

## Amanat Holdings PJSC

Higher direct costs & G&A expenses impacted profitability

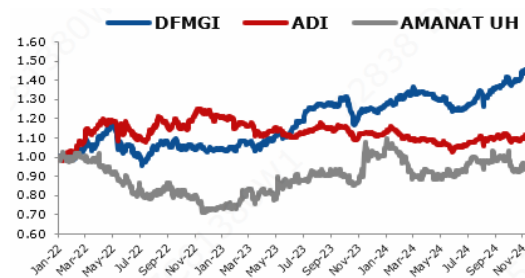
**Current Price**  
AED 1.07

**Target Price**  
AED 1.30

**Upside/Downside (%)**  
+22%

**Rating**  
BUY

- Amanat's revenue grew 5.8% YOY to AED 133 Mn in 3Q24, driven by the growth in the Education segment partially offset by the Healthcare segment.
- Adjusted EBITDA fell 18.8% YOY to AED 18 Mn in 3Q24, while EBITDA margin declined 410 bps YOY to 13.6% in 3Q24.
- The Company's total number of special education centers reached 35 with the opening of 8 new centers during 9M24.
- The Company plans to acquire a K12 education platform, with its focus on the KSA and UAE region.
- In the Healthcare segment, the Company plans to expand its bed capacity to 200 in Jeddah by the first half of 2025.



### 3Q24 Net Loss higher than our estimate

Amanat Holding PJSC's (Amanat/The Company) net loss increased from AED 8 Mn in 3Q23 to AED 11 Mn in 3Q24, beating our estimate of negative AED 1 Mn. The increase in net loss is mainly attributed to higher direct cost and G&A expenses, partially offset by a rise in revenue and other operating income.

### P&L Highlights

Amanat's revenue grew 5.8% YOY to AED 133 Mn in 3Q24, driven by the growth in the Education segment partially offset by the decline in the Healthcare segment. The Healthcare segment's revenue fell 2.6% YOY to AED 96.6 Mn in 3Q24, owing to a decline in Malaki Specialty Hospital revenue. The Education segment revenue surged 36.1% YOY to AED 36 Mn in 3Q24, mainly driven by the growth in Human Development Company (HDC), and Middlesex University in Dubai. Amanat's total platform income declined by 58.1% YOY to AED 1.3 Mn in 3Q24, primarily due to a decline in the Healthcare segment, partially offset by growth in the Education segment. The Company's Education platform recorded an expense of AED 5.3 Mn in 3Q24 compared to an expense of AED 5.2 Mn in 3Q23. The Healthcare platform income declined from AED 8.3 Mn in 3Q23 to AED 6.6 Mn in 3Q24 due to a lower income from CIMR and Sukoon. The Company's direct costs increased 7.9% YOY to AED 95 Mn in 3Q24. Thus, the gross profit rose 0.8% YOY to AED 38 Mn in 3Q24. Gross profit margin fell 141 bps YOY to 28.4% in 3Q24. G&A expenses grew 22.3% YOY to AED 60 Mn in 3Q24, while the income from the finance lease declined 4.2% YOY to AED 8 Mn in 3Q24. Other operating income grew significantly from AED 6 Mn in 3Q23 to AED 13 Mn in 3Q24. Thus, total operating expenses rose 11.8% YOY to AED 39 Mn in 3Q24. As a result, the Company recorded a total operating loss of AED 2 Mn in 3Q24 compared to operating profit of AED 2 Mn in 3Q23. Additionally, adjusted EBITDA fell 18.8% YOY to AED 18 Mn in 3Q24.

