

Report Date: 27-Mar-25
THE ARAB PESTICIDES & VETERINARY DRUGS MFG. CO.
ASE: MBED
Annual Earnings: 31/12/2024
RATING:


Initiated Coverage 27/03/2025

We project that MBED will perform below 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
JD 2.50

Previous Rating					52- Week Price Range	Market Capitalization	Dividend Yield	Dividends/Share
1	2	3	4	5	26/01/2025 JD 2.10- JD 2.90	JD 45.5 M	3.99%	JD 0.11

Founded: 1991	Shares Outstanding: 16.5 M	Employees: 167	Sector: Basic Industries	Industry: Chemicals
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The Arab Pesticides & Veterinary Drugs Manufacturing. Co (hereinafter referred to as “**MBED**” or the “**Company**”) is a public shareholding company established in Jordan. MBED started as an agricultural pesticides manufacturer, then expanded to include a wide variety of veterinary medication to improve the health of farm and companion animals. Recently, MBED has decided to venture into the line of veterinary vaccines in an unprecedented expansion. MBED is currently exporting to over 40 countries worldwide, covering Africa, the Commonwealth of Independent States, and are also looking to enter European markets. MBED’s market share is around **17.0%** with 26 local competitors in veterinary drugs and 9 local competitors for pesticides.

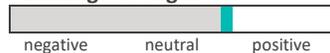
The Company owns 55.0% of Saudi Delta Company in Saudi Arabia, which contributes to 44% of MBED’s earnings. Moreover, the Company has a 44.4% ownership in The Arab Syrian Pesticides Manufacturing Company in Syria, and fully owns Indimaj Company, a company specialized in aerosols manufacturing as well as fertilizers and veterinary drugs. On March 27, 2025, MBED established a fully-owned subsidiary that specializes in seeds, agricultural machinery, equipment, fertilizers, agricultural chemicals, and veterinary pharmaceuticals, both wholesale and retail. **In addition, MBED’s Board of Directors approved the distribution of 4.0% of its paid-up capital in cash dividends to its shareholders.**

Recommendation Summary

UFICO recommends a **SELL** for MBED based on its recent **bearish price movement and weak market sentiment**, despite strong fundamentals. While MBED is undervalued compared to industry peers based on P/E and P/BV ratios, and has demonstrated consistent profitability with increasing earnings over the last five years, technical indicators suggest caution. Despite a healthy ROE, ROA, strong debt-to-equity ratio, and strong current ratio, the overall declining trend and low average trading volume contribute to volatility and price fluctuations. While fundamentals suggest a **BUY**, weak technical indicators and market sentiment favor a cautious **SELL** recommendation.

Relative Valuation

 The stock is **undervalued** based on its P/E and P/BV ratios.

Earnings Strength


The Company exhibits strong financial performance, demonstrated by impressive revenue and net income growth, efficient utilization of equity, and solid profitability margins. The high ROE of 16.50% is particularly notable, indicating effective management of shareholders’ capital.

Financial Stability


MBED’s financial position appears solid with strong ROA, low leverage, and excellent liquidity. The low debt level offers flexibility for future borrowing if needed for expansion or strategic investments.

Price Movement


The stock’s price movement is less likely to fluctuate over time. The stock is rated a **BUY** at its current 14-Day RSI and MA200, although nearing overbought territory.

