

Al Hammadi Holding Releases Results for the Nine-month Period Ended 30 September 2023

05 November 2023, Riyadh (Saudi Arabia). Al Hammadi Holding (“Al Hammadi” or the “Company”), an owner and operator of premier medical facilities in Saudi Arabia, announces its financial results for the quarter and nine-month period ended 30 September 2023 (Q3 2023 and 9M 2023). The Company reported revenues of SAR 873 million in the first nine months of 2023, up 12% year-on-year (y-o-y) from the same period of last year. Net profit reached SAR 238 million, representing an increase of 29% compared to last year’s figure, with an enhanced net profit margin (NPM) of 27%. On a quarterly basis, revenues grew 21% y-o-y to record SAR 298 in Q3 2023, while net profit for the quarter climbed 31% y-o-y to reach SAR 75 million with a NPM of 25% for the period.

Key Financial and Operational Highlights

Financial Highlights (SAR mn)	Q3 2022	Q3 2023	Y-o-Y Change	9M 2022	9M 2023	Y-o-Y Change
Total Revenues	246.9	297.8	20.6%	779.8	873.1	12.0%
Cost of Sales	(163.4)	(185.0)	13.2%	(491.1)	(547.7)	11.5%
Gross Profit	83.5	112.9	35.2%	288.7	325.4	12.7%
GPM	33.8%	37.9%	4.1pts	37.0%	37.3%	0.3pts
Operating Profit	66.2	86.6	30.8%	210.2	271.5	29.2%
Operating Profit Margin	26.8%	29.1%	2.3pts	27.0%	31.1%	4.1pts
Net Profit	57.1	74.9	31.1%	184.2	238.1	29.3%
NPM	23.1%	25.1%	2.0pts	23.6%	27.3%	3.7pts
Operational Highlights ('000)						
Inpatient Volumes	10.6	9.3	-12.0%	32.4	30.1	-7.2%
Outpatient Volumes	229.2	240.4	4.9%	750.9	755.7	0.6%

- Al Hammadi recorded total **revenues** of SAR 873 million in the first nine months of 2023, up 12% from the same period of last year. The increase was driven by revenue growth across both the Company’s medical services and pharmaceutical segments, which grew 11% y-o-y and 16% y-o-y, respectively. On a quarterly basis, Al Hammadi booked SAR 298 million in revenue in Q3 2023, up 21% y-o-y and 8% q-o-q.
- Net profit** recorded SAR 238 million in 9M 2023, reflecting a 29% y-o-y increase from the SAR 184 million booked in the same period last year. Net profit margin expanded to 27% in 9M 2023, up four percentage points versus last year. The improved net profitability was attributed to solid top-line growth, which mitigated the impact of higher costs further down the income statement. Moreover, the Company’s performance in the first nine months of the year was supported by a particularly strong third quarter, which saw net profit increase by 31% y-o-y to record SAR 75 million, with an associated NPM of 25% versus 23% in 3Q 2022.
- Net debt/equity** recorded 0.3% at 30 September 2023 compared to the 10.0% recorded as of 31 December 2022.
- Inpatient admissions** recorded 30.1 thousand in the first nine months of 2023, down 7% y-o-y; however, **outpatient visits** grew a marginal 1% y-o-y to 755.7 thousand. On a quarterly basis, inpatient admissions were down 12.0% y-o-y, while outpatient visits increased 5% y-o-y compared to the third quarter of 2022.

Management Comment

I am happy to share that the Company has carried the growth momentum forward into the second half of the year to achieve impressive results in 9M 2023. Since the start of the year, Al Hammadi has not only continued to deliver on its short-term growth targets, maintaining steady growth in revenue and robust profitability, but has also never lost sight of its longer-term value creation strategy. I am proud of the progress we have achieved and of the groundwork we have laid over the last nine months and are confident that the new additions and enhancements will support further sustainable growth for the Company and continued service improvements for our patients and community.

A deeper dive into our financial results for the period shows substantial top-line growth of 12% in 9M 2023 and 21% in Q3 2023, driven by higher revenues in both our medical services and pharmaceutical segments. Further down the income statement, our bottom-line profitability has seen significant improvement on both a year-to-date and quarterly basis, thanks to increased revenues as well as enhanced operational efficiencies which offset higher labor and maintenance costs in the third quarter of the year.

