

Amanat Holdings PJSC

Consolidation of M&A and one-time gain boosted bottom line

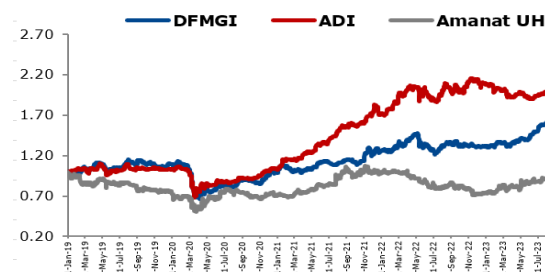
Current Price
AED 1.04

Target Price
AED 1.28

Upside/Downside (%)
+23%

Rating
BUY

- Completed the merger of Cambridge and Sukoon, creating the largest post-acute care facility in the GCC.
- Expanded Human Development Company (HDC) network by adding two-day centres and plan to grow Middlesex's entry across the GCC.
- Amanat is exploring a potential IPO of Amanat Healthcare and a strategic review of Malaki Specialist Hospital is in progress
- Amanat EBITDA grew 58.9% YOY to AED 81 Mn in 2Q23 with a margin of 44.1% owing to growth in the Education and Healthcare sector.
- Amanat focused on expansion and M&A across the GCC region, focusing on K-12 opportunities.



Stock Information

Market Cap (AED, mm)	2,600.00
Paid Up Capital (mm)	2,500.00
52 Week High	1.10
52 Week Low	0.81
3M Avg. daily value (AED)	4,965,505

2Q23 Result Review (AED, mm)

Total Assets	3,847
Total Liabilities	896
Total Equity	2,951
EBITDA	100
Net Profit	50

2Q23 Net Profit higher than our estimate

Amanat Holding PJSC (Amanat/The Company) net profit jumped 43.1% YOY to AED 50 Mn in 2Q23, higher than our estimate of AED 37 Mn. The growth in profitability is mainly driven by the consolidation HDC and the completion of the merger between Cambridge Medical and Rehabilitation Center (CMRC) and Sukoon and a one-time gain on the disposal of an associate under a step-up acquisition. Net profit excluding transaction-related cost, gain on disposal of associate and one-off recurring item stood at AED 41.5 Mn in 2Q23.

P&L Highlights

Amanat's revenue grew 45.8% YOY to AED 184 Mn in 2Q23 driven by the robust growth in healthcare and education platforms. The company's healthcare segment revenue grew 21.0% YOY to AED 99.1 Mn in 2Q23, while the education segment revenue reported strong growth of 73.5% YOY to AED 85.2 Mn in 2Q23. The growth in revenue is also supported by the successful acquisition of the Human Development Company (HDC) and the merger with Sukoon. Amanat's total platform income grew 14.2% YOY to AED 57.2 Mn in 2Q23 mainly due to a growth in the education segment income partially offset by a decline in income from the healthcare segment. Education platform income rose 20.7% YOY to AED 44.3 Mn, benefitting from growth in income of Middlesex and acquisition of HDC. While healthcare income declined 3.7% YOY to 12.9 Mn in 2Q23 due to decline in income from CMRC partially offset by growth in Sukoon and CMRC RE. The company's direct costs inclined 47.3% YOY to AED 101 Mn in 2Q23. Thus, the gross profit rose 44.0% YOY to AED 83 Mn in 2Q23. G&A expenses grew 35.2% YOY to AED 53 Mn in 2Q23 while the income from finance lease declined marginally 1.1% YOY to AED 8 Mn in 2Q23. Other operating income grew from AED 1 Mn in 2Q22 to AED 4 Mn in 2Q23. As a result, total operating expenses rose 3.5% YOY to AED 31 Mn in 2Q23. However, total operating profit reported a strong

Financial Ratios

Dividend Yield (12m)	3.85
Dividend Pay-out (%)	87.56
Price-Earnings Ratio(x)	21.06
Price-to-Book Ratio (x)	0.94
Book Value (AED)	1.11
Return-on Equity (%)	4.49