### Stock Information

Market Cap (AED, mm)	2,675.00
Paid Up Capital (mm)	2,500.00
52 Week High	1.32
52 Week Low	1.01
3M Avg. daily value (AED)	2,590,644

### 3Q24 Result Review (AED, mm)

Total Assets	3,975
Total Liabilities	1,188
Total Equity	2,786
EBITDA	18
Net Profit/Loss	-11

### Financial Ratios

Dividend Yield (12m)	5.61
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	1.05
Book Value (AED)	1.02
Return-on Equity (%)	-2.43

### Stock Performance

5 Days	
1 Months	0.94%
3 Months	-2.73%
6 Months	-6.96%
1 Year	2.88%
Month to Date (MTD%)	-7.76%
Quarter to Date (QTD%)	-3.60%
Year to Date (YTD%)	-10.08%

EBITDA margin declined from 17.7% in 3Q23 to 13.6% in 3Q24. Depreciation and amortization expenses rose 16.5% YOY to AED 21 Mn in 3Q24. Meanwhile, the share of results from associates fell 52.5% YOY to AED 2 Mn in 3Q24. Finance income rose 8.8% YOY to AED 6 Mn in 3Q24. Finance costs remained at the same levels at AED 11 Mn in 3Q24 compared to 3Q23. Amanat incurred a Zakat of AED 2 Mn in 3Q24 compared to AED 1 Mn in 3Q23.

### Balance Sheet Highlights

Amanat's cash and cash equivalent rose from AED 480 Mn in 2Q24 to AED 570 Mn in 3Q24. Total debt grew from AED 375 Mn in 2Q24 to AED 409 Mn in 3Q24. Lease liabilities grew from AED 184 Mn in 2Q24 to AED 185 Mn in 3Q24. The Company reported positive cash flow from operations of AED 155 Mn in 3Q24 compared to negative AED 63 Mn in 2Q24.

### Target Price and Rating

We maintain our BUY rating on Amanat with a revised target price of AED 1.30. The Company's net loss grew primarily due to higher direct costs and G&A expenses in 3Q24. However, Amanat's revenue grew 5.8% YOY in 3Q24, mainly due to growth in the Education segment. In the Education segment, Middlesex University's student base grew 21% YOY, while international students accounted for 43% of the students in 9M24. The Company's education segment total student base reached 23k, with the record highest addition in September 2024. The total number of special education centers reached 35 with the opening of 8 new centers during 9M24. The Company also plans to acquire a K12 education platform, with its focus on the KSA and UAE region. Moreover, it is considering partnership/merger with current operators to enhance its scale. In line with its aim to drive organic growth, the Company also focuses on increasing enrolments and expanding into new service lines. The strategic organic and inorganic expansion plans are likely to increase the student base and boost the revenue. In the Healthcare segment, the Company plans to expand its bed capacity to 200 in Jeddah by the first half of 2025. Additionally, it aims to have 150 beds operational in Khobar between 2024 and 2026. Thus, the Company's total bed capacity is projected to reach 700 by the end of 2026. Amanat also aims to pursue complementary bolt-on expansion opportunities in Jeddah and Dhahran. The Company's strategic initiatives in the healthcare segment are anticipated to enhance its bed capacity and drive revenue growth. Moreover, Amanat also paid an interim cash dividend of AED 0.03 per share, amounting to AED 75 Mn in October 2024. Thus, considering all these factors, we assign a BUY rating on the stock.

### Amanat Holdings - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	44.57	NA	9.52	23.35	NA	21.97
PB	1.04	1.06	0.97	0.98	1.02	1.02
EV/EBITDA	53.44	NA	14.79	13.96	10.08	9.69
Dividend yield	2.1%	NA	5.6%	3.7%	1.9%	4.7%

