INITIATION OF COVERAGE

Al Hammadi Holding

21 October, 2024

We initiate coverage on Al Hammadi Holding (Hammadi) with a target price of SR45 and a Neutral recommendation. The company has two hospitals in Riyadh and over the next four years has plans to bring two more hospitals online adding more capacity to its network. The plan is to add 400 beds by 2028, an increase of around 67%. This will be done through the reopening of its Olaya hospital followed by the addition of a fourth hospital in Narjis in Riyadh. As part of its premiumization strategy, the company is also working towards expanding its share of A+/VIP patients, positively impacting pricing power. The company is also reviewing its pricing strategy to maximize benefits from the implementation of its Diagnosis Related Group (DRG), a patient classification system used to streamline inpatient billing. On the back of this, we estimate 10% CAGR in revenues over 2023-26. This is lower than its listed peers under our coverage. The stock has underperformed despite low valuations. Consensus earnings estimates for 2024 have been revised down by 10% and we think there is further risk of downgrades. Our price target of SR45 is based on a DCF (WACC: 9.9% and terminal growth of 3.0%) and implies a PE of 24x for 2025e.

Expanding coverage in Riyadh: Hammadi is a prominent player in the Riyadh healthcare market operating two prime hospitals in key locations of the city. Unlike its Riyadh peer HMG, Hammadi has been more conservative in expansions so far, and instead has focused on optimizing customer mix and cost controls. Over 2019-2023, revenues have only increased at a CAGR of 4.8% but there has been 778 bpts increase in gross margins and ROE has expanded by 1,095bps. Going forward, the company is starting to add additional capacity (will increase the number of beds to 1,000 by 2028 from 600 in 2023). We expect this to drive CAGR of 14% in revenues over 2023-2028. While this is faster than the historical trend, the growth is mainly coming in 2026 and 2028 and until then the process of premiumization is ongoing. The company is aiming to attract more high-end patients and negotiating price increases with the insurance companies.

Revamping its pricing strategy: Hammadi has moved towards strategic repricing of its services as part of its strategy which is expected to be implemented from 2024-2026. This is expected to take a toll on the company's gross level performance in the near term. However, the strategy is also expected to place the company in a better position to maximize gains from the implementation of DRG. Post 2027, the company plans to shift its focus back to volume growth as its new capacities come online.

Still risks to consensus earnings estimates: Since the start of the year, consensus earnings estimates for 2024 have been revised down by around 10%. The cuts have come mainly due to weaker patient volumes. Our estimates are below consensus.

Valuation: Our target price of SR45/share for Hammadi values the company at a 2025e P/E of 24x. Relative to the sector, the stock looks cheap. However, with ROE expected to take a hit amid pressure on margins and relatively less aggressive expansion plans (capacity increase 2026 onwards) we think there is no positive catalyst in the near term which could drive a multiple re-rating.

Risks: The key downside risks are pressure on gross margins in the near term, rising competition, delays in expansions and build-up in trade receivables (48% of revenue in 2023).

RATING SUMMARY	Neutral
Target Price (SR)	45
Upside/Downside	12%
Dividend Yield	3%
Total Return	15%

ISSUER INFORMATION	
Share Price (SR/sh)	40.4*
Target Price (SR/sh)	45
Bloomberg (Equity)	ALHAMMADI AB
Market Cap (SRmn)	6,448
Free Float (%)	66.2

As of 20th October 2024

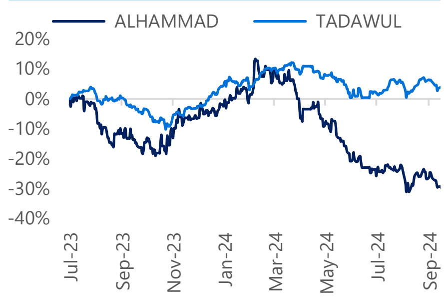
MULTIPLES	2024E	2025F
P/E (x)	21.0	21.5
P/B (x)	3.4	3.0
P/S (x)	5.4	4.9
EV/EBITDA (x)	16.0	14.2
RoA (%)	12	11
RoE (%)	17	15

Source: Bloomberg, anbc research

FINANCIALS (SR MN)

	2023A	2024e	2025F	2026F
Revenue	1,177	1,219	1,346	1,587
Gross Profit	433	402	456	525
EBITDA	443	401	451	496
Net Income	303	312	305	341
EPS	1.9	1.9	1.9	2.1
DPS	1.4	1.5	0.3	0.3

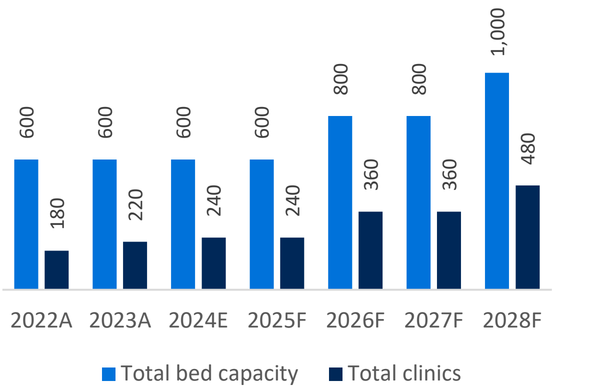
PRICE PERFORMANCE –Hammadi vs. TASI



Muhammad Adnan Afzal
Head of Sell Side Research
Muhammad.afzal@anbcapital.com.sa
+966 11 4062500 ext:4364

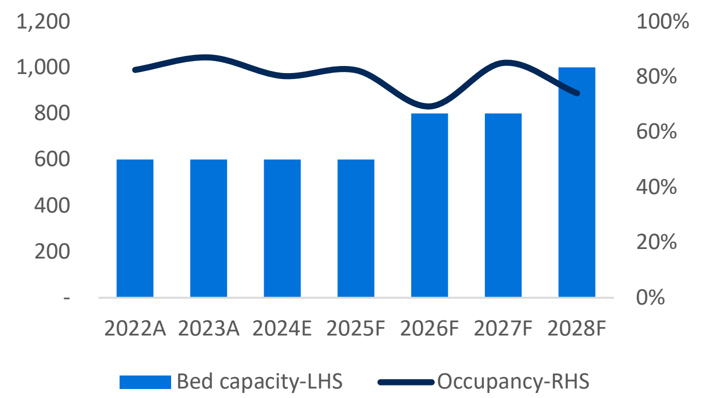
Investment Thesis in Charts

Chart 119: Capacity to increase ~67% by 2028



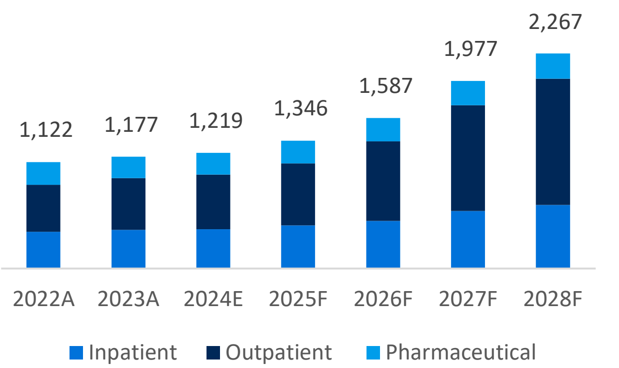
Source: Company Financials and anbc research