Major Risks & Rewards

- **Low Trading Activity:** Over the last three months, the low average trading volume of 6,551 shares shows a lack of market interest and liquidity.
- **Currency Risk:** MBED's operations in Syria and Saudi Arabia may encounter significant currency risk when converting profits into Jordanian Dinars, as this conversion impacts MBED's overall profitability, potentially leading to currency losses.
- **Regulatory Compliance:** Similar to pharmaceutical companies, MBED must comply with strict regulations imposed by Food & Agriculture Organization (FAO) of the UN and the World Health Organization (WHO). Failure to adhere to these regulations can result in fines, product recalls, or even suspension of operations.
- **Market Share:** With its current market share in Jordan and Saudi Arabia and operations in over 40 countries, the Company’s goal is to expand into European markets which will result in a potential increase in overall earnings.
- **Product Portfolio:** MBED produces a variety of pesticides and veterinary drugs across 40 markets, offering customers all types of agricultural solutions.
- **Valuation:** Lower price-to-earnings (P/E) and price-to-book value (P/BV) ratios indicate MBED is undervalued in comparison to its industry peers, which could attract investors.
- **Profitability:** MBED continues to be profitable, with a significant 27.4% growth in earnings at the end of 2024.

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JD 2.76/Share
Peers Group Comparison

The only market peer on the ASE for MBED is Intermediate Petrochemicals Industries Company, which incurred losses during 2023 and 2024 and was not used as a comparable company. However, taking into account basic materials/chemical manufacturing industry in emerging markets (www.damodaran.com), the average P/E ratio for the sector stands at **14.53x** and the P/BV ratio stands at **1.61x**.

Past Performance

	2018	2019	2020	2021	2022	2023	2024
Net Profit Margin	14.80%	15.97%	19.45%	19.68%	16.12%	14.94%	15.96%
Earning/ Share (JD)	0.21	0.26	0.37	0.30	0.26	0.27	0.35
Debt to Equity	6.21%	12.42%	17.45%	12.08%	15.25%	12.78%	19.76%
Gross Profit Margin	31.76%	31.36%	35.19%	35.76%	34.60%	33.03%	33.57%
Dividend/ Share (JD)	0.10	0.10	0.10	0.08	0.10	0.10	0.11

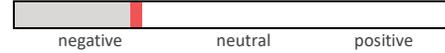
Relative Valuation: POSITIVE

Last Price	Mkt Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
25/3/2025	25/3/2025	(2024)	(Current)	(MRQ)	(MRQ)	(2024)	25/3/2025
JD 2.76	JD 45.5 M	JD 0.35	7.99x	JD 2.21	1.25x	JD 0.11	3.99%

- **P/E vs. Industry** is below the emerging market average indicating potential undervaluation.
- **P/BV vs. Industry** is lower than the emerging market average indicating that the Company may be undervalued.
- **Dividend Yield** of 3.99% is not notable compared to the average of dividend payers on the Jordanian market.

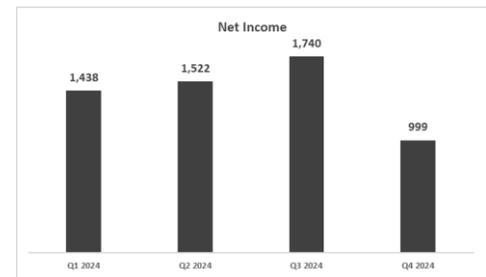
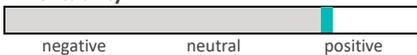
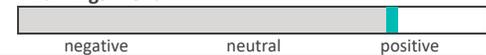
P/E

P/BV

Dividend Yield

Earning Strength: POSITIVE

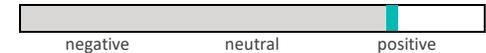
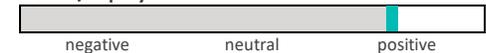
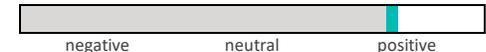
2024 Results	Revenues	Net Income	ROE	NPM
	JD 35.7 M (19.3%)	JD 5.7 M (27.4%)	16.50%	15.96%

- **Earnings Trend:** MBED was profitable over the past 5 years. With earnings increasing by 27.4% by the end of 2024.
- **Return on Equity** is higher than 15.06% achieved at the end of 2023, and is very attractive to investors.
- **Net Profit Margin** is higher than 14.94% achieved at the end of 2023. This margin is strong and implies effective cost control and profitability, which is encouraging for investors.

