



## Middle East Healthcare Company “MEAHCO”

### Earnings Release

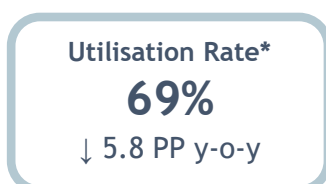
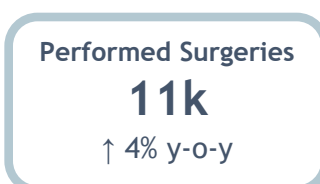
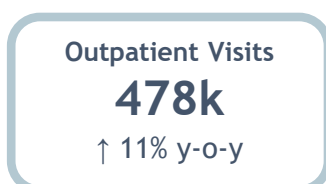
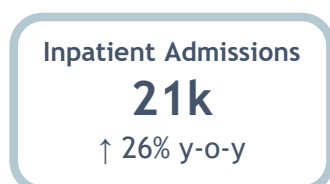
#### 2Q 2023 Financial Highlights



#### 1H 2023 Financial Highlights



#### 2Q 2023 Operational Highlights



**Jeddah, Saudi Arabia, 3 August 2023**

Middle East Healthcare Company (MEHACO), Saudi Arabia’s most geographically diversified healthcare player, reported today its consolidated financial results for 2Q 2023, ending 30 June 2023.

### Key highlights

- **Consolidated revenue** grew by 23% y-o-y to SAR624 million in 2Q 2023
- **Total number of served patients** reached 499,479 patients across the Group’s network of hospitals in 2Q 2023, with an increase of 12% vs. 2Q 2022
- **Insurance contribution to total revenue** stood at 52%, followed by Ministry of Health at 28%, cash at 17% and others at 3%
- **SGH Makkah** submitted all the required documentations for **CBAHI** accreditation and expects to obtain the accreditation certificate in 2H 2023. **Hai Al Jamea** successfully passed the **CBAHI** survey end of July.
- **EBITDA** grew by 114% y-o-y to SAR118 million in 2Q 2023, implying an **EBITDA margin** of 18.9%
- **Net profit after minority interest** recorded SAR40 million in 2Q 2023, marking an increase of c.4x y-o-y vs. 2Q 2022

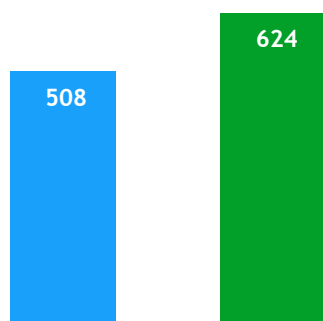
\* Inpatient utilisation rate based on operational beds

# Middle East Healthcare Company (MEAHCO)

## Earnings Release 2Q 2023

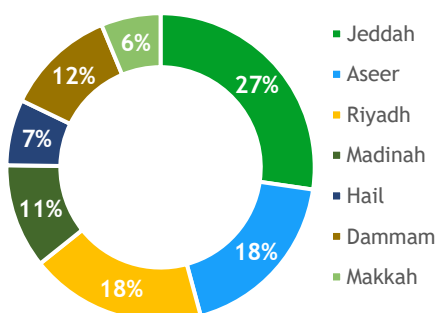


Consolidated Revenue  
SAR mn

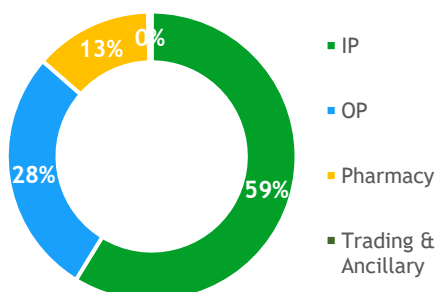


2Q 2022      2Q 2023

Revenue by Region\*  
2Q 2023



Revenue by Segment  
2Q 2023



## Financial Performance

(In SAR mn)	2Q23	2Q22	y-o-y	1H23	1H22	y-o-y
Revenue	624	508	23%	1,262	1,021	24%
CoGS	(396)	(349)		(808)	(698)	
Gross Profit	229	159	44%	454	324	40%
Gross Profit Margin	36.6%	31.2%		36.0%	31.7%	
Operating Profit	69	22	217%	145	57	155%
Operating Margin	11.1%	4.3%		11.5%	5.6%	
Net Profit	40	10	286%	90	31	192%
Net Profit Margin	6.4%	2.1%		7.2%	3.0%	

Middle East Healthcare Company (MEAHCO) delivered total revenues of SAR624 million in 2Q 2023, marking a significant increase of 23% y-o-y. Ongoing operational improvement across the Group's entire network of hospitals, driven by added capacities, increased census, and optimized case mix, remained the key drivers for growth.