Stock Performance

5 Days	0.00%
1 Months	-0.95%
3 Months	5.16%
6 Months	8.33%
1 Year	6.67%
Month to Date (MTD%)	-0.95%
Quarter to Date (QTD%)	2.97%
Year to Date (YTD%)	22.35%

growth of 87.3% YOY to AED 52 Mn in 2Q23. Further, the company's EBITDA stood strong and increased to AED 100 Mn in 2Q23 as compared to AED 51 Mn with an EBITDA margin of 54.1% in 2Q23 as compared to 40.6% in 2Q22. Moreover, depreciation and amortization expenses grew 72.5% YOY to AED 24 Mn in 2Q23. The share of results of associates declined 4.5% YOY to AED 8 Mn in 2Q23. Finance income increased to AED 5 Mn in 2Q23 as compared to AED 3 Mn in 2Q22 owing to the rising deposit rates. While finance costs grew to AED 12 Mn in 2Q23 from AED 6 Mn in 2Q22 due to the impact of higher interest rates. Thus, the company's total profit before attributable to non-controlling interest holders rose 61.0% YOY to AED 53 Mn in 2Q23. In addition, profit attributable to non-controlling interest holders rose from a loss of AED 2 Mn in 2Q22 to a profit of AED 3 Mn in 2Q23.

Balance Sheet Highlights

Amanat cash and cash equivalent stood at AED 518 Mn in 2Q23 declining from AED 654 Mn in 1Q23. The decline in cash balance is mainly due to a dividend payment of AED 100 Mn, net debt repayment of AED 36 Mn, and incurred a capex of AED 9 Mn in 2Q23. Thus, Amanat's total debt declined 7.3% QOQ to AED 403 Mn in 2Q23. Further, the Company also received cash of AED 44 Mn from its recently merged Sukoon International Holding Company. The Company's cash flow from operation declined to negative AED 26 Mn in 2Q23 as compared to AED 66 Mn in 1Q23 owing to investment in working capital and payment of lease liabilities of AED 24 Mn.

Target Price and Rating

We maintain our BUY rating on Amanat with a target price of AED 1.28. Amanat reported strong growth in revenue and profitability in 2Q23, driven by strong performance across all business segments. The company's healthcare platform completed the merger with Cambridge and Sukoon to create the largest post-acute care business in the GCC region. Amanat is integrating the merger of CMRC and Sukoon and is expected to benefit from revenue and cost synergies. The company recently completed the construction of an additional 13 beds at the Al Ain facility, with the licensing process anticipated to be completed in 3Q23. Additionally, the ongoing expansion at Khobar and Jeddah is moving as per the plan and expected to be completed by the end of 2024. It further expects to increase its bed capacity to 1,000 in the coming three years. Amanat witnessed a notable increase in its Post Acute Care outpatient visits which grew 10% YOY in 1H23 and homecare visits more than doubled in 1H23. Meanwhile, Al Malaki Specialist Hospital successfully launched seven new outpatient clinics and is in the process of establishing new departments to offer urology and orthopaedics services. Moreover, Amanat Healthcare is planning a potential regional IPO of healthcare unit in the near term. Amanat's educational division maintained its focus on expanding the range of special education services, consistently boosting enrollment in higher education, and actively seeking K-12 opportunities within the UAE and KSA. The acquisition of Human Development Company (HDC) played a crucial role and increased beneficiaries by 49% YOY to 4,250 in 1H23. Further, HDC's robust expansion plan for adding new centres and schools in the KSA region further boosts the company's revenue. Moreover, the Company maintains a robust balance sheet with a net cash balance of AED 115 Mn in 2Q23. Robust balance sheet position provides flexibility to pursue the suitable inorganic opportunities. Thus, considering all these factors, we assign a BUY rating on the stock.