Whilst delivering short-term growth, we also took important steps forward on our long-term targets. On this front, our primary focus has been and continues to be the steady expansion of our presence in the fast-growing and increasingly-attractive Riyadh market to unlock additional value for our shareholders and serve as a trusted healthcare partner for our growing patients pool. This commitment is exemplified through our ongoing expansions, which have increased our capacities and extended the reach of our hospitals. To date, we have expanded our Al Suwaidi facility by adding 20 inpatient beds and inaugurated 20 new outpatient clinics at Al Nuzha Hospital, maintaining 90% utilization rates across our newly launched clinics throughout the year, and achieving a full utilization in September. In the coming months, we are prioritizing the completion of the first phase of Al Suwaidi's outpatient capacity expansion plan, which will see the launch of 20 new clinics, and which we remain on track to complete before the end of the year. This will be followed by a second phase scheduled to commence operations in 2024, bringing the total number of new clinics to 40.

These expansions are just part of our broader development strategy. Our future plans are ambitious and encompass a wider scope of initiatives, including the integration of cutting-edge technologies and the development of two new state-of-the-art facilities which will come online over the next five years. With a few months left in 2023, I am confident that we are well on the way to deliver on our full-year targets, setting us up for an even more successful 2024.

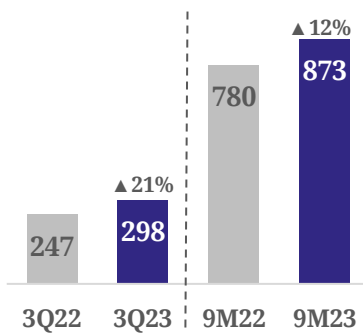
Mohammad S. Al Hammadi

Chief Executive Officer

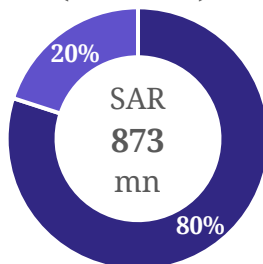
Consolidated Analysis

Financial Review

**Group Revenue
(SAR mn)**

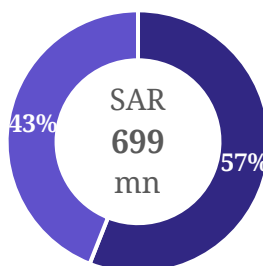


**Revenue
Breakdown
(9M 2023)**



■ Medical Services
■ Pharmaceuticals

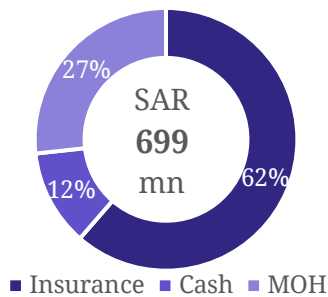
**Medical Services
Revenue Breakdown
(9M 2023)**



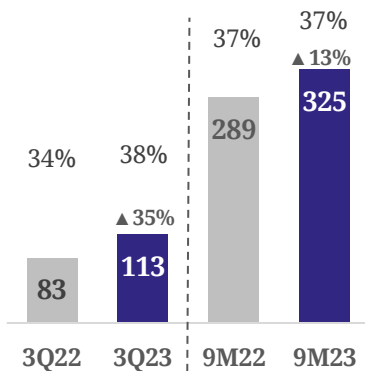
■ Inpatient ■ Outpatient

- Al Hammadi recorded SAR 873 million in **revenues** in 9M 2023, up 12% y-o-y. Growth was supported by strong revenues across Al Hammadi's medical services and pharmaceutical segments during the period. On a quarterly basis, revenues recorded SAR 298 million, up by an impressive 21% y-o-y and 8% q-o-q.
- Medical services**, representing inpatient and outpatient operations at both Al Nuzha and Al Suwaidi hospitals, accounted for 80% of the Company's consolidated top-line for 9M 2023 versus 81% in 9M 2022. The services generated SAR 699 million in revenues for the period, up 11% from the SAR 630 million recorded last year. Al Suwaidi hospital led revenue growth, increasing 18% y-o-y in 9M2023, while Al Nuzha's revenue expanded 6% y-o-y over the same period. On a patient type basis, growth was primarily driven by higher revenues generated by insurance patients with substantial growth in revenues generated by Ministry of Health (MOH) patients also supporting Al Hammadi's top-line in 9M 2023. On a segmental basis, the Company's inpatient and outpatient segments recorded year-on-year revenue growth in 9M 2023. Inpatient revenues rose 15% y-o-y to record SAR 401 million, while outpatient revenue increased 7% y-o-y to book SAR 298 million over the period. On a quarterly basis, revenues generated by Al Hammadi's medical services segment stood at SAR 243 million, representing year-on-year and quarter-on-quarter increases of 20% and 11%, respectively.
- Al Hammadi's **pharmaceutical** segment contributed the remaining 20% of consolidated revenues, recording SAR 174 million in 9M 2023, up 16% y-o-y. During the first nine months of 2023, Al Hammadi's in-house pharmacies (located in Al Nuzha and Al Suwaidi) recorded SAR 148 million in sales, up 15% from last year's figure. Meanwhile, Al Hammadi's subsidiary Pharma Serve booked sales of SAR 25 million in 9M 2023, 22% above SAR 21 million recorded in 9M 2022. During the third quarter of the year, Al Hammadi's pharmaceutical sales recorded SAR 55 million, up 22% y-o-y. The majority of sales were driven by in-house pharmaceuticals, which grew 19% y-o-y, whereas Pharma Serve's sales recorded a 47% y-o-y increase for the quarter.

