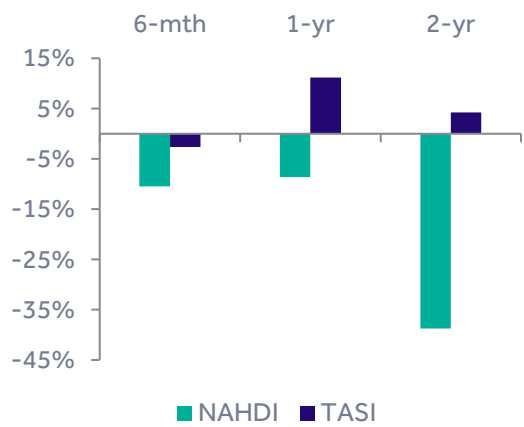


Market Data	
52-week high/low	SAR 156.8 / 122.8
Market Cap	SAR 16,042 mln
Shares Outstanding	130 mln
Free-float	36.9 %
12-month ADTV	380,067
Bloomberg Code	NAHDI AB



Margins and Free Cash Flow Declines

November 3, 2024

Upside to Target Price	21.6%	Rating	Buy
Expected Dividend Yield	4.5%	Last Price	SAR 123.40
Expected Total Return	26.1%	12-mth target	SAR 150.00

NAHDI	3Q2024	3Q2023	Y/Y	2Q2024	Q/Q	RC Estimate
Sales	2,353	2,163	9%	2,473	(5%)	2,297
Gross Profit	851	874	(3%)	939	(9%)	852
Gross Margins	36%	40%		38%		37%
Operating Profit	176	230	(23%)	273	(36%)	212
Net Profit	182	213	(14%)	248	(26%)	201

(All figures are in SAR mln)

- NAHDI recorded revenues of SAR 2.4 bln, in-line with our estimates, an increase of +9% Y/Y but down -5% Q/Q. Gross profits moved downward, as we almost perfectly predicted, sliding -3% Y/Y and -9% Q/Q, respectively, recording SAR 851 mln in 3Q24. Gross margins continued declining, contracting by almost -180 bps Q/Q and -425 bps Y/Y. Unfortunately, operating margins also declined this quarter, falling over -300 bps Q/Q. We also note, management’s success in growing its Healthcare and UAE businesses Y/Y, by +96.5% and +125.9%, respectively.
- Nahdi’s management continues to make efforts to control costs, despite an increase of SG&A expenses of +4.3% Y/Y and +1.3% Q/Q, we also note that SG&A expenses as a percent of revenue did maintain its decline Y/Y in 3Q24, from 30% to 29% Y/Y; supporting operating profit of SAR 176 mln, a decrease of -36% Q/Q and -23% Y/Y. NAHDI posted a net profit of SAR 182 mln in 3Q24, down -26% Q/Q and -14% Y/Y. We believe 3Q24’s gross margin contraction Y/Y represents a ‘new normal’, which fundamentally alters the value proposition of the business. We also highlight that the YTD period comparison of FCF shows a decline of -2% Y/Y.
- NAHDI’s positioning is strong, its balance sheet robust, but lower FCF generation, lower FCF yield, and a declining gross margin, are not offset, in our view, by a growing topline. Management has grown revenues and managed conservatively, which is positive, but based on margins, we lower our target price, while maintaining our rating.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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