

## Al Moammar Information (MIS) - 3Q23 Result Review

Analyst: Neetika Gupta

**Previous Recommendation:** **Hold**

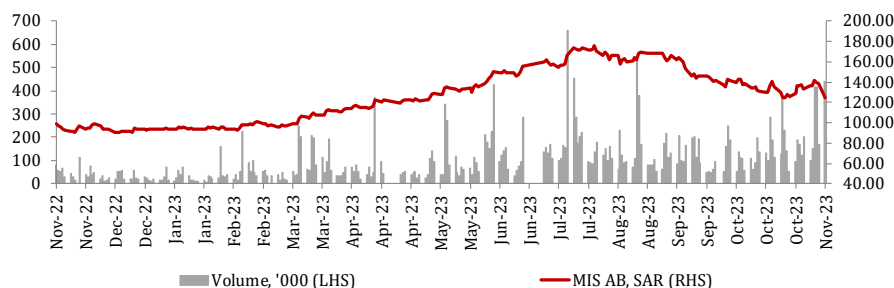
**Previous TP & Date:** TP: SAR 135.4 per share on 15-Aug-2023

**Target Price (SAR):** **135.40**

**Upside / (Downside):** **8%**

**Date:** 11/13/2023

Bloomberg Ticker	MIS AB
Current Market Price (SAR)	125.00
52wk High / Low (SAR)	178/86
12m Average Vol. (000)	103.5
Mkt. Cap. (USD/SAR mn)	1,000/3,750
Shares Outstanding (mn)	30.0
Free Float (%)	51%
3m Avg Daily Turnover (000)	22,347.8
6m Avg Daily Turnover (000)	22,658.6
P/B'23e (x)	7.8
EV/Revenue'23e (x)	5.0
Dividend Yield '23e (%)	1.9%
Price Perf. (1m/3m) (%)	-4.6/-22.3



### Revenue in 3Q 2023 climbs ~82% YoY, exceeding our estimate...

MIS' top line surged 81.7% YoY in 3Q 2023 to SAR 361.2mn, exceeding our estimate by ~40%. Backed by a healthy order backlog of around SAR 2.7bn, the company registered growth in all its products services, and offerings, which boosted the overall top line.

### ...yet, MIS posts operating and net losses on higher impairment expenses

Gross profit increased 11.2% YoY, lagging revenue growth, suggesting direct costs outpaced revenue growth. However, the company registered an operating loss of SAR 58.0mn in 3Q 2023, contrasting our estimate and SAR 29.3mn operating profit of 3Q 2022, mainly due to an increase in impairment loss on contract assets and trade receivables. Consequently, the bottom line also ended in the red as against SAR 25.1mn net profit in 3Q 2022.

### Maintain target price

As in the previous quarter, the auditors have commented that they are not satisfied with the company's ECL provisioning as well as MIS recognizing margin on supply of equipment and materials before installation, which is not in accordance with IFRS. However, MIS said it has contracted one of the big four international accounting firms to reconsider its current ECL model. Also, it highlighted that it anticipates an improvement in its collections and billing in 4Q 2023, and secure more new contracts on top of the current strong order backlog of ~SAR 2.7bn. Hence, we leave our target price at SAR 135.4 as of now and might come up with an update upon the availability of detailed financials, and/or more clarity on the above-noted issue.

### Valuation

At the current market price, the stock is trading at 21.0x P/E and 17.4x EV/EBITDA, based on our FY 2023 estimates, below its 3-year daily average TTM P/E of 52.0x and EV/EBITDA of 39.4x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M 22	9M 23	YoY (%)
Sales/Revenue	198.8	313.2	437.5	372.7	361.2	255.7	81.7%	-3.1%	41.2%	476.4	1,171.4	145.9%
Gross Profit (Loss)	52.3	73.4	76.4	78.9	58.2	76.7	11.2%	-26.3%	-24.2%	129.3	213.5	65.1%
Operating Profit (Loss)	29.3	42.1	54.0	58.9	(58.0)	49.5	-297.8%	-198.4%	-217.2%	59.7	55.0	-7.9%
Net Profit (Loss) after Zakat and tax	25.1	49.3	46.6	49.5	(69.4)	36.2	-376.7%	-240.2%	-291.9%	46.5	26.7	-42.7%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	321.6	371.1	381.5	431.4	317.1	467.6	-1.4%	-26.5%	-32.2%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	26.3%	23.5%	17.5%	21.2%	16.1%	30.0%						
Operating Profit Margin	14.7%	13.4%	12.4%	15.8%	-16.0%	19.3%						
Net Profit Margin	12.6%	15.8%	10.6%	13.3%	-19.2%	14.1%						
Return on Equity (RoE)	31.2%	53.2%	48.8%	45.9%	-87.6%	30.9%						
Annualized EPS (SAR)	3.34	6.58	6.21	6.60	-9.25	4.82						
BVPS (SAR)					10.57	15.59						
TTM P/E (x)					49.3							
Current P/BV (x)					11.8							