Profitability

Earnings Trend

Financial Stability: POSITIVE

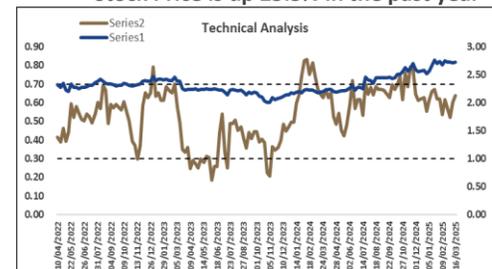
2024 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
	JD 57.1 M	JD 44.2 M	10.83%	19.76%	5.18x

- **Return on Assets** is very strong, indicating improved profitability and efficient asset utilization.
- **Debt/ Equity** of 19.76% is healthy, indicating low reliance on debt for financing operations.
- **Current Ratio** of 5.18x is exceptionally high, indicating strong short-term liquidity, and MBED's ability to meet short-term obligations with its current assets.

Return On Assets

Debt/ Equity

Current Ratio

Price Movement: POSITIVE

Avg 7-Day Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3m):
+/- 10.2%	64.993	2.450	6,551 shares

- **Volatility & Volume** of 10.2% indicates a low level of fluctuation in price over time. The higher the volatility, the riskier the stock. However, the average trading volume of 6,551 shares over the past 3 months indicates relatively low liquidity, which may affect price stability and tradability.
- **14-Day Relative Strength Index (RSI)** is 64.993, suggests the stock is approaching **overbought** territory but remains below the critical level of 70, implying that there

Stock Price is up 25.5% in the past year


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is still room for upward momentum before a potential pullback. 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 above its 200-day moving average, which might indicate a **Buy** signal. The MA for the 50-Day and 100-Day are 2.683 and 2.622, accordingly, indicating a **Buy** signal. This alignment of moving averages supports a continued upward trajectory.

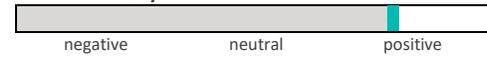
Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14 day and 1-year period. **MBED has demonstrated positive price strength over the past 200-day period, which is a strong indicator of its sustained upward trend. However, recent price changes over the past 14-day period are relatively neutral, suggesting consolidation or a potential short-term pullback.**

The stock recently aimed to break through the resistance level at JD 2.75 but struggled to maintain momentum. Current trading around JD 2.76 suggests that a successful breach of this resistance level could lead to higher gains. Should it fail to hold above this level, support is found at JD 2.63, followed by a more substantial support level at JD 2.50. A breakdown below JD 2.50 could signal further declines.

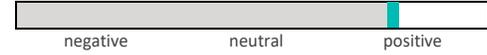
- **Short-Term Traders:** Consider buying around current levels with a target price of JD 2.85 to JD 2.90. Maintain a stop-loss at JD 2.63 to limit downside risk.
- **Long-Term Investors:** Accumulate gradually above the 200-day MA with a medium-term target of JD 3.00 to JD 3.20. Hold positions unless the stock decisively breaks below JD 2.50.
- **Aggressive Buyers:** If the stock breaks above JD 2.75 with strong volume, initiate a buy position with a short-term target of JD 3.00 and a stop-loss at JD 2.63.

Overall, MBED presents a favorable buying opportunity with bullish long-term indicators and solid support levels. However, investors should remain cautious of **potential pullbacks if the stock fails to maintain its current support.**

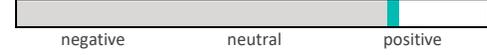
Price Volatility



14-Day RSI



Moving Average (MA)



Average Volume (3-Months)



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1	2	3	4	5	Strong Buy	Significantly Satisfactory
1	2	3	4	5	Buy	Satisfactory
1	2	3	4	5	Hold	Average
1	2	3	4	5	Sell	Unsatisfactory
1	2	3	4	5	Strong Sell	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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