

Amanat Holdings PJSC

Healthy contributions from HDC acquisition drove top-line

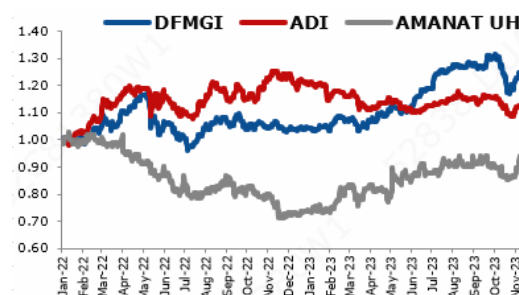
Current Price
AED 1.18

Target Price
AED 1.28

Upside/Downside (%)
+8.5%

Rating
HOLD

- Amanat witnessed healthy growth in enrollment at Middlesex Dubai and HDC of 19% YOY and 20% YOY, respectively in 9M32.
- Amanat acquired majority stake in Sukoon and merged with CMRC, creating the largest regional PAC platform with over 400 beds in GCC.
- Amanat completed the construction of additional 13 beds at the Al Ain facility, which is currently under the licensing and also completed refurbishment at Jeddah, increasing the bed capacity to 155 beds.
- Amanat maintains a robust balance sheet with a debt and cash balance of AED 399 Mn and AED 560 Mn, respectively in 3Q23.



3Q23 Net Profit lower than our estimate

Amanat Holding PJSC (Amanat/The Company) recorded a net loss of AED 8 Mn in 3Q23, lower than our estimate of AED 39 Mn. The decline in the net profit is driven lower income from the Healthcare segment along with increase in finance cost partially offset by narrowed losses in the Education segment and higher other income.

P&L Highlights

Amanat's revenue grew 44.1% YOY to AED 126 Mn in 3Q23 mainly attributed to the acquisition of the Human Development Company (HDC), accompanied by the student growth in Middlesex and the acquisition of Sukoon. The company's healthcare segment revenue declined 6.2% YOY to AED 99 Mn in 3Q23, while the education segment revenue increased significantly from AED 2 Mn in 3Q22 to AED 26 Mn in 3Q23. Amanat's total platform income declined 45.6% YOY to AED 3.2 Mn in 3Q23 from AED 5.8 Mn in 3Q22 mainly due to a decline in the healthcare segment, partially offset by narrowing of losses in the education segment. Education platform income narrowed down to AED 5.1 Mn in 3Q23 from AED 12.7 Mn in 3Q22 due to the decline in income from Middlesex and acquisition of HDC. While healthcare platform income declined 55.4% YOY to 8.3 Mn in 3Q23 due to decline in income from CMRC and Sukoon. The company's direct costs inclined 52.0% YOY to AED 88 Mn in 3Q23. Thus, the gross profit rose 28.4% YOY to AED 37 Mn in 3Q23. G&A expenses grew 22.2% YOY to AED 49 Mn in 3Q23 while the income from finance lease marginally declined 0.3% YOY to AED 8 Mn in 3Q23. Other operating income grew significantly from AED 2 Mn in 3Q22 to grew significantly from AED 2 Mn in 3Q22 to AED 6 Mn in 3Q23. As a result, total operating expenses rose 18.8% YOY to AED 35 Mn in 3Q23. However, the total operating profit stood at AED 2 Mn in 3Q23 compared to a loss of AED 0.5 Mn in 3Q22. Further, the company's EBITDA declined to AED 20 Mn in 3Q23 compared to AED 81 Mn with

Stock Information

Market Cap (AED, mm)	2,950.00
Paid Up Capital (mm)	2,500.00
52 Week High	1.29
52 Week Low	0.82
3M Avg. daily value (AED)	7,996,226

3Q23 Result Review (AED, mm)

Total Assets	3,917
Total Liabilities	976
Total Equity	2,941
EBITDA	22
Net Profit/Loss	-8

Financial Ratios

Dividend Yield (12m)	3.39
Dividend Pay-out (%)	87.56
Price-Earnings Ratio(x)	20.93
Price-to-Book Ratio (x)	1.07
Book Value (AED)	1.10
Return-on Equity (%)	5.04

Stock Performance

5 Days	4.42%
1 Months	18.12%
3 Months	12.38%
6 Months	19.19%
1 Year	43.03%
Month to Date (MTD%)	18.59%
Quarter to Date (QTD%)	12.38%
Year to Date (YTD%)	38.82%

an EBITDA margin of 16.3% in 3Q23 compared to 11.8% in 3Q22. Moreover, depreciation and amortization expenses grew 27.3% YOY to AED 18 Mn in 3Q23. The share of results of associates declined 59.2% YOY to AED 3 Mn in 3Q23. Due to the rising deposit rates, finance income increased to AED 5 Mn in 3Q23 compared to AED 3 Mn in 3Q22. Meanwhile, finance costs grew to AED 11 Mn in 3Q23 from AED 7 Mn in 3Q22 due to the impact of higher interest rates. Thus, the company's total profit before attributable to non-controlling interest holders declined 39.7% YOY to AED 7 Mn in 3Q23. In addition, the share of profit attributable to non-controlling interest holders stood at AED 2 Mn in 3Q22 compared to a loss of AED 1 Mn in 3Q23.

