

## Dallah Healthcare - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

Target Price (SAR): **UR**

Previous TP & Date: TP: SAR 170.50 per share on 08-Aug-2023

Current Upside / (Downside): -

Date: 11/6/2023



### Dallah's top line in 3Q 2023 expands at a more than estimated pace on higher patients and occupancies...

Dallah Healthcare's revenue in 3Q 2023 climbed 25% YoY, beating our estimate by 7%. Backed by an increase in the operating capacity of its hospitals resulting in higher patient visits, the company registered an improvement in inpatient and outpatient occupancy rates which drove the revenue higher.

### ...which, coupled with cost optimization, boosted gross and operating profit, beating our expectations

Revenue growth was complemented well by cost optimization efforts, as it led to a relatively faster rise in the gross profit (+33% YoY; 13% beat) and operating profit (+44% YoY; +15% vs. our estimate). Aided by the solid expansion in the operating profit, net profit soared 125% YoY to SAR 98.9mn.

### Place on Under Review

While Dallah's operating performance in the last quarter was better than expected, we contend that the sharp jump in the net profit hasn't been explained properly. Hence, we prefer to put Dallah Under Review, awaiting detailed financials to get more clarity. The company's BoD has proposed a SAR 0.5 per share dividend for 3Q 2023, matching our estimate and reflecting a 49% dividend payout.

### Valuation

At the current market price, the stock is trading at around 53.4x P/E and 27.4x EV/EBITDA, based on our FY 2023 estimates, well above its 3-year daily average forward P/E of about 31x and EV/EBITDA of ~23x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M 22	9M 23	YoY (%)
Sales/Revenue	600.9	693.9	716.6	670.4	749.8	698.1	25%	12%	7%	1,794.1	2,136.9	19.1%
Gross Profit (Loss)	211.5	239.8	266.8	235.1	280.9	247.5	33%	19%	13%	655.3	782.7	19.4%
Operating Profit (Loss)	91.1	101.7	132.5	102.9	131.0	113.5	44%	27%	15%	307.2	372.0	21.1%
Net Profit (Loss) after Zakat and tax	43.9	78.4	94.7	53.0	98.9	57.6	125%	87%	72%	196.0	246.5	25.7%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,976.5	1,989.9	3,128.9	3,133.0	3,188.2	3,190.6	61%	2%	0%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	35.2%	34.6%	37.2%	35.1%	37.5%	35.5%						
Operating Profit Margin	15.2%	14.7%	18.5%	15.4%	17.5%	16.3%						
Net Profit Margin	7.3%	11.3%	13.2%	7.9%	13.2%	8.3%						
Return on Equity (RoE)	8.9%	15.8%	12.1%	6.8%	12.4%	7.2%						
Annualized EPS (SAR)	1.95	3.49	3.93	2.17	4.05	2.36						
BVPS (SAR)					32.64	32.66						
TTM P/E (x)					45.2							
Current P/BV (x)					4.6							

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


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


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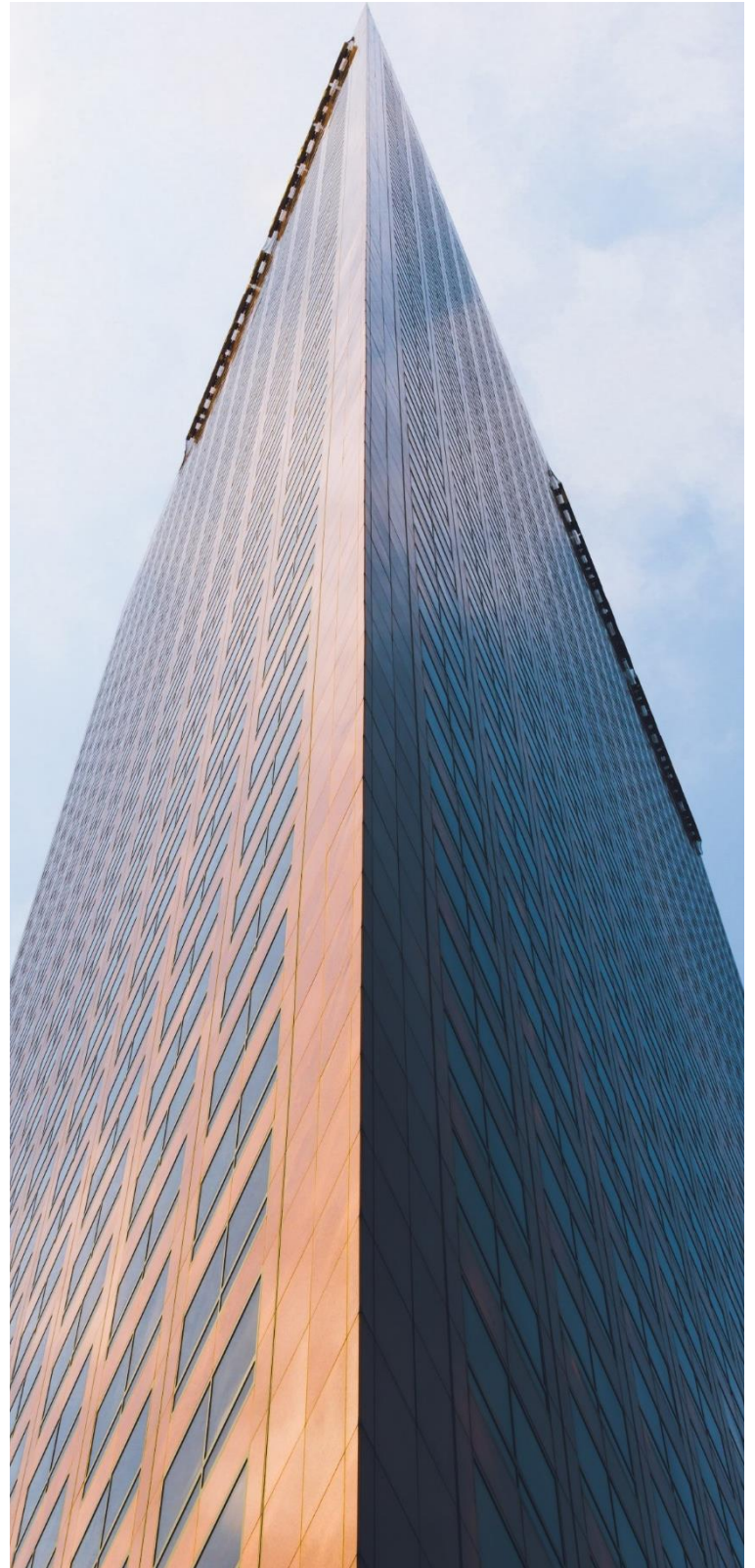
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# Disclaimer

## Recommendation

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

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