Chart 120: Occupancy to dip in expansion years



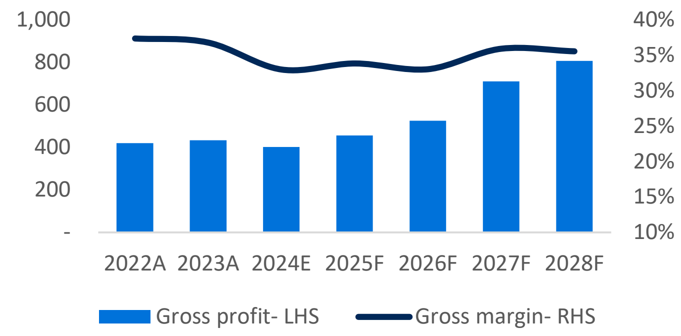
Source: Company Financials and anbc research

Chart 121: Revenue to grow at a CAGR of 14% by 2028



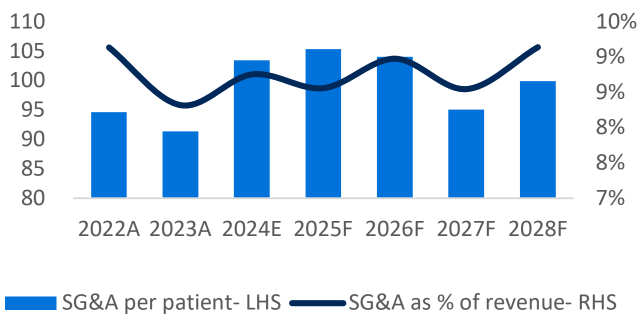
Source: Company Financials and anbc research

Chart 122: Gross margins to face pressure in the near term



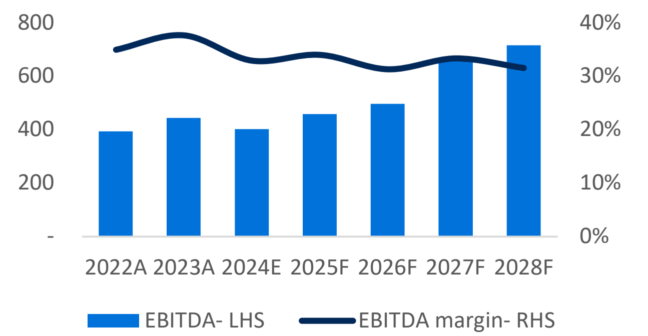
Source: Company Financials and anbc research

Chart 123: SG&A to remain around 9% of revenue



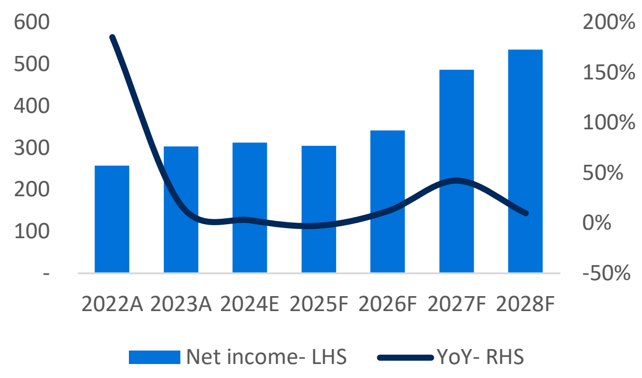
Source: Company Financials and anbc research

Chart 124: EBITDA to face pressure



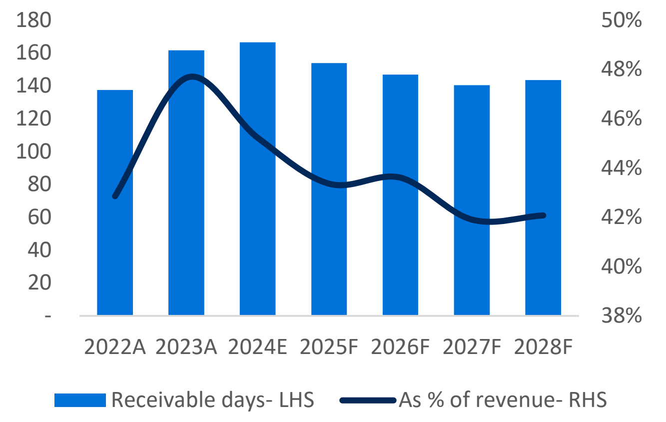
Source: Company Financials and anbc research

Chart 125: Net profit growth to peak in 2027 as operations at Olaya gather pace



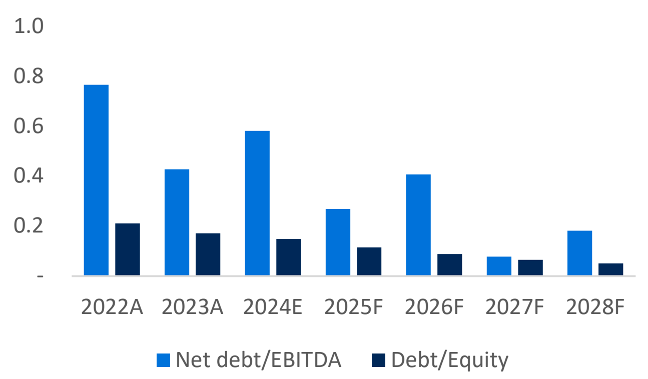
Source: Company Financials and anbc research

Chart 126: Receivable days to improve to 144 days by 2028



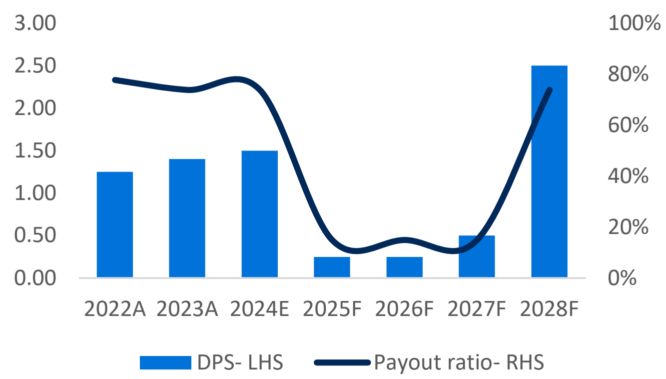
Source: Company Financials and anbc research

