

Target Price: SAR221/share
Current Price: SAR190/share
Upside: 16.3% (+Div. Yield: 2.2%)
Rating: Overweight

Astra Industrial Group (Astra)

Raise TP to SAR221 on robust growth and margins expansion

- Healthy demand and capacity expansions to ensure the top-line visibility; we expect top-line to grow at a CAGR of ~9% over 2023-27e.
- Strategic focus on high-margin products and operational efficiency to support margins, resulting into robust earnings growth (CAGR of ~15%) during the same period.
- We revise our 1Y fwd TP to SAR221/sh. (SAR185/sh. earlier) based on DCF and P/E (24x on 2025e EPS) valuation approaches and rating to Overweight.

Healthy revenues growth visibility and margin expansion to support the growth trajectory:

We expect Astra to continue its growth trajectory with a CAGR of ~9% over 2023-27e (~11% CAGR over 2019-23), surpassing ~SAR 4.0bn top-line by 2027e, driven by i) favorable demand outlook for pharmaceutical products, ii) strong construction activities amid Vision 2030 projects execution in the Kingdom, supporting demand for steel, and iii) ~25% rise in capacity in the resilient Specialty Chemicals segment, which we expect to be realized by 2H25 from Morocco and UAE facilities. Further, any improvement in the Chemical sectors globally would also favorably impact the segment's performance going forward. Moreover, we believe the current strong margin levels are largely sustainable, as the company adopts more selective approach for public sector (focusing mostly on high-margin tenders only). This, along with better operational efficiency and improvement in net financial costs amid lower interest rates may further support the earnings performance. Accordingly, we forecast an average GP and operating margins of 44% (compared to 41.5% in 2023), and ~22% (compared to 18.6% in 2023), respectively over 2024-27e. Overall, we expect earnings to grow at a CAGR of ~15% over 2023-27e, reaching SAR 844mn by 2027e with a strong net margin of 21%.

Robust balance sheet to support capex needs while maintaining payouts: We expect Astra's capex to reach SAR253/SAR206mn during 2024-25e, on the back of capacity expansion projects, before start normalizing from 2026e. We believe that the company's robust financial position (net debt/equity ratio of -0.29x, as of Sep-24) will allow it to expand and keep its payout intact at 50% during the period. Astra recently made an investment of SAR536.5mn in quoted semi-annual government sukuks denoted in USD, carrying a fixed coupon of 5.25%. We expect this to contribute ~SAR 28mn annually until redemption in 2030. Accordingly, we expect FCF in the range of ~SAR400-630mn during 2024-26e.

Figure 1: Key financial metrics

SARmn	2023a	2024e	2025e	2026e
Revenue	2,859	3,166	3,427	3,720
Revenue growth	10.2%	10.8%	8.2%	8.6%
Gross Profit	1,187	1,374	1,498	1,641
Gross Profit margin	41.5%	43.4%	43.7%	44.1%
EBITDA	622	765	849	943
Op. income	531	681	749	832
Net profit*	475	637	657	745
Growth y/y	0.2%	33.9%	3.3%	13.3%
Net profit margin	16.6%	20.1%	19.2%	20.0%
EPS (SAR)	5.9	8.0	8.2	9.3
P/E	32.0x	23.9x	23.1x	20.4x

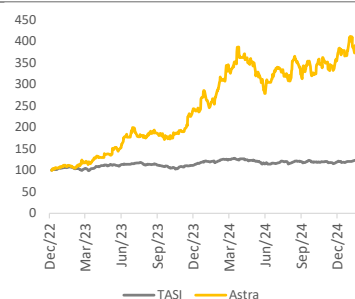
Source: Company data, GIB Capital. * attributable to shareholders

Stock data

TASI ticker	1212
Mcap (SARmn)	15,200
Trd. Val (3m) (SARmn)	27.9
Free float	48.2%
QFI holding	10.4%
TASI FF weight	0.32%

Source: Bloomberg

Share price performance vs TASI



Source: Bloomberg

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4Q24 preview and 2025 outlook: We expect 4Q24 top-line to remain broadly flat y/y at SAR826mn (partially due to the impact of mining revenues in 4Q23), reflecting annual revenues of SAR3.16bn in 2024e (+11% y/y). For 2025e, we forecast an 8% y/y growth in revenues to SAR3.4bn, mainly driven by growth in the pharmaceuticals and steel business.

