

▶ UAE Emeralds – Hidden opportunity in beaten stocks

▶ Filtered by risk

AUG 20, 2023

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FTSE ADX General 9,800

P/E 32.4x Div yield 1.7%

Mcap \$747 bn

YTD -4.0%

DFM General 4,051

P/E 9.3x Div yield 4.5%

Mcap \$187 bn

YTD 21.4%

FIRST ABU DHABI BANK (FAB)

FINANCIALS - BANKS

LAST TRADED: AED 13.94

TARGET: XXXX

Profile: FAB is the UAE's largest bank and among the top 5 banks in the Middle East having total assets of \$312 bn. In the UAE, it holds around 33% market share by deposits and 28% share of loans and advances. FAB has a strong liquidity profile and CASA deposits accounted for 45% of overall deposits. Investment banking and corporate banking are its two largest segments by profit. UAE accounted for 86% of its net profit in H1 2023.

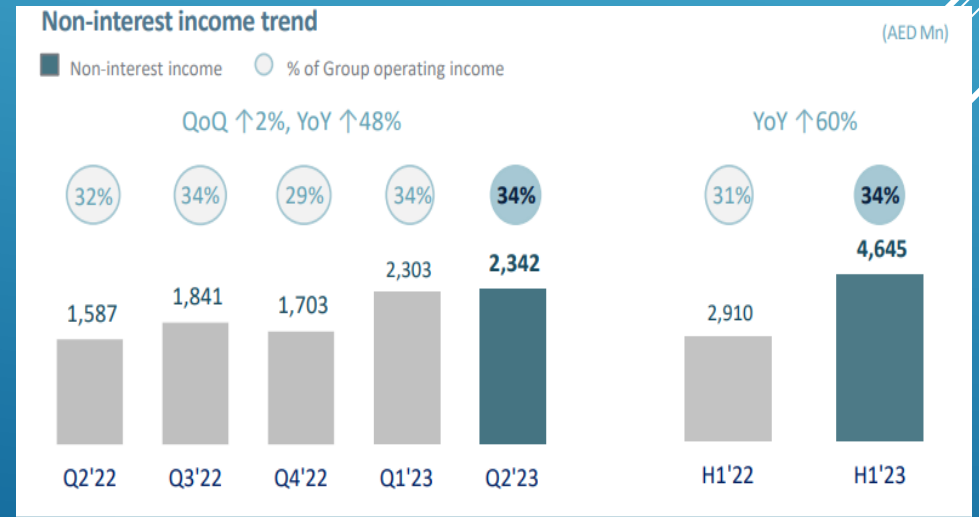
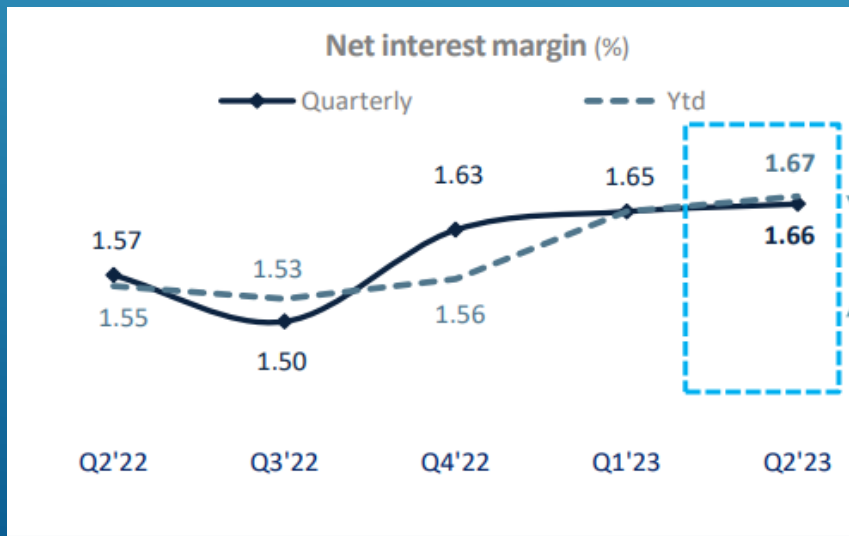
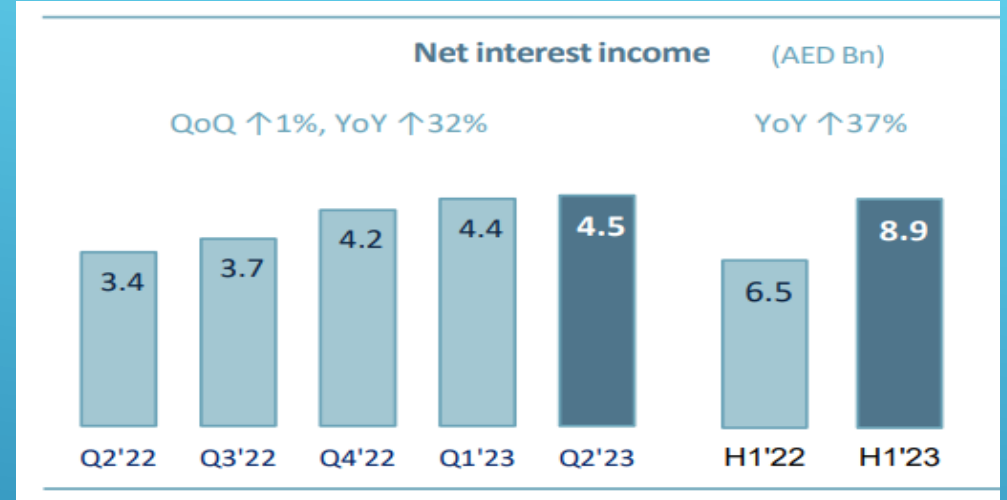
Fundamentals		Outlook