Chart 127: Net debt/EBITDA levels to reach 0.6x in 2024



Source: Company Financials and anbc research

Chart 128: Dividend cut during 2025-2027 to meet Capex needs



Source: Company Financials and anbc research

Table 34: Financial Summary

Al Hammadi Holding						
Income statement:		**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Revenue	SR mn	1,122	1,177	1,219	1,346	1,587
Gross profit	SR mn	420	433	402	456	525
General &admin	SR mn	92	89	96	103	128
Operating profit	SR mn	292	343	347	333	367
EBITDA	SR mn	392	443	401	451	496
PAZ-holding company	SR mn	257	303	312	305	341
Balance Sheet:		**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Current assets	SR mn	627	784	703	813	823
Non current assets	SR mn	1,855	1,811	1,945	2,076	2,354
Total assets	SR mn	2,482	2,594	2,648	2,889	3,177
Current liabilities	SR mn	260	284	288	296	314
Non-current liabilities	SR mn	511	466	444	411	379
Total equity	SR mn	1,711	1,845	1,917	2,182	2,483
Cash Flow Statement:		**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Net CFO	SR mn	253	351	439	392	368
CFI	SR mn	(113)	(55)	(243)	(248)	(407)
CFF	SR mn	(201)	(232)	(272)	(72)	(72)
Ending balance	SR mn	61	125	49	121	9
YoY Growth		**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Revenue	%	*17.9%*	*4.8%*	*3.6%*	*10.4%*	*17.9%*
EBITDA	%	*63.0%*	*12.9%*	*-9.5%*	*12.4%*	*10.1%*
Operating profit	%	*122.3%*	*17.4%*	*1.2%*	*-3.9%*	*10.2%*
Net income	%	*185.7%*	*17.9%*	*2.9%*	*-2.4%*	*12.0%*
Ratios		**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Return on assets (ROA)	%	*10.8%*	*12.0%*	*11.9%*	*11.0%*	*11.3%*
Return on equity (ROE)	%	*15.3%*	*17.1%*	*16.6%*	*14.9%*	*14.6%*
Gross margin	%	*37.4%*	*36.8%*	*33.0%*	*33.9%*	*33.1%*
Operating margin	%	*26.0%*	*29.1%*	*28.5%*	*24.8%*	*23.2%*
EBITDA margin	%	*34.9%*	*37.6%*	*32.9%*	*33.5%*	*31.3%*
Net margin	%	*22.9%*	*25.8%*	*25.6%*	*22.6%*	*21.5%*
Dividend payout	%	*77.7%*	*73.8%*	*73.8%*	*15.0%*	*15.0%*
Effective zakat rate	%	*6.1%*	*5.5%*	*5.5%*	*5.5%*	*5.5%*
Per Share Analysis		**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Earnings per share (EPS)	SR/sh	1.6	1.9	2.0	1.9	2.1
Dividends per share (DPS)	SR/sh	1.3	1.4	1.5	0.3	0.3
Book value per share (BVPS)	SR/sh	10.7	11.5	12.0	13.6	15.5

Source: Company Financials and anbc research

Investment Thesis

Riyadh based healthcare provider entering an expansion phase:

Hammadi operates two hospitals in Riyadh. Al Nuzha hospital, the first of the two, is located in the northeast neighborhood of the city. This hospital has a bed capacity of 300 beds along with 120 outpatient clinics. The hospital also has 13 operating rooms. The hospital specializes in cardiology, orthopedics, endocrinology and bariatric surgeries. Al Nuzha is also the higher revenue generating hospital of the two accounting for 58% of total revenue (excluding pharmaceutical sales). The second, Al Suwaidi Hospital, is located in the southwest of Riyadh. This hospital has a capacity of 300 beds (200 operational) with 100 outpatient clinics and 13 operating rooms. The hospital's specialty lies in cardiology, dermatology, pediatrics and obstetrics & gynecology. Unlike its listed peers, over the past five years, Hammadi has been more conservative on growth, and instead has focused on i) cost optimization and ii) enhancing the patient mix. Consequently, while historical revenue growth rate of 4.8% annualized over 2019-2023 is lower than listed peers, the company achieved substantial improvement in its margins and profitability. Earnings increased at 25% CAGR.

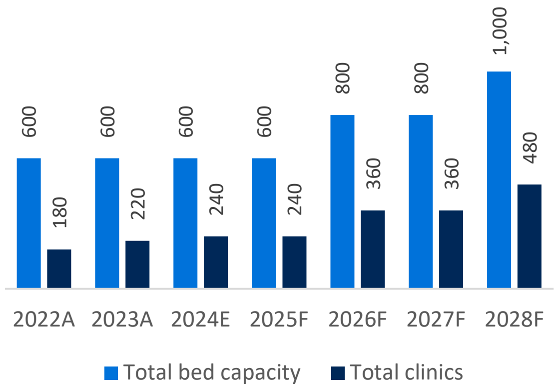
Table 35: Existing and upcoming capacity until 2028

	Beds	Clinics	City	Completion
Al Suwaidi*	300	100	Riyadh	2015
Al Nuzha	300	120	Riyadh	2018
Existing capacity	**600**	**220**		
Olaya (re-opening)	200	120	Riyadh	2026
Al Narjis	200	120	Riyadh	2028
Upcoming capacity	**400**	**220**		

*Source: Company data, *200 beds operational beds*

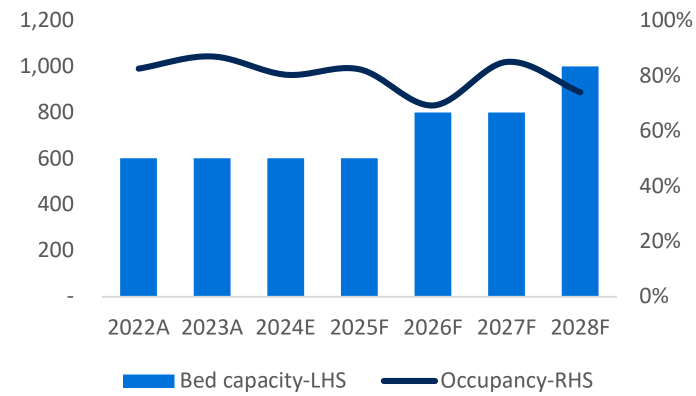
The company plans to enhance its capacity to 1,000 beds by 2028, an increase of 67% from current levels through the addition of two hospitals. The first of the two will be the reopening of Olaya Hospital which was the company's first hospital. The hospital was temporarily closed in 2021 for renovations. Post completion, the hospital will house two new centers of excellence which will specialize in sports medicine and oncology. The hospital is expected to be reopened in 2026 with 200 beds and 120 clinics. Similarly, the company also has plans to add a fourth hospital in 2028 which will be located in Al Narjis district in Riyadh. The hospital will have a bed capacity of 200 beds with 120 clinics and 2 centers of excellence. The centers of excellence will be focused on rehabilitation and plastic surgery. In addition to the new projects, the company also has 120 non-operating beds in Al Suwaidi which will be utilized to address rising demand.

