

Dr. Sulaiman Al Habib Medical Group

Margins face compression with ramp up underway– Maintain Overweight

Rating: Overweight | 12M Target Price: SR 341

February 18, 2025

Market Data		Valuations				
		2024A	2025F	2026F	2027F	
Last Price (SR)*	288.8	Net Income (SR)	2,315	3,019	3,843	4,537
Target Price (SR)	341	EPS (SR)	6.6	8.6	11.0	13.0
Upside / Downside (%)	18.2	PER (x)	43.7	33.5	26.3	22.3
Market Cap (mn) (SR/USD)	101,080/26,955	PBV (x)	14.3	12.7	11.2	9.9
52 week High / Low (SR)	347/258	DPS (SR)	4.8	6.3	8.0	9.5
12-month ADTV (mn) (SR/USD)	56.1/14.9	D/Y (%)	1.6	2.1	2.7	3.2
YTD Return (%)	3.0	RoE (%)	33.9	39.8	45.2	47.1
Bloomberg Code	SULAIMAN AB					

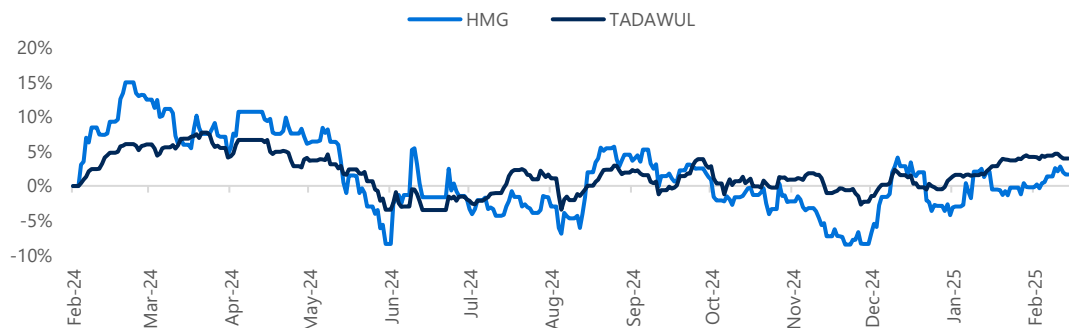
*last price as of 18 Feb 2025

Financials (SR mn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Revenue	3,129	3,536	-12	2,487	26	2,977	5
Gross Profit	997	1,170	-15	868	15	992	0
Operating Profit	624	754	-17	534	17	624	0
Net Income	614	716	-14	525	17	596	3
EPS	1.8	2.0		1.5		1.7	

Ratios			Var (bps)		YoY (bps)		QoQ (bps)
Gross Margin (%)	31.9	33.1	-122	34.9	-306	33.3	-147
Operating Margin (%)	19.9	21.3	-137	21.5	-154	21.0	-103
Net Income Margin (%)	19.6	20.2	-63	21.1	-150	20.0	-39

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Dr. Sulaiman Al Habib Medical Group (SULAIMAN AB) reported a net profit of SR614mn in 4Q24 (EPS: SR1.8), up 17% YoY and 3% QoQ. Profitability growth was primarily driven by higher revenue, which was partially offset by compression in gross margins. Earnings were higher than consensus estimate of SR582mn and lower than our estimate of SR716mn. The company announced a dividend of SR1.23/share for the quarter.

- Revenue during the quarter grew by 26% YoY to SR3.1bn primarily from growth in the Hospital segment with higher patient traffic (7.4mn in 2024 vs 6.1mn in 2023), in part driven from the recently opened hospitals in Jeddah and Riyadh and the outpatient clinic's expansion in Qassim during 1H24. On a sequential basis, revenue improved 5% QoQ supported by the opening of Women's Health Hospital.
- Gross margins deteriorated 306bps YoY driven by expansion-related costs, declining to 31.9% in 4Q24 from 34.9% in 4Q23. The company has completed three major projects during 2024 (Southwest Jeddah in Mar-24, North Riyadh in Jun-24 and Women's Hospital in Oct'24). We expect the ramp-up in these hospitals and upcoming expansions to keep gross margins in check in the coming quarters.
- Operating margin decreased 154bps YoY to 19.9% in 4Q24 while net margin declined by 150bps YoY to 19.6% during the same time period. We flag additional pressure on net margins as the company has been capitalizing finance costs related to its new projects. For perspective, finance costs have more than doubled in 2024 to SR162mn from SR70mn last year.
- Net profit on a sequential basis increased by 3% QoQ driven by below-the-line items. This comes despite a 147bps contraction in gross margins to 31.9% in 4Q24 from 33.3% in 3Q24.
- We maintain our Overweight stance on HMG with a target price of SR341/share. 4Q24 bottom line was below our expectations likely due to slow down in ramp up across the new facilities and higher than anticipated pressure on gross margins, although we await management feedback on this. With majority of the company's primary projects nearing completion in addition to Southwest Jeddah Hospital and North Riyadh Hospital already approaching completion of their first year of operations in 1H25, we expect contribution from the new projects to drive revenue growth in the near term. We expect EPS to reach SR8.6 in 2025, which leaves HMG trading at a 2025e P/E of 33.5x and P/B of 12.7x while we highlight gross margin compression as a key risk to our estimates.

Abdulelah Al Otaibi

Abdulelah.Alotaibi@anbcapital.com.sa

+966 11 4062500

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Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa