

## Dallah Healthcare Co.

21 October, 2024

We initiate coverage on Dallah Healthcare Co. (Dallah) with a target price of SR174 and a Neutral rating. Like its peers, Dallah is adding capacity by opening new hospitals, and also pursuing acquisition led growth. The company's operational capacity is expected to increase by 80% to 2,000+beds by 2027 through a) the opening of a new 250 bed hospital in Al Arid district of Riyadh and 100 bed expansion at Namar hospital, and b) acquiring two hospitals (Al Ahsa & Al Salam) in the Eastern province with combined estimated capacity of 749 beds and operational capacity of 424 beds. Earnings are set to grow at a CAGR of 18% over 2023-2028 driven by 13% CAGR in revenues. The stock is trading at 29x 2025 PE, which is on the higher side, given its return profile compared to the sector average and Dallah's 5-year historical average. We are neutral on the stock on valuation basis.

**Bed capacity to increase 80% from 2023 levels:** Dallah operates three healthcare centers; two in Riyadh and one in Makkah along with a 58.6% stake in Kingdom Hospital in Riyadh (through ownership in Care Shield). Over the next five years, the company will expand its capacity by around 80%. This will be achieved through a 100 bed expansion at Namar along with the addition of a new hospital in Al-Arid district, Riyadh. In addition to this, the company is in the process of completing the acquisition of two hospitals (475 bed Al Salam Hospital in Khobar and 274 bed Al Ahsa Hospital in Hofuf) which we expect will be completed by the end of this year. We expect Al Ahsa to breakeven this year while we expect Al Salam to breakeven by 1H26. We expect revenue to grow at a CAGR of 13% over 2023-2028. We expect pick up in momentum during 2H24 due to absence of seasonality and higher contribution from Namar hospital following the commencement of outpatient operations in 3Q24 post expansion.

**Growing investment portfolio to expedite capacity increase:** We expect Dallah's investment portfolio to generate positive returns starting this year after returning losses in 2023 and prior years. The company's 31.2% stake in Dr. Mohammad Rashid Al Faqih Co. has been a major drag on returns from the investment portfolio with losses of SR23mn during 2023. This figure came down significantly to a SR1mn loss during 1H24. With improvement on this front and growing contribution from International Medical Centre Co (IMC) we expect the investment portfolio's share of profit to reach SR35mn during 2024 and grow at a CAGR of 18% until 2028.

**Valuation:** Our target price of SR174/share is based on DCF (WACC: 9.0%, terminal growth: 3.25%). This implies a PE of 32x on 2025e earnings, which lies close to where the stock is currently trading. We think that the current valuation is fair as it reflects the high growth profile but lower ROE generation of the company compared to HMG and Fakeeh.

**Risks:** Rising competition in Riyadh as regional sector heavyweights such as HMG and DSFH expand their presence, delays in ramping up bed capacity in Al Salam hospital and higher level of debt are noted as key concerns.

**Neutral**

### RATING SUMMARY

Target Price (SR)	174
Upside/Downside	9%
Dividend Yield	1%
Total Return	10%

### ISSUER INFORMATION

Share Price (SR)	158*
Target Price (SR)	174
Bloomberg	DALLAH AB
Market Cap (SR mn)	15,375
Free Float (%)	41.8

\*as of 20th October 2024

### MULTIPLES

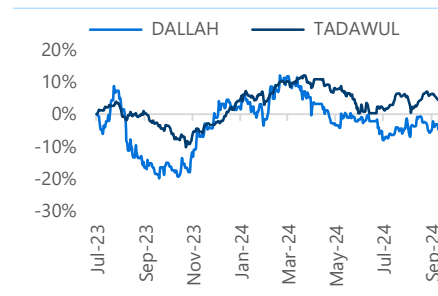
	2024E	2025F
P/E (x)	33.8	28.9
P/B (x)	4.2	3.4
P/S (x)	4.6	3.8
EV/EBITDA (x)	22.0	18.2
RoA (%)	7	7
RoE (%)	13	13

Source: Company financials, anbc research

### FINANCIALS (SR MN)

	2023A	2024e	2025F	2026F
Revenue	2,943	3,373	4,088	4,525
Gross profit	1,079	1,241	1,525	1,677
EBITDA	632	784	945	1,048
Net income	360	457	534	631
EPS	4.00	4.68	5.46	6.46
DPS	2.00	2.50	3.00	3.50

### PRICE PERFORMANCE -Dallah vs. TASI



**Muhammad Adnan Afzal**

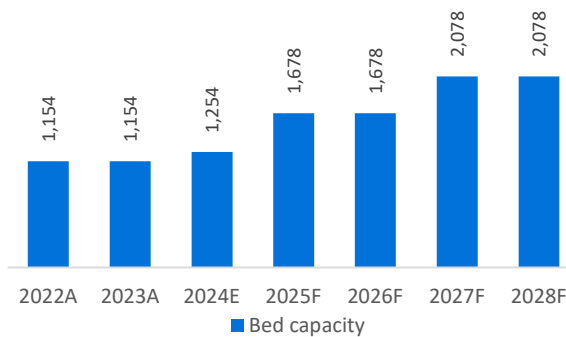
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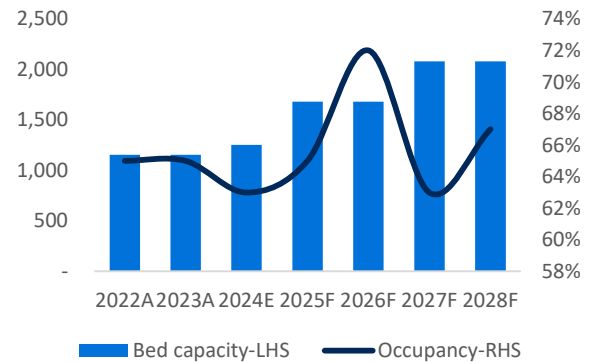
## Investment Thesis in Charts:

