

FY21 Results Update

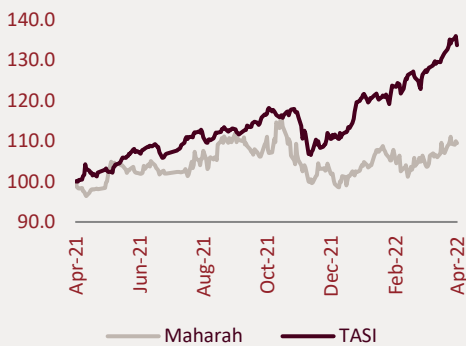
April 20, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	82.1
Target Price (SAR)	79.1
Upside/Downside (%)	(3.7%)
As of April 19, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	3.1
52-wk High (SAR)	87.7
52-wk Low (SAR)	71.1
Total Outstanding shares (in mn)	37.5
Free Float (%)	79.2%

Maharah vs. TASI (Rebased)

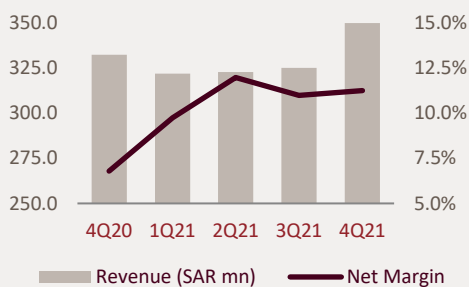


Price Performance (%)	Absolute	Relative
1m	5.3%	0.4%
6m	(1.4%)	(16.0%)
12m	9.5%	(24.3%)

Major Shareholders (%)

Abdullah Bin Soliman Al Amr	12.19%
Saud Nasser Al-Shathry	8.55%
Al Khbrt Al-Mmaryt Co.	8.00%

Revenue (SAR Mn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;  
Data as of April 19, 2022

Continuous suspension of international flights during 2021 hurt topline

Maharah's revenue declined 6.9% YoY to SAR 1.3bn in FY21, primarily due to a decline in the average number of resources caused by the continuing suspension of international flights during most of the year from the workforce's main sourcing countries. Gross profit fell 16.8% YoY to SAR 218.7mn, mainly due to rise in manpower recruitment costs caused by the spread of COVID-19. Meanwhile, gross margin contracted 196 bps YoY to 16.6%. Consequently, operating profit dipped 19.8% YoY to SAR 146.7mn in FY21, with operating margin narrowing by 179 bps YoY to 11.1% during the year. Lower topline and higher operating led to a 18.3% YoY drop in Maharah's net profit to SAR 144.9mn in FY21, while its net margin contracted 153 bps YoY to 11.0%.

Maharah reported weak earnings in FY21 owing to a decline in its revenue. The decline in the topline was supported by lower revenue contribution from the corporate segment (down 8.7% YoY to SAR 944.1mn) and individual segment (down 1.9% YoY to SAR 374.6mn). A fall in the average number of resources led by the continued suspension of international flights from the workforce's main sourcing countries during most part of the year resulted in a decline in the topline. A rise in the costs of recruitment and visas of the resources and higher arrivals toward the end of the year led to a slump in Maharah's gross profit. However, with economic activities going back to pre-pandemic levels on global vaccination drive, we anticipate resurgence in manpower requirements. Passengers are now allowed to enter the KSA from all countries on minimum one dose of COVID-19 vaccine, which is expected to positively impact business and growth, starting 1Q22. According to CEO Abdulaziz Alkathiry, the demand for workers in the individual segment is expected to grow in FY22. Maharah also plans to establish the outsourcing sector in 2022, which would boost the topline. Considering these factors, we maintain our "Neutral" rating on the stock.

- Lower revenue contribution from corporate and individual segments led to Maharah's revenue to drop 6.9% YoY to SAR 1.3bn in FY21.
- Gross profit declined 16.8% YoY to SAR 218.7mn in FY21, mainly due to increasing recruitment and visa costs. As a result, gross margin narrowed to 16.6% in FY21 from 18.5% in FY20.
- Higher general and marketing expenses resulted in a 19.8% YoY drop in operating profit to SAR 146.7mn in FY21. Subsequently, EBIT margin contracted to 11.1% from 12.9% in FY20.
- Maharah's net profit nosedived 18.3% YoY to SAR 144.9mn in FY21 due to lower topline and higher zakat and taxes. Net margin narrowed to 11.0% in FY21 from 12.5% in FY20.
- Maharah reported an EPS of SAR 3.86 in FY21 vis-à-vis SAR 4.73 in FY20.
- On March 10, 2022, Maharah's Board of Directors recommended a 20% cash dividend for 2H21, at SAR 2 per share, amounting to SAR 75mn.
- On March 21, 2022, the company's wholly owned subsidiary, Growth Avenue Co., signed a non-binding MoU with Saudi Medical Systems Co. (SMS) to acquire 40% of its shares in SMS.

Valuation: We revise our target price to a fair value of SAR 79.1 and maintain a "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	349.7	332.0	5.3%	1,430.9	1,318.7	8.5%
Gross Profit (SAR mn)	56.1	47.0	19.3%	247.7	218.7	13.2%
Operating Profit (SAR mn)	34.0	21.3	59.1%	161.8	146.7	10.2%
Net Profit (SAR mn)	39.3	22.5	74.3%	161.2	144.9	11.2%
EPS basic (SAR)	1.05	0.60	74.3%	4.30	3.86	11.2%
Gross Margin (%)	16.0%	14.1%	1.9%	17.3%	16.6%	0.7%
Operating Margin (%)	9.7%	6.4%	3.3%	11.3%	11.1%	0.2%
Net Profit Margin (%)	11.2%	6.8%	4.4%	11.3%	11.0%	0.3%

Source: Company Financials, Yaqeen Capital

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Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by  $10\%$ .

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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