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


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


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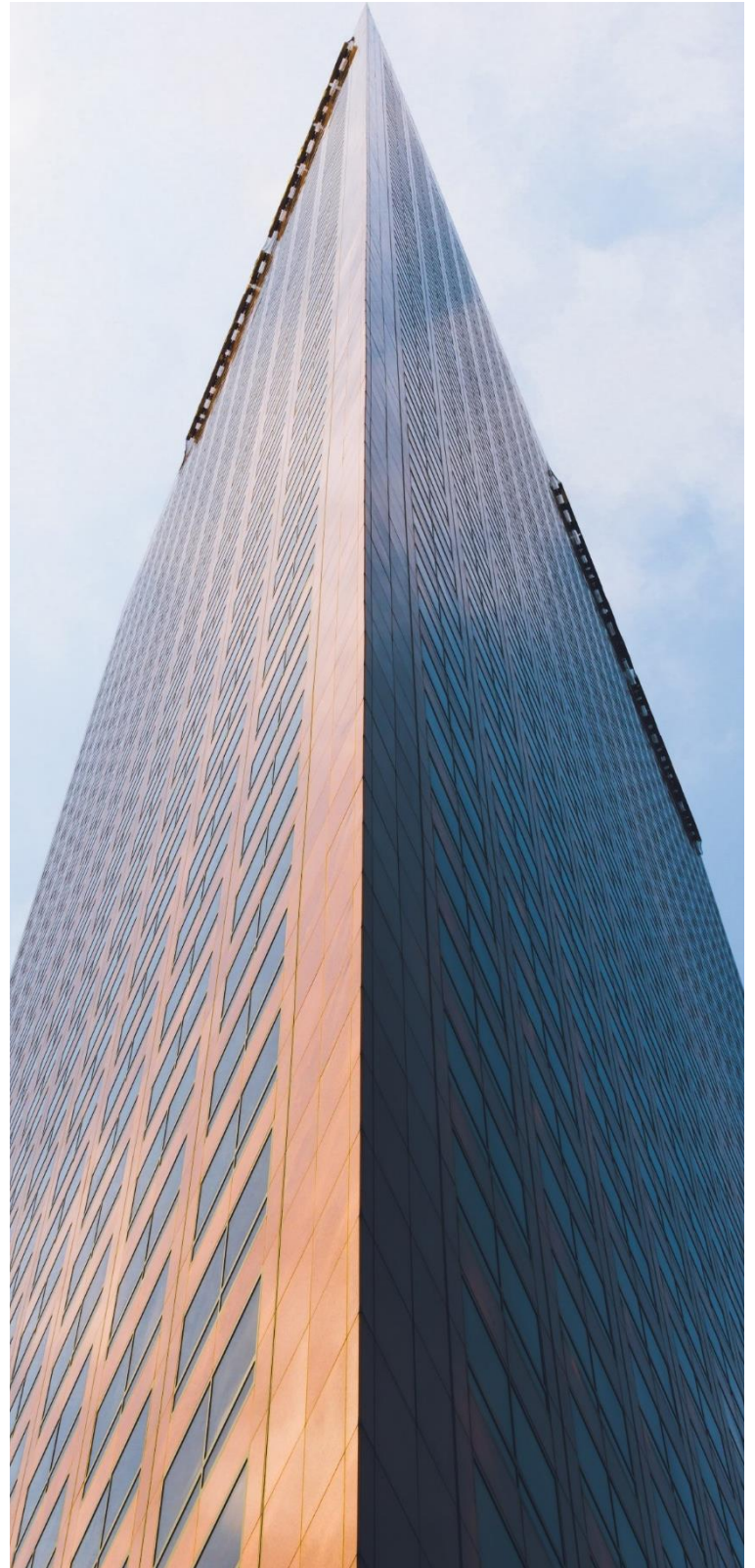
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# Disclaimer

## 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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