**Chart 166: Operational capacity\* to increase 80% by 2027**



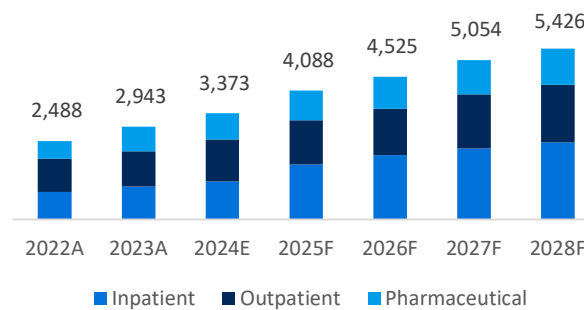
Source: anbc research & Company Data, \* excluding associates

**Chart 167: Occupancy to peak in 2026**



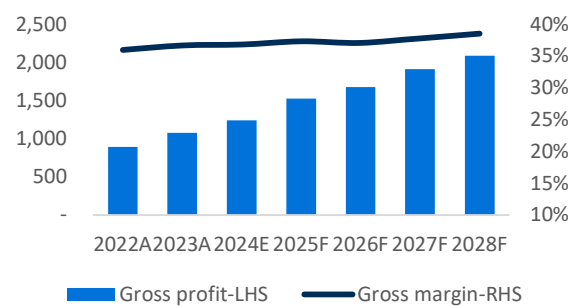
Source: anbc research & Company Data

**Chart 168: Revenue to grow at a CAGR of 13% by 2028**



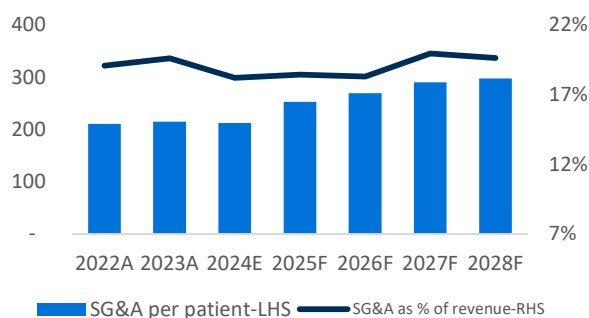
Source: anbc research & Company Data

**Chart 169: Gross margins to sustain around 37%-39% level**



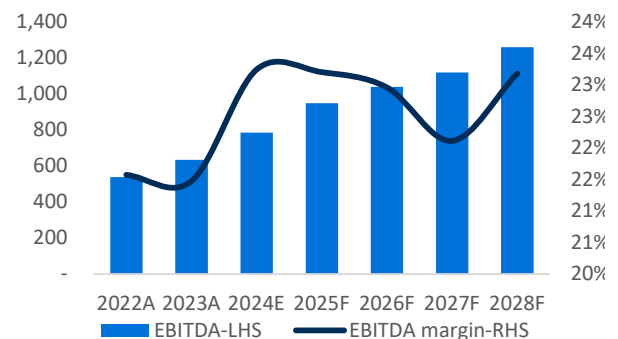
Source: anbc research & Company Data

**Chart 170: SG&A to remain between 18%-20% of revenue**



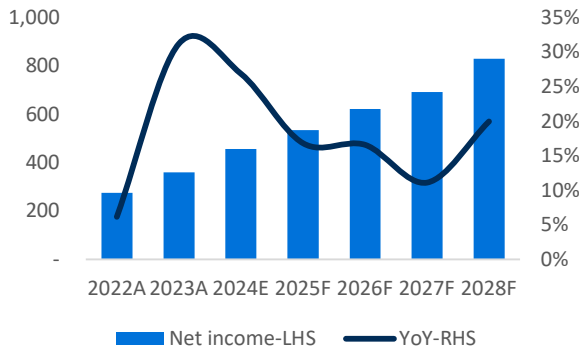
Source: anbc research & Company Data

**Chart 171: EBITDA to grow at a 5-year CAGR of 15%**



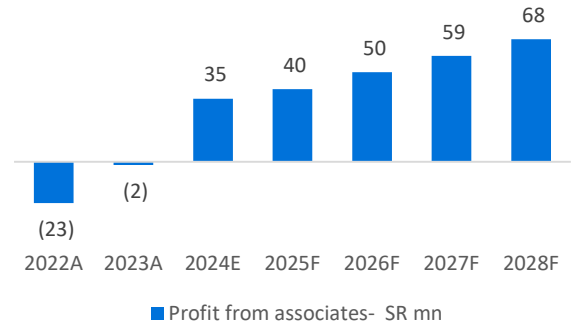
Source: anbc research & Company Data

**Chart 172: Net income to grow at a 5-year CAGR of 18%**



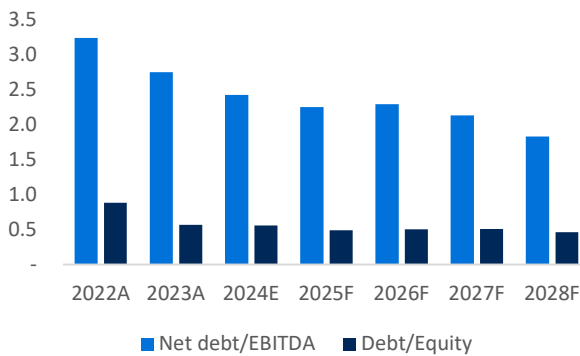
Source: anbc research & Company Data

**Chart 173: Investment portfolio to return profits in 2024 and onwards**



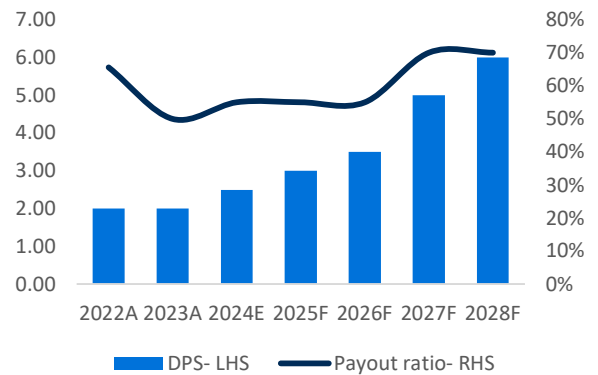
Source: anbc research & Company Data

**Chart 174: Net Debt/EBITDA to reach 2.3x in 2024**



Source: anbc research & Company Data

**Chart 175: Dividend paying capacity to increase post completion of new hospital in 2026**



Source: anbc research & Company Data

Table 48: Financial Summary

Dallah Healthcare Co.						
<b>Income statement:</b>						
		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Revenue	SR mn	2,488	2,943	3,373	4,088	4,525
Gross profit	SR mn	895	1,079	1,241	1,525	1,677
General & admin	SR mn	430	517	546	671	736
Operating profit	SR mn	422	506	627	771	849
EBITDA	SR mn	537	632	784	945	1,048
Net Income	SR mn	274	360	457	534	631
<b>Balance Sheet:</b>						
		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Current assets	SR mn	1,304	1,345	1,497	1,568	1,588
Non current assets	SR mn	3,616	4,898	5,085	6,909	7,442
Total assets	SR mn	4,920	6,243	6,582	8,477	9,030
Current liabilities	SR mn	885	1,163	1,435	1,793	2,181
Non-current liabilities	SR mn	1,804	1,607	1,461	2,098	1,973
Total equity	SR mn	2,232	3,473	3,685	4,586	4,875
<b>Cash Flow Statement:</b>						
		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Net CFO	SR mn	442	626	550	563	773
CFI	SR mn	(179)	(294)	(344)	(568)	(731)
CFF	SR mn	(233)	(335)	(151)	(126)	(117)
Ending balance	SR mn	238	235	291	159	84
<b>YoY Growth</b>						
		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Revenue	%	18.18%	18.28%	14.61%	21.19%	10.69%
EBITDA	%	11.85%	17.74%	24.03%	20.54%	10.88%
Operating profit	%	15.82%	19.85%	23.91%	22.88%	10.12%
Net income	%	6.13%	31.21%	26.85%	16.85%	18.25%
<b>Ratios</b>						
		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Return on assets (ROA)	%	5.74%	6.45%	7.12%	7.09%	7.21%
Return on equity (ROE)	%	12.68%	12.63%	12.76%	12.91%	13.34%
Gross margin	%	35.98%	36.65%	36.81%	37.30%	37.07%
Operating margin	%	16.98%	17.20%	18.60%	18.86%	18.76%
EBITDA margin	%	21.57%	21.47%	23.24%	23.11%	23.15%
Net margin	%	11.03%	12.24%	13.54%	13.06%	13.95%
Dividend payout	%	65.58%	49.98%	55.00%	55.00%	55.00%
Effective zakat rate	%	10.24%	3.72%	8.00%	8.00%	8.00%
<b>Per Share Analysis</b>						
