

Report Date: 14-May-25

THE ARAB PESTICIDES & VETERINARY DRUGS MFG. CO.

ASE: MBED



Price as of 14-May-25

JD 2.79/Share

Quarterly Earnings: 31/03/2025

Annual Earnings: 31/12/2024

RATING:



Initiated Coverage 14/05/2025

We project that MBED will perform within 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

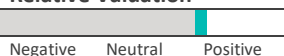
JD 2.65

Previous Rating					27/03/2025	52- Week Price Range	Market Capitalization	Div. Yield	Last Dividend	P/BV
1	2	3	4	5		JD 2.180- JD 2.900	JD 46.04 M	3.94%	JD 0.11/share	1.21x
Forward P/E					Founded	Shares Outstanding	Employees	Sector	Industry	
6.96x					1991	16.5 M	193	Basic Industries	Chemicals	

Recommendation Summary

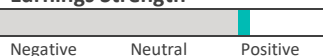
UFICO recommends a **HOLD** for MBED based on our systematic analysis of the four characteristics mentioned above. While MBED is undervalued compared to industry peers, and has demonstrated consistent profitability with increasing earnings. The Company's technical indicators suggest caution. Investors are advised to continually monitoring and tracking developments in order to analyze TAJM's long-term potential.

Relative Valuation



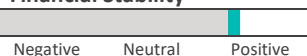
The stock is **undervalued** based on its P/BV and P/E ratios. The dividend yield is low compared to the average of the Jordanian market.

Earnings Strength



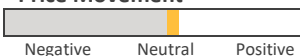
The Company exhibits strong financial performance, demonstrated by impressive revenue and net income growth, efficient utilization of equity, and solid profitability margins. The high ROE is particularly notable, indicating effective management of shareholders' capital.

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 increased and started to fluctuate over time with 26% volatility. 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 4,007 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 60 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 P/BV and P/E ratios indicate MBED is undervalued in comparison to its industry peers, which could attract investors.
- **Dividend Distribution:** MBED's 11.0% cash dividend distribution is a testament to the Company's shareholders of MBED's solid performance, another reason to increase investor confidence in holding MBED's stock

Peers Group Comparison

The only market peer on the ASE for MBED is Intermediate Petrochemicals Industries Company, which incurred losses during Q1 2025, therefore it 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 **15.0x** and the P/BV ratio at **1.6x**.

Past Performance

	2020	2021	2022	2023	2024	1Q24	1Q25
Net Profit Margin	19.45%	19.68%	16.12%	14.94%	15.96%	17.61%	18.25%
Earning/ Share (JD)	0.37	0.30	0.26	0.27	0.35	0.09	0.10
Debt to Equity	17.45%	12.08%	15.25%	12.78%	19.76%	11.33%	17.65%
Gross Profit Margin	35.19%	35.76%	34.60%	33.03%	33.57%	36.31%	35.16%
Dividend/ Share (JD)	0.10	0.08	0.10	0.10	0.11	-	-

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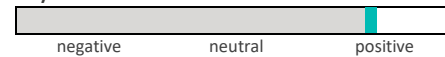
JD 2.79/Share

Relative Valuation: POSITIVE

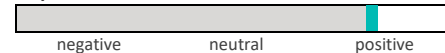
Last Price	Mkt Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
14/05/25	14/05/25	(TTM)	(Forward)	(MRQ)	(MRQ)	(2024)	14/05/25
JD 2.79	JD 46.035 M	JD 0.10	6.96x	JD 2.31	1.21x	JD 0.11	3.94%

- **P/E vs. Industry** is below the emerging market average indicating that the Company is undervalued.
- **P/BV vs. Industry** is below the emerging market average indicating that the Company is undervalued.
- **Dividend Yield** is not notable compared to the average of dividend payers on the Jordanian market.

