

Healthcare Sector

Middle East Healthcare Co.

First Cut - Middle East Healthcare Co.

Increase in patient flow aids revenue growth: Middle East Healthcare Co. (MEHC) 3Q23 revenue at SAR671mn was up by 31.0% YoY and was aided by growth in the flow of both inpatients and outpatients, at the back of capacity addition. The reported revenue was slightly higher than our expectation of SAR651mn.

Improved utilization aids in margin improvement: Gross profit increased by 75.0% YoY to SAR266mn and was aided by higher revenue, and an improvement in gross margins from 29.7% in 3Q22 to 39.7% in 3Q23. Gross margins have improved on the basis of improved efficiency and faster ramping up of its new facilities. These margins have been better than our expectation of c.34% and also higher than the historical average of c.30-35%. We feel that these levels are unlikely to be sustainable and expect it to revert back to the normal levels from the next quarter. SG&A expenses grew by 24.2% YoY to SAR156mn, at the back of the commencement of operations of the new facilities. Overall, net income increased by 380% YoY to SAR53mn and was higher than our estimate of SAR36mn. The better-than-expected profitability was at the back of strong performance at the gross margin levels.

Strong financial performance, but prefer to wait and watch: Overall, the operating performance of the company has been strong and higher than our expectation. However, we will wait for the detailed results to weigh in on the complete performance of MEHC. The stock is currently trading at 33x its 2023e EPS and we have a Hold rating with a target price of SAR63/share.

in SAR mn	3Q23	2Q23	QoQ	3Q22	YoY	3Q23e	VaR	9M23	9M22	YoY	2022	2021	YoY	2023E	YoY
Revenue	671	624	7.5%	512	31.0%	651	3.1%	1,933	1,534	26.1%	2,152	1,873	14.9%	2,585	20.1%
Gross profit	266	229	16.5%	152	75.0%	224	18.8%	720	476	51.4%	680	608	11.8%	948	39.4%
Gross margins (%)	39.7%	36.6%		29.7%		34.4%		37.3%	31.0%		31.6%	32.5%		36.7%	
Operating profit	110	69	59.2%	26	318.3%	60	83.6%	255	82	210.0%	140	54	158.7%	310	121.0%
Operating margins	16.4%	11.1%		5.1%		9.2%		13.2%	5.4%		6.5%	2.9%		12.0%	
Net income	53	40	32.4%	11	379.7%	36	48.8%	144	42	241.9%	75	17	337.1%	194	158.6%
Net margins	7.9%	6.4%		2.2%		5.5%		7.4%	2.7%		3.5%	0.9%		7.5%	



Key contacts

Research Team

Joice Mathew

Sr. Manager - Research E-Mail: joice@usoman.com

Tel: +968 2476 3311

Manna Thomas ACCA Research Associate

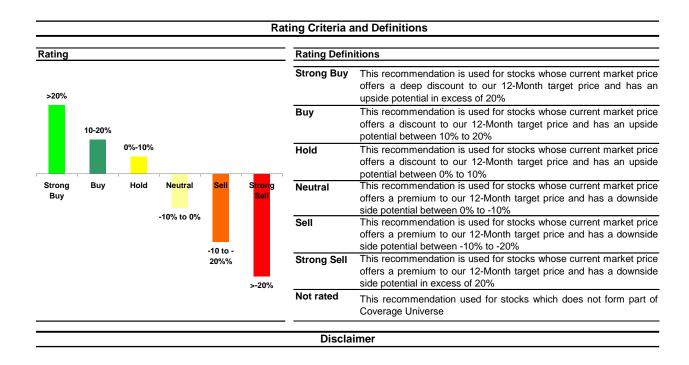
Email: manna.t@usoman.com

Tel: +968 2476 3347

Contact Address

P. O Box: 2566; P C 112

Sultanate of Oman Tel: +968 2476 3300



This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.