		<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
Earnings per share (EPS)	SR/sh	3.05	4.00	4.68	5.46	6.46
Dividends per share (DPS)	SR/sh	2.00	2.00	2.50	3.00	3.50
Book value per share (BVPS)	SR/sh	24.80	38.59	37.73	46.95	49.91

Source: Company Financials, anbc research

## Investment Thesis

### Operational capacity set to increase by 80%, including acquisitions in Eastern Province

Dallah is a premier healthcare operator with its primary operations based in Riyadh. The company operates 3 facilities in total, two hospitals in Riyadh and one in Makkah and holds indirect ownership in Kingdom Hospital in Riyadh as detailed below.

**Table 49: Existing Capacity**

Name	Start year	City	Ownership	Beds
Al Nakheel Hospital	1987	Riyadh	100%	540
Namar Hospital	2018	Riyadh	100%	300
Kingdom Hospital*	2019	Riyadh	58.6%	180
Makkah Medical Centre	2022	Makkah	91%	134
Dallah Clinics			100%	-
<b>Total (end 2023)</b>				<b>1,154</b>

\*Indirectly owned via 58.6% stake in Care Shield Holding Company

Source: anbc research and Company data

Over the next five years, Dallah will add 80% more bed capacity compared to the 2023 levels (1,154 beds) through a 350-bed capacity expansion out of which 100 beds are planned to be added in Namar hospital in 2024 (based on demand) as well as through the construction of a new 250-bed hospital in Riyadh. The hospital will have a built-up area of 87.3k square meters at a total cost of SR690mn while operations are expected to commence in 1Q27. Additionally, we expect 424 operational beds (total 749 beds) to be added in 2025 through Al Salam and Al Ahsa acquisitions with further expansion of 150 beds in Al Salam during 2027. This will increase operational capacity to 2,078 beds by 2027, equating to an increase of 80%.

**Table 50: Dallah Expansion Pipeline**

Name	Exp. Start Date	City	Ownership	Beds
Namar Capacity Expansion	2024	Riyadh	100%	100
Al Salam Hospital*	2025	Khobar	100%	475
Al Ahsa Hospital**	2025	Hofuf	97.4%	274
Al Arid Hospital	2027	Riyadh	100%	250
<b>Total</b>				<b>1,099</b>

\*100% stake valued at SR 250.88mn via Al Salam Medical Services Co., (150 operational beds), \*\* 97.41% stake valued at SR 409.1mn

Source: anbc research and Company data

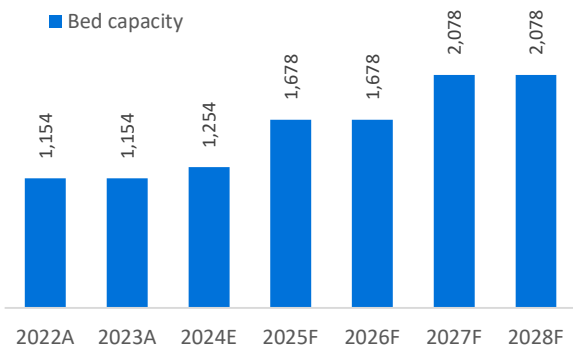
### Al Ahsa to breakeven this year Al Salam to follow in 1H26

Alongside organic growth, the company is also focusing on expanding via an inorganic growth strategy. It has announced the acquisition of two hospitals from Ayyan Medical Services via share swap funded through the issuance of 3.89mn shares. The two assets are Al Salam Hospital in Khobar and Al-Ahsa Hospital in Hofuf in the Eastern region. Post the acquisitions, the company will have 100% ownership of Al Salam Hospital and 97.4% ownership of Al-Ahsa Hospital. Total cost of the two acquisitions is SR660mn out of which Al Salam hospital will be SR251mn and Al-Ahsa Hospital will be SR409mn. The two acquisitions also include around SR770mn debt. Based on the adjusted cost of the two acquisitions (including debt and additional capex for ramp up), capex/bed translates into SR2.5mn which remains relatively cheaper to an average of SR3.2mn-SR3.5mn for new hospitals in Riyadh.

