

Higher than expected net income for Q1-2017. Dallah Healthcare posted net income of SAR85.00mn for the quarter compared to our estimate of SAR59.80mn, 34.90% above the market consensus. Revenue stood at SAR302.8mn in-line with our estimate of SAR295.7mn. The deviation was mainly due to higher than expected gross margin. We remain "Neutral" on the company with an unchanged PT of SAR 103.5 per share.

- Dallah Healthcare reported higher than expected net income for 1Q2017. Net income came at SAR85.0mn (EPS SAR 1.44), showing significant growth compared to the same quarter last year of SAR58.1mn, 46.3% YoY. The quarterly result was mainly due to decrease in sales and marketing expenses for Dallah pharma subsidiary, along with decreasing provisions estimated to receivables.
- Revenue for the quarter stood at SAR302.80mn compared to SAR285.00mn in 1Q2016; an increase of 6.2% YoY and in-line with our estimates of SAR295.7mn. According to the company, the slight increase resulted from an increase from outpatients and inpatients revenues due to improvement of contractual terms with certain institutional clients.
- Gross profit stood at SAR 143.60mn depicting a decline of 5.1%QoQ, and 8.3%YoY increase. Gross margin for the quarter stood at 47.4% compared to 46.4% for the same quarter last year and 47.8% last quarter. Comparatively, higher revenue and stabilized COGS contributed to improved gross margins.

AJC view: Receivables provisions decreased on a YoY basis during the quarter, improving Dallah's bottom line. The decrease was due to collection from governmental authorities. Revenue maintained growth of 6.2%YoY. The decrease in SG&A for the quarter resulted in improvement in operating margin which stands at 28.3% for 1Q2017 compared to 21.7% for 1Q2016. Revised EPS FY2017 is estimated at SAR4.5 per share. The company currently trades at TTM PE of 23.3x and an estimated forward PE multiple of 22.2x compared to a sector TTM PE of 29.0x. We remain "Neutral" on the company with an unchanged PT of SAR 103.5 Per share.

Results Summary

SARmn (unless specified)	Q1-2016	Q4-2016	Q1-2017	Change YoY	Change QoQ	Deviation from AJC Estimates
Sales	285.0	316.2	302.8	6.2%	-4.3%	2.4%
Gross Profit	132.5	151.3	143.6	8.3%	-5.1%	6.6%
Gross Margin	46.4%	47.8%	47.4%	-	-	-
EBIT	61.9	58.2	85.8	38.6%	47.3%	-
Net Profit	58.10	51.9	85.0	46.2%	63.7%	42.1%
EPS	0.98	0.88	1.44	46.9%	63.6%	-

Source: Company reports, Aljazira Capital

Recommendation	'Neutral'
Current Price* (SAR)	99.8
Target Price (SAR)	103.5
Upside / (Downside)	3.7%

*prices as of 30th of April 2017

Key Financials

SARmn (unless specified)	FY15	FY16	FY17E
Revenue	985.4	1162.8	1391.1
Gross Profit	407.1	536.8	646.8
Net Profit	165.0	225.8	265.5
EPS	2.80	3.83	4.50

Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	5.9
YTD %	4.5%
Shares Outstanding (mn)	59.0
52 Week (High)	108.25
52 Week (Low)	70.00

Source: Company reports, Aljazira Capital

Key Ratios

SARmn (unless specified)	FY15	FY16	FY17E
Gross Margin	41.4%	46.1%	46.5%
Net Margin	16.7%	19.4%	19.1%
P/E	25.1x	24.8x	22.2x
P/BV	3.0	3.7	3.2
EV / EBITDA	21.7x	16.6x	18.5
Dividend Yield	2.1%	2.1%	2.6%

Source: Company reports, Aljazira Capital

Price Performance



Source: Bloomberg, Aljazira Capital

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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