

Al Hammadi Holding

Lower ECL provisions drive outperformance— Maintain Neutral

Rating: Neutral | 12M Target Price: SR 45

March 05, 2025

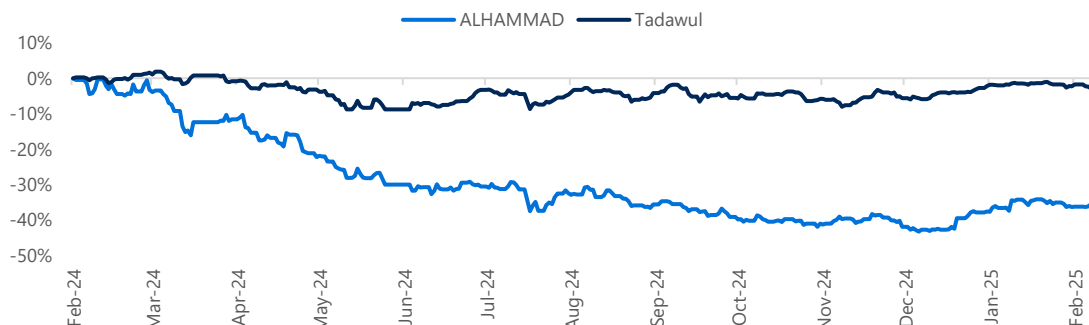
Market Data		Valuations				
		2024A	2025F	2026F	2027F	
Last Price (SR)*	41	Net Income (SR)	339	305	341	487
Target Price (SR)	45	EPS (SR)	2.1	1.9	2.1	3.0
Upside / Downside (%)	10.7	PER (x)	19.4	21.5	19.2	13.5
Market Cap (mn) (SR/USD)	6,568/1,751	PBV (x)	3.3	3.0	2.6	2.3
52 week High / Low (SR)	67/38	DPS (SR)	1.4	0.3	0.3	0.5
12-month ADTV (mn) (SR/USD)	33/9	D/Y (%)	3.4	0.6	0.6	1.2
YTD Return (%)	6.9	RoE (%)	17.8	14.7	14.5	18.0
Bloomberg Code	ALHAMMAD AB					

*last price as of 04 Mar 2025

Financials (SR mn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Revenue	323	388	-17	304	6	291	11
Gross Profit	110	129	-15	108	2	96	14
Operating Profit	78	60	32	71	10	82	-4
Net Income	78	51	52	65	19	79	-2
EPS	0.5	0.3		0.4		0.5	
Ratios			Var (bps)		YoY (bps)		QoQ (bps)
Gross Margin (%)	34.0	33.4	60	35.5	-154	33.1	90
Operating Margin (%)	24.3	15.4	892	23.4	91	28.2	-389
Net Income Margin (%)	24.1	13.2	1,089	21.5	262	27.2	-314

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Al Hammadi Holding (ALHAMMAD AB) reported a net profit of SR78mn in 4Q24 (EPS: SR0.5), up 19% YoY and lower by 2% QoQ. Net profit growth was primarily driven by higher revenue along with decline in ECL provisions, further supported by below-the line items. Growth in profits was partially offset by decline in gross margins. Earnings came in higher than consensus estimate of SR74mn and our estimate of SR51mn. Additionally, the company announced a dividend of SR0.35/share for the quarter.

- Revenue during the quarter grew 6% YoY to SR323mn due to uptick in patient volume as customers adjust to the strategic price hikes introduced towards the start of 2024. Inpatient admissions increased 11% YoY in 4Q24 while outpatient volume was largely stable at 274k visits. On a sequential basis, revenue improved 11% QoQ driven by seasonal uptick in patient volume with inpatient admissions up 16% QoQ and outpatient visits up 12% QoQ.
- Gross margins declined 154bps YoY to 34.0% in 4Q24 driven by higher salary expenses in addition to pressure on patient volume following strategic repricing implemented by the company. Sequentially, however, gross margins improved by 90bps QoQ.
- Operating profit increased 10% YoY to SR78mn in 4Q24 primarily driven by the gross level performance and 49% YoY decline in ECL provisions to SR12.9mn along with lower selling and marketing expenses.
- Net profit increased 19% YoY driven by SR2.2mn finance income and lower zakat expense while on a sequential basis, net profit decreased by 2% QoQ.
- Hammadi's stock price has remained range bound (up 2%) since our initiation and we maintain our Neutral stance on the stock with a target price of SR45/share. We remain cautious on Hammadi given 1) the company's relatively less aggressive expansion plans (no new hospitals coming online this year), 2) sharp decline in gross margins (33% in 2024 vs 37% in 2023) with a dim outlook in the near term and 3) limited geographic presence in light of rising competition (no plans to expand outside of Riyadh so far). The company recently implemented a repricing strategy which was aimed at improving the company's mix towards the A+ insurance patient segments and better position itself for the implementation of Diagnosis Related Group (DRG). We expect EPS to reach SR1.9 in 2025, which leaves the company trading at a 2025e P/E of 21.5x and P/B of 3.0x while we highlight earlier than expected gross margin recovery and successful penetration in the A+ segments as key triggers to our investment thesis.

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