

Ataa Educational Co. (Ataa) - 4QFY22-23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

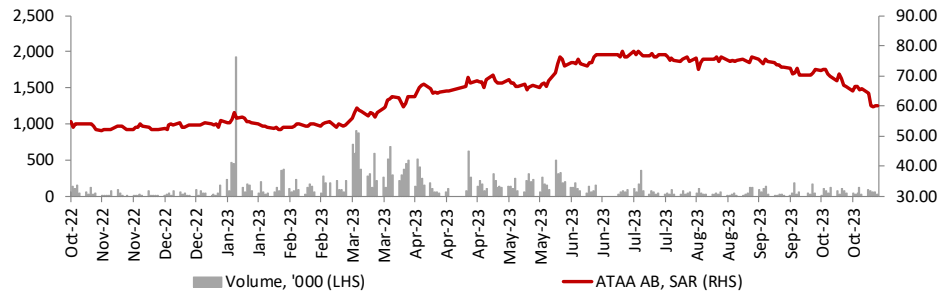
Target Price (SAR): **87.00**

Previous TP & Date: TP: SAR 87 per share on 10-Aug-2023

Upside / (Downside): 45%

Date: 10/29/2023

Bloomberg Ticker	ATAA AB
Current Market Price (SAR)	60.00
52wk High / Low (SAR)	80.4/51
12m Average Vol. (000)	134.9
Mkt. Cap. (USD/SAR mn)	673/2,525
Shares Outstanding (mn)	42.1
Free Float (%)	49%
3m Avg Daily Turnover (000)	4,020.5
6m Avg Daily Turnover (000)	7,223.4
P/E'24e (x)	35.1
P/BV'24e (x)	2.8
Dividend Yield '24e (%)	1.9%
Price Perf. (1m/3m) (%)	-16.7/-20



Revenue edges lower 5.5% YoY in 4Q FY23, largely in line with our estimate

Ataa Educational Company's revenue decreased 5.5% YoY to SAR 164.1mn in 4Q FY22-23 (ended July 2023), largely meeting our estimate (-5% variation). The number of enrolled students increased 6% YoY to 44.9 thousand by the end of the period, slightly below our estimate of 45.1 thousand students.

Operating and net profit surged during the quarter to beat our estimate

Ataa managed its direct and indirect costs exceedingly well which helped it in more than offsetting the weakness at the top line, leading to a 64.6% YoY jump in the gross profit to SAR 72.7mn (our estimate: SAR 50.9mn). This boosted the operating and net profit also by 43.6% and 75.8%, thus beating our estimate by 10.6%, and 16.8%, respectively.

Maintain target price

With Ataa largely matching our revenue growth estimates and generating notably better-than-expected profitability, we stick to our SAR 87.00 target price on the education company's stock.

Valuation

At the current market price, the stock is trading at 35.1x P/E and 18.4x EV/EBITDA, based on our FY'24 estimates, above its 3-year blended daily average forward P/E of 29.4x, but below its 3-year daily forward EV/EBITDA of 19.4x.

Income Statement												
(SAR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	4QFY23e	YoY (%)	QoQ (%)	Var (%)	FY21-22	FY22-23	YoY (%)
Sales/Revenue	173.7	171.5	170.5	159.9	164.1	172.7	-5.5%	2.6%	-5.0%	577.5	666.0	15.3%
Gross Profit (Loss)	44.2	50.0	36.5	36.1	72.7	50.9	64.6%	101.6%	42.8%	133.6	195.2	46.1%
Operating Profit (Loss)	26.3	29.6	18.8	20.7	37.7	34.1	43.6%	82.7%	10.6%	105.3	106.8	1.4%
Net Profit (Loss) after Zakat and tax	15.0	21.1	9.6	10.7	26.4	22.6	75.8%	146.6%	16.8%	70.6	67.8	-4.0%
Balance Sheet												
(SAR mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	4QFY23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	859.6	880.7	848.2	858.9	824.9	881.5	-4.0%	-4.0%	-6.4%			
Key Ratios												
	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	4QFY23e						
Gross Profit Margin	25.4%	29.1%	21.4%	22.6%	44.3%	29.5%						
Operating Profit Margin	15.1%	17.2%	11.0%	12.9%	23.0%	19.8%						
Net Profit Margin	8.7%	12.3%	5.6%	6.7%	16.1%	13.1%						
Return on Equity (RoE)	7.0%	9.6%	4.5%	5.0%	12.8%	10.3%						
Annualized EPS (SAR)	1.50	2.00	0.91	1.02	2.51	2.15						
BVPS (SAR)					19.60	20.95						
TTM P/E (x)					37.3							
Current P/BV (x)					3.1							

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%

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.