FABS Estimates & Co Data

**Amanat Holdings – P&L**

AED mm	3Q23	2Q24	3Q24	3Q24E	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	126	210	133	137	-2.7%	5.8%	-36.7%	718	807	12.4%
Direct costs	-88	-117	-95	-75	26.7%	7.9%	-18.8%	-390	-447	14.6%
<b>Gross profit</b>	<b>37</b>	<b>93</b>	<b>38</b>	<b>61</b>	<b>-38.7%</b>	<b>0.8%</b>	<b>-59.3%</b>	<b>328</b>	<b>360</b>	<b>9.6%</b>
G&A expenses	-49	-66	-60	-56	7.6%	22.3%	-8.7%	-224	-254	13.4%
Income from finance lease	8	8	8	8	7.2%	-4.2%	1.7%	33	32	-2.4%
Other Operating income	6	6	13	6	NM	NM	NM	26	38	44.7%
<b>Operating Expenses</b>	<b>-35</b>	<b>-52</b>	<b>-39</b>	<b>-42</b>	<b>-7.2%</b>	<b>11.8%</b>	<b>-24.2%</b>	<b>-250</b>	<b>-184</b>	<b>-26.5%</b>
<b>Total Operating Profit</b>	<b>2</b>	<b>41</b>	<b>-2</b>	<b>19</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>78</b>	<b>176</b>	<b>NM</b>
D&A expenses	18	21	21	20	6.5%	16.5%	2.8%	80	84	5.1%
<b>Adjusted EBITDA</b>	<b>22</b>	<b>73</b>	<b>18</b>	<b>32</b>	<b>-44.4%</b>	<b>-18.8%</b>	<b>-75.3%</b>	<b>269</b>	<b>274</b>	<b>1.9%</b>
Share of result of Assoc.	-3	12	-2	-7	-76.2%	-52.5%	NM	18	14	-23.1%
Finance Income	5	5	6	5	18.1%	8.8%	3.6%	21	19	-12.9%
Finance Cost	-11	-10	-11	-11	0.7%	-5.5%	3.8%	-47	-44	-6.2%
<b>Profit/Loss of the Company</b>	<b>-7</b>	<b>47</b>	<b>-8</b>	<b>6</b>	<b>NM</b>	<b>14.2%</b>	<b>NM</b>	<b>71</b>	<b>165</b>	<b>NM</b>
Tax/Zakat	1	6	2	0	NM	NM	-63.6%	115	17	-85.3%
Non-Controlling Interest	0	0	0	7	NM	NM	-8.2%	9	24	NM
<b>Net Profit</b>	<b>-8</b>	<b>40</b>	<b>-11</b>	<b>-1</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>-53</b>	<b>124</b>	<b>NM</b>

FABS estimate & Co Data

**Amanat Holdings - Margins**

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	29.8%	44.1%	28.4%	-141	-1,577	45.7%	44.6%	-110
EBITDA	17.7%	34.7%	13.6%	-410	-2,116	37.5%	34.0%	-349
Operating Profit	1.8%	19.4%	-1.2%	NM	NM	10.9%	21.8%	1,094
Net Profit	-6.5%	19.3%	-8.4%	-190	NM	-7.4%	15.4%	2,277

FABS estimate & Co Data

## Valuation:

We use the Sum of the Total Parts (SOTP) and the 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
SOTP	1.46	50.0%	0.73
DDM	1.13	50.0%	0.57
<b>Weighted Average Valuation (AED)</b>			<b>1.30</b>
Current market price (AED)			1.07
Upside/Downside (%)			+22%

### 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 9.2%.

Sum of PV (AED, Mn)	718
Terminal value (AED, Mn)	2,103
<b>FV to Common shareholders (AED, Mn)</b>	<b>2,821</b>
No. of share (Mn)	2,492
Current Market Price (AED)	1.07
<b>Fair Value per share (AED)</b>	<b>1.13</b>

### DDM Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Dividend Paid	125	157	184	196	213
<b>Total Dividend</b>	<b>125</b>	<b>157</b>	<b>184</b>	<b>196</b>	<b>213</b>
Discounting Factor	0.99	0.91	0.83	0.76	0.70
<b>Present Value of Dividend</b>	<b>124</b>	<b>142</b>	<b>153</b>	<b>150</b>	<b>148</b>