Although Al Ahsa Hospital recorded a loss in 1Q24 due to re-negotiation over an insurance contract, this was a one-off loss. The hospital recorded profits of SR10mn in 2023 and is expected to breakeven in 2024 and return to profitability in

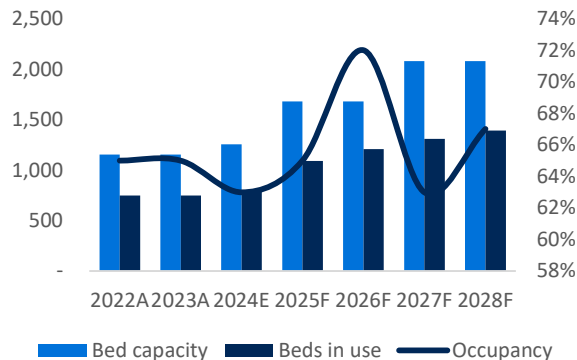
2025 and onwards to historical levels. Al Salam Hospital on the other hand is a recently established hospital and currently is loss making as it is in the early stages of ramp up. The hospital is expected to breakeven by 1H26. Currently, the hospital has 150 operating beds out of total capacity of 475. We expect it to reach 300 by 2027 with additional capex of SR120mn. The two acquisitions are currently in process, awaiting regulatory and shareholder approvals and are incorporated in our base case. Based on the new number of shares post completion of acquisitions, our Target Price translates into SR168/share.

**Chart 176: Operational Capacity\* to increase 80% by 2027**



Source: anbc research and Company data, \* excluding associates

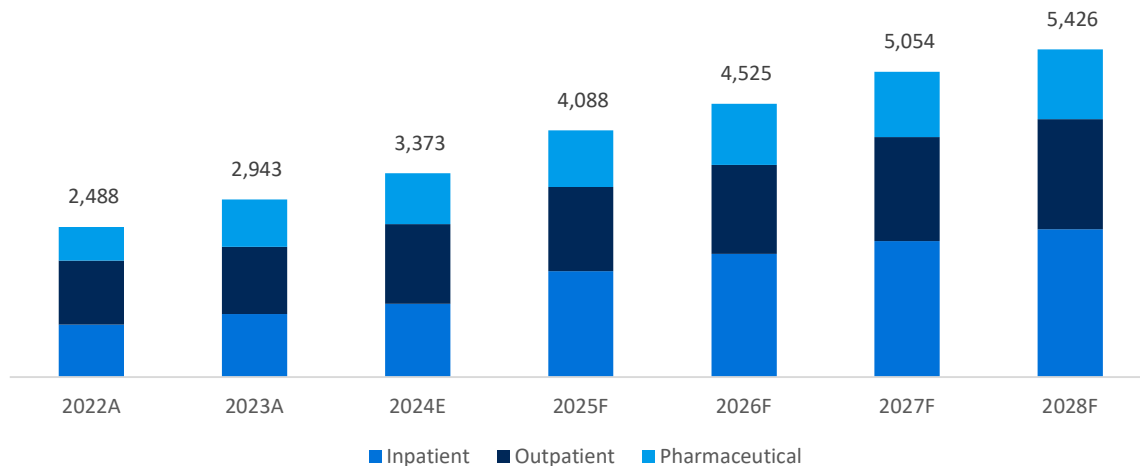
**Chart 177: Occupancy to peak in 2026**



Source: anbc research and Company data

We expect the upcoming capacity to drive revenue CAGR of 13% during 2023-2028. We expect the highest percentage of growth in the inpatient segment (5-year CAGR: 18%) followed by growth in the outpatient segment (5-year CAGR: 10%) and Pharmaceutical segment (5-year CAGR: 8%).

**Chart 178: Revenue to grow at a CAGR of 13% by 2028**



Source: anbc research & Company Data

**Table 51: Revenue Model**

	2022A	2023A	2024E	2025F	2026F	2027F	2028F
Beds	1,154	1,154	1,254	1,678	1,678	2,078	2,078
growth	28%	0%	9%	34%	0%	24%	0%
Clinics	550	550	600	600	600	700	700
growth	10%	0%	9%	0%	0%	17%	0%
Number of patients	2,471,000	2,679,000	2,891,317	2,977,553	3,075,330	3,474,455	3,583,062
growth	37%	8%	8%	3%	3%	13%	3%
Revenue per patient	782	806	877	1,056	1,143	1,144	1,192
growth	-14%	3%	9%	21%	8%	0%	4%
Hospital Revenues (SR mn)	1,932	2,159	2,534	3,146	3,517	3,976	4,272
growth	18%	12%	17%	24%	12%	13%	7%
Medicine Revenues	556	784	838	942	1,008	1,079	1,154
growth	19%	41%	7%	12%	7%	7%	7%
<b>Total Revenues</b>	<b>2,488</b>	<b>2,943</b>	<b>3,373</b>	<b>4,088</b>	<b>4,525</b>	<b>5,054</b>	<b>5,426</b>
growth	18%	18%	15%	21%	11%	12%	7%

Source: Company data

### 10.1.1 Growing investment portfolio to expedite capacity increase

Dallah has a sizable investment portfolio comprising Dr. Mohammad Rashid Al Faqih Company (31.21% stake), Meraas Arabia Medical Holding Company (17% stake), MEFIC Pvt Equity Opportunities Fund 3 (41.6% stake) and International Medical Center Company (27.18% stake).

