

Amanat Holdings PJSC

Enrollment growth in the Education portfolio supported profits

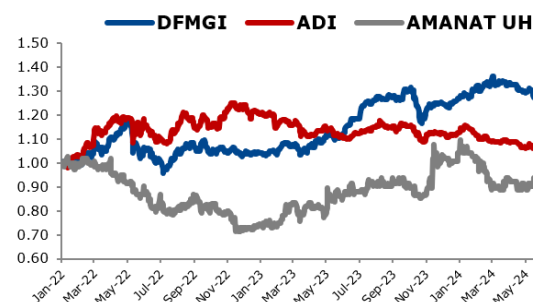
Current Price
AED 1.04

Target Price
AED 1.28

Upside/Downside (%)
+23%

Rating
BUY

- Amanat witnessed healthy growth in enrollment at Middlesex Dubai and HDC of 21% YOY and 18% YOY, respectively in 1Q24.
- Added 80-bed capacity following the award of Zayed Higher Organization (ZHO) PPP, taking total bed capacity to 510 beds.
- Amanat plans to achieve its target of 700 post-acute care beds by 2026. The expansion includes 150 beds under development in Khobar to be operational by 1Q25 and a 45-bed expansion underway in Jeddah.
- Amanat maintains a robust balance sheet with a debt and cash balance of AED 388 Mn and AED 634 Mn, respectively in 1Q24.
- The management plans to carve out and create a new holding company for the Education platform. It also appointed advisors to explore monetization options including IPO.



1Q24 Net Profit lower than our estimate

Amanat Holding PJSC's (Amanat/The Company) net profit increased 2.4% YOY to AED 41 Mn in 1Q24, lower than our estimate of AED 61 Mn. The growth in the net profit is attributable to higher income from the Education platform partially offset by a decline in the Healthcare platform income. It is further supported by lower finance charges and headquarter costs.

P&L Highlights

Amanat's revenue grew 20.8% YOY to AED 224 Mn in 1Q24 mainly attributed to the healthy revenue growth in the Healthcare and Education segments. The company's Healthcare segment revenue increased 17.2% YOY to AED 100 Mn in 1Q24 driven by the merger with Sukoon in April 2023 partially offset by the pressure in UAE revenues following the end of COVID-related treatment in July 2023. Moreover, the Education segment revenue rose 23.9% YOY to AED 123 Mn in 1Q24 due to higher enrollments across Human Development Company (HDC) and Middlesex University in Dubai. Amanat's total platform income declined 6.5% YOY to AED 55 Mn in 1Q24 from AED 58 Mn in 1Q23 mainly due to a decline in the healthcare segment, partially offset by growth in the education segment. Education platform income increased 15.4% YOY to AED 47 Mn in 1Q24, while healthcare platform income declined from AED 18 Mn in 1Q23 to AED 8 Mn in 1Q24 due to a decline in income from CMRC and Sukoon. The company's direct costs increased 29.1% YOY to AED 121 Mn in 1Q24. The gross profit rose 12.3% YOY to AED 103 Mn in 1Q24. G&A expenses grew 16.3% YOY to AED 64 Mn in 1Q24, while the income from the finance lease declined 3.2% YOY to AED 8 Mn in 1Q24. Other operating income grew significantly from AED 4 Mn in 1Q23 to AED 8 Mn in 1Q24. As a result, total operating expenses rose 12.6% YOY to AED 48 Mn in 1Q24.

Stock Information

Market Cap (AED, mm)	2,600.00
Paid Up Capital (mm)	2,500.00
52 Week High	1.32
52 Week Low	0.98
3M Avg. daily value (AED)	2,257,517

1Q24 Result Review (AED, mn)

Total Assets	3,871
Total Liabilities	1,020
Total Equity	2,850
EBITDA	79
Net Profit/Loss	41

Financial Ratios

Dividend Yield (12m)	1.92
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	0.99
Book Value (AED)	1.06
Return-on Equity (%)	-1.93

Stock Performance

5 Days	-0.95%
1 Months	1.96%
3 Months	0.00%
6 Months	-11.86%
1 Year	4.00%
Month to Date (MTD%)	0.97%
Quarter to Date (QTD%)	-3.70%
Year to Date (YTD%)	-13.33%

However, total operating profit rose 11.9% YOY to AED 55 Mn in 1Q24. Further, the company's adjusted EBITDA grew 11.8% YOY to AED 79 Mn in 1Q24, however EBITDA margin declined to 35.4% compared to 38.2% in 1Q23. Moreover, depreciation and amortization expenses rose 13.5% YOY to AED 21 Mn in 1Q24. The share of results of associates grew 21.7% YOY to AED 3 Mn in 1Q24. Finance income increased to AED 6 Mn in 1Q24 compared to AED 4 Mn in 1Q23, while finance costs remained flat at AED 11 Mn in 1Q24 compared to 1Q23. Thus, the company's total profit before tax increased 18.1% YOY to AED 54 Mn in 1Q24. The share of profit attributable to non-controlling interest holders stood at AED 8 Mn in 1Q24 compared to AED 5 Mn in 1Q23. Amanat incurred a tax expense of AED 5 Mn in 1Q24 compared to AED 1 Mn in 1Q23 due to the introduction of corporate tax in the UAE.