Amanat Holdings - Relative valuation

(at CMP)	2018	2019	2020	2021	2022	2023F
PE	60.57	43.32	NA	9.25	22.69	16.01
PB	1.02	1.01	1.03	0.94	0.96	0.94
EV/EBITDA	NA	51.60	NA	14.30	12.94	9.52
Dividend yield	1.4%	2.1%	0.0%	5.8%	3.8%	4.7%

FABS Estimates & Co Data

Amanat Holdings – P&L

AED mm	2Q22	1Q23	2Q23	2Q23F	Var.	YOY Ch	QOQ Ch	2022	2023F	Change
Revenue	126	185	184	206	-10.4%	45.8%	-0.5%	513	733	42.9%
Direct costs	-69	-93	-101	-109	-7.2%	47.3%	8.3%	-283	-418	47.7%
Gross profit	58	92	83	97	-14.0%	44.0%	-9.5%	230	315	37.1%
G&A expenses	-39	-55	-53	-60	-12.3%	35.2%	-3.9%	-174	-203	16.7%
Income from finance lease	8	8	8	9	-1.7%	-1.1%	0.9%	34	34	1.5%
Other Operating income	1	4	4	1	693.6%	NM	-4.8%	14	4	-71.6%
Operating Expenses	-30	-43	-31	-51	-39.8%	3.5%	-27.4%	-126	-155	22.9%
Total Operating Profit	28	49	52	45	15.1%	87.3%	6.1%	104	160	54.3%
D&A expenses	14	18	24	19	27.6%	72.5%	32.2%	56	92	63.8%
Adjusted EBITDA	51	71	81	64	26.1%	58.9%	14.7%	192	282	47.4%
Share of result of Associates	8	3	8	3	151.2%	-4.5%	187.7%	25	30	18.9%
Finance Income	3	4	5	5	2.6%	93.9%	15.3%	13	20	49.7%
Finance Cost	-6	-11	-12	-12	-1.0%	116.0%	8.0%	-30	-29	-2.2%
Profit/Loss of the Company	33	45	53	41	28.2%	61.0%	17.0%	112	180	60.9%
Non-Controlling Interest	-2	5	3	5	-44.2%	NM	-46.4%	-2	18	NM
Net Profit	35	40	50	37	34.4%	43.1%	24.9%	114	162	42.2%

FABS estimate & Co Data

Amanat Holdings - Margins

	2Q22	1Q23	2Q23	YOY Ch	QOQ Ch	2022	2023F	Change
Gross margin	45.7%	49.6%	45.1%	-56	-445	44.8%	43.0%	-183
EBITDA margin	40.4%	38.2%	44.1%	364	585	37.3%	38.5%	117
Operating margin	22.1%	26.6%	28.4%	628	176	20.3%	21.9%	160
Net profit margin	27.4%	21.4%	26.9%	-50	548	22.3%	22.1%	-11

FABS estimate & Co Data

Valuation:

We use Sum of the Total Parts (SOTP) and Dividend Discount model (DDM) to value Amanat Holdings. We assign 50% weight each to SOTP and DDM to arrive at the total valuation.

Valuation Method	Target	Weight	Weighted Value
Sum-of-the-parts valuation (SOTP)	1.33	50.0%	0.67
Dividend Discount Model (DDM)	1.23	50.0%	0.61
Weighted Average Valuation (AED)			1.28
Current market price (AED)			1.04
Upside/Downside (%)			+23%

1) DDM Method:

Amanat Holdings' dividend grew in line with profit and pays regular dividends to its shareholders. It expects to pay at least 40% of the dividend of the full-year profit in the forecasted period. Thus, we have valued Amanat using the DDM valuation method. The dividend is discounted at the cost of equity of 8.3%.

Sum of PV (AED, Mn)	694
Terminal value (AED, Mn)	2,368
FV to Common shareholders (AED, Mn)	3,063
No. of share (Mn)	2,492
Current Market Price (AED)	1.04
Fair Value per share (AED)	1.23

DDM Method

(All Figures in AED Mn)	FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E
Dividend Paid	138	152	177	192	205
Total Dividend	138	152	177	192	205
Discounting Factor	0.97	0.90	0.83	0.77	0.71
Present Value of Dividend	134	136	147	147	145

Source: FAB Securities

2) SOTP Valuation:

Amanat owns interests in multiple entities across the Healthcare and Education sectors. We have used regional and global peers to value Amanat, which is valued using the EV/EBITDA and PE multiple in line with peers.