Mcap	AED 154 bn	<p>Strong volume growth (5% YTD) was seen in corporate banking and trade finance in H1 2023. NIM expanded to 1.66% in Q2 2023 due to higher yields helping NII rise 32% YoY.</p> <p>Non-interest income rose 48% YoY in Q2 2023 as FX and investment income surged. RoTE improved substantially to 18.6% in H1 2023 as a result.</p> <p>As the economic cycle in the UAE is favorable, NPL ratio has steadily declined to 3.7% at the end of Q2 2023.</p> <p>Though Fed rate tightening cycle is most likely done, rates may not drop soon as the Fed closely monitors the lagged effects on the economy due to its sharp tightening. It can't afford to hike rates further without avoiding a recession.</p> <p>The UAE economy is expected to grow 4.2%-4.6% in 2023 and 2024 in the non-oil sector due to public spending and momentum in tourism and real estate sectors. Real estate is attracting FDI, partly helped by Russian money following the geopolitical uncertainties in Europe.</p>
P/E 2023E	10.7x	
Year end	December	
EPS 2023E	AED 1.30	
EPS 2024E	AED 1.25	
Operating margin (TTM)	70%	
Next earnings day	Oct 26, 2023	
Div yield	3.7%	
ROE	11.4%	
Institutional holding	38%	

Source:
Refinitiv/Zawya

FIRST ABU DHABI BANK (FAB)

