

Ataa Educational Co. (Ataa) - 2QFY23-24 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

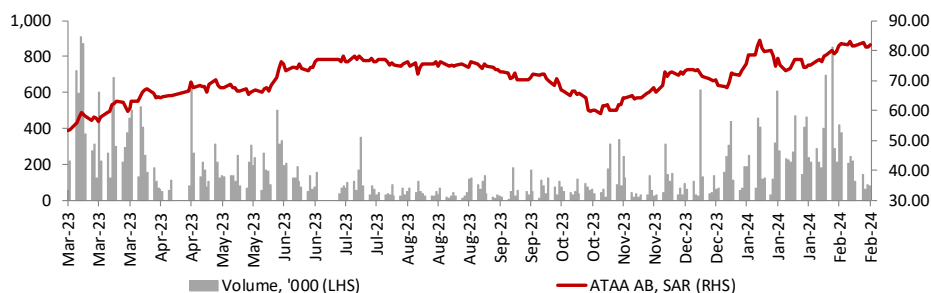
Target Price (SAR): **87.00**

Previous TP & Date: TP: SAR 87 per share on 13-Dec-2023

Upside / (Downside): 6%

Date: 28-Feb-2024

Bloomberg Ticker	ATAA AB
Current Market Price (SAR)	82.00
52wk High / Low (SAR)	85.5/53
12m Average Vol. (000)	162.9
Mkt. Cap. (USD/SAR mn)	920/3,451
Shares Outstanding (mn)	42.1
Free Float (%)	47%
3m Avg Daily Turnover (000)	17,001.5
6m Avg Daily Turnover (000)	10,989.9
P/E'24e (x)	39.3
P/BV'24e (x)	4.2
Dividend Yield '24e (%)	1.5%
Price Perf. (1m/3m) (%)	6.2/15



Revenue stood flat YoY in 2Q FY23-24, largely in line with U Capital's estimate

Ataa Educational's revenue stood nearly flat YoY at SAR 166.5mn in 2Q FY24 (ended Jan'24) vs. SAR 166.8mn in 2Q FY23 (ended Jan'23) amid a stable capacity, coming largely in line with our estimate. The company registered a decline in its recruitment and training segment's income, which in our opinion, led to a flattish revenue.

Efficient cost management boosts operating profit. Net profit also jumps, matching our estimate

Despite revenue remaining unchanged, operating profit surged around 34% YoY to SAR 25.2mn driven by efficient cost management, with operating expenses decreasing 2.5% YoY. This eventually helped net income to climb 20% YoY in 2Q FY24, matching our expectations. The company acquired minority interests in Al-Yasmine, Al-Alson, and Jel AlMajd during the quarter, which supported net income growth by offsetting a 27% YoY rise in finance costs due to higher SIBOR rates, and an increase in borrowings to fund minority interest acquisition and purchase of a land plot.

Maintain target price

We maintain our SAR 87.00 target price on Ataa Education with largely in-line revenue and bottom-line growth in the previous quarter.

Valuation

At the current market price, the stock is trading at 39.3x P/E and 21.2x EV/EBITDA, based on our FY'24 estimates, above its 3-year blended daily average forward P/E of 29.5x, and 3-year daily forward EV/EBITDA of 19.2x.

Income Statement												
(SAR mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	2QFY24e	YoY (%)	QoQ (%)	Var (%)	1 FY23-24	1 FY23-24	YoY (%)
Sales/Revenue	166.8	159.9	178.4	170.5	166.5	174.2	-0.2%	-2.3%	-4.4%	344.6	337.0	-2.2%
Gross Profit (Loss)	36.5	36.1	72.7	55.4	39.5	44.4	8.2%	-28.7%	-11.0%	86.5	94.9	9.8%
Operating Profit (Loss)	18.8	20.7	37.7	33.0	25.2	20.5	34.2%	-23.6%	23.2%	48.4	58.2	20.3%
Net Profit (Loss) after Zakat and tax	9.6	10.7	26.4	22.1	11.5	11.5	20.0%	-48.0%	-0.8%	30.6	33.5	9.5%
Balance Sheet												
(SAR mn)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	2QFY24e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	810.2	858.9	824.9	808.8	774.0	820.4	-4.5%	-4.3%	-5.7%			
Key Ratios												
	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	2QFY24e						
Gross Profit Margin	21.9%	22.6%	40.8%	32.5%	23.7%	25.5%						
Operating Profit Margin	11.3%	12.9%	21.1%	19.3%	15.1%	11.7%						
Net Profit Margin	5.7%	6.7%	14.8%	12.9%	6.9%	6.6%						
Return on Equity (RoE)	4.7%	5.0%	12.8%	10.9%	5.9%	5.6%						
Annualized EPS (SAR)	0.91	1.02	2.51	2.10	1.09	1.10						
BVPS (SAR)					18.39	19.49						
TTM P/E (x)					48.8							
Current P/BV (x)					4.5							