**Medical Services
Revenue by Patient
Type
(9M 2023)**

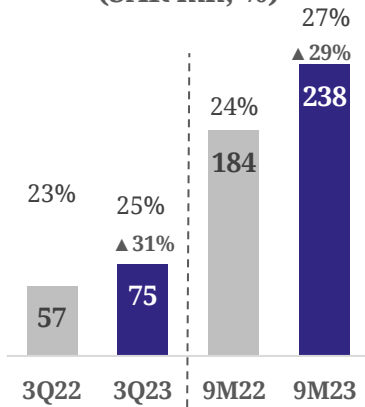


**Gross Profit, GPM
(SAR mn, %)**



- Cost of revenue** stood at SAR 548 million for 9M 2023, up 12% y-o-y from the SAR 491 million recorded during the first nine months of last year. The year-on-year increase reflects higher salaries for medical staff as well as increased maintenance costs during the period. Salary increases were prompted by new staff hires for Al Nuzha's new outpatient clinics and Al Suwaidi's inpatient rooms. This was also coupled with annual salary increases for existing staff across Al Hammadi's institutions. The company has been proactively recruiting medical personnel in advance to provide thorough training for the upcoming outpatient expansions in Al Suwaidi, which will launch in the last quarter of 2023. As a percentage of revenues, cost of revenue was 63% in 9M 2023 at par with last year's figure. On a quarterly basis, cost of revenue increased 13% y-o-y to record SAR 185 million in Q3 2023, however, it remained stable compared to the previous quarter.
- Gross profit** for the 9M 2023 recorded SAR 325 million, up 13% y-o-y from 9M 2022. Gross profit margin (GPM) remained stable year-on-year at 37% despite the increase in the cost of revenue. On a quarterly basis, gross profit grew 35% y-o-y and 23% q-o-q to record SAR 113 million, with an improved GPM of 38% in Q3 2023 versus 34% in Q3 2022 and 33% in Q2 2023.
- Sales, general & administrative (SG&A)** expenses recorded SAR 78 million, up 18% y-o-y. As a percentage of revenues, SG&A outlays stood at 9% in 9M 2023, relatively stable compared to 8% the year prior. On a quarterly basis, SG&A expenses recorded SAR 28 million in Q3 2023, up 41% from Q3 2022. As a proportion of revenues, SG&A outlays recorded 9%, up versus 8% in Q3 2022.
- Operating profit** recorded SAR 272 million in 9M 2023, up 29% versus the SAR 210 million booked during the same period last year. Operating margin expanded by four percentage points to reach 31% in 9M 2023, driven by improved gross profitability over the period. On a quarterly basis, Al Hammadi booked SAR 87 million in operating profits, up 31% y-o-y, yielding an operating margin of 29%, compared to 27% in Q3 2022.
- Al Hammadi generated SAR 238 million in **net profit** in 9M 2023, up 29% from the same period of 2022. The Company's net profit margin increased by three percentage points to 27% in 9M 2023, up from 24% in 9M 2022. Bottom-line increased on the back of solid growth in operating profit in 9M 2023, which mitigated the effect of the higher financing costs incurred during the period. On a quarterly basis, net profit recorded SAR 75 million in Q3 2023, up by a notable 31% y-o-y, but down 9% compared to Q2 2023. Net profit margin grew to 25% in

**Net Profit, Margin
(SAR mn, %)**

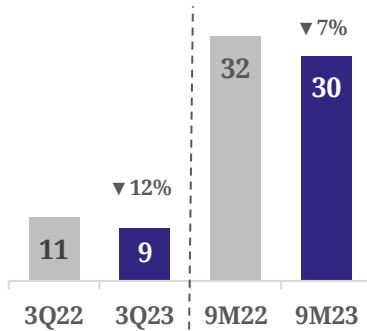


Q3 2023 versus 23% in Q3 2022 but was down compared to 30% in Q2 2023.