Balance Sheet Highlights

Amanat's cash and cash equivalent rose to AED 560 Mn in 3Q23 from AED 518 Mn in 2Q23. The rise in cash balance is mainly due to a dividend payment of AED 100 Mn, net debt repayment of AED 54 Mn, and incurred a capex of AED 38 Mn in 3Q23. Meanwhile, Amanat's total debt declined 1.0% QOQ to AED 399 Mn in 3Q23. Further, the Company acquired AED 44 Mn in cash on merger of Sukoon International Holding Company. The Company's cash flow from operation rose to positive AED 64 Mn in 3Q23 compared to negative cash flow from operations of AED 26 Mn in 2Q23 owing to investment in working capital and payment of lease liabilities.

Target Price and Rating

We revise our rating on Amanat from BUY to HOLD with a target price of AED 1.28. The Company's share price increased 11.5% since our previous rating. The Education segment's platform income improved in 9M23 compared to 9M22 driven by contribution from Human Development Company's acquisition and higher income from Middlesex University partially offset by decline in income from NEMA Holdings. Whereas Healthcare platform income declined in 9M23 compared to 9M22 due to lower platform income from HC1 business and higher losses from Malaki Specialist Hospital. However, profitability in the Healthcare business is affected in 9M23 compared to 9M22 due to one-time cost incurred in UAE, higher depreciation expense due to expansion, and costs relating to IFRS-16 in KSA and UAE. In addition, the healthcare segment also recorded a one-time gain in 9M22. The company's healthcare platform signed an MOU with Mada for potential 900-bed long term care PPP in KSA which will result in a strong growth in healthcare portfolio. Healthy enrollment growth in Middlesex Dubai and HDC will drive the company's revenue further. The company completed the construction of additional 13 beds at the Al Ain facility, which is currently under the licensing process. Additionally, the Company completed the refurbishment at Jeddah increasing the bed capacity to 155 beds. Amanat is making steady progress in developing its 150-bed facility at Khobar and the first phase is scheduled to open in 1Q25. Meanwhile, Al Malaki Specialist Hospital's strategic review is nearing completion to establish new departments to offer urology and orthopedic services. The Middlesex University launched Centre for continuing education which offers short courses, study camps, and professional qualifications to boost the enrolment. The Company is working on several expansion projects in HDC and to add new centers and schools in KSA to boost growth. Amanat continues to focus on international recruitment at both NEMA and MDX, leading to improved educational services. Amanat explores expansion and M&A opportunities across GCC with a focus on K-12. The acquisition of Human Development Company (HDC) plays a crucial role in boosting the revenue of Education Platform as it more than doubled to AED 211 Mn in 9M23 compared to AED 97 Mn in 9M22. Amanat maintains a robust balance sheet with a debt and cash balance of AED 399 Mn and AED 560 Mn respectively in 3Q23. Strong balance sheet position provides flexibility to capitalize on growth opportunities. Thus, considering all these factors, we assign an HOLD rating on the stock.

Amanat Holdings - Relative valuation

(at CMP)	2018	2019	2020	2021	2022	2023F
PE	67.55	48.31	NA	10.32	25.31	20.60
PB	1.14	1.13	1.15	1.05	1.07	1.05
EV/EBITDA	NA	58.96	NA	16.27	14.50	11.25
Dividend yield	1.3%	1.9%	0.0%	5.2%	3.4%	3.6%

FABS Estimates & Co Data

Amanat Holdings – P&L

AED mm	3Q22	2Q23	3Q23	3Q23F	Var.	YOY Ch	QOQ Ch	2022	2023F	Change
Revenue	87	184	126	182	-30.9%	44.1%	-31.8%	513	728	41.8%
Direct costs	-58	-101	-88	-100	-11.7%	52.0%	-12.7%	-283	-393	38.8%
Gross profit	29	83	37	82	-54.3%	28.4%	-55.0%	230	335	45.5%
G&A expenses	-40	-53	-49	-53	-6.7%	22.2%	-6.9%	-174	-233	34.2%
Income from finance lease	8	8	8	9	-1.0%	-0.3%	0.8%	34	34	1.5%
Other Operating income	2	4	6	4	39.4%	NM	40.5%	14	21	49.1%
Operating Expenses	-30	-31	-35	-40	-12.5%	18.8%	14.0%	-126	-169	33.6%
Total Operating Profit	0	52	2	42	-94.7%	NM	-95.7%	104	166	59.8%
D&A expenses	14	24	18	25	-27.1%	27.3%	-24.9%	56	82	46.3%
Adjusted EBITDA	10	81	22	67	-66.7%	115.5%	-72.7%	192	261	36.2%
Share of result of Assoc.	-8	8	-3	8	NM	-59.2%	NM	25	12	-50.9%
Finance Income	3	5	5	5	1.7%	50.1%	0.9%	13	18	40.6%
Finance Cost	-7	-12	-11	-12	-1.1%	61.1%	-3.2%	-30	-47	56.4%
Profit/Loss of the Company	-12	53	-7	43	NM	-39.7%	NM	112	150	33.7%
Non-Controlling Interest	-2	3	0	3	NM	NM	NM	-2	9	NM
Net Profit	-10	50	-8	39	NM	-22.1%	NM	114	141	23.3%

