



**US\$1.119bn** Market cap  
**44%** Free float  
**US\$1.664mn** Avg. daily volume

Target price **50.00** 42.8% over current  
Current price **35.01** as at 21/1/2016

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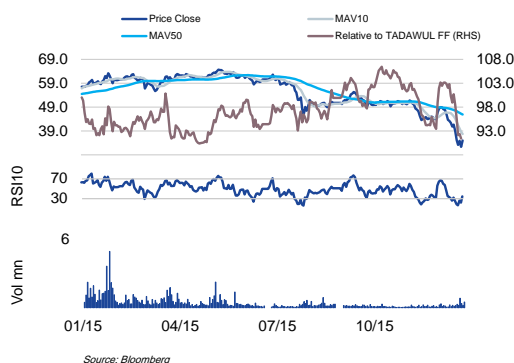
Existing rating

**Underweight** **Neutral** **Overweight**

**Flash view**

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

**Performance**



**Al Hammadi Hospitals  
Q4: In-line with consensus**

Al Hammadi reported a net profit of SAR35.75mn for Q4 (+6.05% y-o-y) that came above our estimate of SAR32mn but in-line with consensus estimate of SAR36mn (Argaam). The topline grew 22% y-o-y, owing to the commencement of commercial operations of ALSweidi hospital. The enhancement of the contractual terms with customers, helped the company to widen its gross margins by more than 140 basis points. Al-Hammadi opened its ALSweidi branch at the end of Q3 2015 and is expecting to open its 3<sup>rd</sup> branch (AlNuzhah Hospital) in Q1 2016. We have revised our estimates to reflect the current market conditions, and continue to remain Overweight on Al Hammadi with a target price of SAR50.

Earnings vs our forecast	Above	In Line	Below
<b>Likely impact:</b>			
Earnings estimates	Up	<b>No Change</b>	Down
Dividend estimates	Up	<b>No Change</b>	Down
Recommendation	Upgrade	<b>No Change</b>	Downgrade
Long term view	Stronger	<b>Confirmed</b>	Weaker

- **Revenue:** Revenue of SAR158mn (+22% y-o-y), came in-line with our estimate of SAR161mn. Opening of ALSweidi hospital, offering new services to customers, and the increase in number of inpatients nights was the reason for the good growth in revenue.
- **Gross profit:** Gross profit came at SAR70.61mn (+26.11% y-o-y), ahead of our estimate of SAR68mn. Gross margin increased by more than 140 basis points from Q4 2014. As per the announcement on Tadawul, enhancement of the contractual terms with the company's customers helped the increase in gross margin.
- **Net profit:** Net profit of SAR35.75mn (+6.05% y-o-y), came in-line with consensus estimate of SAR36mn (Argaam) and ahead of our estimate of SAR32mn.

Figure 1 Figure 1 Al Hammadi summary of Q4 2015 results

(SAR mn)	Q4 2014	Q3 2015	Q4 2015	% chg y-o-y	% chg q-o-q	ARC est
Revenue	129	137	158	22%	15%	161
Gross profit	56	59	71	26%	21%	68
Gross profit margin	43%	43%	45%	N/A	N/A	42%
Operating profit	35	32	40	17%	27%	35
Net profit	34	28	36	6%	29%	32

Source: Company data, Al Rajhi Capital



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"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

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