

**Report Date: 15-Apr-25**

# DAR AL DAWA DEVELOPMENT & INVESTMENT

**ASE: DADI**
**Annual Earnings: 31/12/2024**
**Price as of 14-Apr-25**
**JD 1.17/Share**

## RATING:


*Initiated Coverage 15/04/2025*

We project that DADI will perform in line with the market over the next 6-12 months. UFICO relied on four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

## Target Price

**1.20 JD**

### Previous Rating


*09/01/2024*

### 52- Week Price Range

JD 1.14- JD 1.42

### Market Capitalization

JD 41.0 M

### Current P/E

11.42x

### P/BV

0.83x

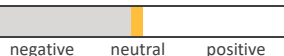
**Founded: 1975**
**Shares Outstanding: 35 M**
**Employees: 767**
**Sector: Healthcare**
**Industry: Pharmaceutical and Medical**

**Dar Al Dawa Development & Investment** (hereinafter referred to as “DADI” or the “Company”) is a public shareholding company established in Jordan. DADI specializes in the development, manufacturing, marketing and distribution of high quality branded generic pharmaceutical and consumer health care products. DADI is a leading company in the Middle East and South Africa region, with its success story beginning in Jordan and continuing across the continent. DADI is present in a number of markets, including the Middle East, Africa, and Europe. DADI announced that its affiliate, the Algerian Dar Al Dawa Co, has signed a partnership agreement with the international pharmaceutical company Merz. This partnership is expected to positively impact market share growth in Algeria. Furthermore, the Company’s Board of Directors had approved the sale of DADI’s 90.4% stake in Dar Al Ghada (NutriDar) to a strategic investor for a total of 9.1 million, with payments spread over six years. On March 23, 2025, DADI’s Board of Directors approved the sale of 750 m<sup>2</sup> plot of land to Dar Al Dawa Veterinary Company to address interconnecting land boundaries between the two companies. In addition, the Board of Directors announced the increase of the Company’s capital to **JD 50 million**.

## Recommendation Summary

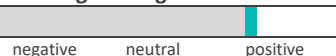
UFICO’s **HOLD** recommendation of DADI is the result of our systematic analysis of four basic characteristics mentioned above. DADI appears to be overvalued in terms on its P/E ratio and fairly valued based on its P/BV ratio, and shows acceptable financial stability with a good current ratio, but its high debt-to-equity ratio indicates significant leverage, which may pose financial risk. The stock exhibits low volatility, indicating price stability, but current technical indicators suggest weakness. It is currently rated a Sell based on both its 14-day RSI and 200-day moving average, implying potential short-term downward pressure. Given the mix of stable fundamentals, moderate growth, and technical headwinds, we believe a **Hold** rating is appropriate until a clearer valuation or technical reversal supports a more definitive action.

### Relative Valuation



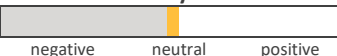
The stock is **overvalued** based on its P/E ratio and **fairly valued** based on its P/BV ratios.

### Earnings Strength



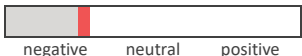
The Company has been profitable over the past 3 years. Earnings increased by 13.4% at the end of 2024.

### Financial Stability



DADI demonstrates financial stability with an acceptable current ratio. However, its high debt/equity ratio, imposes a high level of financial risk.

### Price Movement



Low volatility with minimal price fluctuation over time. The stock is rated a **SELL** at its 14-Day RSI and at its MA200.

## Major Risks & Rewards

- **Product Expiry:** Pharmaceutical companies risk financial losses if medications expire before being sold, directly impacting revenue & profitability.
- **High Leverage:** With a debt/equity ratio of 92.97%, DADI's significant reliance on debt increases concerns, especially regarding debt servicing, interest payments with potential financial challenges during economic downturns.
- **Dividend Distribution:** The Company has not distributed dividends over the past two years, which may make it less suitable for investors seeking regular income or dividend-focused returns.
- **Market Expansion:** The new partnership with Merz in Algeria presents an opportunity for market expansion and increased revenue through the promotion of Merz’s products, potentially increasing DADI’s market share in the Algerian pharmaceutical sector. Additionally, the Company is exploring entry into the Saudi market, which would further strengthen its earnings.

## Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	NPM	Debt/Equity
		14/4/2025	14/4/2025	(2024)	(Current)	(2024)	(2024)	(2024)
DADI	Dar Al Dawa Development & Investment	JD 1.17	40,950	JD 0.102	11.42x	0.83x	4.42%	92.97%
HPIC	Hayat Pharmaceutical Industries Co.	JD 2.81	26,695	JD 0.325	8.64x	0.87x	18.49%	12.40%
PHIL	Philadelphia Pharmaceuticals	JD 1.38	10,350	JD 0.110	12.60x	0.79x	9.38%	15.24%
<b>Weighted Averages (Peers)</b>					<b>9.75x</b>	<b>0.85x</b>		
<b>Emerging Market Averages (<a href="http://www.damodaran.com">www.damodaran.com</a>)</b>					<b>18.72x</b>	<b>5.70x</b>		
<b>Median</b>					<b>10.62x</b>	<b>0.83x</b>		

*\* In JD thousands*

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## Past Performance

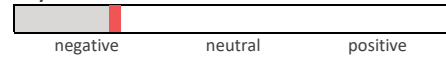
	2018	2019	2020	2021	2022	2023	2024
Net Profit Margin	-11.33%	-13.67%	16.06%	1.76%	3.65%	4.22%	<b>4.42%</b>
Earning/ Share (JD)	(0.24)	(0.30)	0.34	0.03	0.06	0.09	<b>0.10</b>
Debt to Equity	143.69%	205.64%	156.45%	92.92%	88.69%	84.17%	<b>92.97%</b>
Gross Profit Margin	38.42%	37.78%	40.66%	40.40%	40.59%	39.22%	<b>41.05%</b>
Dividend/ Share (JD)	-	-	-	-	0.05	-	-

## Relative Valuation: **NEUTRAL**

Last Price	Mkt Cap*	EPS	P/E	BV/Share	P/BV
14/4/2025	14/4/2025	(2024)	(Current)	(2024)	(2024)
JD 1.17	JD 41.0 M	JD 0.10	11.42x	JD 1.40	0.83x

- **P/E vs. Industry:** above the peer group weighted average P/E multiple and the median averages, indicating potential overvaluation, but below the industry average.
- **P/BV vs. Industry:** is in line with the peer group weighted average and median, indicating a fair valuation.

### P/E



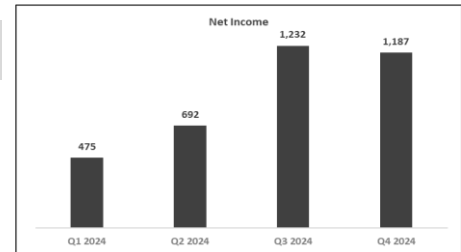
### P/BV



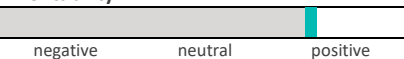
## Earning Strength: **POSITIVE**

FY24 Results	Revenues	Net Income	ROE	NPM
	JD 81.2 M (+8.4%)	JD 3.6 M (+13.4%)	7.52%	4.42%

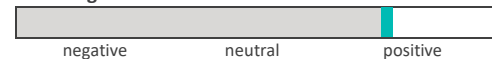
- **Earnings Trend:** DADI's earnings increased by 13.4% at the end of 2024 compared to the same period in 2023.
- **Return on Equity** is higher than the 7.01% achieved at the end of 2023, and indicates moderate return to shareholders.
- **Net Profit Margin** has improved significantly from 2021, indicating a turnaround and now stable profitability.