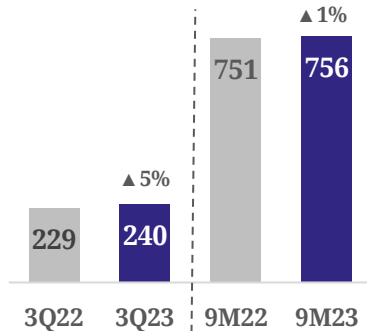
- Al Hammadi complies with a clear **dividend** policy, which entails distributing no less than 60% of annual profits on a quarterly basis to shareholders. Considering its solid results and continuous growth over the year, the Company has distributed SAR 168 million in cash dividends. This represents a 17% increase from the total dividends distributed in the corresponding period of the previous year, which stood at SAR 144 million.
- Al Hammadi's total **assets** recorded SAR 2,586 million as of 30 September 2023, up from SAR 2,482 million as of 31 December 2022. **Inventories** as of 30 September 2023 booked SAR 55 million, down marginally from SAR 56 million as of year-end 2022.
- **Cash and cash equivalents** stood at SAR 186 million as of 30 September 2023, up from SAR 61 million as of 31 December 2022. The Company's current and quick ratios stood at 2.7 and 2.5 as of 30 September 2023, versus 2.4 and 2.2, respectively, as of year-end 2022.
- The Company recorded **total debt** of SAR 191 million as of 30 September 2023, down from SAR 232 million as of year-end 2022. Total debt is composed of SAR zero million in commercial loans and SAR 191 million in zero-interest government grants. Meanwhile, **net debt** stood at SAR 6 million as at 30 September 2023, down from SAR 172 million as at year-end 2022.
- **Shareholders' equity** stood at SAR 1,838 million as of 30 September 2023, increasing from the SAR 1,711 million recorded as of year-end 2022. The Company recorded debt/equity of 10.4% as of 30 September 2023 compared to 13.6% as at year-end 2022. Meanwhile, net debt/equity came in at 0.3% as at 30 September 2023, up from 10.0% at the close of FY 2022.

Operational Review

**Inpatient Admissions
(‘000)**



**Outpatient Visits
(‘000)**



- On a Group level, Al Hammadi recorded 30,058 **inpatient admissions** during the first nine months of the year, representing a 7% y-o-y decline due to the slowdown in patient volumes during Eid and summer holidays. Nevertheless, the Company softened the impact of this decline by admitting a greater number of complex cases, leading to revenue growth over the period. Al Nuzha hospital contributed 60% of total inpatient admissions in 9M 2023, up from 57% during 9M 2022. The Company’s Al Suwaidi hospital accounted for the remaining 40% of inpatient admissions in the first nine months of the year (versus 43% during 9M 2022). On a quarterly basis, inpatient admissions declined 12% compared to Q3 2022 but were up 3% compared to Q2 2023.
- Al Hammadi recorded **outpatient visits** totaling 755,715 during 9M 2023, up 1% compared to 9M 2022. The Company’s Al Nuzha hospital accounted for 62% of all outpatient examinations in the 9M 2023, bringing in SAR 466 million in line with last year’s figure. Al Suwaidi hospital contributed the remaining 38% of total outpatient visits for the nine-month period, growing 2% y-o-y. With a strong projected pipeline of clinics in the Q4 2023, Al Hammadi has a positive outlook on the growth of outpatient volumes for the coming quarter and next year. In Q3 2023, outpatient visits increased 5% y-o-y but marginally decreased quarter-on-quarter.
- Al Hammadi maintained high and steady **utilization rates** across both its hospitals and patient segments throughout the first nine months of 2023. At the inpatient segment, the Company’s Al Nuzha hospital recorded an average utilization rate of 90% across its currently operational beds, while Al Suwaidi hospital registered 50%. At the outpatient segment, utilization rates stood at 95% at Al Nuzha Hospital and 90% at Al Suwaidi hospital, respectively. It is important to highlight that in September 2023 both inpatient and outpatient utilization rates across Al Nuzha and Al Suwaidi hospitals reached 100% (when considering operational capacity) as the Company effectively capitalized on the post-summer slowdown in traffic.
- In the first nine months of 2023, the Group made significant strides on the **capacity expansions** front. The beginning of 2023 saw Al Hammadi launch 20 new inpatient beds at Al Suwaidi Hospital, with an anticipated capacity of 40 beds by year-end. In terms of outpatient clinics, Al Hammadi continues to make progress on its plan to launch 40 new outpatient clinics at Al Suwaidi Hospital, where the first phase will include the completion of 20 operating clinics in the fourth

