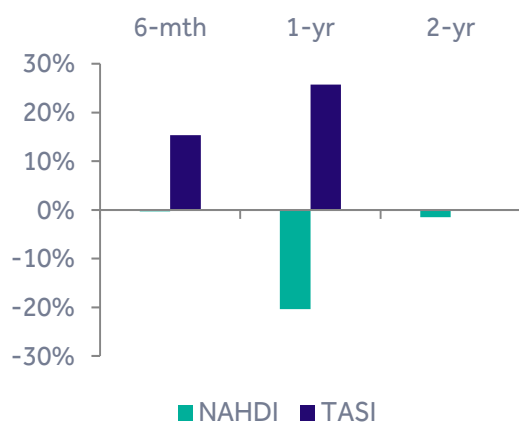
4Q23 Showcases Steady Improvements

Upside to Target Price	35.3%	Rating	Buy
Expected Dividend Yield	4.1%	Last Price	SAR 147.80
Expected Total Return	39.4%	12-mth target	SAR 200.00

Market Data	
52-week high/low	SAR 190.0 / 129.0
Market Cap	SAR 19,214 mln
Shares Outstanding	130 mln
Free-float	40.0 %
12-month ADTV	229,278
Bloomberg Code	NAHDI AB

NAHDI	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	2,214	2,138	4%	2,163	2%	2,157
Gross Profit	865	856	1%	874	(1%)	839
Gross Margins	39%	40%		40%		39%
Operating Profit	185	154	20%	230	(19%)	197
Net Profit	171	128	33%	213	(20%)	181

(All figures are in SAR mln)



- NAHDI recorded revenues of SAR 2.2 bln, in-line with our estimates, an increase of +4% Y/Y and +2% Q/Q. Annual results also showed progress, with FY23 revenue of SAR 8.7 bln vs. SAR 8.6 bln in FY22, a +1.1% Y/Y increase. FY23 gross profits dropped -1% Y/Y, but the gross margin contraction was less than -100 bps, which we do not believe is material given the Company's growth profile. We also note, that 4Q23 gross profit also came in -1% lower Q/Q, at SAR 865 mln, while increasing +1% Y/Y. Management stated that Y/Y increases were driven by marketing efforts in its Beauty category, which grew in 4Q23 by +3.3% Y/Y.
- NAHDI posted a net profit for the quarter of SAR 171 mln, up +33% Y/Y, but down -20% Q/Q. Management commented that leaner OPEX and income from Murabaha deposits, provided lift to net profits. This brings the Company's FY2023 net margin to 10.2%; which we believe is strong. We also note that operating profitability of SAR 185 mln, an increase of +20% Y/Y, was likely driven by growth in expenditures being over shadowed by cost saving initiatives.
- For 2H2023, NAHDI declared a cash dividend of SAR 3.00 per share, up from its previous dividend of SAR 2.50, but in-line with the sequential preceding dividend. With a top market position, zero debt & almost SAR 1 bln in cash, and a well-covered ~80% payout ratio, we reiterate our positive outlook for NAHDI, however we also trim our target price to SAR 200.00 based on a more conservative review of its FCF multiples; while maintaining our 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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