## Profitability



## Earnings Trend

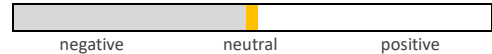


## Financial Stability: **NEUTRAL**

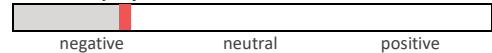
FY24 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
	JD 124.2 M	JD 49.7 M	3.07%	92.97%	1.14x

- **Return on Assets** is relatively low, but consistent with an asset-heavy pharmaceuticals industry like DADI.
- **Debt/ Equity** Although reduced from a peak of over 200% in 2019 to 92.97% in 2024, it remains relatively high, indicating elevated financial leverage.
- **Current Ratio** indicates DADI's ability to meet short-term obligations with its current assets and exhibits good liquidity.

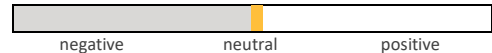
### Return On Assets



### Debt/ Equity



### Current Ratio

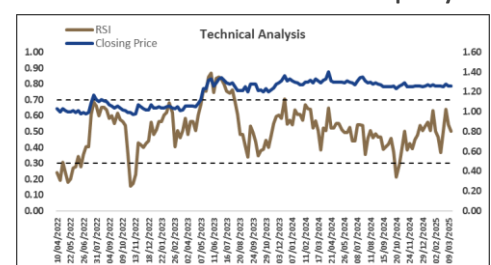


## Price Movement: **NEGATIVE**

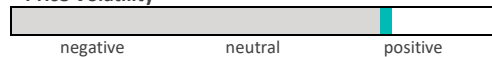
Annual Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3M):
+/-13.9%	27.642	1.267	40,446 Shares

- **Price Volatility** indicates a low level of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** is 27.642, indicating the stock is oversold which could signal a potential rebound or price correction. Traditionally, a stock is considered overbought or overvalued when RSI is above 70 and oversold or undervalued when it is below 30.
- **Moving Averages (MA):** The stock price currently trades slightly below its 200-day moving average, which might indicate a **Sell** signal. The MA for the 50-Day and 100-Day are 1.247 and 1.254, accordingly, indicating a **Sell** signal.
- **Average Volume 3-Months** is 40,446 shares, which indicates low trading activity. **DADI has not traded heavily in the last three months, although with a 42.0% free float (14.7 million shares).**

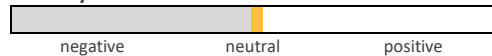
## Stock Price is down 12.7% in the past year



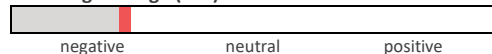
### Price Volatility



### 14-Day RSI



### Moving Average (MA)



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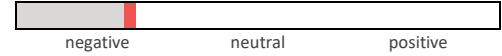
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Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14 day and 1-year period. **DADI has a negative price strength in the past 200-day period indicating an unfavourable signal of near-term price gains.**

- DADI's stock is currently trading at JD 1.17, indicating weakness as it remains under pressure and falls below key resistance levels. The stock faces immediate resistance at JD 1.20, with a possible recovery target of JD 1.25 if buying activity returns. Support is identified at JD 1.15 and JD 1.10, making these levels critical for traders looking for a possible rebound or more downward action. Given the oversold RSI, a short-term rebound is possible; however, the prevailing trend suggests caution. Investors may consider a **hold** strategy, monitoring for a confirmed reversal above JD 1.20 before contemplating new positions.

Average Volume (3-Months)



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**UFICO Stock Ratings:** UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

1	2	3	4	5		
1	2	3	4	5	<b>Strong Buy</b>	Significantly Satisfactory
1	2	3	4	5	<b>Buy</b>	Satisfactory
1	2	3	4	5	<b>Hold</b>	Average
1	2	3	4	5	<b>Sell</b>	Unsatisfactory
1	2	3	4	5	<b>Strong Sell</b>	Significantly Unsatisfactory

**Relative Valuation:** Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

**Earnings Strength:** Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

**Financial Stability:** Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

**Recent Price Movement:** Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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