Name of Entity	% Owned	Type of Financials (AED, Mn)	Financial (AED, Mn)	Type of Valuation	Valuation Multiple	Valuation (AED, Mn)	% Of Value Attributable
Healthcare							
Al Malaki Specialist Hospital (MSH)	69.2%	EBITDA	5.0	EV/EBITDA	15.3	53.3	1.2%
CMRC + Sukoon	85.0%	EBITDA	172.7	EV/EBITDA	15.3	2,245.4	51.7%
CMRC RE	100.0%	Net Profit	4.7	PE	12.8	60.0	1.4%
Education							
NEMA Holding	35.0%	EBITDA	145.9	EV/EBITDA	10.0	509.1	11.1%
Middlesex University Dubai	100.0%	EBITDA	65.1	EV/EBITDA	10.0	649.0	14.4%
Human Development Co.	60.0%	EBITDA	60.9	EV/EBITDA	10.0	364.3	8.1%
NLCS RE	100.0%	Net Profit	34.7	PE	12.8	444.9	9.8%
BEGIN	1.0%	Investment value		Investment value		19.0	0.4%
Enterprise value						4,345.1	
Add/(less): Present value of Headquarter expense						-951.1	
Add/(less): Net Cash						-79.6	
Equity Value						3,314.2	
Equity Value per share (AED)						1.33	

Source: FAB Securities

Peers Valuation					
Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2023F	2024F	2023F	2024F
Education					
Taaleem Holdings PSC	1,146	20.4	18.0	NA	NA
Ataa Educational Co.	840	19.7	16.7	50.4	36.3
National Company for Learning and Education	1,145	23.7	22.8	36.5	33.9
Humansoft Holding Co KSCP	1,340	7.1	6.5	9.8	9.0
Lincoln Educational Services Corporation	273	11.2	8.5	10.5	19.7
New Oriental Education & Technology Group Inc	8,599	NA	10.0	36.6	31.5
Graham holding	2,676	8.4	6.4	NA	NA
Average		10.8x	12.7x	12.4x	17.9x
Median		11.2x	10.0x	11.3x	23.5x
Max		20.1x	17.4x	17.6x	36.6x
Min		7.8x	7.5x	6.9x	10.0x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2023F	2024F	2023F	2024F
Healthcare					
Al Hammadi Holding Company,	2,194	19.0	17.7	26.5	24.6
Cleopatra Hospital Company	186	7.0	5.7	13.6	12.8
Middle East Healthcare Co	1,505	19.3	15.3	33.6	23.2
Mouwasat Medical Services Co	6,008	23.4	20.5	33.5	29.3
HCA Healthcare, Inc	74,748	9.0	8.5	14.8	13.5
Average		15.5x	13.5x	11.7x	24.4x
Median		19.0x	15.3	11.7x	26.5x
Max		19.3x	17.7x	16.5x	33.5x
Min		9.0x	8.5x	8.0x	14.8x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2023F	2024F	2023F	2024F
REIT					
Medical Properties Trust, Inc	4,195	10.7	11.1	14.0	7.8
Omega Healthcare Investors, Inc	7,393	14.0	13.1	28.2	20.4
W. P. Carey Inc	13,625	14.8	14.3	14.7	17.4
H&R Real Estate Investment Trust	1,977	12.8	12.8	11.7	8.2
Tecom	3,485	10.8	10.4	NA	NA
Average		12.6x	12.3x	17.2x	13.4x
Median		12.8x	12.8x	14.4x	12.8x
Max		14.0x	13.1x	18.1x	18.2x
Min		10.8x	11.1x	13.4x	8.1x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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