OPERATING METRICS

US manufacturing PMI 5Y trend



ARAMEX

LOGISTICS

LAST TRADED: AED 2.69

TARGET: XXXX

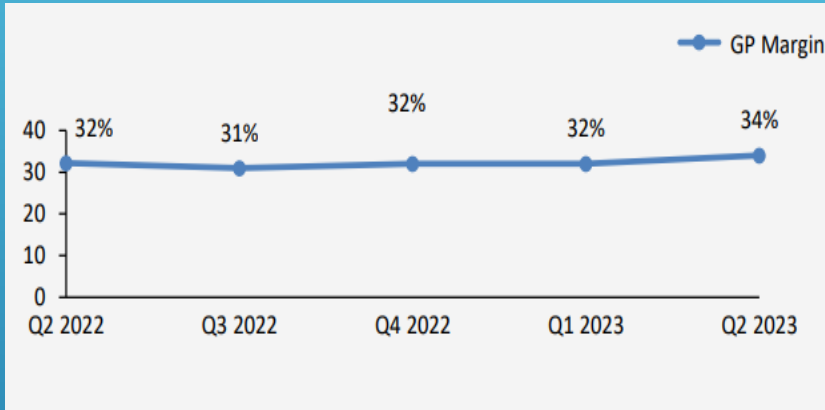
Profile: Aramex operates in many markets across continents. GCC, MENAT, US and Sub-Saharan Africa are its key markets in terms of gross margin. Express courier and freight forwarding accounted 91% of its group revenue in Q2 2023. Express courier is the most profitable segment for the group.

Fundamentals		Outlook
Mcap	AED 3.9 bn	<p>Revenue and EBITDA declined 8% YoY in Q2 2023 due to softness in volume (in-line with industry) and adverse currency movement. Net profit, however, fell sharply by 57% to \$5.2 mn as interest rates surged.</p> <p>International express reported a 200 bps expansion in gross margin in Q2 2023 mainly due to cost control. Domestic courier business was impacted by adverse FX movement while direct costs fell marginally leading to a 20% YoY decline in gross profit in Q2 2023. Oceania accounts for nearly 41% of domestic courier business, which needs some restructuring to improve the segment's revenue growth and profitability.</p> <p>The Group is working towards cost optimization in G&A expense in H2 2023 to prevent margin decline in an inflationary operating environment.</p> <p>Long-term growth opportunities are envisaged through technology improvement using AI, expansion in its warehouse business and M&A.</p> <p>Free cash flow to equity is usually in stronger in H2, especially in Q4. The sharp rise in interest rates has adversely affected NI and FCF in H1 2023.</p>
P/E 2023E	22.4x	
Year end	December	
EPS 2023E	AED 0.12	
EPS 2024E	AED 0.18	
Operating margin (TTM)	4%	
Next earnings day	Nov 08, 2023	
Div yield	3.5%	
ROE	12%	
Institutional holding		