Balance Sheet Highlights

Amanat's cash and cash equivalent rose to AED 634 Mn in 1Q24 from AED 582 Mn in 4Q23. The rise in cash balance is mainly due to rental collections of NLCS, increased dividends received from NEMA, and positive contributions from the working capital movement. Meanwhile, Amanat's total debt remains flat at AED 388 Mn in 1Q24 compared to 4Q23. Lease liabilities declined from AED 197 Mn in 4Q23 to AED 188 Mn in 1Q24. As a result, net cash increased to AED 58 Mn compared to negative AED 1 Mn in 4Q23. The Company's cash flow from operation rose to AED 81 Mn in 1Q24 from AED 61 Mn in 1Q23 owing to growth in operating profit and lease liabilities.

Target Price and Rating

We maintain our BUY rating on Amanat with an unchanged target price of AED 1.28. The Education segment's platform income improved in 1Q24 compared to 1Q23 driven by contribution from Human Development Company's acquisition and higher income from Middlesex University and NEMA Holdings partially offset by a decline in income from North London Collegiate School, whereas Healthcare platform income declined in 1Q24 compared to 1Q23 due to lower platform income from HC1 business partially offset by lower losses from Malaki Specialist Hospital. The company aims to achieve its target of 700 post-acute care beds by 2026, up from the current capacity of 510 beds. To achieve this target, Amanat is constructing a 150-bed facility in Khobar and expects to commence operation in 1Q25 with additional beds to be added in stages until early 2026. The Company is actively evaluating public-private partnerships for capital-efficient growth in the Healthcare platform, with a major tender for a 900-bed LTC facility in Riyadh and Dammam. The healthcare segment is focusing on expanding its post-acute care capacity, particularly in underserved markets like Saudi Arabia. Amanat added 80-bed capacity in 1Q24 owing to the award of PPP with Zayed Higher Organization (ZHO). After completing refurbishment at Jeddah, the total beds rose to 155 and further plans to add 45 beds which is expected to be completed by 4Q24. The KSA is expecting a bed gap of nearly 17,000 by 2025, which will drive the demand for post-acute care going forward. In addition, it plans to focus on UAE and KSA as a result plans to divest its investment in Al Malaki Hospital. Amanat looks to carve-out and create a new holding company for the Education Platform, also appointed advisors to plan monetization opportunities including IPO for the segment. This will positively boost valuation of the Company. A strong balance sheet position provides flexibility to capitalize on growth opportunities. 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	43.7	NA	9.3	22.9	NA	16.2
PB	1.0	1.0	0.9	1.0	1.0	1.0
EV/EBITDA	52.2	NA	14.5	13.7	9.9	7.8
Dividend yield	2.1%	0.0%	5.7%	3.8%	1.9%	4.6%

FABS Estimates & Co Data

Amanat Holdings – P&L

AED mn	1Q23	4Q23	1Q24	1Q24F	VAR.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	185	223	224	255	-12.4%	20.8%	0.3%	718	895	24.6%
Direct costs	-93	-107	-121	-135	-10.9%	29.1%	12.4%	-390	-492	26.2%
Gross profit	92	116	103	120	-14.1%	12.3%	-11.0%	328	403	22.7%
G&A expenses	-55	-67	-64	-64	0.1%	16.3%	-4.6%	-224	-229	2.1%
Income from finance lease	8	8	8	8	-5.1%	-3.2%	-2.5%	33	34	1.6%
Other Operating income	4	13	8	3	219.7%	91.7%	-36.3%	26	10	-61.9%
Operating Expenses	-43	-141	-48	-53	-9.4%	12.6%	-66.1%	-250	-185	-26.0%
Total Operating Profit	49	-26	55	67	-17.8%	11.9%	NM	78	218	NM
D&A expenses	18	19	21	25	-15.7%	13.5%	10.0%	80	99	23.8%
Adjusted EBITDA	71	5	79	96	-17.3%	11.8%	NM	269	332	23.5%
Share of result of Assoc.	3	11	3	4	-19.0%	21.7%	-71.9%	18	16	-13.5%
Finance Income	4	7	6	6	-5.5%	31.2%	-10.4%	21	25	16.1%
Finance Cost	-11	-12	-11	-11	-2.1%	-3.5%	-14.0%	-47	-43	-7.1%
Profit/Loss of the Company	45	-20	54	66	-19.3%	18.1%	NM	71	215	NM
Tax/Zakat	1	112	5	-4	NM	NM	NM	115	16	-86.1%
Non-Controlling Interest	5	2	8	9	-17.4%	63.1%	NM	9	37	NM
Net Profit	40	-134	41	61	-33.5%	2.4%	NM	-53	162	NM

