Dr. Sulaiman Al Habib Medical Services - 1Q23 Result Review

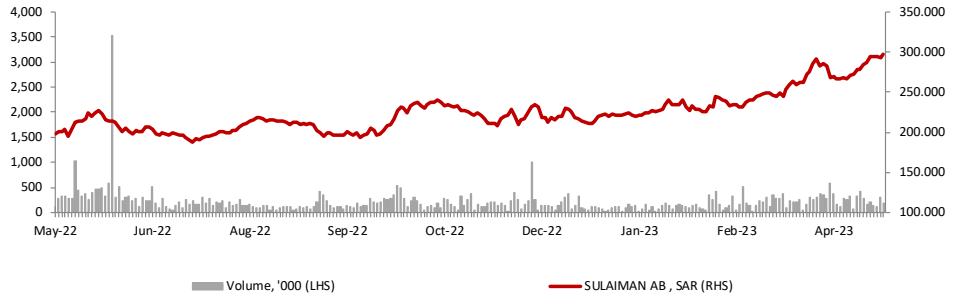
Analyst: Neetika Gupta

Previous Recommendation: **Hold** **Target Price (SAR):** **UR**

Previous Reco. & Date: TP: SAR 220.0 per share; Hold on 20-Feb-2023 Current Upside / (Downside): -

Date: 5/7/2023

Bloomberg Ticker	SULAIMAN AB
Current Market Price (SAR)	297.00
52wk High / Low (SAR)	301/182.4
12m Average Vol. (000)	215.4
Mkt. Cap. (USD/SAR mn)	27,711/103,950
Shares Outstanding (mn)	350.0
Free Float (%)	24%
3m Avg Daily Turnover (000)	58,349.9
6m Avg Daily Turnover (000)	45,305.9
P/E'23e (x)	57.4
P/BV'23e (x)	16.1
Dividend Yield '23e (%)	1.2%
Price Perf. (1m/3m) (%)	10.4/30.3



Higher than expected revenue growth in 1Q 2023

Dr. Sulaiman Al Habib Medical Services Group's revenue rose 16% YoY to about SAR 2.3bn in 1Q 2023 (10% beat), primarily driven by an increase in the revenue of the hospital segment, which accounted for ~76% of the overall top-line. The hospital segment witnessed an improvement in patient occupancy while the number of patients also grew. The company opened a new Medical Center in Riyadh during the quarter, which we believe aided in patients' growth. The higher number of patients also drove the sales higher for the pharmacy segment (around 21% of the total revenue).

Operating and net profit also exceed our estimate by a similar magnitude

Backed by healthy revenue growth, operating, and net profit also increased 19% and 21% YoY, respectively. As a result, they beat our estimate by 11% and 15%, respectively.

Place Under Review

Post the 1Q 2023 outturn, we place Dr. Sulaiman Al Habib under review. While the earnings have exceeded our expectations, the stock seems to have witnessed a rerating as it has appreciated about 23% since our last report in February. Dr. Sulaiman has proposed SAR 1.00 per share dividend for 1Q 2023 (our estimate: SAR 0.83 per share), indicating ~72% dividend payout on 1Q 2023 reported earnings. At the current market price, the TTM dividend gives a yield of 1.2%.

Income Statement												
(SAR mn)	**1Q22**	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**1Q23e**	**YoY (%)**	**QoQ (%)**	**Var (%)**	**FY 2021**	**FY 2022**	**YoY (%)**
Sales/Revenue	1,990.9	2,014.0	2,052.2	2,253.7	2,306.9	2,102.6	16%	2%	10%	7,250.5	8,310.7	14.6%
Gross Profit (Loss)	658.6	670.9	681.6	737.1	783.6	715.4	19%	6%	10%	2,330.2	2,748.1	17.9%
Operating Profit (Loss)	422.1	414.7	436.1	427.6	510.6	461.5	21%	19%	11%	1,466.2	1,700.5	16.0%
Net Profit (Loss) after Zakat and tax	**390.5**	**398.1**	**420.6**	**441.5**	**489.3**	**426.5**	25%	11%	15%	**1,376.6**	**1,650.8**	**19.9%**
Balance Sheet												
(SAR mn)	**1Q22**	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**1Q23e**	**YoY (%)**	**QoQ (%)**	**Var (%)**			
Shareholders' Equity	5,485.5	5,593.9	5,713.5	5,878.7	6,058.8	6,305.2	10%	3%	-4%			
Key Ratios												
	1Q22	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**1Q23e**						
Gross Profit Margin	33.1%	33.3%	33.2%	32.7%	34.0%	34.0%						
Operating Profit Margin	21.2%	20.6%	21.3%	19.0%	22.1%	21.9%						
Net Profit Margin	19.6%	19.8%	20.5%	19.6%	21.2%	20.3%						
Return on Equity (RoE)	28.5%	28.5%	29.4%	30.0%	32.3%	27.1%						
Annualized EPS (SAR)	4.46	4.55	4.81	5.05	5.59	4.87						
BVPS (SAR)					17.31	18.01						
TTM P/E (x)					59.4							
Current P/BV (x)					17.2							

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

For our earlier report on the sector, please click here.

Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net
PO Box 1137
PC 111, Sultanate of Oman
Tel: +968 2494 9000
Fax: +968 2494 9099
Email: research@u-capital.net

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.