

Report Date: 25-Mar-25

# HAYAT PHARMACEUTICAL INDUSTRIES CO.

ASE: HPIC

Annual Earnings: 31/12/2024

Price as of 24-Mar-25

**JD 2.97/Share**

## RATING:



Initiated Coverage 25/03/2025

We project that HPIC will perform in line with the market over the next 6-12 months. This projection is based on our analysis of four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

## Target Price

**JD 2.95**

### Previous Rating



16/01/2025

### 52- Week Price Range

JD 2.41- JD 2.99

### Market Capitalization

JD 28.2 M

### Dividend Yield

7.41%

### Dividend/Share

JD 0.22

Founded: 1994

Shares Outstanding: 9.5 M

Employees: 234

Sector: Healthcare

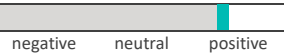
Industry: Pharmaceutical and Medical

**Hayat Pharmaceuticals Industries Company** (hereinafter referred to as “HPIC” or the “Company”) is a pharmaceuticals manufacturing company established in Jordan. HPIC has developed and registered 116 dosage forms/pack sizes in Jordan, representing 56 different brands (molecules) in a variety of medical fields. HPIC is approved and has a presence in **12 MENA markets** with a network of established distributors. **On March 19,2025, the Board of Directors of HPIC announced the distribution of 22% cash dividends to its shareholders.**

## Recommendation Summary

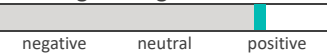
UFICO’s **HOLD** recommendation of HPIC is based on our analysis of the four factors mentioned above. While the stock appears underpriced based on its P/E ratio, its profitability remains strong, with earnings up 32.73% at the end of 2024. The Company exhibits strong financial stability, with reasonable debt levels, a balanced structure, and solid liquidity. Although, the stock price upward movement, propelled by good earnings growth and positive technical indicators, suggests potential for further appreciation in the near future, the stock’s price movement indicates a declining pattern. Investors are required to monitor and track stock company development in order to analyze long term potential.

### Relative Valuation



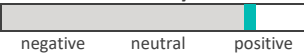
The stock is **underpriced** based on its P/E and fairly valued based on its P/BV ratios. Dividend yield is **above** the average of dividend payers in the market.

### Earnings Strength



Earnings have been increasing over the past five years, and a **32.73% growth** was recorded at the end of 2024.

### Financial Stability



HPIC shows strong financial stability with acceptable debt levels, a balanced financial structure, and solid liquidity.

### Price Movement



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

## Major Risks & Rewards

- **Price Volatility and Trading Activity:** Due to the restricted free float, trading HPIC’s stock on the ASE is very limited.
- **Product Expiry:** Pharmaceutical companies risk financial losses if medications expire before being sold, directly impacting revenue & profitability.
- **Market competition:** there are many players in the market in Jordan and the region, which poses a threat to the operations of the Company going forward.
- **Financial Stability:** A healthy debt/equity ratio and current ratio suggest a stable financial position and strong liquidity.
- **Dividend Yield:** A dividend yield of 7.41%, along with the distribution of 22% cash dividends in 2024, provides stockholders with investment income.

## Peers Group Comparison

Ticker	Peer Name	Price	Mkt Cap*	EPS	P/E	P/BV	NPM	Debt/Equity
		24/3/2025	24/3/2025	(2024)	(Current)	(2024)	(2024)	(2024)
HPIC	Hayat Pharmaceutical Industries Co.	JD 2.97	28,215	JD 0.325	9.13x	0.91x	18.49%	12.40%
DADI	Dar Al Dawa Development & Investment	JD 1.25	43,750	JD 0.103	12.12x	0.91x	4.45%	105.41%
PHIL	Philadelphia Pharmaceuticals	JD 1.44	10,800	JD 0.110	13.15x	0.83x	9.38%	15.24%
Weighted Averages (Peers)					12.33x	0.89x		
Emerging Market Averages ( <a href="http://www.damodaran.com">www.damodaran.com</a> )					18.72x	5.70x		
Median					12.63x	0.87x		

\* in JD thousands

## Past Performance

	2019	2020	2021	2022	2023	2024
Net Profit Margin	21.30%	21.17%	21.96%	20.63%	14.73%	18.49%
Earning/ Share (JD)	0.35	0.37	0.38	0.37	0.25	0.33
Debt to Equity	6.13%	8.21%	7.38%	4.06%	6.61%	12.40%
Gross Profit Margin	64.08%	68.65%	67.71%	65.33%	62.70%	55.64%
Dividend/ Share (JD)	0.10	0.20	0.25	0.25	0.17	0.22

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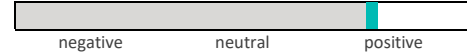
**JD 2.97/Share**

### Relative Valuation: **POSITIVE**

Last Price	Mkt Cap	EPS	P/E	BV/Share	P/BV	DPS	Div. Yield
24/3/2025	24/3/2025	(2024)	(Current)	(2024)	(2024)	(2024)	24/3/2025
JD 2.97	JD 28.2 M	JD 0.33	9.13x	JD 3.25	0.91x	JD 0.22	7.41%

- **P/E vs. Industry** is lower than the peer group weighted average and median P/E ratio which indicates undervaluation.
- **P/BV vs. Industry** is in line with the peer group weighted average and median P/BV ratio, indicating fair valuation.
- **Dividend Yield** is above the average of dividend payers on the Jordanian market.

