

Ataa Educational Co. (Ataa) - 1QFY23-24 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Accumulate

Target Price (SAR):

87.00

Previous TP & Date:

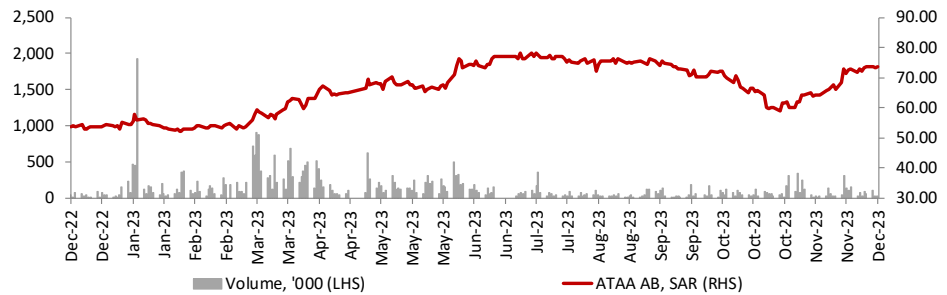
TP: SAR 87 per share on 29-Oct-2023

Upside / (Downside):

18%

Date: 12/13/2023

Bloomberg Ticker	ATAA AB
Current Market Price (SAR)	73.60
52wk High / Low (SAR)	80.4/51.3
12m Average Vol. (000)	140.7
Mkt. Cap. (USD/SAR mn)	819/3,072
Shares Outstanding (mn)	42.1
Free Float (%)	48%
3m Avg Daily Turnover (000)	5,277.2
6m Avg Daily Turnover (000)	5,214.7
P/E'24e (x)	43.1
P/BV'24e (x)	3.4
Dividend Yield '24e (%)	1.6%
Price Perf. (1m/3m) (%)	14.1/0.3



Revenue increases slightly in 1Q FY23-24 driven by higher tuition fees, in line with our estimate

Ataa Educational Company's revenue in the quarter ended October 2023 (1Q FY23-24) increased slightly by about 2% YoY, coming in line with our estimate. The company raised tuition fees at some of its educational establishments which drove the revenue higher, whereas a 1% increase in other revenues from activities, courses, and canteen also contributed.

Better-than-expected cost management leads to above-estimated gross and operating margins, though net profit comes largely in line

Gross profit outpaced revenue growth in 1Q FY23-24 as it climbed 10.9% YoY, showcasing strong cost management, and exceeded our estimate by ~9%. Consequently, operating profit jumped 11.5% YoY, offsetting a 44% YoY increase in marketing expenses, beating our estimate slightly by 5.5%. However, Ataa's bottom line expanded at a relatively slower rate of 4.7% YoY, coming largely in line with our estimate (+4.5% variance). The net profit growth was constrained by a 42% YoY increase in the finance costs owing to higher SIBOR and debt levels as the company borrowed to finance the purchase of minority rights in three companies and to buy Irqa land.

Maintain target price

Ataa's October 2023 quarter's financial performance was largely in line with our expectations, and hence we maintain our SAR 87.00 target price on the education company's stock.

Valuation

At the current market price, the stock is trading at 43.1x P/E and 21.3x EV/EBITDA, based on our FY'24 estimates, above its 3-year blended daily average forward P/E of 29.2x, and 3-year daily forward EV/EBITDA of 19.2x.

Income Statement												
(SAR mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	1QFY24e	YoY (%)	QoQ (%)	Var (%)	FY21-22	FY22-23	YoY (%)
Sales/Revenue	167.8	170.5	159.9	175.1	170.5	175.5	1.6%	-2.6%	-2.8%	577.5	666.0	15.3%
Gross Profit (Loss)	50.0	36.5	36.1	72.7	55.4	50.9	10.9%	-23.8%	8.9%	133.6	195.2	46.1%
Operating Profit (Loss)	29.6	18.8	20.7	37.9	33.0	31.3	11.5%	-12.9%	5.5%	105.3	106.8	1.4%
Net Profit (Loss) after Zakat and tax	21.1	9.6	10.7	26.4	22.1	21.1	4.7%	-16.6%	4.5%	70.6	67.8	-4.0%
Balance Sheet												
(SAR mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	1QFY24e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	842.6	848.2	858.9	881.5	808.8	902.7	-4.0%	-8.2%	-10.4%			
Key Ratios												
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	1QFY24e						
Gross Profit Margin	29.8%	21.4%	22.6%	41.5%	32.5%	29.0%						
Operating Profit Margin	17.6%	11.0%	12.9%	21.6%	19.3%	17.8%						
Net Profit Margin	12.6%	5.6%	6.7%	15.1%	12.9%	12.0%						
Return on Equity (RoE)	10.0%	4.5%	5.0%	12.0%	10.9%	9.4%						
Annualized EPS (SAR)	2.00	0.91	1.02	2.15	2.10	2.01						
BVPS (SAR)							19.22	21.45				
TTM P/E (x)							45.0					
Current P/BV (x)							3.8					

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report on the sector, please [click here](#).


