

AI Moammar Information (MIS) - 1Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

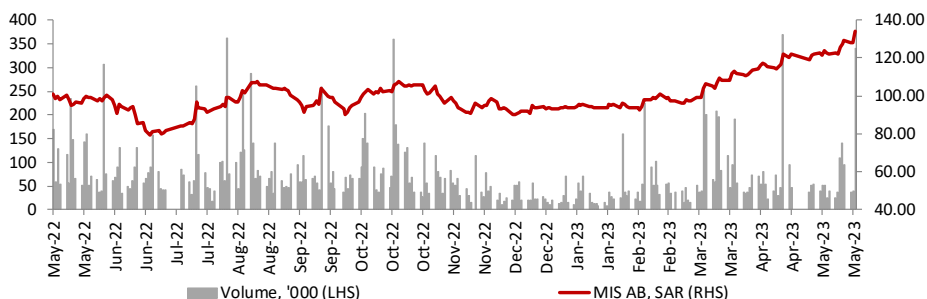
Previous Reco. & Date: TP: SAR 135.4 per share; Hold on 15-May-2023

Target Price (SAR): **135.40**

Upside / (Downside): **1%**

Date: 5/16/2023

Bloomberg Ticker	MIS AB
Current Market Price (SAR)	133.80
52wk High / Low (SAR)	135.6/79
12m Average Vol. (000)	73.3
Mkt. Cap. (USD/SAR mn)	1,070/4,014
Shares Outstanding (mn)	30.0
Free Float (%)	51%
3m Avg Daily Turnover (000)	8,022.5
6m Avg Daily Turnover (000)	5,760.1
P/E'23e (x)	48.6
EV/EBITDA'23e (x)	40.2
Dividend Yield '23e (%)	1.8%
Price Perf. (1m/3m) (%)	11.5/32.7



Revenue surges over 300% YoY, beating our estimate by a wide margin

Backed by a healthy order book, MIS registered broad-based revenue growth in 1Q 2023 which propelled the overall top line by 310% YoY to SAR 437.5mn, outshining our decent ~31% YoY growth estimate by a wide margin.

Operating profit outpaces revenue growth to boost the bottom line which comes in significantly higher than our estimate

Driven by solid revenue growth, gross profit increased 166% YoY. However, we opine the company did exceedingly well in containing its operating expenses because of which operating profit soared by more than 500% YoY to SAR 54.0mn (175% beat). This ultimately lifted the bottom line by slightly over 900% YoY to SAR 46.6mn, exceeding our estimate of SAR 15.2mn by a wide margin.

Maintain target price

We highlighted in our recent IT sector report about significant acceleration in new orders secured by MIS last year as well as this year which we believe has led to strong earnings growth and bodes well for the company's prospects. Yet, we would like to stick with our SAR 135.40 target price on the stock as of now, awaiting detailed financials and clarity on the income stream from data centers.

Valuation

At the current market price, the stock trades at 48.6x on our FY 2023e EPS and 40.2x FY 2023e EBITDA, higher than its average 2-year daily 12-month forward P/E and EV/EBITDA of ~26x and ~22x, respectively.

Income Statement												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)	FY 2021	FY 2022	YoY (%)
Sales/Revenue	106.6	171.0	198.8	313.2	437.5	181.5	310%	40%	141%	638.8	789.6	23.6%
Gross Profit (Loss)	28.8	48.2	52.3	73.4	76.5	42.0	166%	4%	82%	166.7	202.8	21.6%
Operating Profit (Loss)	8.6	21.8	29.3	42.1	54.0	19.6	528%	28%	175%	77.3	101.8	31.7%
Net Profit (Loss) after Zakat and tax	4.6	16.8	25.1	49.3	46.6	15.2	912%	-6%	206%	56.5	95.9	69.7%
Balance Sheet												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	311.9	331.0	321.6	371.1	381.5	386.3	22%	3%	-1%			
Key Ratios												
	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Profit Margin	27.0%	28.2%	26.3%	23.5%	17.5%	23.1%						
Operating Profit Margin	8.1%	12.7%	14.7%	13.4%	12.4%	10.8%						
Net Profit Margin	4.3%	9.8%	12.6%	15.8%	10.6%	8.4%						
Return on Equity (RoE)	5.9%	20.4%	31.2%	53.2%	48.8%	15.8%						
Annualized EPS (SAR)	0.74	2.25	3.34	6.58	6.21	2.03						
BVPS (SAR)					12.72	12.88						
TTM P/E (x)					29.1							
Current P/BV (x)					10.5							

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%