FABS estimate & Co Data

Amanat Holdings - Margins

	3Q22	2Q23	3Q23	YOY Ch	QOQ Ch	2022	2023F	Change
Gross margin	33.4%	45.1%	29.8%	-363	-1,535	44.8%	46.0%	117
EBITDA margin	11.8%	44.1%	17.7%	586	-2,641	37.3%	35.9%	-148
Operating margin	-0.6%	28.4%	1.8%	234	-2,660	20.3%	22.8%	258
Net profit margin	-12.0%	26.9%	-6.5%	549	-3,337	22.3%	19.4%	-291

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
SOTP	1.34	50.0%	0.67
DDM	1.23	50.0%	0.62
Weighted Average Valuation (AED)			1.28
Current market price (AED)			1.18
Upside/Downside (%)			+8.5%

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)	656
Terminal value (AED, Mn)	2,415
FV to Common shareholders (AED, Mn)	3,071
No. of share (Mn)	2,492
Current Market Price (AED)	1.18
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	106	128	161	192	205
Total Dividend	106	128	161	192	205
Discounting Factor	0.99	0.92	0.85	0.78	0.72
Present Value of Dividend	105	117	136	150	148

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	4.5	EV/EBITDA	14.8	45.8	1.1%
HC1	85.0%	EBITDA	191.6	EV/EBITDA	12.8	2,084.5	48.7%
Education							
NEMA Holding	35.0%	EBITDA	157.1	EV/EBITDA	9.9	542.3	12.7%
Middlesex University Dubai	100.0%	EBITDA	71.0	EV/EBITDA	9.9	700.6	16.4%
Human Development Co.	60.0%	EBITDA	63.2	EV/EBITDA	9.9	373.8	8.7%
NLCS RE	100.0%	Net Profit	34.7	PE	14.7	511.9	12.0%
BEGiN	1.0%	Investment value		Investment value		19.0	0.4%
Enterprise value						4,277.9	
Add/(less): Present value of Headquarter expense						-912.0	
Add/(less): Net Cash						-37.6	
Equity Value						3,328.2	
Equity Value per share (AED)						1.34	

Source: FAB Securities

Peers Valuation					
Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2023F	2024F	2023F	2024F
Education					
Ataa Educational Co.	819	17.9	16.4	43.6	35.5
National Company for Learning and Education	1,261	26.3	25.3	36.9	37.4
Humansoft Holding Co KSCP	1,245	6.7	6.2	9.3	8.9
Lincoln Educational Services Corporation	303	12.0	9.9	10.9	21.2
New Oriental Education & Technology Group Inc	12,390	13.7	9.9	34.4	24.4
Graham holding	2,845	9.0	6.8	NA	NA
Average		14.3x	12.4x	27.0x	25.5x
Median		12.9x	9.9x	34.4x	24.4x
Max		16.9x	14.8x	36.9x	35.5x
Min		9.7x	7.6x	10.9x	21.2x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2023F	2024F	2023F	2024F
Healthcare					
Al Hammadi Holding Company,	2,429	20.1	19.6	27.0	26.8
Cleopatra Hospital Company	216	8.2	6.8	16.5	14.5
Middle East Healthcare Co	1,736	17.0	14.8	32.8	23.6
Mouwasat Medical Services Co	5,901	22.7	20.3	33.3	29.1
HCA Healthcare, Inc	67,500	8.5	8.2	13.9	12.8
Average		15.3x	13.9x	24.7x	21.4x
Median		17.0x	14.8x	27.0x	23.6x
Max		20.1x	19.6x	32.8x	26.8x
Min		8.5x	8.2x	16.5x	14.5x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2023F	2024F	2023F	2024F
REIT					
Medical Properties Trust, Inc	2,795	11.0	9.7	12.7	5.5
Omega Healthcare Investors, Inc	7,847	14.1	13.4	28.8	21.8
W. P. Carey Inc	12,860	14.3	14.5	18.3	28.6
H&R Real Estate Investment Trust	1,726	12.3	12.5	15.0	7.7
Tecom	3,608	10.5	10.1	NA	NA
Average		12.4x	12.0x	18.7x	15.9x
Median		12.3x	12.5x	16.7x	14.7x
Max		14.1x	13.4x	20.9x	23.5x
Min		11.0x	10.1x	14.4x	7.1x

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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