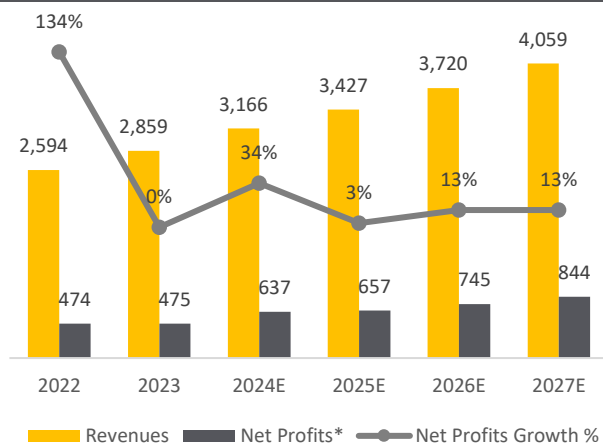
For earnings, we expect Astra to post SAR179mn (+33% y/y, +28% q/q); on the back of better margins and higher other income (Murabaha & Sukuk income), taking annual profits attributed to shareholders to SAR637mn in 2024e (+34% y/y, a margin of 20%). Further, we expect the strong margins to persist in 2025e, resulting in earnings of SAR657mn, implying a moderate y/y growth of 3%; due to the impact of discontinued operations in 2024 (adjusted earnings growth=12% for 2025e).

Valuation and Risks: Post revision in our estimates and rolling forward our valuation to 2025, We raise our 1Y Fwd. target price to **SAR221/share** (SAR185 TP earlier) based on an equal mix of DCF (9.2% WACC, 4.0% terminal growth; ~SAR223 TP) and P/E (24.0x on 2025e EPS; SAR219 TP) methods, implying an **“Overweight”** rating on the stock.

Exposure to unstable markets, hyperinflationary currencies, lower-than-expected margin of the Pharma segment, prolonged working capital cycle, higher than expected provisioning, volatile profits of Steel segment, unprofitable sale of underperforming assets, lack of further growth opportunities in Chemicals are key risks to our investment view.

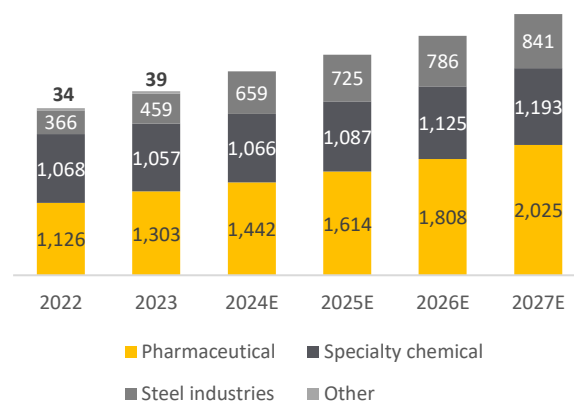
Financial analysis in charts

Figure 2: Financial Performance (SARmn)



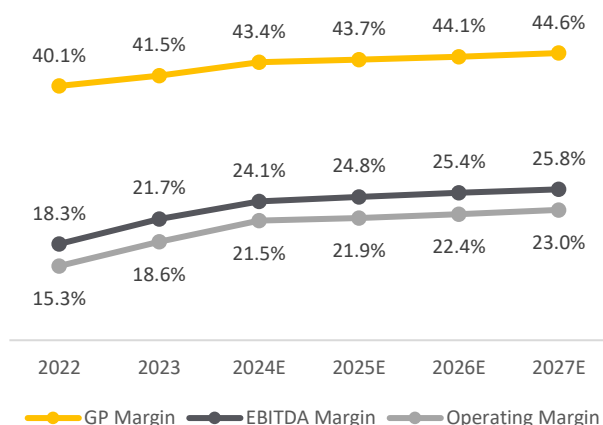
Source: GIB Capital, Company data * attributable to shareholder

Figure 3: Revenues Segmentation Trend (SARmn)