Chart 129: Capacity to increase ~67% by 2028



Source: Company Financials and anbc research

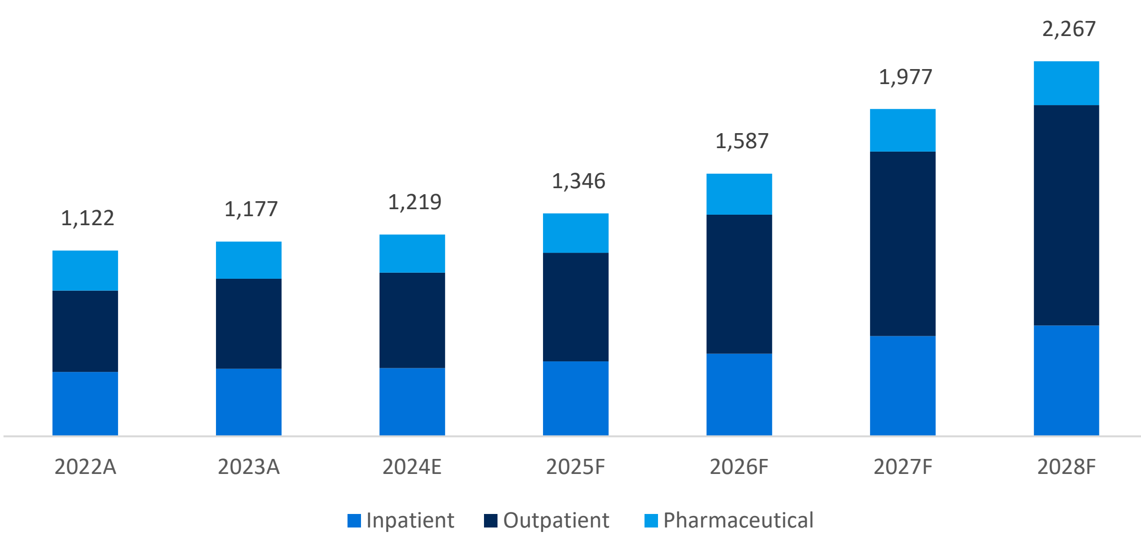
Chart 130: Occupancy to dip in expansion years



Source: Company Financials and anbc research

We expect the added capacity to drive revenue CAGR of 14% over 2023-2028, which is almost 3x its past 4-year performance (4.8% CAGR). Part of the reason for the company's mid-single digit growth was the closure of Olaya Hospital in 2021, which is now expected to come back online in 2026. We expect the highest growth in the outpatient segment (5-year CAGR: 20%) followed by growth in the inpatient segment (5-year CAGR: 10%) and the Pharmaceutical segment (5-year CAGR: 3%). We expect the company to grow its footprint across the city, capitalizing on the excess demand in the sector amid favorable regulation and population dynamics. We expect low single digit revenue growth of 4% in 2024 with slowdown in patient volume during 1H24 amid seasonality and strategic prices hikes. Thereon we expect the company to gain momentum reaching double digit growth averaging 17% growth during 2025-2028 as the company nears completion of its expansion projects.

Chart 131: Revenue to grow at a CAGR of 14% by 2028



Source: Company Financials and anbc research

Table 36: Revenue Model

	2022A	2023A	2024E	2025F	2026F	2027E	2028E
Number of Beds	600	600	600	600	800	800	1000
growth	-33%	0%	0%	0%	33%	0%	25%
Bed Utilization	82.5%	87.0%	80.3%	82.3%	69.3%	85.0%	74.0%
Number of Clinics	180	220	240	240	360	360	480
growth	-29%	22%	9%	0%	50%	0%	33%
Number of Inpatients	44,900	40,600	37,330	38,306	41,435	49,214	53,455
growth	11%	-10%	-8%	3%	8%	19%	9%
Number of Outpatients	1,038,500	1,030,700	994,128	1,055,653	1,327,224	1,728,103	2,020,772
growth	7%	-1%	-4%	6%	26%	30%	17%
Total Patients	1,083,400	1,071,300	1,031,458	1,093,959	1,368,659	1,777,317	2,074,227
growth	7%	-1%	-4%	6%	25%	30%	17%
Revenue per Inpatient	8,619	10,025	11,027	11,799	12,035	12,276	12,521
growth	-10%	16%	10%	7%	2%	2%	2%
Revenue per Outpatient	475	528	581	621	634	646	659
growth	31%	11%	10%	7%	2%	2%	2%
Inpatient Revenues	387	407	412	452	499	604	669
growth	1%	5%	1%	10%	10%	21%	11%
Outpatient Revenues	493	544	577	656	841	1,117	1,332
growth	39%	10%	6%	14%	28%	33%	19%
Hospital Revenues	880	951	989	1,108	1,340	1,721	2,001
growth	19%	8%	4%	12%	21%	28%	16%
Pharmacy Revenues	242	226	230	238	247	256	265
growth	14%	-7%	2%	4%	4%	4%	4%
Total Revenues	**1,122**	**1,177**	**1,219**	**1,346**	**1,587**	**1,977**	**2,267**
growth	**18%**	**5%**	**4%**	**10%**	**18%**	**25%**	**15%**

Source: Company Financials, anbc research

Revamping its pricing strategy and premiumization of customer base

Hammadi is working towards expanding its presence in the A/VIP class patients' segment. In terms of its patient mix, A/VIP class patients together accounted for 42% of the hospital's revenue at Al Nuzha and for 44% at Al Suwaidi in 2023. The latter hospital also has a higher share of VIP patients compared to Al Nuzha (17% vs 12%). Al Nuzha was originally established to cater to the B+ class patients and had double the bed capacity it has now (600 beds vs 300 beds now). In 2022, as part of the company's premiumization policy, the hospital was converted into a 300-bed facility targeting the A/VIP class patients.

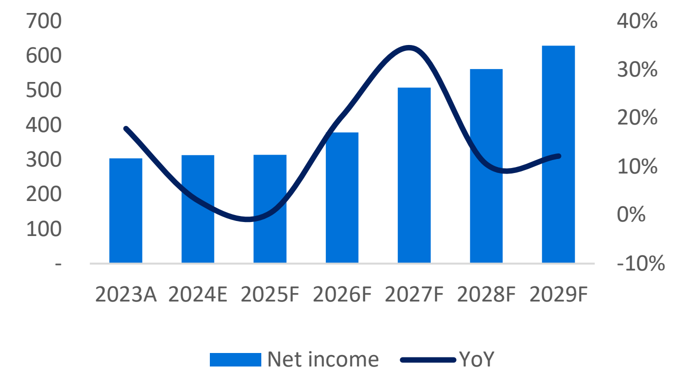
From the start of the year, the company has implemented a revamp of its pricing. The revised pricing strategy is also aimed at improving the company's sales mix in a way which maximizes gains from the implementation of the DRG system. The system is expected to be implemented in 2027 with shadow billing expected in 2025 and will be essential in healthcare funding and reimbursement systems. The system will assign price multipliers to hospitals based on services provided and price levels. To maximize this multiplier, the company is working towards improving the number of complex cases and the volume of day surgeries. The company has also revised its 2025 guidance on price increases for insurance patients to 10%-12% from 5%-7% earlier.