quarter of 2023. This will be followed by a second phase, delivering 20 additional clinics by the end of 2024. These expansions build on Al Hammadi's business model and its determination to capture a larger market share in Riyadh. In its efforts to do so, the Group has launched 20 new outpatient clinics at the end of 2022, which quickly achieved maximum utilization in the first quarter of 2023, and maintained it throughout the year. As part of its long-run growth strategy, Al Hammadi intends to inaugurate seven new hospital facilities across Riyadh. The first facility, planned for 2026, will be the renovated Olaya facility, encompassing 200 inpatient rooms, 120 outpatient clinics, and two specialized centers in sports medicine and oncology. Al Narjis hospital, the second hospital slated for 2028, will house 200 inpatient rooms, 120 outpatient clinics, and two centers focused on rehabilitation and plastic surgery.

– End –

Consolidated Income Statement

SAR mn	Q3 2022	Q3 2023	Y-o-Y Change	9M 2022	9M 2023	Y-o-Y Change
Revenue	246.9	297.8	20.6%	779.8	873.1	12.0%
Cost of revenue	(163.4)	(185.0)	13.2%	(491.1)	(547.7)	11.5%
Gross Profit	83.5	112.9	35.2%	288.7	325.4	12.7%
<i>GPM</i>	33.8%	37.9%	4.1pts	37.0%	37.3%	0.3pts
Selling and marketing expenses	(0.7)	(0.9)	32.5%	(2.0)	(4.1)	104.5%
Administrative and general expenses	(19.2)	(27.0)	40.9%	(63.5)	(73.5)	15.7%
Expected credit loss provision	(11.3)	(5.6)	-50.1%	(35.6)	6.3	n/a
Impairment loss on investment in subsidiaries	-	-	-	-	-	-
Other operating income	13.9	7.3	-47.4%	22.7	17.5	-22.9%
Operating Profit	66.2	86.6	30.8%	210.2	271.5	29.2%
<i>Operating profit margin</i>	26.8%	29.1%	2.3pts	27.0%	31.1%	4.1pts
Share of profit in subsidiaries	1.3	(0.6)	n/a	3.6	1.3	-64.3%
Finance costs	(5.3)	(6.1)	14.2%	(14.6)	(19.7)	35.0%
Net profit before Zakat	62.1	79.9	28.6%	199.2	253.1	27.1%
Zakat expenses	(5.0)	(5.0)	-	(15.0)	(15.0)	-
Net profit for the period	57.1	74.9	31.1%	184.2	238.1	29.3%
<i>NPM</i>	23.1%	25.1%	2.0pts	23.6%	27.3%	3.7pts
Earnings per share:	0.36	0.47	31.1%	1.15	1.49	29.3%

Consolidated Balance Sheet

SAR mn	31 December 2022	30 September 2023
ASSETS		
Non-current assets		
Property and equipment	1,606.2	1,674.4
Advance payments for acquisition of property and equipment	95.8	-
Intangible assets and goodwill	28.5	25.9
Investment in associates	124.2	125.4
Total non-current assets	1,854.8	1,825.7
Current Assets		
Inventories	56.2	55.1
Other receivables	7.2	9.8
Prepayments	14.8	14.3
Contract assets	7.3	9.2
Trade receivables	481.1	486.5
Cash and cash equivalents	60.6	185.7
Total current assets	627.1	760.6
TOTAL ASSETS	2,481.8	2,586.3
SHAREHOLDER'S EQUITY AND LIABILITIES		
SHAREHOLDER'S EQUITY		
Share capital	1,600.0	1,600.0
Statutory reserve	37.0	37.0
Retained earnings	73.5	201.3
TOTAL SHAREHOLDER'S EQUITY	1,710.6	1,838.3
LIABILITIES		
Non-current liabilities		
Loans	203.0	162.4
Government grants	114.9	108.1
Lease liabilities	114.5	113.2
Employees' terminal benefits	78.8	83.3
Total non-current liabilities	511.2	467.1
Current liabilities		
Loans	29.2	28.8
Government grants	9.1	9.1
Lease liabilities	14.5	12.6
Accrued zakat	16.9	15.2
Trade payables	87.0	69.0
Accrued expenses	35.5	46.5
Other payables	25.0	34.1
Contract liabilities	42.8	65.5
Total current liabilities	260.1	280.9
TOTAL LIABILITIES	771.3	748.0
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	2,481.8	2,586.3