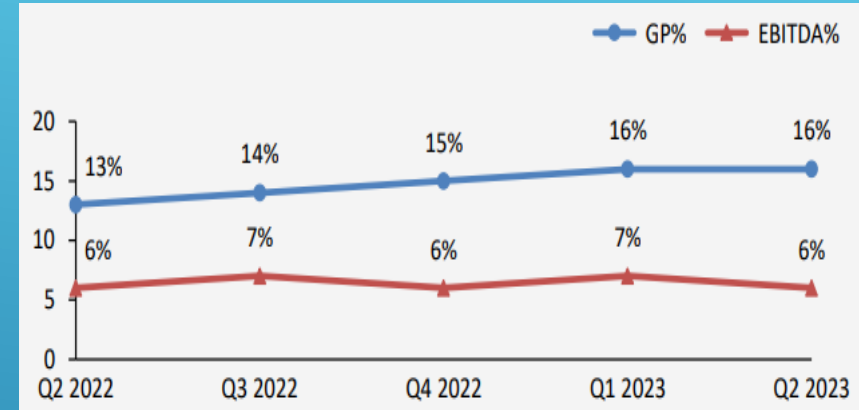
Source:
Refinitiv/Zawya

ARAMEX

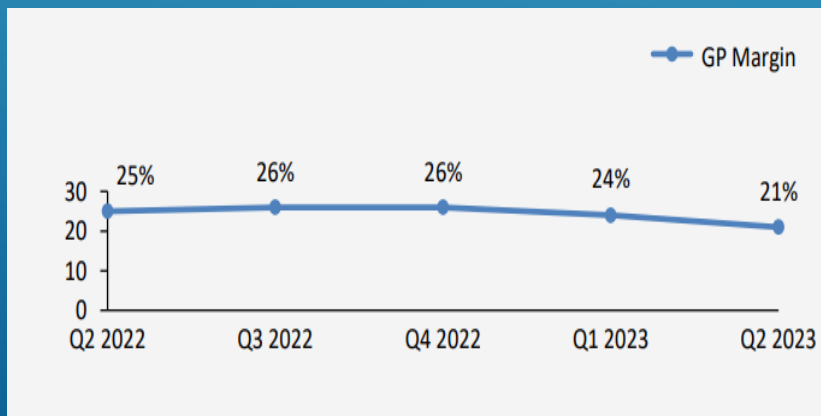
LOGISTICS



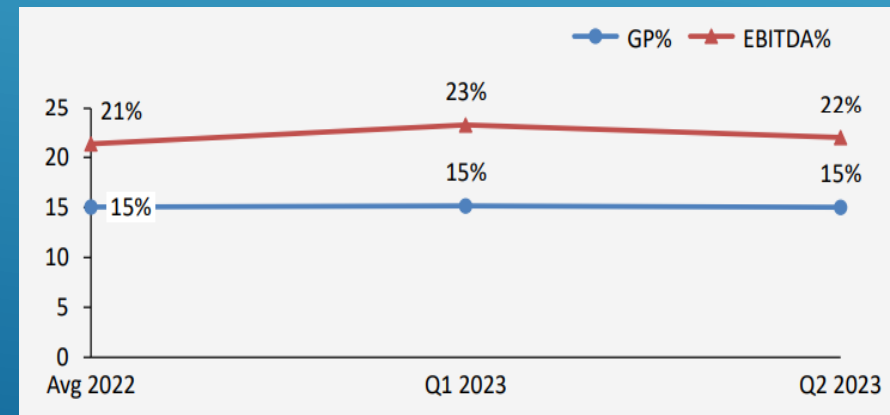
International Express margin



Freight forwarding margin



Domestic Express margin



Logistics margin

AGTHIA

CONSUMER STAPLES

LAST TRADED: AED 5.11

TARGET: XXXX

Profile: Agthia is a leading F&B player in the GCC and the wider Middle East offering world class products. It is part of Abu Dhabi's ADQ holding company. Agthia's track record of innovation and execution in the F&B industry is well known for many years. The company is now expanding its presence in countries with large population like KSA, Egypt, India and Brazil focusing on high margin healthy snacks segment.

Fundamentals		Outlook
Mcap	AED 4 bn	<p>Agthia Group reported a 10.3% YoY growth in total revenue in H1 2023 at AED 2.2 bn, driven by growth in volume and pricing, On a LFL basis, revenue growth was 3.1% YoY. LFL revenue growth was strong in its agri-business segment (+11.8%) led by higher volume and feed prices.</p> <p>In its consumer business segment, snacks (+8.6%), water and food (+6.4%) did well on LFL basis. Besides, strong growth in international sales was reported in water and food. The Group's dates business is gaining traction both in the UAE and globally especially in the premium range through value addition (chocolate dates). This could be an important driver for growth in revenue and EBITDA margin.</p> <p>The Group's new subsidiaries, Baklawa Made Better(80% ownership) and Abu Auf (60% ownership) are expected to drive volume growth in key international markets such as KSA and Egypt.</p> <p>EBITDA growth was robust at 25% YoY in its consumer business, while it was around 6% YoY in Agri-business segment. Despite inflationary pressure, group EBITDA margin expanded 98 bps to 14.5% in H1 2023.</p>
P/E 2023E	14.6x	
Year end	December	
EPS 2023E	0.35	
EPS 2024E	0.36	
Operating margin (TTM)	9%	
Next earnings day	Nov 07, 2023	
Div yield	3.2%	
ROE	9%	
Institutional holding		