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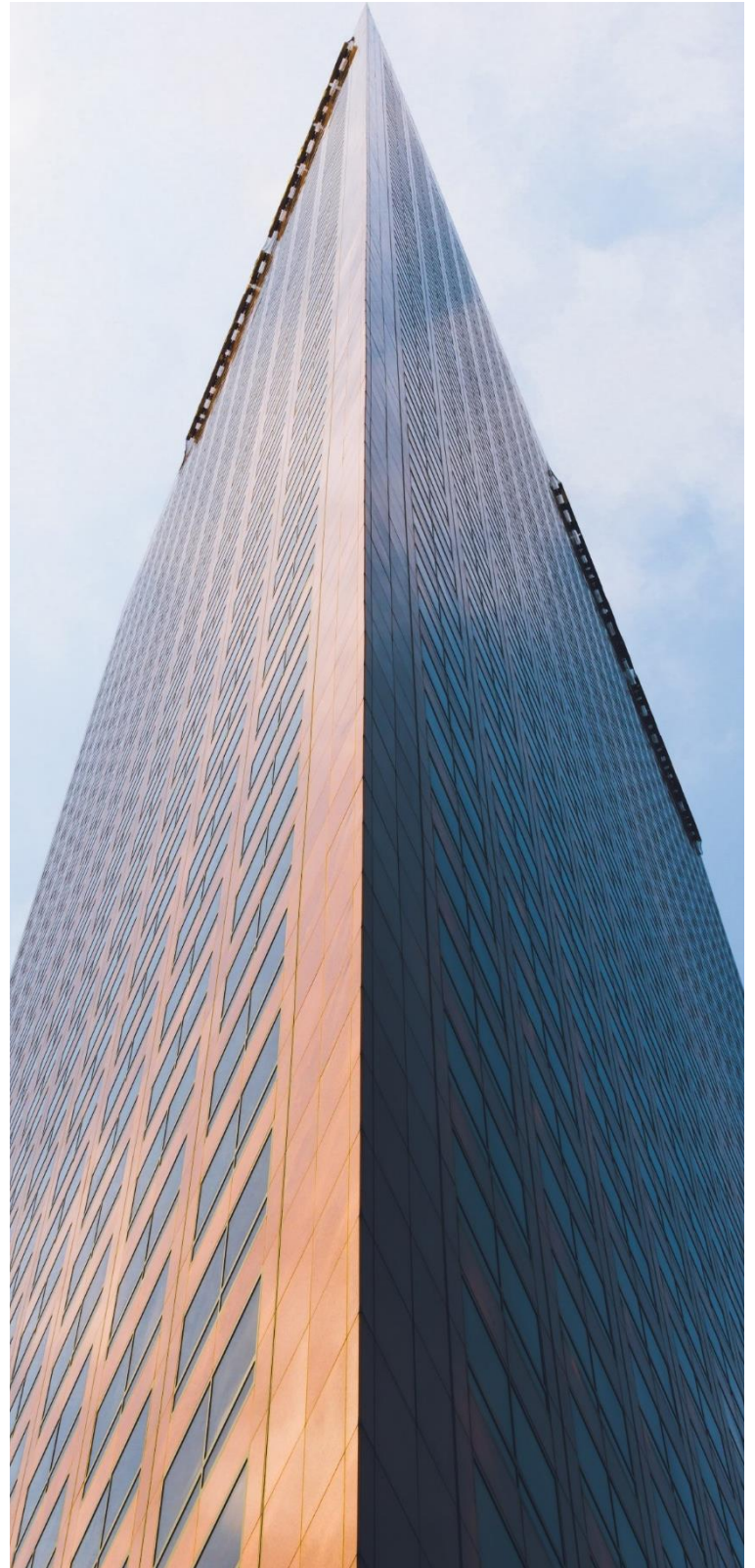
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Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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