However, on the downside, we are concerned that in the premium market Hammadi faces tougher competition from the likes of HMG and Fakeeh.

Top tier margins; expected to take a hit

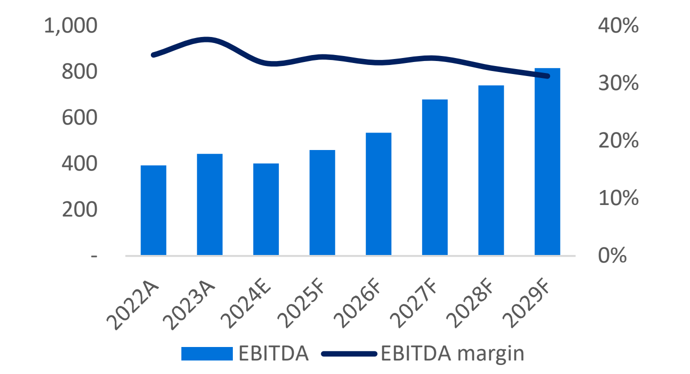
Hammadi has an impressive track record in terms of its margins. The company outranked its peers (within our coverage) with the highest EBITDA margins as well as net margins during 2023.

Chart 132: Net profit growth to spike in 2027 as Olaya gathers pace



Source: Company Financials and anbc research

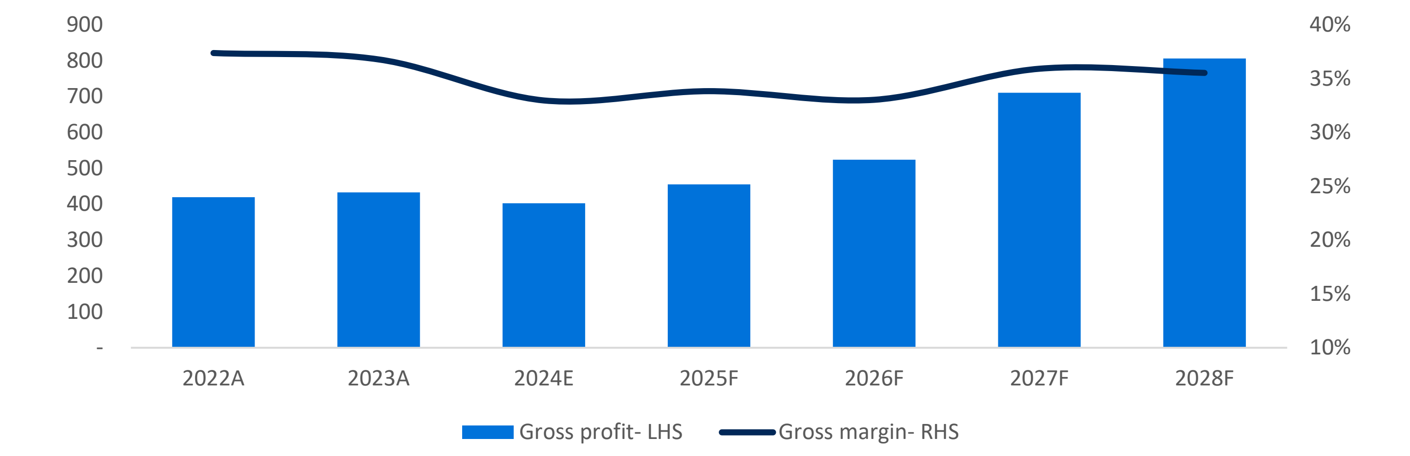
Chart 133: EBITDA to face pressure amid weakness in gross margins



Source: Company Financials and anbc research

The company also ranked second among its peers (within our coverage) in 2023 with gross margins of 37% behind Mouwasat's 49% and slightly above Dallah at 37%. However, since the start of 2024, gross margins have taken a hit on the back of revisions in the company's pricing strategy as highlighted above. The company is yet to generate sufficient demand from the more premium segment and consequently bed utilization has declined. This has hurt gross margins. Gross margins during 1H24 dropped to 33% and are expected to remain range bound in the near term as customers adjust to changes in pricing. We are modelling bed utilization at Al Nuzha Hospital to decline to 86% in 2024 and only reach back to 100% by 2027. The company might also need to offer discounts to attract patients during this period. With added pressure from expansion projects in the coming years, we think gross margins will remain depressed compared to historical levels.

Chart 134: Gross margins to face pressure



Source: Company Financials and anbc research

1H24 results have been lower than consensus expectations due to weaker volumes. Hammadi aims to replace 65% of its insurance patients (class B/B+) with more premium customers (A and VIP categories). There has been a 10% downgrade to 2024 EPS estimates since the start of the year.

Valuations

We have used a Discounted Cash Flow (DCF) model to value Hammadi with a cost of equity of 10.6% and a weighted average cost of capital (WACC) of 9.9%. Our target price of SR45/share values the company at a 2025e P/E of 24x. We have a Neutral rating on the stock as we think the current valuations reflect the earnings growth prospects as well as the risks involved. Earnings are estimated to grow at a CAGR of 12% over the next five years with much of the growth coming post 2026 as expansion projects come online. We expect flattish earnings over the next two years (unadjusted 2024 earnings for one off gain on the sale of land) before pick up in momentum.

Table 37: Our estimates versus consensus

	ANB Est	Consensus		ANB Est	Consensus		ANB Est	Consensus	
	2024E	2024E	Delta	2025E	2025E	Delta	2026E	2026E	Delta
Revenues	1,219	1,192	2%	1,346	1,329	1%	1,587	1,535	3%
Gross Margin	33.0%	33.6%	-0.6%	33.9%	35.1%	-1.2%	33.1%	34.6%	-1.5%
EBITDA	401	415	-3%	451	457	-1%	496	509	-3%
EBITDA Margins	32.9%	34.8%	-1.9%	33.5%	34.3%	-0.9%	31.3%	33.2%	-1.9%
Net Income	312	322	-3%	305	351	-13%	341	391	-13%
EPS	1.95	1.95	0%	1.90	2.03	-6%	2.13	2.28	-6%