The outstanding performance for the Group comes despite the relatively low seasonality, with the holy month of Ramadan, Eid Al-Fitr, and partially Eid Al-Adha, falling within the quarter.

Promising ramp up of operations in SGH Makkah, further boosted by the Hajj Season, and solid demand in the Eastern province, triggering to increase the number of operational beds in SGH Dammam, continued to fuel the Group's top-line growth.

On a Group level, total number of inpatients increased by 26% y-o-y to 21k patients, while total number of outpatients was up 11% y-o-y to 478k patients. Inpatient revenues were up 24% y-o-y to record SAR367 million, primarily volume driven on increased insurance business and MoH referrals. Outpatient revenues grew 25% y-o-y to SAR173 million on increased insurance and cash patients, and overall better case mix.

Dammam delivered the highest growth in revenues, driven by steady ramp-up of operations, followed by Hail and Riyadh, supported by start of operations of the new medical tower. Dammam recorded revenues of SAR72 million in 2Q 2023, with a remarkable 83% y-o-y growth. SGH Makkah, the Group's latest greenfield expansion, generated SAR39 million in revenues, with a contribution of c.6% to the Group's top line.

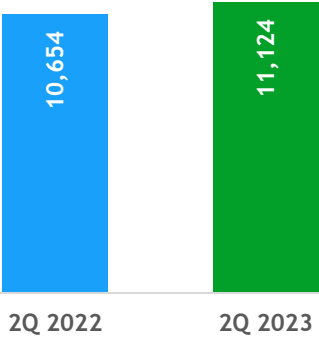
Insurance business remains the most contributor to top line with 52% contribution, followed by MoH at 28% and cash at 17%. Total insurance revenues increased by 23% y-o-y in 2Q 2023.

\* Jeddah includes Management Fees



### Operational Performance

Performed Surgeries

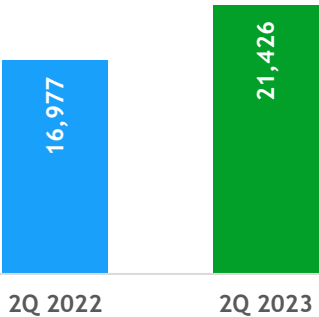


The Group reported another solid set of results, delivering sustained y-o-y growth across all lines of businesses in number of served patients on added capacities and higher utilisation of existing facilities.

Total number of served patients across the Group’s network of hospitals reached 500k patients in 2Q 2023, marking an increase of 12% y-o-y, while number of performed surgeries was up a mere 4% y-o-y to 11k surgeries during the quarter on seasonality.

Aggregate number of inpatients was up by 26% y-o-y to 21k patients in 2Q 2023, primarily on increased insurance business and MoH referrals on a Group level. In terms of footprint, Makkah contributed the lion’s share to the overall increase in inpatients’ census, driving almost one-third of the Group’s volume growth. IP average revenue per stay was flattish y-o-y.

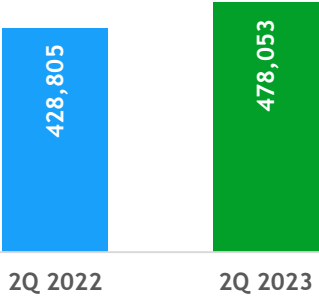
Number of Inpatients



Capitalizing on added capacities in Riyadh and Makkah, total number of outpatients increased by 11% y-o-y to 478k patients. OP average charge per visit recorded a 12% y-o-y increase vs. 2Q 2022.

On a Group level, blended inpatient and outpatient utilisation rates recorded 69% and 66% in 2Q 2023, respectively, with blended average length of stay (ALOS) of c3.8 nights.

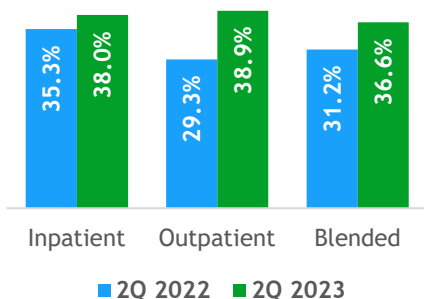
Number of Outpatients



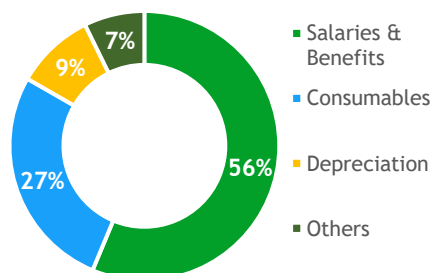
Solid growth in demand, and promising outlook, in the Eastern province triggered to increase the number of operational beds in SGH Dammam to the ceiling of the 150 beds licensed capacity. The Group’s operational beds and clinics’ capacities currently stands at c.1.3k beds and c.550 clinics, respectively.



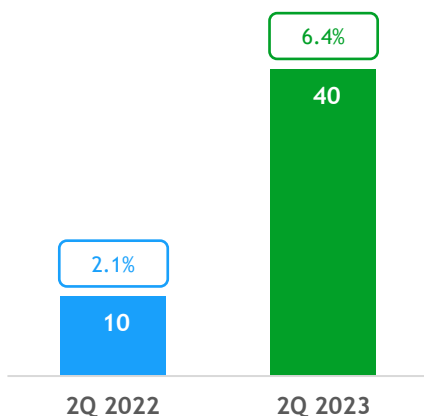
### Gross Profit Margin



### CoGS Breakdown 2Q 2023



### Net Profit (SAR mn, % margin)



## Profitability

The Group recorded consolidated gross profit of SAR229 million in 2Q 2023, 44% ahead of the comparable quarter last year, implying a gross profit margin of 36.6% and 540 bps y-o-y margin enhancement. Improved pricing with select clients, contained opex and higher utilisation rates all contributed to drive economies of scale.

Salaries & benefits and consumables remains the key cost components for the business, representing 56% and 27% of total cost of revenue, respectively. Total salaries and benefits increased by 13% y-o-y, reflecting the typical annual merit increase and new hires. The Group's total number of staff increased to 7.2k staff as of 2Q 2023, up from 6.4k in 2Q 2022.

On segmental performance, IP gross margin recorded 38.0% and OP gross margin recorded 38.9% during the quarter, up from 35.3% and 29.3% in the comparable quarter, respectively. Despite the increase in people cost on new hires in Dammam, Hai Al Jamea, Makkah and Riyadh, to accommodate for added capacities, elevated people cost was offset by higher utilisation and improved profitability on scale.

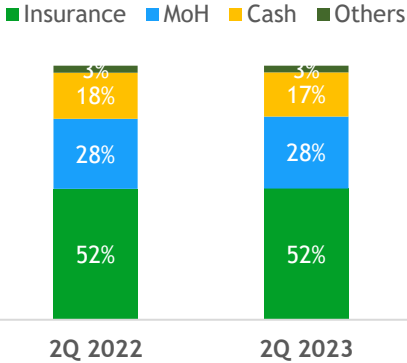
The Group recorded an EBITDA for the quarter of SAR118 million, up a solid 114% y-o-y and implying an EBTIDA margin of 18.9% vs. 10.8% in 2Q 2022. Net profit after zakat and minority interest recorded SAR40 million in 2Q 2023, almost c.3.9x the earnings generated in the comparable quarter last year, despite higher depreciation expense and increased financing cost on higher leverage and interest rates.

SGH Dammam sustained its upward performance on firm footing, with bottom-line in the black for the third consecutive quarter vs. a loss of SAR12 million in 2Q 2022.

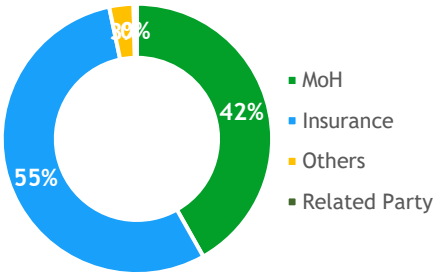
The Group's recently launched facilities remained loss-making, in line with management expectations on typical initial high opex associated with the start of operations. Hai Al Jamea, Makkah hospital, and Abha clinics generating a combined net losses of SAR18 million during the quarter.



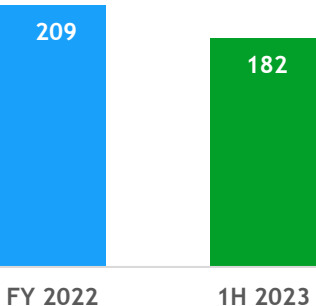
### Revenue by Clientele



### Receivables by Clientele 1H 2023



### Cash Conversion Cycle Days on Hand (DoH)



## Cash Management

Outstanding receivables reached SAR1.9 billion as of June 2023, in line with the growth in the size of the business. However, cash conversion cycle continued to improve for the fifth consecutive quarter, driven by efficient management of payables’ terms with the suppliers to match receivables collection.

Management remains focused on enhancing balance sheet quality through reaching a more optimized sales mix and continuously working on enhancing revenue cycle management. Cash conversion cycle reached 182 days in 1H 2023, down from 203 days in 1Q 2023 and 209 days in FY 2022. Out of total receivables, 55% are related to insurance, 42% to MoH, and 3% to related parties.

Collection from insurance companies continued to witness improvement as the vast majority of the initial technical issues encountered with the launch of the National Platform for Health and Insurance Exchange Services “NPHIES” were resolved. NPHIES is an electronic services platform launched in early 2022 to manage relationship between insurance players and healthcare providers.