The most recent and largest investment came in 2022 which was that of International Medical Center Co (IMC). IMC has a 307-bed hospital located in Jeddah with annual revenue of SR1.2bn in 2023. In Feb-24, the company also announced the launch of its hospital complex project located in Obhur, Jeddah. This gives Dallah indirect exposure through its 27.17% stake in IMC to the potentially faster growing market (bed density of 21.0 beds per 10,000 vs 24.9 beds per 10,000 for KSA). The new branch in Obhur is part of a series of planned expansion projects expected to be unveiled in the coming years. The first in line from the upcoming pipeline will be a hospital complex in Makkah expected to start operations by end of 2024.

Chart 179: Investment portfolio to turn to profits 2024 onwards



Source: Company Financials and ANB Calculations

The company’s investment portfolio has historically been a drag on profits, returning losses over the past five years. With improvement in Dr. Mohammad Rashid Al Faqih Company where losses came down from SR23mn in 2023 to SR1mn in 1H24, along with growing contribution from IMC we expect the portfolio returns to grow at a CAGR of 18% over 2024-2028.

### Investment portfolio to support net margins

Dallah has the second highest gross margins in the industry (from our coverage companies). However, the company has been less effective in maintaining superiority in other metrics such as EBITDA, operating and net margins Revenue over the past 5 years has grown at a CAGR of 24% but was weighed down by 19% CAGR in General & Administrative expenses (18% of revenue in 2023), 43% CAGR in finance costs and losses from its investment portfolio. The company also has the lowest ROE amongst its listed peers in our coverage and has been unable to generate consistent improvement in the ROE. In the coming years we expect the improvement in the company’s investment portfolio returns as well as less pressure on finance costs with decreasing SAIBOR rates to support net margins. As highlighted above, we expect the portfolio to turn to profits in 2024 and record a CAGR of 18% thereon. We expect this growth to support net margins improving from 12% in 2023 to 15% in 2028.

## Valuation

We have used a Discounted Cash Flow (DCF) model to value Dallah, with a cost of equity of 10.3% and a weighted average cost of capital of 9.0%. We have assumed a 3.25% terminal growth rate. Our target price of SR174/share implies a target PE multiple of 32x 2025 PE, in line with where the stock is trading currently. We have a Neutral recommendation. We like the growth profile of the business, but we think the valuation is fairly priced.

**Table 51: Our estimates versus consensus**

	ANB 2024E	Consensus 2024E	Delta	ANB 2025F	Consensus 2025F	Delta	ANB 2026F	Consensus 2026F	Delta
Revenue	3,373	3,268	3%	4,088	3,618	13%	4,525	3,960	14%
Gross Margins	36.81%	37.28%	-0.47%	37.30%	37.26%	0.04%	37.07%	36.88%	0.19%
EBITDA	784	727	8%	945	798	18%	1,048	878	19%
EBITDA margins	23.2%	22.2%	1.04%	23.1%	22.1%	1.06%	23.2%	22.2%	0.98%
Net Profits	457	460	-1%	534	540	-1%	631	633	0%
EPS	4.68	4.86	-4%	5.46	5.56	-2%	6.46	6.28	3%

Source: Bloomberg, anbc research



Table 52: DCF Model

Dallah Healthcare Co.		2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F
<b>Discounted Cash Flow (DCF)</b>									
<i>Adjusted EBITDA</i>		856	1,026	1,126	1,214	1,364	1,495	1,593	1,689
<i>Taxes</i>		(43)	(50)	(58)	(65)	(78)	(87)	(94)	(101)
<i>WC change</i>		(63)	(145)	(57)	(74)	(23)	(3)	21	23
<i>CAPEX</i>		(436)	(464)	(623)	(299)	(316)	(325)	(324)	(311)
<b>FCF</b>		<b>315</b>	<b>367</b>	<b>388</b>	<b>777</b>	<b>947</b>	<b>1,080</b>	<b>1,197</b>	<b>1,299</b>
<i>Terminal value</i>						-	-	-	23,503
<b>PV of FCF</b>		<b>315</b>	<b>337</b>	<b>327</b>	<b>601</b>	<b>672</b>	<b>703</b>	<b>715</b>	<b>13,605</b>
<i>Terminal growth</i>	<b>3.25%</b>								
<i>WACC</i>	<b>8.96%</b>								
<b>Enterprise value</b>	<b>17,275</b>								
<i>Debt</i>	1,900								
<i>Cash</i>	143								
<i>NCI</i>	280								
<i>Investments</i>	1,585								
<b>Equity value</b>	<b>16,822</b>								
<i>No. of shares</i>	98								
<b>TP</b>	<b>172</b>								
<i>Current price</i>	158								
<b>Upside</b>	<b>9.0%</b>								
<i>D/Y</i>	<b>1.3%</b>								
<b>Total return</b>	<b>10.3%</b>								

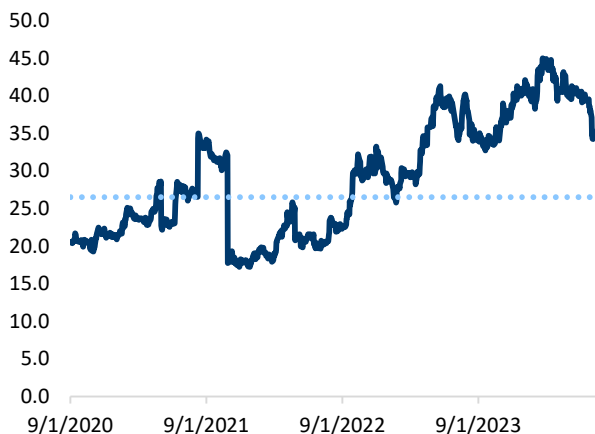
Source: Company Financials, anbc research

Table 53: Valuation Sensitivity

		WACC				
		8.0%	8.5%	9.0%	9.5%	10.0%
<b>Terminal growth rate</b>	2.75%	198	179	163	149	138
	<b>3.25%</b>	215	193	<b>174</b>	159	146
	3.75%	237	210	188	170	155
	4.25%	264	230	204	183	166

Source: Company Financials, anbc research

Chart 180: PE (current year)



Source: Bloomberg, anbc research

Chart 181: EV to EBITDA (current year)



Source: Bloomberg, anbc research

## Company Overview

The company was established in 1995 as Dallah Health Company with the opening of Dallah Al Nakheel Hospital in Riyadh with a bed capacity of 273. It listed on the Saudi Stock Exchange in 2012. Today, the company owns six healthcare facilities, which include Dallah Al Nakheel and Namar Hospitals, Dallah Clinics and Dallah Homecare. In 2023, the company treated more than 2.5mn patients. It operates 1,300 beds, 500 outpatient clinics and has more than 5,000 employees, which include around 1,000 doctors.