Source: Bloomberg, anbc research

Table 38: DCF Model

Al Hammadi Holding Discounted Cash Flow (DCF)		2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F
EBITDA		401	451	496	658	714	805	831	844
Zakat		(18)	(18)	(20)	(28)	(31)	(36)	(37)	(38)
WC change		18	(30)	(103)	(130)	(119)	(79)	23	23
CAPEX		(239)	(247)	(404)	(264)	(257)	(115)	(121)	(127)
FCF		161	156	(30)	235	307	575	695	702
Terminal value		-	-	-	-	-	-	-	10,518
PV of FCF	**-**	**161**	**142**	**(25)**	**177**	**211**	**359**	**395**	**5,804**
Terminal growth	*3.0%*								
WACC	*9.9%*								
Enterprise value	**7,225**								
Debt	301								
Cash	350								
Equity value	**7,275**								
No. of shares	160								
TP	**45**								
Current price	41								
Upside	***10.9%***								
D/Y	***3.4%***								
Total return	***14.3%***								

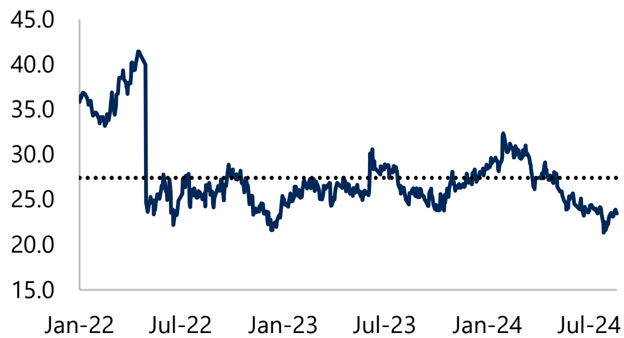
Source: Company Financials and anbc research

Table 39: Valuation sensitivity

		WACC				
		8.9%	*9.4%*	*9.9%*	*10.4%*	*10.9%*
Terminal growth rate	*2.50%*	51	47	43	40	37
	3.00%	54	50	**45**	42	39
	3.50%	59	53	48	44	41
	4.00%	64	57	52	47	43

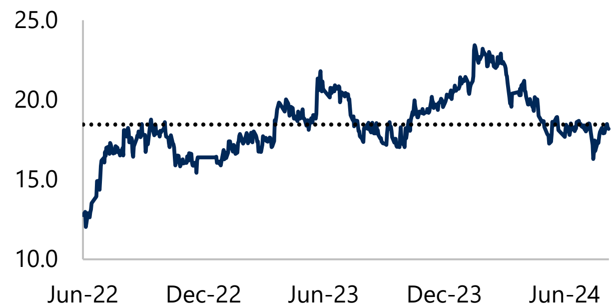
Source: Company Financials and anbc research

Chart 135: Hammadi PE (current year)



Source: Bloomberg

Chart 136: Hammadi EV to EBITDA (current year)



Source: Bloomberg

Company Overview:

Hammadi is an integrated healthcare company and premier hospital operator based in Riyadh, providing healthcare services through two hospitals; Al-Nuzha Hospital and Al-Suwaidi Hospital. The company was formed 35 years ago with the launch of Olaya Hospital (now closed with a planned re-opening in 2026). Al Suwaidi Hospital was opened up in 2015 and is based in Southwest Riyadh. It has around 300 rooms and 100 outpatient clinics. Al Nuzha Hospital was opened in 2018 and is in the Northeast neighbourhood of Riyadh. It now has 300 beds and 120 outpatient clinics. Total combined capacity of the two hospitals is 600 beds with 220 outpatient clinics. In 2023, Hammadi treated 1.03mn outpatients and 41,000 inpatients maintaining a high utilization of 87% for inpatients and 92% for outpatients. The company has two pharmacies, one at each of its hospitals.

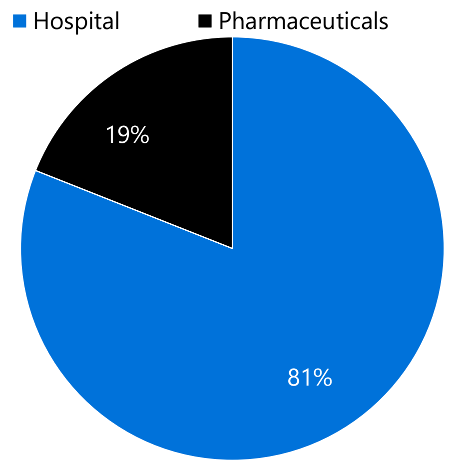
Hammadi also has a 35% stake in Sudair Pharmaceutical Company (total capital of SR57mn).

Table 40: Hammadi in a snapshot

Hospital	Al Nuzha	Al Suwaidi
Location	Northeast Riyadh	Southwest Riyadh
Date Established	2018	2015
Inpatient rooms	300	300
Clinics	120	100
Operating Rooms	13	13
Specializations	Cardiology, Endocrinology, Bariatic Surgery, Orthopaedics	Cardiology, Dermatology, Paediatrics, Obstetrics & Gynaecology
Pharmaceutical	1	1
Percentage of hospital revenues	58%	42%

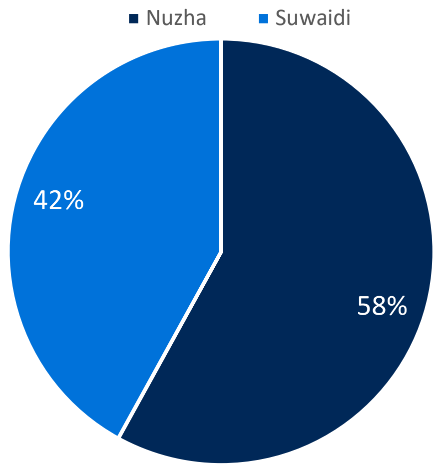
Source: Company data

Chart 137: Revenue split (2023)



Source: Company Financials and anbc research

Chart 138: Hospital revenue split (2023)



Source: Company Financials and anbc research

Growth Strategy:

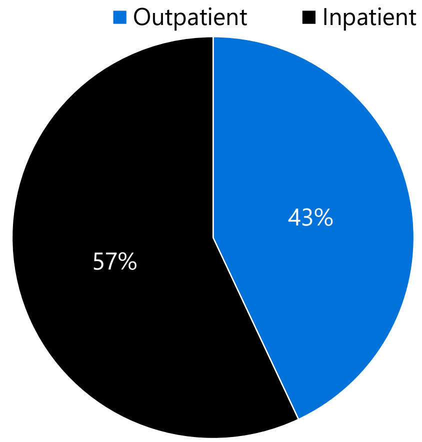
The key goals of growth strategy which the management has disclosed are:

- Capacity expansion with continued focus on Riyadh. Adding two hospitals in Riyadh (one of which is new while the other is being re-opened). The two hospitals will add 400 rooms, 240 clinics.
- Launch of new specialization to drive growth and gain market share. Some of these areas are rehabilitation, plastic surgery, sports medicine and oncology.
- Adherence to prudent financial policies to hedge against volatility.
- Development of the pharmacy business. Looking to open a network of retail pharmacy shops and online stores to complement the existing pharmacies. The product mix will include a higher mix of over-the-counter products such as cosmetics and skin care.
- Diversification of patient mix. The company has recently completed the premiumization of Al Nuzha hospital by converting 300 inpatient rooms from double rooms to single rooms (reducing the number of beds from 600 to 300) and adding premium and specialized services.
- Maintenance of world-class service quality and international accreditations.

