

Ataa posted a net income of SAR 66.3mn (EPS: SAR 1.66) in Q1-FY22 (ending October 2021), above our estimate of SAR 16.3mn. The deviation from our estimate was mainly due to a SAR 52.5mn one-off gains resulting from the acquisition of Arabian Group Company. Moreover, resumption of physical attendance in schools for the intermediate and secondary stages and canceling tuition discounts are key signs of recovery in the sector. We maintain our “Overweight” rating on the stock with a TP of SAR 70.0/share.

- Ataa’s net income stood at SAR 66.3mn in Q1-FY22 (EPS: SAR 1.66), a significant increase from SAR 4.9mn in Q1-FY21. The net profit for Q1-FY22 was above our estimate. The net profit for the quarter included SAR 52.5mn one-off gains from the acquisition of Arabian Group Company. Therefore, excluding the one-off impact, normalized earnings for Ataa would stand at SAR 13.8mn, broadly in-line with our estimate of SAR 16.3mn. The Y/Y increase in net income was also due to higher revenue and GP Margin, mainly due to the cancellation of tuition discounts provided in the last academic year and a significant increase in number of students.
- The company’s revenue increased significantly by 129.4% Y/Y to SAR 140.4mn in Q1-FY22, in line with our estimate of SAR 136.7mn. The increase in revenue is attributed to the cancellation of tuition discounts, and mainly due to the recent major acquisitions made by the company: Arabian Group Company (5 schools), Alwasat Schools, and Al Elm International Schools. The acquisitions resulted in a 49% Y/Y increase in number of students to 37.6k from 25.2k in Q1-FY21.
- Gross profit increased 190.1% Y/Y to SAR 39.8mn, broadly in line with our estimate of SAR 35.7mn. The GP Margin increased 593 bps Y/Y to 28.3% in Q1-FY22 from 22.4% in Q1-FY21, driven by the lifting of discounts following the return of physical attendance in schools for the intermediate and secondary stages.

AJC view: The company’s revenue and Gross Profit were broadly in line with our expectations; however, the Net Profit was significantly above our expectations due to the one-off gains from the acquisition. We expect Ataa to more than double its revenues in FY22 to SAR 565.8mn from SAR 280mn in FY21, driven by the recent acquisitions and the shift to physical attendance, which led to the lifting of discounts in the current academic year. In addition, Ataa recently completed several major acquisitions resulting in a 49% increase in the number of students for the company. More recently, Ataa signed an agreement to acquire Naba’a Educational Co., as Ataa will increase its capital by 4.96% to issue new shares for Naba’a shareholders. Therefore, we believe Ataa is in a strong position with a larger student base to grow long-term. The stock is currently trading at a P/E of 30.6x, based on our FY22 EPS estimate. Therefore, we maintain our “Overweight” rating on Ataa with a TP of SAR 70.0/share.

Results Summary

SARmn	Q1-FY21	Q4-FY21	Q1-FY22	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	61.2	93.1	140.4	129.3%	50.9%	2.7%
Gross Profit	13.7	29.3	39.8	190.1%	35.5%	11.4%
Gross Margin	22.4%	31.5%	28.3%			
Operating Profit	9.9	25.3	26.0	163.2%	2.5%	2.3%
Net Profit	4.9	19.4	66.3	NM*	241.1%	406.4%
EPS	0.12	0.48	1.66			

Source: Company Reports, Aljazira Capital *NM: Not meaningful

Overweight

Target Price (SAR)	70.0
Upside / (Downside)*	8.9%

Source: Tadawul *prices as of 13th of December 2021

Key Financials

(in SAR mn, unless specified)	FY20	FY21	FY22E
Revenues	336.4	280.0	565.8
Growth %	4.9%	-16.8%	102.1%
Gross Profit	116.3	75.3	168.9
Net Income	75.8	37.0	84.0
Growth %	-8.4%	-51.1%	126.8%
EPS	1.90	0.93	2.10

Source: Company reports, Aljazira Capital

Key Ratios

	FY20	FY21	FY22E
Gross Margin	34.6%	26.9%	29.9%
Net Margin	22.5%	13.2%	14.9%
P/E	19.4	67.9	30.6
P/B	2.0	3.3	2.6
EV/EBITDA (x)	26.6	46.1	33.4
Dividend Yield	2.7%	1.6%	1.6%

Source: Company reports, Aljazira Capital

Key Market Data

Market Cap(bn)	2.57
YTD%	62.8%
52 week (High)/(Low)	72.2/36.7
Share Outstanding (mn)	40.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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