Table 54: Timeline

Dallah Healthcare: Historical milestones	
1987	Work begins on Dallah Nakheel Hospital in Riyadh
1995	Opening of Dallah Health Company
2002	Opening of Dallah Pharma factory
2007	Opening of Obstetrics and Gynaecology Hospital with 78 beds
2009	Opening of Dallah Children's Hospital with 85 bed capacity.
2012	Listing of Dallah Healthcare Company on Saudi Stock Exchange.
2014	Opening of Afyaa Al Nakheel Company. Acquisition of 31.2% stake in Dr. Mohammad Rashid Al Faqih Company and 0.4% stake of Jordanian Pharmaceutical Company.
2015	Opening of northern clinics
2018	Opening of Dallah Namar Hospital
2019	Acquisition of 35.3% stake in Meras Medical Holding Company Increasing ownership of Makkah Medical Center to 90.9%. Acquisition of 58.6% stake in Care Shield Holding Company (Kingdom Hospital) and Opening of the western expansion building of Dallah Al Nakheel
2020	
2022	Opening of Dallah clinics and launch of work on Dallah Home Care Acquisition of 27.2% stake in International Medical Center Company in Jeddah. Opening of Riaya Dallah (Pharmacy)
2023	

Source: Company data

**Business activities**

**Hospitals:**

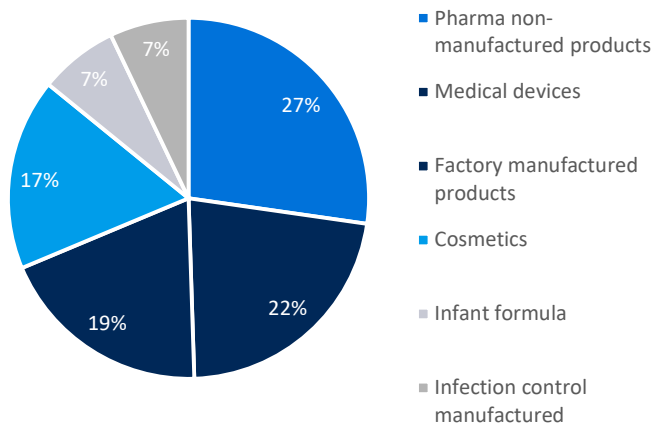
- **Dallah Al Nakheel Hospital:** This is the flagship hospital of the group with a prime focus on specialties. The hospital was established in 1987 and has since expanded in its outpatient, emergency rooms as well as inpatient capacity to become one of the biggest single private hospitals in Riyadh. The hospital has 585 licensed beds out of which 540 are operational beds along with 12 centers of excellence in different specialties.
- **Dallah Namar Hospital:** The hospital was opened in 2018 and is in the Southwestern neighborhood of Riyadh. The hospital also offers mental health and addiction services and renal dialysis. It has a capacity of 300 beds with 150 clinics with a maximum achievable capacity of 400 beds and 200 clinics.
- **Care Shield Holding Company:** The company owns Kingdom Hospital and Consulting Clinics in Riyadh which has a bed capacity of 180 beds. The hospital consists of a number of specialized medical departments including pediatrics, internal medicine, obstetrics and gynecology. The hospital also has a pain center, and a rehabilitation and physiotherapy unit.
- **Makkah Medical Center.** The hospital has a key private sector hospital in the holy city of Makkah with a bed capacity of 134 beds and 40 clinics.

**Dallah Pharma**

Dallah Pharma Company & Factory was set up in 2002. It has exclusive distribution rights in the Kingdom for 40 pharmaceutical products, 15 nutritional products and 70 medical devices.

**Chart 182: Revenue by segments (2023)**

**Product Portfolio-Dallah Pharma**



Source: Company Data

**Dallah Home Care**

Dallah Home Care provides various services such as doctor visits for home examination, home nursing services, laboratory services, physical therapy, dialysis, X-rays, vaccines and mother and child services.

**Dallah’s Investments**

- International Medical Center (27.17% shareholding): Main activity is the operation of hospitals.
- Dr. Mohammad AlFagih Hospital (31.21% shareholding): Main activity is managing its affiliated hospitals.
- Meras Medical Hospital Company (17% shareholding): Main activity is managing companies in which it invests.
- Jordanian Pharmaceutical Manufacturing Company (0.4% shareholding): Manufacturing pharmaceutical products, cosmetics and medical supplies.
- MEFIC Private Equity Opportunities Fund (41.55% shareholding): GCC and Saudi investments in the healthcare sector.

**Financial Analysis:**

**Financial performance:** Revenues for Dallah have increased 2.4x during 2019-2023 to SR2.9bn (CAGR 24%) driven by capacity additions in its network to cater to the growing demand in Riyadh. Total patient volumes during the same period have more than doubled (up 2.3x) at a CAGR of 23.1% to 2.68mn patients. Out of these roughly 3% are inpatients with average days of stay per inpatient ranging from 2.6-6.0 days. The company reported its highest growth in 2021 (revenue up 60% YoY) following the acquisition of 92% stake in Makkah Medical Center and 58.64% stake in Care Shield.