Financial Analysis:

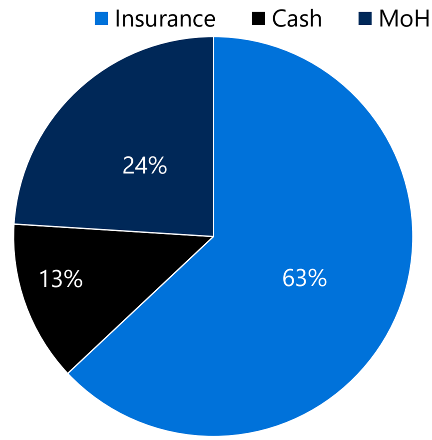
In terms of business segments, Hospital services account for the majority of the revenue (81% of total) followed by the Pharmaceutical segment (19% of total). Within the Hospital segment, outpatients accounted for the majority of the revenue (46% of total) followed by inpatients (35% of total) and pharmaceutical sales (19% of total). The biggest client segment is Insurance, which accounted for 63% of total revenues followed by Ministry of Health, which accounted for 24% share of revenues as of 2023. Cash customers account for 13% of revenues as of 2023.

Chart 139: Revenue split by patients (2023)



Source: Company Financials and anbc research

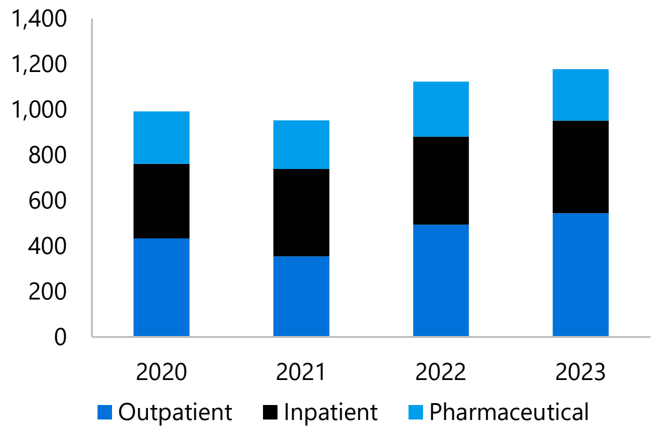
Chart 140: Revenue split by customer (2023)



Source: Company Financials and anbc research

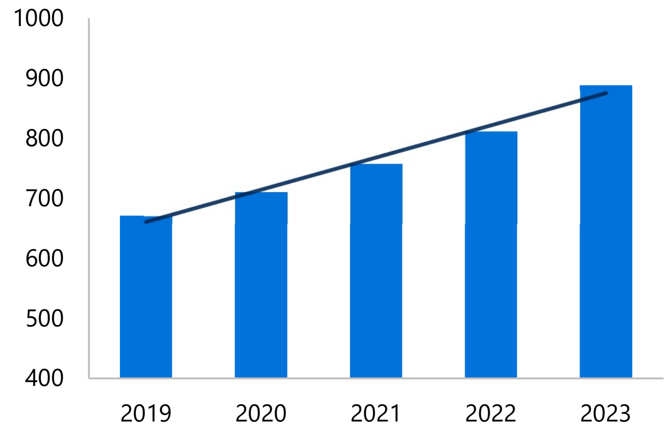
Revenues: Over 2019-2023 Hammadi's revenues increased at a CAGR of 4.8% which is the slowest growth amongst the listed peers in our coverage. This was primarily due to a decline in bed capacity to 600, as the company temporarily closed its 300-bed Olaya Hospital in 2022 (re-launch with 200 beds in 2026) and converted the rooms at Al Nuzha to more premium rooms. Similarly, number of clinics declined from 254 in 2019 to 220 by 2023. Despite the closure of Olaya, the company managed to increase inpatients volumes at a CAGR of 4.6% over 2019-2023 while outpatients' volumes grew by 2.6%, both driving revenue growth

Chart 141: Revenue CAGR of 4.8% over 2019-2023



Source: Company Financials and anbc research

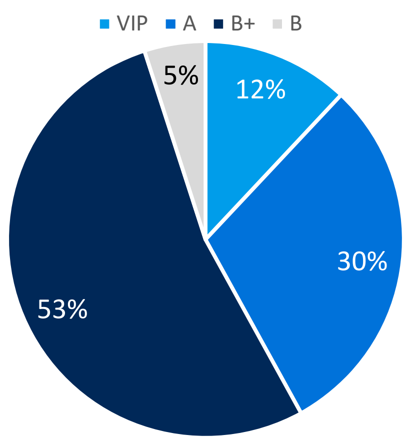
Chart 142: Revenue per patient- SR



Source: Company Financials and anbc research

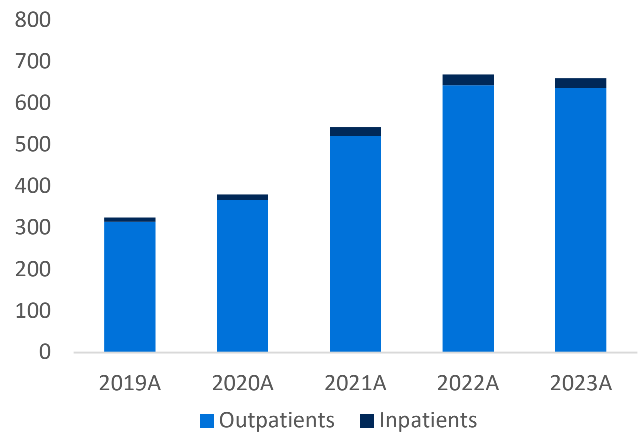
Al Nuzha (47% of revenues in 2023): This hospital was established in 2018 and caters to VIP/ A/ B+/ B class patients. In 2023, A and VIP patient class (as per insurance companies) accounted for 30% and 12% of overall revenues, respectively. 53% came from B+ and 5% from B class customers. The hospital has specializations in cardiology, endocrinology, orthopaedics, and bariatric surgery. It has 300 beds, 120 clinics and 13 operating rooms. Since 2022, the company has been implementing a premiumization strategy, under which they converted the 600 rooms in the hospital to 300 premium rooms.

