

Al Hammadi Holding - 2Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

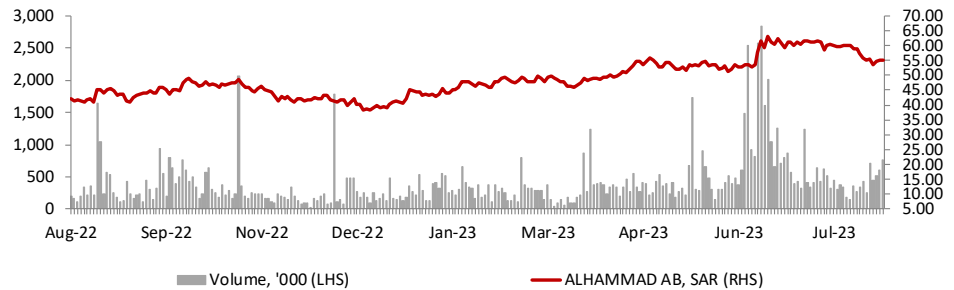
Target Price (SAR): **54.00**

Previous TP & Date: TP: SAR 54.00 per share on 04-Jun-2023

Current Upside / (Downside): -2%

Date: 8/13/2023

Bloomberg Ticker	HAMMAD AB
Current Market Price (SAR)	55.00
52wk High / Low (SAR)	63.9/37.3
12m Average Vol. (000)	408.9
Mkt. Cap. (USD/SAR mn)	2,345/8,800
Shares Outstanding (mn)	160.0
Free Float (%)	66%
3m Avg Daily Turnover (000)	39,070.1
6m Avg Daily Turnover (000)	27,903.4
P/E'23e (x)	29.5
EV/EBITDA'23e (x)	20.1
Dividend Yield '23e (%)	2.5%
Price Perf. (1m/3m) (%)	-9.8/4.6



Revenue edges down slightly YoY, missing our estimate

Al Hammadi Holding's revenue during 2Q 2023 edged lower unexpectedly by 2% YoY to SAR 276.7mn, missing our estimate by 13%.

A weak revenue weighs on gross profit, but operating and net profits are boosted by credit loss provision reversal

Gross profit declined 16% YoY on weak sales (27% miss). However, operating and net profit climbed identically (26% YoY, each) primarily driven by the company booking SAR 17.8mn income on credit loss provision reversal (vs. SAR 16.8mn expense in 2Q 2022) as the collection rates improved. As compared to our estimates, operating and net profits came in 9% and 10% higher, respectively.

Maintain target price

We opine that the company largely faced weak performance in 2Q 2023, excluding the impact of credit loss provision reversal. Hence, we maintain our SAR 54.00 target price and Hold rating on the stock as of now.

Valuation

At the current market price, the stock trades at 29.5x on our FY 2023e EPS, similar to its average 3-year daily 12-month forward P/E of ~29x.

Income Statement												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H 22	1H 23	YoY (%)
Sales/Revenue	281.9	246.9	342.6	298.6	276.7	319.7	-2%	-7%	-13%	532.8	575.3	8.0%
Gross Profit (Loss)	109.1	83.5	127.4	120.4	92.1	125.4	-16%	-24%	-27%	205.2	212.5	3.6%
Operating Profit (Loss)	73.9	66.2	81.6	91.8	93.2	85.8	26%	2%	9%	144.0	185.0	28.5%
Net Profit (Loss) after Zakat and tax	65.1	57.1	73.2	81.4	81.9	74.3	26%	1%	10%	127.1	163.3	28.5%
Balance Sheet												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,689.8	1,698.2	1,710.6	1,736.1	1,761.2	1,810.4	4%	1%	-3%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	38.7%	33.8%	37.2%	40.3%	33.3%	39.2%						
Operating Profit Margin	26.2%	26.8%	23.8%	30.7%	33.7%	26.8%						
Net Profit Margin	23.1%	23.1%	21.4%	27.3%	29.6%	23.2%						
Return on Equity (RoE)	15.4%	13.5%	17.1%	18.8%	18.6%	16.4%						
Annualized EPS (SAR)	1.63	1.43	1.83	2.04	2.05	1.86						
BVPS (SAR)					11.01	11.31						
TTM P/E (x)					30.0							
Current P/BV (x)					5.0							

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

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

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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