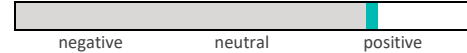
#### P/E



#### P/BV



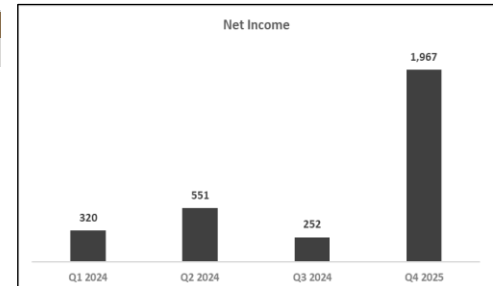
#### Dividend Yield



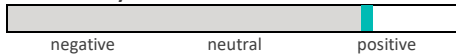
### Earning Strength: **POSITIVE**

FY24 Results	Revenues	Net Income	ROE	NPM
	JD 16.7 M (+5.72%)	JD 3.09 M (+32.73%)	10.27%	18.49%

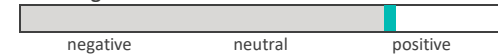
- **Earnings Trend:** HPIC demonstrated strong revenue growth and profitability improvement in 2024.
- **Return on Equity** is reasonable and higher than the 7.93% achieved at the end of 2023 providing good profitability for shareholder, but not exceptional for a pharmaceutical company.
- **Net Profit Margin:** Margins have fluctuated over the years. The recovery in 2024 suggests efforts to improve operational efficiency.



#### Profitability



#### Earnings Trend

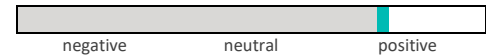


### Financial Stability: **POSITIVE**

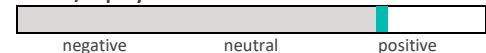
FY24 Results	Assets	Equity	ROA	Debt/ Equity	Current Ratio
	JD 37.5 M	JD 30.8 M	8.59%	12.40%	7.08x

- **Return on Assets:** Although ROA dropped in 2023 and 2024 from a consistent level of 11.0%, it is a solid indicator of profitability, demonstrating efficient use of assets to generate income, and is above average for many pharmaceutical companies.
- **Debt/ Equity:** While this represents a noticeable increase from previous years, it is still considered low for the sector, indicating a conservative approach to leveraging.
- Current Ratio indicates HPIC's strong ability to meet short-term obligations with its current assets suggesting excellent short-term financial health and minimal liquidity risk.

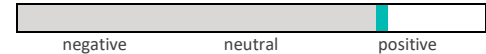
#### Return On Assets



#### Debt/ Equity



#### Current Ratio



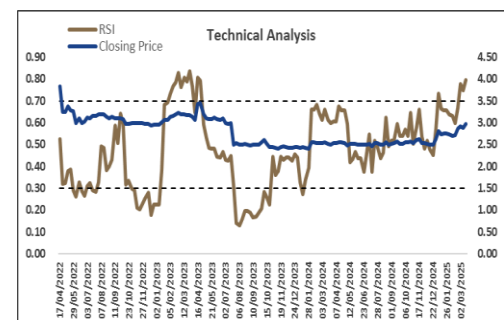
### Price Movement: **NEUTRAL**

Avg 30-Day Volatility:	14-Day RSI:	200 Day MA:	Avg. Vol (3M):
+/-11.04%	71.769	2.567	2,937 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 71.769, indicating a **Sell** signal at this level. 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 2.730 and 2.634, indicating a **Buy** signal.
- **Average Volume 3-Months** is 2,937 shares, which indicates **low trading activity**. This may lead to higher price volatility and difficulty in executing large trades without impacting the price.

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. **HPIC has a positive price strength in the past 200-day period indicating a favourable signal of near-term price gains.**

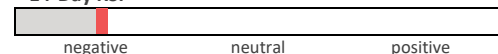
### Stock Price is up 18.8% in the past year



#### Price Volatility



#### 14-Day RSI



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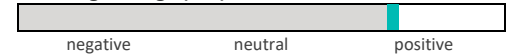
JD 2.97/Share

HPIC's stock has experienced a rapid increase from JD 2.50 to JD 2.97, approaching a key resistance level of JD 3.00. The current price is trading above its 200-day MA, indicating a positive long-term trend. However, the 14-day RSI reflects an overbought condition, suggesting that momentum may be waning and a short-term correction is likely.

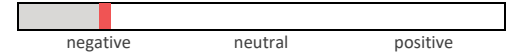
From a technical perspective, JD 3.00 represents a strong psychological resistance level, which may prove difficult to surpass without significant positive catalysts or increased trading volume. If the stock fails to break above this level, a correction towards JD 2.80 is expected, which aligns with recent support levels and would provide a healthier entry point for new investors.

Given the current technical indicators, we recommend a **Hold** for existing investors and advise caution for new entrants until the stock confirms a break above JD 3.00 with sustained volume. Alternatively, if the stock pulls back to the JD 2.80 support level, it may present a more favorable buying opportunity. Investors should monitor RSI levels and trading volume closely to assess whether the stock can maintain its bullish momentum or if a deeper correction is likely.

### Moving Average (MA)



### Average Volume (3-Months)



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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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