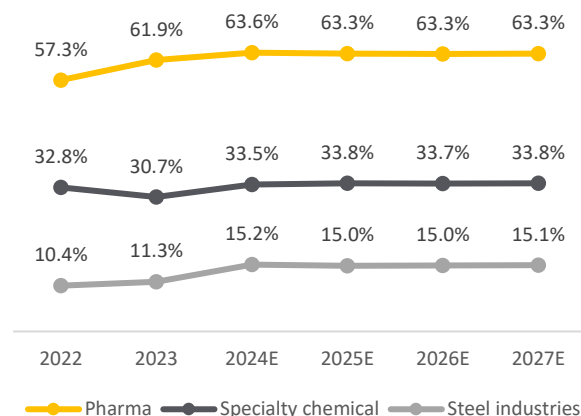
Source: GIB Capital, Company data

Figure 4: Margins Trend – Group-Wide



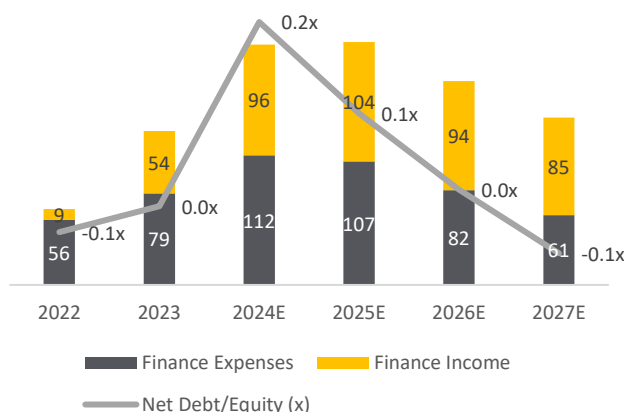
Source: GIB Capital, Company data

Figure 5: GP Margins Trend – Segment-Wide



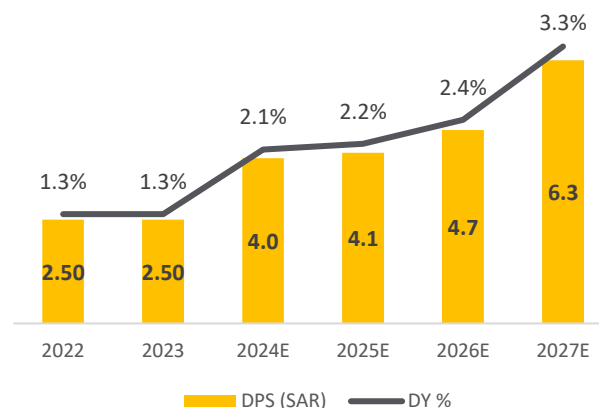
Source: GIB Capital, Company data

Figure 6: Finance Expenses & Income Trend (SAR mn)



Source: GIB Capital, Company data

Figure 7: Dividends Trend



Source: GIB Capital, Company data

Summarized Financial statements

Figure 8: Summarized basic financial statements (SARmn)

Income statement	2023a	2024e	2025e	2026e
Revenue	2,859	3,166	3,427	3,720
revenue y/y	10%	11%	8%	9%
COGS	1,672	1,792	1,929	2,078
Gross Profit	1,187	1,374	1,498	1,641
Gross Profit margin	42%	43%	44%	44%
Sales & Marketing	377	411	445	482
General and admin expenses	239	239	257	277
Impairment of FA/receivable	14	14	14	14
Research expenses	26	29	32	36
Operating profit	531	681	749	832
Operating margin	19%	22%	22%	22%
Finance costs, net	26	16	3	(12)
Other expenses/(income)	4	0	0	0
Zakat and income tax	29	65	75	85
Gain/(loss) on discontinued operation	0	48	0	0
Non controlling interest	2	(12)	(13)	(15)
Net income attributable to shareholders	475	637	657	745
Net margin	17%	20%	19%	20%
y/y	0%	34%	3%	13%
EPS	5.9	8.0	8.2	9.3
DPS	2.5	4.0	4.1	4.7
Payout	42%	50%	50%	50%
EBITDA	622	765	849	943
Net debt	(87)	531	249	(57)
Balance Sheet	2023a	2024e	2025e	2026e
Inventories	716	688	713	757
Trade Receivables	944	1,084	1,127	1,223
Prepayments and Other Current Assets	150	150	150	150
Cash and Equivalents	1,058	323	406	512
Time deposit	563	1,325	1,325	1,325
Total Current Assets	3,432	3,571	3,721	3,968
Intangible Assets	77	77	77	77
Property, Plant & Equipment	756	926	1,032	1,073
Total Non-Current Assets	840	1,548	1,653	1,695
Total Assets	4,272	5,118	5,374	5,662
Current Liabilities	1,836	2,347	2,248	2,134
Non-current Liabilities	305	297	297	297
Equity	2,131	2,474	2,829	3,231
Total Equity and Liabilities	4,272	5,118	5,374	5,662
BVPS	26.6	30.9	35.4	40.4
Cashflow	2023a	2024e	2025e	2026e
Cashflow from Operations	681	720	807	804
Cashflow from Investing	-88	-253	-206	-153
Cashflow from Financing	-228	-1,201	-519	-546
Total Cashflows	364	-735	82	106

Source: Company, GIB Capital

Figure 9: Key ratios

Key ratios	2023a	2024e	2025e	2026e
Profitability ratios				
RoA	11%	12%	12%	13%
RoE	22%	26%	23%	23%
Sales/Assets	67%	62%	64%	66%
Net margin	16.6%	20.1%	19.2%	20.0%
Liquidity ratios				
Current Assets/ Current Liabilities	1.9	1.5	1.7	1.9
Receivable Days	121	125	120	120
Inventory Days	156	140	135	133
Payable days	52	52	57	57
Debt ratios				
Net Debt/EBITDA	-0.14	0.69	0.29	-0.06
Debt/Assets	0.23	0.27	0.22	0.18
Debt/Equity	-0.04	0.21	0.09	-0.02
Valuation ratios				
P/E	32.0	23.9	23.1	20.4
P/B	7.1	6.1	5.4	4.7
EV/EBITDA	23.4	19.0	17.1	15.4
FCF yield	3.5%	2.6%	3.8%	0.0%
Div. Yield	1.3%	2.1%	2.2%	2.4%

Source: Company, GIB Capital

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