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
<b>Healthcare</b>							
Al Malaki Specialist Hospital (MSH)	69.2%	EBITDA	7.0	EV/EBITDA	12.8	62.1	1.4%
HC1	85.0%	EBITDA	127.0	EV/EBITDA	12.8	1,377.8	31.7%
<b>Education</b>							
NEMA Holding	35.0%	EBITDA	172.1	EV/EBITDA	11.5	693.5	15.9%
Middlesex University Dubai	100.0%	EBITDA	85.4	EV/EBITDA	11.5	982.8	22.6%
Human Development Co.	60.0%	EBITDA	97.1	EV/EBITDA	11.5	670.8	15.4%
NLCS RE	100.0%	Net Profit	33.0	PE	16.5	542.5	12.5%
BEGiN	1.0%	Investment value		Investment value		19.0	0.4%
<b>Enterprise value</b>						<b>4,349</b>	
Add/(less): Present value of Headquarter expense						-680	
Add/(less): Net Cash						-23	
<b>Equity Value</b>						<b>3,645</b>	
<b>Equity Value per share (AED)</b>						<b>1.46</b>	

Source: FAB Securities

<b>Peers Valuation</b>					
Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
<b>Education</b>					
Taaleem Holdings PSC	1,099	12.6	11.5	NA	NA
Humansoft Holding Co KSCP	1,127	6.4	6.5	8.6	8.7
Lincoln Educational Services Corporation	484	14.3	11.6	47.0	26.5
New Oriental Education & Technology Group Inc	9,275	8.1	6.0	17.5	13.1
Graham holding	3,929	11.0	13.4	15.7	18.5
<b>Average</b>		<b>10.5x</b>	<b>9.8x</b>	<b>22.2x</b>	<b>16.7x</b>
<b>Median</b>		<b>11.0x</b>	<b>11.5x</b>	<b>16.6x</b>	<b>15.8x</b>
<b>Max</b>		<b>12.6x</b>	<b>11.6x</b>	<b>24.9x</b>	<b>20.5x</b>
<b>Min</b>		<b>8.1x</b>	<b>6.5x</b>	<b>13.9x</b>	<b>12.0x</b>

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
<b>Healthcare</b>					
Al Hammadi Holding Company,	1,647	13.1	13.7	18.7	19.7
Cleopatra Hospital Company	265	9.9	7.4	17.5	16.7
Middle East Healthcare Co	2,353	13.8	12.8	27.8	21.5
HCA Healthcare, Inc	129,222	9.3	8.8	15.2	13.5
Mouwasat Medical Services Co	4,992	18.1	15.8	25.3	21.4
<b>Average</b>		<b>12.8x</b>	<b>11.7x</b>	<b>20.9x</b>	<b>18.6x</b>
<b>Median</b>		<b>13.1x</b>	<b>12.8x</b>	<b>18.7x</b>	<b>19.7x</b>
<b>Max</b>		<b>13.8x</b>	<b>13.7x</b>	<b>25.3x</b>	<b>21.4x</b>
<b>Min</b>		<b>9.9x</b>	<b>8.8x</b>	<b>17.5x</b>	<b>16.7x</b>

Source: FAB Securities

Company	Market (SAR Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
<b>REIT</b>					
Medical Properties Trust, Inc	2,558	12.8	14.6	NM	16.5
Omega Healthcare Investors, Inc	10,766	16.0	14.7	27.0	25.3
W. P. Carey Inc	12,385	15.0	14.0	23.4	25.8
H&R Real Estate Investment Trust	1,841	10.9	11.0	NM	8.9
Tecom	4,261	10.4	10.1	12.5	12.3
<b>Average</b>		<b>13.0x</b>	<b>12.9x</b>	<b>21.0x</b>	<b>17.7x</b>
<b>Median</b>		<b>12.8x</b>	<b>14.0x</b>	<b>23.4x</b>	<b>16.5x</b>
<b>Max</b>		<b>15.0x</b>	<b>14.6x</b>	<b>25.2x</b>	<b>25.3x</b>
<b>Min</b>		<b>10.9x</b>	<b>11.0x</b>	<b>18.0x</b>	<b>12.3x</b>

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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