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


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

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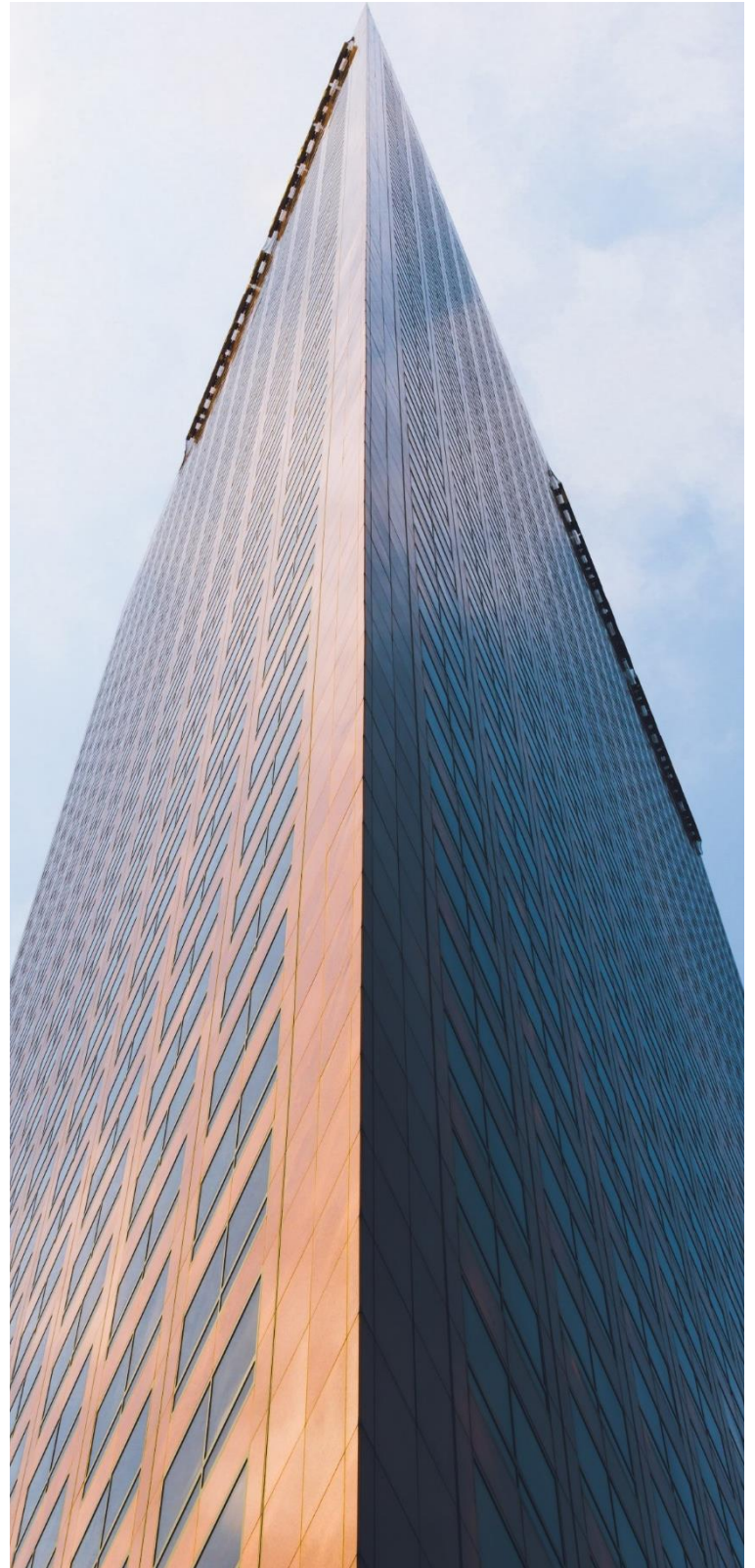
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Disclaimer

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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