FABS estimate & Co Data

Amanat Holdings - Margins

	1Q23	4Q23	1Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross margin	49.6%	51.9%	46.1%	-349	-584	45.7%	45.0%	-70
EBITDA margin	38.2%	2.1%	35.4%	-283	3,326	37.5%	37.1%	-32
Operating margin	26.6%	-11.4%	24.7%	-195	3,610	10.9%	24.3%	1,344
Net profit margin	21.4%	-60.2%	18.2%	-325	7,839	-7.4%	18.1%	2,549

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	1.34	50.0%	0.67
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 9.00%.

Sum of PV (AED, Mn)	726
Terminal value (AED, Mn)	2,333
FV to Common shareholders (AED, Mn)	3,059
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 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Dividend Paid	121	166	196	208	223
Total Dividend	121	166	196	208	223
Discounting Factor	0.95	0.88	0.81	0.74	0.68
Present Value of Dividend	116	146	158	154	152

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	4.7	EV/EBITDA	12.3	40.3	1.0%
HC1	85.0%	EBITDA	137.7	EV/EBITDA	12.3	1,440.8	35.2%
Education							
NEMA Holding	35.0%	EBITDA	153.2	EV/EBITDA	11.3	600.5	14.6%
Middlesex University Dubai	100.0%	EBITDA	74.9	EV/EBITDA	11.3	843.4	20.6%
Human Development Co.	60.0%	EBITDA	80.1	EV/EBITDA	11.3	541.3	13.2%
NLCS RE	100.0%	Net Profit	33.8	PE	18.0	608.9	14.9%
BEGiN	1.0%	Investment value		Investment value		19.0	0.5%
Enterprise value						4,093.3	
Add/(less): Present value of Headquarter expense						-819.7	
Add/(less): Net Cash						58.0	
Equity Value						3,331.6	
Equity Value per share (AED)						1.34	

Source: FAB Securities

Peers Valuation					
Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Education					
Taaleem Holdings PSC	1,023	14.3	13.3	24.4	26.1
Humansoft Holding Co KSCP	1,175	5.8	6.0	8.8	9.1
Lincoln Educational Services Corporation	372	11.3	9.5	38.8	18.9
New Oriental Education & Technology Group Inc	12,930	16.2	12.1	30.8	20.8
Graham holding	3,320	10.1	12.5	14.3	17.1
Average		11.5x	10.7x	23.4x	18.4x
Median		11.3x	12.1x	24.4x	18.9x
Max		14.3x	12.5x	30.8x	20.8x
Min		10.1x	9.5x	14.3x	17.1x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Healthcare					
Al Hammadi Holding Company,	2,146	17.9	16.2	24.2	21.2
Cleopatra Hospital Company	213	9.8	7.6	19.5	15.7
Middle East Healthcare Co	1,885	14.8	13.2	28.3	20.4
HCA Healthcare, Inc	83,472	9.5	9.0	15.3	13.8
Average		13.0x	11.5x	21.8x	17.7x
Median		12.3x	11.1x	21.9x	18.0x
Max		15.6x	14.0x	25.3x	20.6x
Min		9.7x	8.7x	18.4x	15.2x

Source: FAB Securities

Company	Market (SAR Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
REIT					
Medical Properties Trust, Inc	3,026	13.4	14.2	NM	11.5
Omega Healthcare Investors, Inc	7,776	13.6	12.8	23.5	21.3
W. P. Carey Inc	12,425	14.8	13.8	23.6	23.6
H&R Real Estate Investment Trust	1,787	10.8	10.7	8.0	7.8
Tecom	3,784	9.5	9.5	12.5	12.4
Average		12.4x	12.2x	16.9x	15.3x
Median		13.4x	12.8x	18.0x	12.4x
Max		13.6x	13.8x	23.5x	21.3x
Min		10.8x	10.7x	11.4x	11.5x

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%

FAB Securities Contacts:**Research Analyst**

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
+971-2-6161777

Institutional Desk +971-4-4245765

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