

Al Hammadi Holding - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

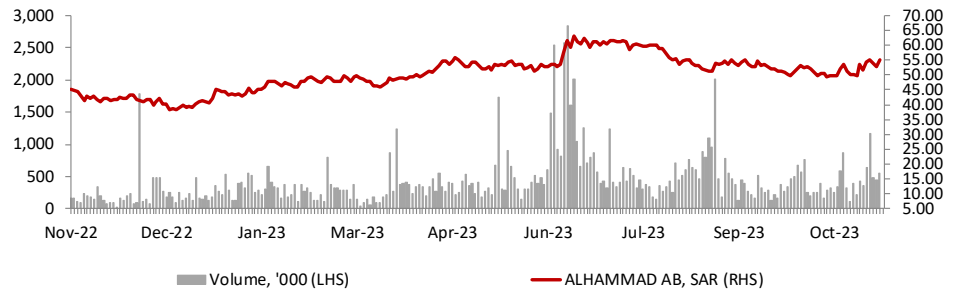
Target Price (SAR): **54.00**

Previous TP & Date: TP: SAR 54.00 per share on 04-Jun-2023

Current Upside / (Downside): -2%

Date: 11/5/2023

Bloomberg Ticker	.HAMMAD AB
Current Market Price (SAR)	54.90
52wk High / Low (SAR)	63.9/37.3
12m Average Vol. (000)	427.0
Mkt. Cap. (USD/SAR mn)	2,375/8,912
Shares Outstanding (mn)	160.0
Free Float (%)	66%
3m Avg Daily Turnover (000)	24,906.3
6m Avg Daily Turnover (000)	31,470.1
P/E'23e (x)	28.8
EV/EBITDA'23e (x)	19.8
Dividend Yield '23e (%)	2.5%
Price Perf. (1m/3m) (%)	9.6/-0.4



Al Hammadi posts strong revenue growth in 3Q 2023, beating our estimates

Al Hammadi Holding registered a solid revenue growth of 20.6% YoY in 3Q 2023 to SAR 297.8mn. We had forecasted revenue to grow by 7% in 3Q 2023, aided by an estimated increase in outpatients' capacity to ~200 vs. 140 in 3Q 2022, while the total hospital rooms were estimated to remain flat at 460.

Operating and net profit surge, backed by healthy revenue growth and efficiency improvements

The company logged a significant improvement in its cost efficiency, as a result of which gross profit surged 35.2% YoY, outpacing revenue growth and beating our estimate. This translated into a similar performance at the operating and net profit level, as they climbed 30.8% and 31.1% YoY, respectively, exceeding our forecast.

Maintain target price

Although the company registered healthy earnings growth in the last quarter surpassing our estimates, we prefer to maintain our SAR 54.00 target price and Hold rating on the stock, as we believe the current valuation levels price-in most of the near-term positives.

Valuation

At the current market price, the stock trades at 28.8x on our FY 2023e EPS and 19.8x on FY 2023e EBITDA, in line with the average 3-year daily 12-month forward P/E of 28.6x, but higher than the average 3-year daily 12-month forward EV/EBITDA of 16.2x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M 22	9M 23	YoY (%)
Sales/Revenue	246.9	342.6	298.6	276.7	297.8	272.4	20.6%	7.7%	9.3%	779.8	873.1	12.0%
Gross Profit (Loss)	83.5	127.4	120.4	92.1	112.9	91.5	35.2%	22.6%	23.4%	288.7	325.4	12.7%
Operating Profit (Loss)	66.2	81.6	91.8	93.2	86.6	68.5	30.8%	-7.1%	26.4%	210.2	271.5	29.2%
Net Profit (Loss) after Zakat and tax	57.1	73.2	81.4	81.8	74.9	58.1	31.1%	-8.5%	28.8%	184.2	238.1	29.3%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,698.2	1,710.6	1,736.1	1,761.2	1,838.3	1,819.3	8.2%	4.4%	1.0%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	33.8%	37.2%	40.3%	33.3%	37.9%	33.6%						
Operating Profit Margin	26.8%	23.8%	30.7%	33.7%	29.1%	25.1%						
Net Profit Margin	23.1%	21.4%	27.3%	29.6%	25.1%	21.3%						
Return on Equity (RoE)	13.5%	17.1%	18.8%	18.6%	16.3%	12.8%						
Annualized EPS (SAR)	1.43	1.83	2.04	2.05	1.87	1.45						
BVPS (SAR)					11.49	11.37						
TTM P/E (x)					28.2							
Current P/BV (x)					4.8							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report on the sector, please [click here](#).


Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harhi

 +968 2494 9024


 ahlam.harhi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

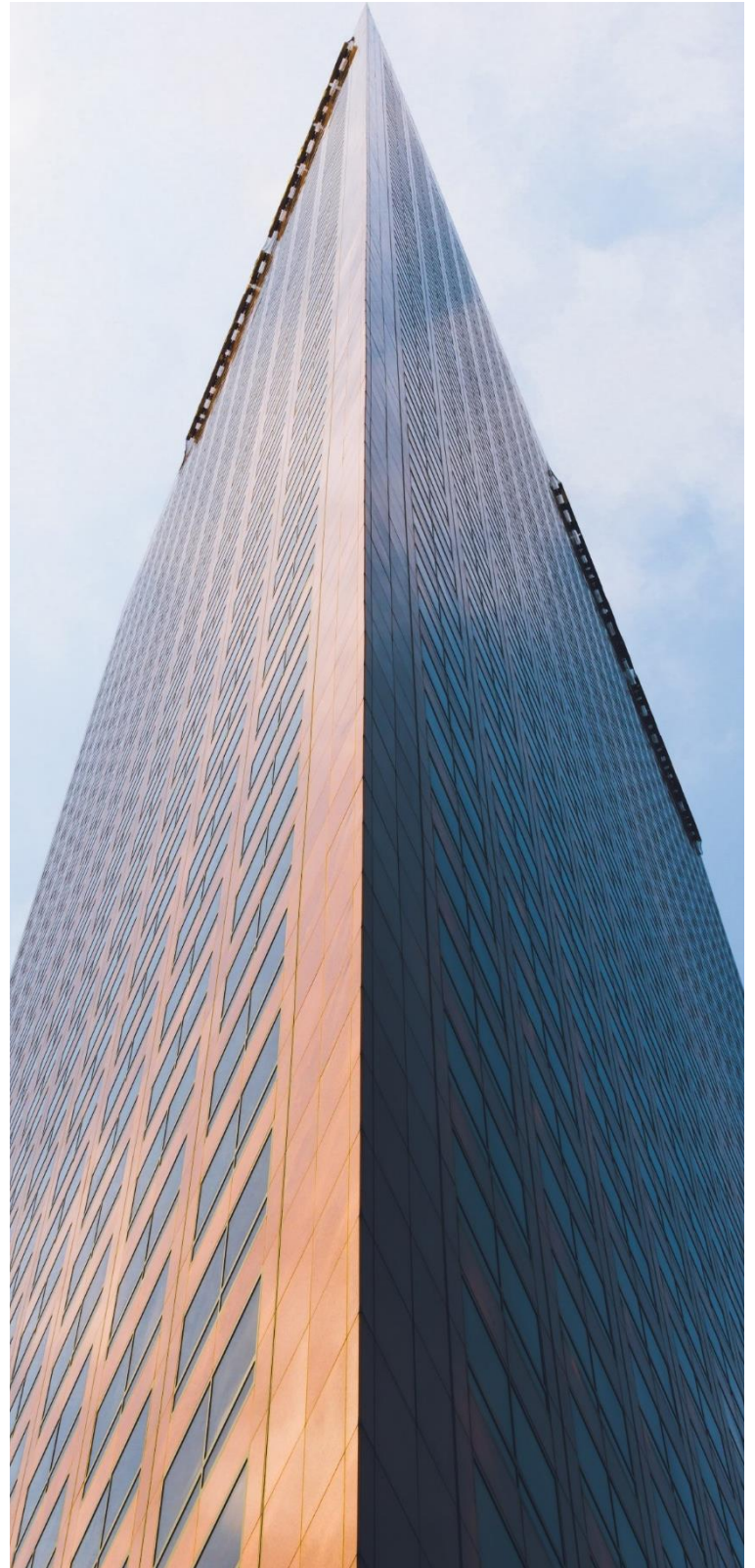
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: www.u-capital.net



Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report and are subject to change without notice. This report may not be reproduced, distributed, or published by any recipient for any other purpose.