Dr. Sulaiman Al Habib Medical Services Group (HMG)

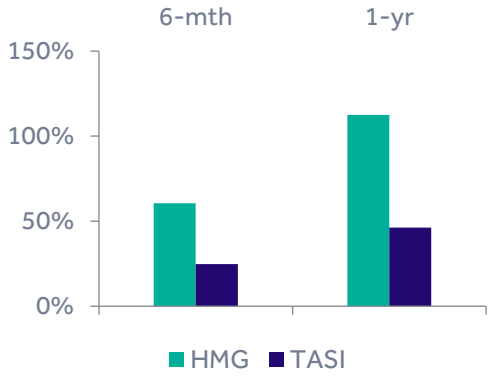
2Q2021 First Look

Stock Outperforms the Market

August 16, 2021

Upside to Target Price	(15.8%)	Rating	Neutral
Expected Dividend Yield	1.5%	Last Price	SAR 184.00
Expected Total Return	(14.3%)	12-mth target	SAR 155.00

Market Data	
52-week high/low	SAR 196.00/86.50
Market Cap	SAR 64,400 mln
Shares Outstanding	350 mln
Free-float	24.2%
12-month ADTV	366,628
Bloomberg Code	SULAIMAN AB



HMG	2Q2021	2Q2020	Y/Y	1Q2021	Q/Q	RC Estimate
Sales	1,751	1,203	46%	1,695	3%	1,720
Gross Profit	551	360	53%	549	0%	559
Operating Profit	340	203	67%	350	(3%)	357
Net Profit	325	192	69%	319	2%	324

(All figures are in SAR mln)

- HMG reported revenues of SAR 1.75 billion for the quarter, rising by +46% Y/Y and slightly by +3% Q/Q, in-line with our estimates. Increase in topline was a result of a growth in the hospital segment as both inpatients and outpatient numbers increase. Al-Khobar hospital continues to ramp up while there was an uptrend in the pharmacy segment as well on the back of rising patient numbers.
- Gross profit went up by +53% Y/Y but was flat Q/Q at SAR 551 million close to our SAR 559 million forecast. While gross margins have expanded Y/Y by +155 bps, they have contracted by -95 bps on a quarterly basis, which points to rising costs.
- Net income was recorded at SAR 325 million (+69% Y/Y, +2% Q/Q) and almost matching our SAR 324 million forecast. Net margins were at 18.6%, up Y/Y but lower Q/Q.
- The five new projects are at various stages of progress but are on track. The stock price has substantially outperformed the market and may struggle to keep pace with fundamentals. While we increase our target price to SAR 155.00 from SAR 120.00, we advise caution at these levels.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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