P/E



P/BV



Dividend Yield

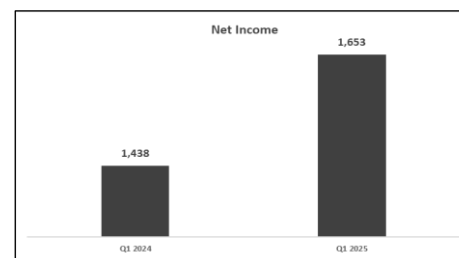
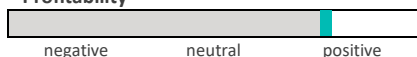


Earning Strength: POSITIVE

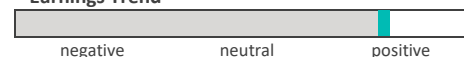
1Q25 Results	Revenues	Net Income	ROE	NPM
(TTM)	JD 9.06 M (10.9%)	JD 1.65 M (14.9%)	17.7%	18.25%

- **Earnings Trend:** Earnings increased by 14.9% compared to Q1 2024.
- **Return on Equity** is higher than that achieved during Q1 2024, and is very attractive to shareholders.
- **Net Profit Margin** is higher than that achieved during Q1 2024. This margin is strong and implies effective cost control and profitability, which is encouraging to investors.

Profitability



Earnings Trend

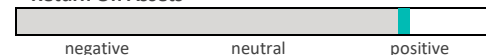


Financial Stability: POSITIVE

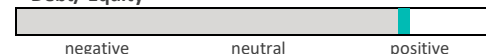
1Q25 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
(MRQ)	JD 58.86 M	JD 46.86 M	11.41%	17.65%	5.34x

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

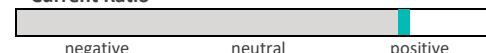
Return On Assets



Debt/ Equity



Current Ratio



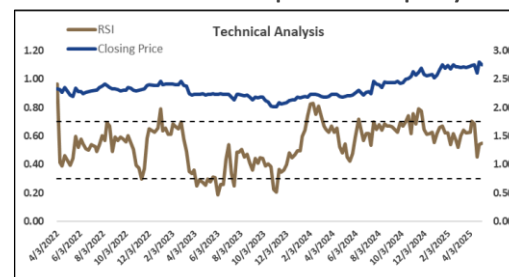
Price Movement: NEUTRAL

Avg annual Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3m):
+/- 25.75%	59.075	2.520	4,007 shares

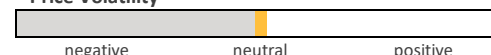
- **Volatility & Volume** Indicate a moderate level of fluctuation in price over time. The higher the volatility, the riskier the stock. However, the average trading volume of shares over the past 3 months indicates relatively low liquidity, which may affect price stability and tradability.
- **14-Day Relative Strength Index (RSI)** suggests that the stock is approaching overbought territory but remains below the critical level of 70, implying that there 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 2.725 and 2.77, 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 shown positive price strength over the past 200-day period, trading above its long-term moving average of JD 2.52, which signals a sustained upward trend.** In the short term, however, price action appears neutral, with the 14-day RSI at 59.075 suggesting a potential consolidation or pullback. The stock recently attempted to break resistance at JD 2.75 but lacked momentum, currently hovering around JD 2.79. A clear break above

Stock Price is up 26% in the past year



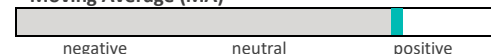
Price Volatility



14-Day RSI



Moving Average (MA)



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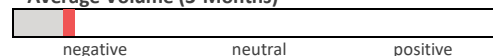
Price as of 14-May-25

JD 2.79/Share

JD 2.85 could confirm bullish continuation, while failure to hold may push the stock toward support at JD 2.63, with a stronger floor at JD 2.50. A drop below JD 2.50 could shift the trend bearish.

UFICO recommends that existing investors hold their positions while the stock trades above JD 2.63, watching for a breakout above JD 2.85 as a sign of continued strength. New investors are advised to wait for a confirmed breakout above JD 2.85 on strong volume or enter near the JD 2.60–2.63 support zone with a stop-loss below JD 2.50 to manage risk.

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	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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