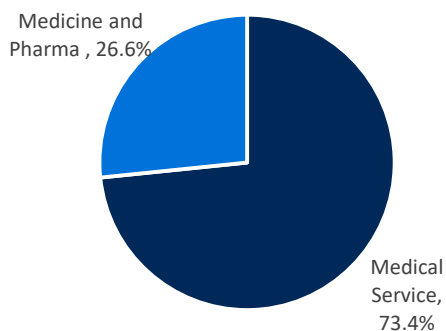
Gross margins during 2019-2023 have remained largely stable within a narrow range of 34.1%-36.7%. General & Administrative expenses have increased a CAGR of 19% during the same period while the same as a percentage of revenue declined from 21% in 2019 to 18% in 2023 which remains on the higher side when compared to peers. Investment in associates has yielded losses during the same period while finance cost has increase at a CAGR of 43% due to rise in SAIBOR rates and rising capital requirements.

Consequently, net profits have increased at a CAGR of 26% from SR144m in 2019 to SR360mn in 2023 with Dallah’s net margin between 10%-12%.

**Geographical split:** The company’s operations are primarily in Riyadh in the Central Region. It has some indirect exposure to other regions through its subsidiaries and associates.

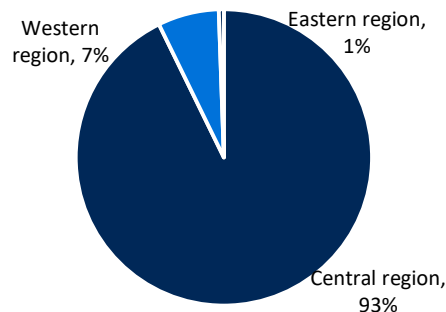
**Revenue by customers:** Outpatients account for the majority of the revenue (38% of total) followed by inpatients (36% of total). The remaining is generated through sales of medicines. In terms of customers, insurance accounts for ~70% of the total revenues while remaining comes from cash and government customers.

**Chart 183: Revenue by segments (2023)**



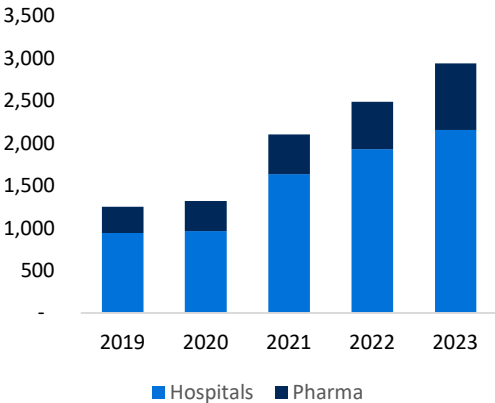
Source: Company data

**Chart 184: Revenues by region (2023)**



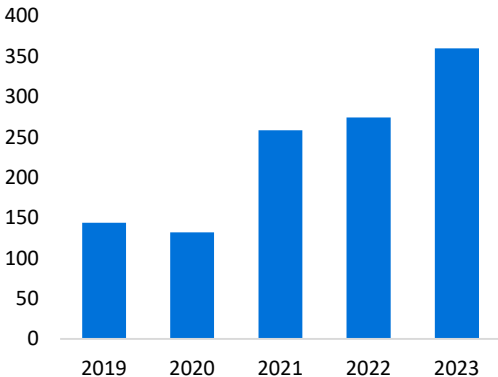
Source: Company data

Chart 185: Revenue growth (2019-2023)



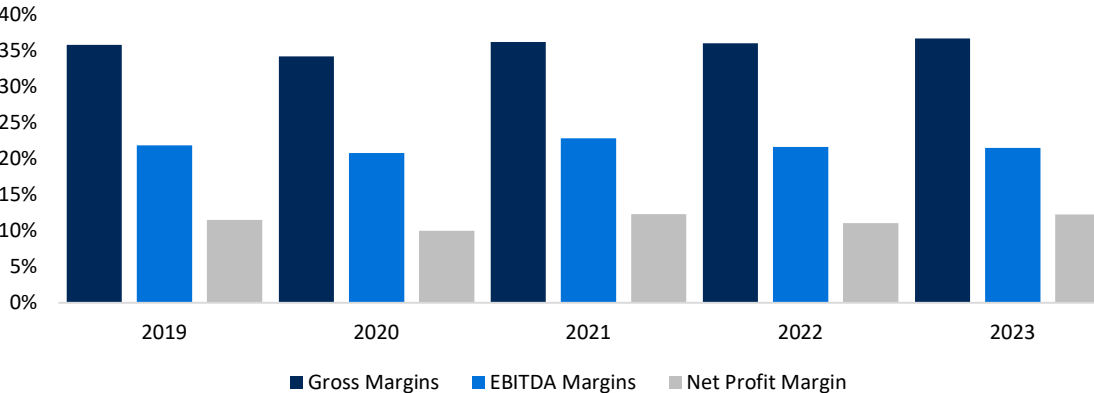
Source: Company data

Chart 186: Net Profit growth (2019-2023)



Source: Company data

Chart 187: Profit Margins (2019-2023)