Source:
Refinitiv/Zawya

AGTHIA

CONSUMER STAPLES



Al Foah dates is doing well in domestic as well as its export markets



Group's latest acquisition (60% stake), Abu Arafat snacks brand in Egypt

AMANAT HOLDINGS

PRIVATE EQUITY

LAST TRADED: AED 1.04

TARGET: XXXX

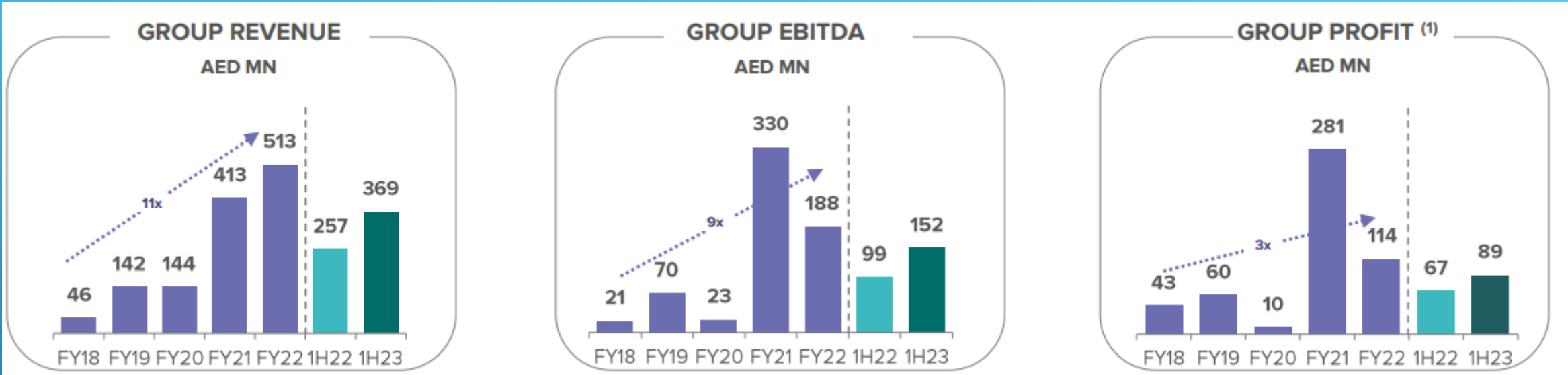
Profile: Amanat Holdings owns and manages healthcare and educational facilities. The Group currently owns 5 hospitals having a capacity of 418 beds pursuing growth opportunities in post-acute and long-term care in Saudi Arabia and the UAE. In the education segment, the group owns 4 universities, 10 schools and 24 daycare centers in the same markets.

Fundamentals		Outlook
Mcap	AED 2.6 bn	<p>Amanat acquired Human Development Co (HDC) in 2022 for a consideration of AED 262 mn focusing on daycare centers and schools catering to around 4,200 students. Middlesex University Dubai is its largest holding by revenue in its education portfolio, which reported a healthy 18% growth in revenue in H1 2023 as student number increased 10% YoY.</p> <p>NEMA Holding which serves around 9,000 students across 3 universities in the UAE , however reported a decline in EBITDA and net profit in H1 2023 due to lower credit hours and losses from its new Edtech venture.</p> <p>Under healthcare, Cambridge Medical (KSA and UAE) reported a 14% YoY growth in revenue and a 20% YoY growth in EBITDA driven by bed expansion and consolidation of facilities. This is the largest holding in Amanat's portfolio made with an investment of nearly AED 1 bn. The management is engaged in increasing total bed capacity by 263 from the current number of 386 with a goal to reach 1000 beds by 2026. Management has indicated monetizing its healthcare assets in the near-term subject to market conditions.</p>
P/E 2023E	20.8x	
Year end	December	
EPS 2023E	0.05	
EPS 2024E	0.07	
Operating margin (TTM)	18%	
Next earnings day		
Div yield	3.8%	
ROE	5%	
Institutional holding		

Source:
Refinitiv/Zawya

AMANAT HOLDINGS

PRIVATE EQUITY



AED MN	1H 2023
Debt	(403)
Lease Liabilities	(195)
Cash	518
Net Debt	(80)
Equity	2,951
Gearing	14%