

Dr. Soliman Abdel Kader Fakeeh Hospital

Gross margin pressure weighs-in on performance

Rating: Overweight | 12M Target Price: SR 69

March 09, 2025

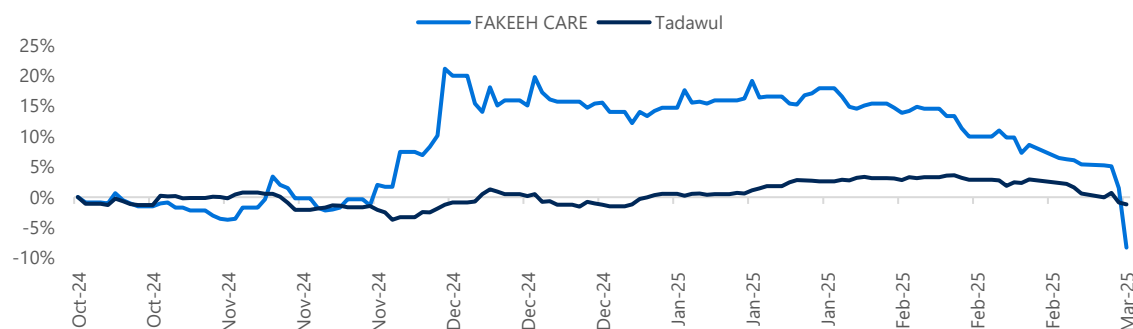
Market Data		Valuations				
		2024A	2025F	2026F	2027F	
Last Price (SR)*	54	Net Income (SR)	288	354	442	581
Target Price (SR)	69.0	EPS (SR)	1.2	1.5	1.9	2.5
Upside / Downside (%)	27.1	PER (x)	43.5	35.4	28.3	21.6
Market Cap (mn) (SR/USD)	12,528/3,339	PBV (x)	3.8	3.8	3.5	3.1
52 week High / Low (SR)	72.9/52.9	DPS (SR)	0.3	0.2	0.3	0.4
12-month ADTV (mn) (SR/USD)	67.2/17.9	D/Y (%)	0.6	0.4	0.5	0.7
YTD Return (%)	-17.9	RoE (%)	12.6	11.3	12.8	15.3
Bloomberg Code	FAKEEHCA AB					

*last price as of 06 Mar 2025

Financials (SR mn)	4Q24A	4Q24E*	Var (%)	4Q23A	YoY (%)	3Q24A	QoQ (%)
Revenue	743	804	-8	662	12	714	4
Gross Profit	165	202	-18	173	-5	184	-10
Operating Profit	72	128	-44	94	-23	105	-31
Net Income	74	117	-37	74	0	94	-21
EPS	0.3	0.5		0.3		0.4	
Ratios			Var (bps)		YoY (bps)		QoQ (bps)
Gross Margin (%)	22.2	25.1	-293	26.1	-389	25.8	-357
Operating Margin (%)	9.7	16.0	-625	14.2	-443	14.6	-492
Net Income Margin (%)	9.9	14.6	-467	11.2	-124	13.1	-318

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Dr. Soliman Abdel Kader Fakeeh Hospital (FAKEEHCA AB) reported a net profit of SR74mn in 4Q24 (EPS: SR0.3), relatively stable YoY and lower by 21% QoQ. Net profit gains were restricted due to contraction in gross margins and absence of non-recurring other income. This comes despite higher revenue and relatively stable SG&A expenses. Earnings came in lower than consensus estimate of SR106mn and our estimate of SR117mn. The company also announced a dividend of SR0.3/share for the quarter.

- Revenue during the quarter grew 12% YoY to SR743mn driven by higher patient count, improved business mix leading to higher revenue per patient and increasing contribution from O&M contracts. Increase in number of patients (up 12.5% YoY to 1.74mn in 2024) resulted from growth in Jeddah Hospital as well as continued ramp-up in Riyadh Hospital. The latter served 48k patients in 4Q24 (up 53% YoY) operating at an average occupancy rate of 69% with 103 licensed beds as of Dec'24.
- Ramp-up costs associated with the new facilities, particularly salary expenses, along with higher accommodation costs associated with NEOM's O&M contract weighed-in on gross margins resulting in a 389bps YoY compression to 22.2% in 4Q24. The decline was partially offset by the company's focus on complex care and high value medical services.
- Operating profit decreased 23% YoY to SR72mn in 4Q24 primarily driven by the gross level performance and lower other income while SG&A expenses were relatively stable despite higher revenue.
- Net profit was relatively flat on a YoY basis as a drop in the operating income was largely offset by reduced finance costs following repayment of debt by the company using IPO proceeds. Sequentially, net profit declined 21% QoQ driven by 31% QoQ drop in operating profits.
- Fakeeh's stock price recently (in Dec'24) touched its highest level since its IPO at SR71.6/share, however, following its 4Q24 result announcement the stock has been under pressure given concerns on its gross level performance. While we anticipated pressure on gross margins due to expansion-related expenses for Madina Hospital, the magnitude of the contraction reported in 4Q24 surpassed our expectations. As Riyadh Hospital ramps up its operations, we anticipate that it will partially offset the cost pressures stemming from commencement of operations at Madina Hospital which are reportedly set to begin in Mar'25. We maintain our Overweight stance on the stock with a TP of SR69/share where we expect EPS to reach SR1.5 in 2025, which leaves the company trading at a 2025e P/E of 35.4x and P/B of 3.8x. We highlight pressure on gross margins amid the company's ongoing expansion efforts as a key risk to our investment thesis.

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