

Hedab Alkhaleej Trading Co.

Issuer Information

		Shareholders	Pre-IPO	Post-IPO
Market	Nomu	Nasser Abdullah Alhumaid	50.7%	45.3%
Book-building Dates	Feb'16-Feb'20	Nayef Ibrahim Alhumaid	18.7%	16.7%
Price Range (SR)	48-52	Omar Abdullah Alhumaid	7.3%	6.5%
Number of Shares Offered (mn)	0.8	Musaad Abdullah Alhumaid	5.0%	4.4%
% of Share Capital (Post-IPO)	10.7%	Humaid Ibrahim Alhumaid	3.6%	3.2%
Share Capital Pre-IPO (SR mn)	67.0	Other Shareholders	14.7%	13.2%
Share Capital Post-IPO (SR mn)	75.0	Public (Qualified Investors)	0.0%	10.7%
No. of Shares- Pre-IPO (mn)	6.7	Total	100%	100%
No. of Shares- Post-IPO (mn)	7.5			

Financials

Amounts in SR mn	1H24	1H23	YoY (%)	2023	2022	YoY (%)
Revenue	228.0	224.1	1.7	468.8	499.0	(6.1)
Cost of sales	192.5	192.8	(0.1)	395.3	431.9	(8.5)
Gross profit	35.4	31.3	13.0	73.5	67.1	9.5
Operating profit	17.1	11.9	44.1	36.8	28.2	30.3
Net Income	10.0	8.7	15.5	27.0	20.7	30.3
EPS	1.50	1.30		4.03	3.09	
Total Assets	286.5	-		302.8	250.6	20.8
Total Shareholder's Equity	145.2	-		135.2	110.7	22.1
BVPS	21.7	-		20.2	16.5	
Ratios*						
Gross margin (%)	15.5	14.0	1.6	15.7	13.5	2.2
Operating margin (%)	7.5	5.3	2.2	7.9	5.7	2.2
Net Margin (%)	4.4	3.9	0.5	5.8	4.2	1.6
RoAE (%)	20.2	-		22.0	-	
RoAA (%)	9.6	-		9.8	-	

*1H23 balance sheet financials are not available.

Peer Company Valuations

Company	Market Cap (SRmn)	PER (x)	PBV (x)	RoAE (%)
Marble Design	480	23.9	4.9	20.4
Multi Business Group	267	13.0	3.0	35.2
Median		18.5	4.0	27.8

*Valuations are based on a TTM basis and closing prices of Feb 12, 2025. Source: Company Prospectus, Tadawul, Bloomberg, and anbc research

Hedab Alkhaleej Trading Company (HKC), founded in 2003, operates in the building materials sector in Saudi Arabia, focusing on selling ceramic and porcelain products. The company uses two sales models: the Inventory-based Sales Model, which involves purchasing and selling large quantities of tiles through representatives and branches across Saudi Arabia, and the On-demand Sales Model, which leverages supplier relationships to meet specific client requests, catering to real estate developers and large contractors. HKC's IPO book building process will run from February 16th to 20th, offering 0.8 mn shares at SAR 48-52 per share, representing 10.7% of the Post-IPO share capital. The total proceeds, before IPO costs, will range between SAR 38.4 and 41.6 mn. Per the prospectus, the company intends to utilize the proceeds of the IPO to i) finance working capital requirements (44%), ii) opening new warehouses and developing the existing warehouse infrastructure (22%) and iii) expansion in the logistic fleet and opening new stores (34%). No proceeds will be used to repay debt.

- The company earns revenue from two main sectors: Building Materials and Logistics Services. In the building materials sector, HKC deals with ceramic, porcelain, marble, accessories, sanitaryware, and adhesives. In logistics, the company provides transportation, storage, and intermediary services.
- Of the 11 branches within Saudi Arabia, 9 (81.8%) are dedicated to building materials, while 2 (18.2%) focus on logistics services. The building materials branches are distributed as follows: three in the Western region (Jeddah, Yanbu, and Taif), two in the Central region (Riyadh and Buraydah), two in the Southern region (Khamis Mushait and Jazan), one in the Eastern region (Dammam), and one in the Northern region (Tabuk). The logistics services branches are located in Al Bukayriyah and Yanbu.
- As of 1H24, building materials sales accounted for 93.4% of total revenue, while logistics services contributed the remaining 6.6%. By customer category, 43% of revenue came from the wholesale sector, 26.2% from semi-wholesale, 16.5% from retail, 7.7% from projects, and 6.6% from logistics. By customer type, 82.4% of revenue was generated from corporate clients, with the remaining 17.7% from individual customers. Geographically, the Central Region contributed 29.8% of revenue, followed by the Southern Region at 23.2%, the Western Region at 22.7%, the Northern Region at 18.3%, and the Eastern Region making up the remainder.
- During 2023, the company had a total revenue of SR 468.8 mn, while profitability amounted to SR 27.0 mn. For 1H24, topline rose by 1.7% to stand at SR 228.0 mn, with profitability increasing by 15.5% to SR 10.0 mn.
- Marble Design, listed on NOMU, appears to be the closest competitor of HKC as it is involved in the sale of marble products. Multi Business Group, while not a direct competitor, is included for relative comparison as it operates within the construction sector. Marble Design was listed on August 6, 2023, with an IPO valuation of 14.8x PER and 3.9x PBV (on a TTM basis). Currently, Marble Design's share price has increased by 43% from its IPO price and trades at a PER of 23.9x (TTM basis). In the case of HKC, the offering price of SAR 52, based on the top end of the range, values the company at a TTM PER of 13.8x and PBV of 2.8x.

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