Source: Company data

Table 55: Financial Statements

Dallah Healthcare Co.		2022A	2023A	2024E	2025F	2026F	2027F	2028F
<b>Income statement:</b>								
Revenue	SR mn	2,488	2,943	3,373	4,088	4,525	5,054	5,426
<b>Gross profit</b>	SR mn	<b>895</b>	<b>1,079</b>	<b>1,241</b>	<b>1,525</b>	<b>1,677</b>	<b>1,910</b>	<b>2,089</b>
Selling & distribution expenses	SR mn	45	60	69	83	92	103	110
General & admin	SR mn	430	517	546	671	736	906	955
<b>Operating profit</b>	SR mn	<b>422</b>	<b>506</b>	<b>627</b>	<b>771</b>	<b>849</b>	<b>901</b>	<b>1,024</b>
Depreciation & amortization	SR mn	114	126	156	174	199	229	247
<b>EBITDA</b>	SR mn	<b>537</b>	<b>632</b>	<b>784</b>	<b>945</b>	<b>1,048</b>	<b>1,129</b>	<b>1,270</b>
Expected credit loss	SR mn	28	30	28	33	35	37	39
Other income	SR mn	30	35	37	38	38	38	39
Finance costs	SR mn	70	104	131	187	160	139	109
Share of results	SR mn	(23)	(2)	35	40	50	59	68
<b>PBZ</b>	SR mn	<b>329</b>	<b>400</b>	<b>531</b>	<b>625</b>	<b>739</b>	<b>821</b>	<b>983</b>
Zakat	SR mn	34	15	43	50	59	66	79
<b>PAZ-total</b>	SR mn	<b>295</b>	<b>385</b>	<b>489</b>	<b>575</b>	<b>679</b>	<b>755</b>	<b>904</b>
NCI	SR mn	21	25	32	41	48	54	64
<b>PAZ-holding company</b>	SR mn	<b>274</b>	<b>360</b>	<b>457</b>	<b>534</b>	<b>631</b>	<b>701</b>	<b>840</b>
Number of shares in issue	Mn shares	90	90	98	98	98	98	98
<b>EPS</b>	SR/share	<b>3.05</b>	<b>4.00</b>	<b>4.68</b>	<b>5.46</b>	<b>6.46</b>	<b>7.18</b>	<b>8.60</b>
DPS, net	SR/share	2.00	2.00	2.50	3.00	3.50	5.00	6.00
<b>Balance sheet:</b>								
PPE	SR mn	2,847	3,040	3,140	3,435	3,851	3,852	3,854
Right of use assets	SR mn	49	86	138	196	263	332	400
Intangible assets & goodwill	SR mn	204	201	201	201	201	201	201
Equity accounted investees	SR mn	210	1,571	1,606	1,646	1,696	1,755	1,823
<b>Non current assets</b>	SR mn	<b>3,616</b>	<b>4,898</b>	<b>5,085</b>	<b>6,909</b>	<b>7,442</b>	<b>7,570</b>	<b>7,707</b>
Inventories	SR mn	255	224	274	330	366	404	429
Prepayments & other current assets	SR mn	114	138	148	160	165	172	174
Trade receivables	SR mn	677	721	758	893	947	1,015	1,038
Cash & equivalents	SR mn	238	235	291	159	84	222	191
<b>Current assets</b>	SR mn	<b>1,304</b>	<b>1,345</b>	<b>1,497</b>	<b>1,568</b>	<b>1,588</b>	<b>1,840</b>	<b>1,858</b>
<b>Total assets</b>	SR mn	<b>4,920</b>	<b>6,243</b>	<b>6,582</b>	<b>8,477</b>	<b>9,030</b>	<b>9,410</b>	<b>9,566</b>
Share capital	SR mn	900	977	977	977	977	977	977
Statutory reserve- share premium	SR mn	61	1,027	1,027	1,027	1,027	1,027	1,027
Retained earnings	SR mn	921	1,108	1,321	1,561	1,851	2,064	2,318
<b>Total equity</b>	SR mn	<b>2,232</b>	<b>3,473</b>	<b>3,685</b>	<b>4,586</b>	<b>4,875</b>	<b>5,088</b>	<b>5,342</b>
Long term murabaha financing	SR mn	1,529	1,288	1,083	891	699	507	328
Long term lease liabilities	SR mn	26	59	118	176	243	313	380
Employee benefit obligations	SR mn	244	258	258	258	258	258	258
Long term payables	SR mn	3	3	3	3	3	3	3
<b>Non-current liabilities</b>	SR mn	<b>1,804</b>	<b>1,607</b>	<b>1,461</b>	<b>2,098</b>	<b>1,973</b>	<b>1,850</b>	<b>1,739</b>
Current portion of long term financing	SR mn	226	253	192	192	192	192	179
Short term murabaha financing	SR mn	179	354	654	954	1,304	1,554	1,554
Short term lease liabilities	SR mn	16	20	20	20	20	20	20
Trade payables	SR mn	248	255	288	346	384	424	450
<b>Current liabilities</b>	SR mn	<b>885</b>	<b>1,163</b>	<b>1,435</b>	<b>1,793</b>	<b>2,181</b>	<b>2,472</b>	<b>2,485</b>
<b>Total liabilities</b>	SR mn	<b>2,688</b>	<b>2,770</b>	<b>2,896</b>	<b>3,891</b>	<b>4,155</b>	<b>4,322</b>	<b>4,223</b>
<b>Total liabilities and equity</b>	SR mn	<b>4,920</b>	<b>6,243</b>	<b>6,582</b>	<b>8,477</b>	<b>9,030</b>	<b>9,410</b>	<b>9,566</b>
<b>Cash flow statement</b>								
Net profit before zakat	SR mn	329	400	531	625	739	821	983
Depreciation on PPE	SR mn	93	101	123	129	141	158	162
<b>Adjusted income</b>	SR mn	<b>597</b>	<b>703</b>	<b>613</b>	<b>708</b>	<b>830</b>	<b>930</b>	<b>1,087</b>
Accounts receivables	SR mn	(58)	(74)	(36)	(135)	(55)	(68)	(23)
Inventories	SR mn	(39)	30	(50)	(56)	(37)	(38)	(25)
Accounts payable	SR mn	26	7	33	58	38	40	26
<b>Net CFO</b>	SR mn	<b>442</b>	<b>626</b>	<b>550</b>	<b>563</b>	<b>773</b>	<b>856</b>	<b>1,064</b>
Purchase of PPE	SR mn	(173)	(295)	(257)	(470)	(614)	(229)	(248)
<b>CFI</b>	SR mn	<b>(179)</b>	<b>(294)</b>	<b>(344)</b>	<b>(568)</b>	<b>(731)</b>	<b>(357)</b>	<b>(384)</b>
Proceeds from murabaha financing	SR mn	725	233	300	300	350	250	-
Repayment of murabaha financing	SR mn	(657)	(274)	(265)	(192)	(192)	(192)	(192)
Dividend paid	SR mn	(180)	(154)	(244)	(293)	(342)	(488)	(586)
<b>CFF</b>	SR mn	<b>(233)</b>	<b>(335)</b>	<b>(151)</b>	<b>(126)</b>	<b>(117)</b>	<b>(361)</b>	<b>(711)</b>
Net cash flows	SR mn	30	(3)	56	(132)	(75)	138	(31)
Ending balance	SR mn	238	235	291	159	84	222	191

Source: Company Financials, anbc research