Consolidated Statement of Cash Flow

SAR mn	30 September 2022	30 September 2023
OPERATING ACTIVITIES		
Net profit	184.2	238.1
Adjustments to reconcile net profit to cash flow	-	-
Depreciation of property and equipment and right of use assets	74.3	72.7
Amortization of intangible assets	2.8	2.7
Losses on disposals from discontinued operations	-	-
Losses on disposals of property and equipment	-	1.4
Gain on disposals of right of use assets	-	(0.5)
Impairment losses of goodwill	-	-
Company share of profits from associate	(3.6)	(1.3)
Provision from slow-moving inventory	-	-
Impairment loss on trade receivables and other debit balances	35.6	(6.3)
Government grants released	(15.1)	(6.8)
Current services cost of employees' terminal benefits	9.3	8.9
Reverse of legal provision	-	-
Contract liability generated during the period	38.1	36.3
Finance expenses	14.6	19.7
Zakat charge during the period	15.0	15.0
	355.2	379.9
Working capital adjustments		
Inventories	6.0	1.2
Other receivables	(3.0)	(2.6)
Prepayments	(23.7)	0.6
Contract assets	(6.7)	5.3
Net changes in related parties	(0.4)	(9.1)
Trade receivables	(147.5)	(6.1)
Trade payables	(1.7)	(9.9)
Accrued expenses	(2.3)	11.0
Other payables	(4.5)	8.4
Contract liability	(44.8)	(13.6)
Employees' terminal benefits paid	(7.7)	(5.9)
Zakat paid	(18.2)	(16.7)
NET CASH GENERATED FROM OPERATING ACTIVITIES	100.8	342.5
INVESTING ACTIVITIES		
Purchase of property and equipment	(11.2)	(47.1)
Advance payments for acquisition of property and equipment	(95.8)	-
Cash proceeds from sale of property and equipment	-	-
Purchase of intangible assets	(0.1)	(0.0)
Investment in associate	-	-
NET CASH USED IN INVESTING ACTIVITIES	(107.1)	(47.1)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	146.2	54.1
Repayment of bank and government borrowings	(63.6)	(101.5)
Lease liability paid	(7.5)	(7.8)
Finance cost paid	(3.2)	(3.7)
Dividends paid	(143.3)	(111.4)
NET CASH USED IN FINANCING ACTIVITIES	(71.3)	(170.3)
Net change in cash and cash equivalents	(77.6)	125.1
Cash and cash equivalents at the beginning of the period	120.9	60.6
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	43.2	185.7

About Al Hammadi Holding

Al Hammadi Holding is an integrated healthcare company and a premier hospital operator in Riyadh providing world-class healthcare services to hundreds of thousands of local and foreign residents each year. The company currently operates two hospitals in the Saudi Arabian capital, housing more than 600 inpatient rooms and 200 outpatient clinics. In line with the company's ambitious growth plans and Saudi Arabia's Vision 2030 strategy, Al Hammadi is aiming to inaugurate three more facilities in Riyadh over the coming six years, more than doubling its inpatient and outpatient capacity. Al Hammadi also offers retail pharmacy services through a network of physical stores and a growing online presence and is also active in the vaccine import segment through its subsidiary, Pharma Serve. Al Hammadi boasts several international accreditations and certificates, including the Canadian Accreditation Certificate (ACCREDITATION CANADA), the Joint Commission International (JCI) accreditation, the Australian Council on Healthcare Standards International (ACHSI), the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), the American College of Cardiology (ACC) accreditation, as well as the ISO 9001:2008 certification and the Saudi Heart Association Certificate.

Contact

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