Chart 143: Patient mix in Al Nuzha (2023)



Source: Company Financials and anbc research

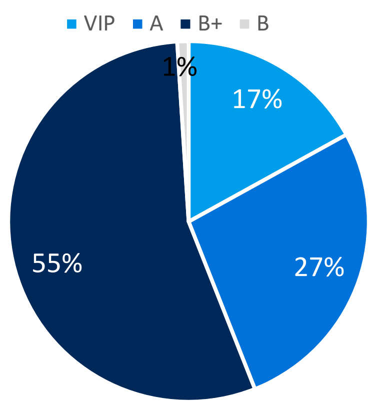
Chart 144: Inpatient & outpatient mix- 2023 (in 000's)



Source: Company Financials and anbc research

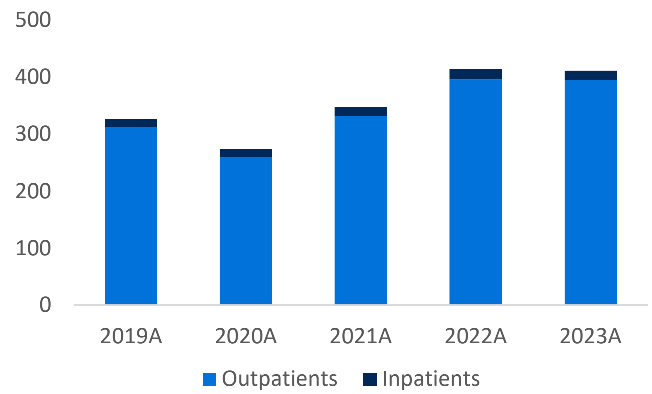
Al Suwaidi (34% of revenues in 2023): This hospital was launched in 2015. It has 300 inpatient rooms but only 200 are currently operational. The management aims to leverage this capacity to target more middle-upper-class patients by offering attractive pricing. The hospital has specializations in cardiology, dermatology, pediatrics, obstetrics and gynecology. It also has 100 clinics and 13 operating rooms. In 2023, 55% of the customers were from B+ category. The company plans to add 20 additional clinics in 2024, add an additional 20 beds and utilize the hospital's 100 beds non-operational capacity in the coming years.

Chart 145: Patient mix in Al Suwaidi (2023)



Source: Company data

Chart 146: Inpatient & outpatient mix- 2023 (in 000's)



Source: Company data

Profitability: Hammadi's strategy of focusing on optimizing its existing hospitals has helped it achieve higher profitability margins over the past five years. Gross Margins increased from 29.0% in 2019 to 36.8% in 2023 and Net Margin has risen from 9.6% in 2019 to 25.8% in 2023. Similarly, ROE during the same period has improved from 6% in 2019 to a healthy 17% in 2023. The cash conversion cycle has also improved from 202 days in 2019 to 164 days, through a reduction in receivable days (down from 194 days to 162 days).

Major Shareholders

Al Hammadi family owns 45.4% of the company.

Table 41: Financial Statements:

Al Hammadi Holding							
Income statement:		**2024E**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
Revenue	SR mn	1,219	1,346	1,587	1,977	2,267	2,612
Gross profit	SR mn	**402**	**456**	**525**	**710**	**806**	**938**
Selling & distribution expenses	SR mn	11	12	14	18	21	24
General &admin	SR mn	96	103	128	151	187	221
Operating profit	SR mn	**347**	**333**	**367**	**517**	**565**	**651**
Depreciation	SR mn	109	117	129	141	149	154
EBITDA	SR mn	**401**	**451**	**496**	**658**	**714**	**805**
Other income	SR mn	84	29	29	29	29	29
Finance costs	SR mn	22	17	13	9	5	4
PBZ	SR mn	**330**	**323**	**361**	**515**	**567**	**654**
Zakat	SR mn	18	18	20	28	31	36
PAZ-total	SR mn	**312**	**305**	**341**	**487**	**535**	**618**
EPS	SR/share	**1.95**	**1.90**	**2.13**	**3.04**	**3.35**	**3.86**
DPS, net	SR/share	1.50	0.25	0.25	0.50	2.50	2.75
Balance sheet:		**2024E**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
PPE	SR mn	1,789	1,919	2,194	2,318	2,425	2,386
Intagible assets & goodwill	SR mn	22	17	13	9	5	0
Non current assets	SR mn	**1,945**	**2,076**	**2,354**	**2,480**	**2,591**	**2,555**
Inventories	SR mn	62	68	81	96	111	127
Trade recievables	SR mn	551	584	692	829	954	1,040
Cash & equivalents	SR mn	49	121	9	128	1	105
Current assets	SR mn	**703**	**813**	**823**	**1,094**	**1,107**	**1,313**
Total assets	SR mn	**2,648**	**2,889**	**3,177**	**3,574**	**3,698**	**3,867**
Share capital	SR mn	1,600	1,600	1,600	1,600	1,600	1,600
Statutory reserve	SR mn	67	67	67	67	67	67
Retained earnings	SR mn	250	515	816	1,223	1,359	1,536
Total equity	SR mn	**1,917**	**2,182**	**2,483**	**2,890**	**3,026**	**3,204**
Loans	SR mn	155	136	118	99	80	62
Lease liabilities	SR mn	95	81	67	54	40	27
Employees terminal benefits	SR mn	88	88	88	88	88	88
Non-current liabilities	SR mn	**444**	**411**	**379**	**347**	**315**	**282**
Loans	SR mn	19	19	19	19	19	19
Govt grants	SR mn	9	9	9	9	9	9
Lease liabilities	SR mn	14	14	14	14	14	14
Trade payables	SR mn	89	97	116	138	159	182
Current liabilities	SR mn	**288**	**296**	**314**	**337**	**358**	**381**
Total liabilities	**SR mn**	**731**	**707**	**694**	**684**	**672**	**663**
Total liabilities and equity	SR mn	**2,648**	**2,889**	**3,177**	**3,574**	**3,698**	**3,867**
Cash flow statement		**2024E**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
PAZ-holding company	SR mn	312	305	341	487	535	618
Depreciation and amortization	SR mn	109	117	129	141	149	154
Adjusted net profit	SR mn	421	422	470	628	685	772
Inventories	SR mn	(5)	(6)	(13)	(16)	(15)	(16)
Trade receivables	SR mn	10	(33)	(108)	(137)	(125)	(86)
Trade payables	SR mn	19	8	19	22	21	23
Net CFO	**SR mn**	**439**	**392**	**368**	**498**	**566**	**693**
Purchase of PPE	SR mn	(239)	(247)	(404)	(264)	(257)	(115)
Purchase of intangible assets	SR mn	2	5	4	4	4	5
CFI	**SR mn**	**(243)**	**(248)**	**(407)**	**(267)**	**(260)**	**(117)**
Repayment of bank and govt loans	SR mn	(19)	(19)	(19)	(19)	(19)	(19)
Lease liabilities paid	SR mn	(14)	(14)	(14)	(14)	(14)	(14)
Dividends paid	SR mn	(240)	(40)	(40)	(80)	(400)	(440)
CFF	**SR mn**	**(272)**	**(72)**	**(72)**	**(112)**	**(432)**	**(472)**
Net changes in cash	SR mn	(76)	72	(112)	119	(127)	103
Ending balance	**SR mn**	**49**	**121**	**9**	**128**	**1**	**105**

Source: Company data, anbc research