Insurance contributed the lion’s share of the Group’s business in 2Q 2023, with 52% contribution to revenue. Meanwhile, MoH contribution to revenue was flat at 28%, primarily bolstered by improved pricing on obtained accreditations, while cash business contribution eased slightly to 17%.

Total capex spent during 1H 2023 amounted to SAR150 million, mostly payments related to previous expansions as several milestone projects took place during 2022, including SGH Makkah Hospital, Hai Al Jamea Hospital, Abha Clinics and Riyadh expansion. SGH Riyadh new outpatient tower and T-expansion is now up and running.

The company is planning a SAR400 million brownfield expansion and renovation work in SGH Jeddah that will add 194 beds and 22 clinics. The planned expansion will nearly double the number of beds of Group’s flagship hospital, which started operations in 1988. SGH Jeddah is currently running at full utilisation rate for IP and is the highest revenue generating hospital within the Group.



### Latest Developments



The Company's Board of Directors has taken a decision not to proceed with the rights issue plan that was initially approved in November 2022. The management are currently exploring different funding options that better suits the Group's strategic and future plans. The company called for an EGM, which is scheduled to take place on the 17<sup>th</sup> of August, to authorize the management for the potential issuance of Sukuk.



The Group has been steadily moving forward with its strategy to focus on accreditations across its entire network of hospitals. The Group has gained new awards and have maintained several accreditations. Most recently, SGH Dammam obtained the JCI and AABB accreditations in 1Q 2023, which will positively reflect on pricing with MoH. Meanwhile, the hospital is working on the Healthcare Information and Management Systems (HIMSS) certificate to be accredited by the MoH during 2023.



Beverly Clinic has achieved the CBAHI accreditation and SGH Hai Al Jamaa is awaiting the results of the site visit done in July.

Meanwhile, SGH Makkah submitted all the required documentations for CBAHI accreditation and expects to obtain the accreditation certificate in 2H 2023. The Group's latest greenfield expansion already obtained the Australian Council for Healthcare Standards International (ACHSI) accreditation in 4Q 2022.

SGH Jeddah, Aseer, Riyadh, Madinah, and Dammam have achieved the ACSHI Dialysis accreditation as well in 1H 2023.





### Financial Statements

#### Income Statement

(In SAR mn)	2Q 2023	2Q 2022	Change	1H 2023	1H 2022	Change
Revenue	624	508	23%	1,262	1,021	24%
Cost of Revenue	(396)	(349)		(808)	(698)	
Gross Profit	229	159	44%	454	324	40%
<i>Gross Profit Margin</i>	<i>36.6%</i>	<i>31.2%</i>		<i>36.0%</i>	<i>31.7%</i>	
Selling & marketing Expenses	(10)	(9)		(20)	(14)	
General & Admin Expenses	(150)	(128)		(289)	(253)	
Operating Profit	69	22	217%	145	57	155%
<i>Operating Profit Margin</i>	<i>11.1%</i>	<i>4.3%</i>		<i>11.5%</i>	<i>5.6%</i>	
Other Income	3	6		7	8	
Finance Cost	(25)	(18)		(49)	(30)	
Profit before Zakat	47	9	392%	103	36	190%
Zakat	(5)	(0)		(9)	(6)	
Net Profit	42	9	362%	94	29	222%
<i>Net Profit Margin</i>	<i>5.5%</i>	<i>-4.0%</i>		<i>7.4%</i>	<i>2.9%</i>	
<i>Distributed as:</i>						
Parent Company	40	10	286%	90	31	192%
Non-Controlling Interest	2	(1)		4	(2)	



### Financial Statements

#### Balance Sheet

(In SAR mn)

	1H 2023	Dec 2022
Property and Equipment	2,528	2,471
Right of Use Assets	61	63
Intangible Assets	12	7
<b>Total Non-Current Assets</b>	<b>2,602</b>	<b>2,542</b>
Inventories	114	149
Account Receivable	1,876	1,635
Prepayments and Others	138	157
Cash and Bank Balances	98	16
<b>Total Current Assets</b>	<b>2,225</b>	<b>1,957</b>
<b>Total Assets</b>	<b>4,827</b>	<b>4,499</b>
Share Capital	920	920
Statutory Reserve	202	202
Retained Earnings	333	243
<b>Equity Attributable to Shareholders</b>	<b>1,456</b>	<b>1,365</b>
Non-Controlling Interests	47	43
<b>Total Equity</b>	<b>1,503</b>	<b>1,408</b>
Term Loans	1,156	1,181
Lease Obligations	51	57
Other Non-Current Liabilities	1	7
Deferred Income	9	11
Employees' End of Service Benefits	206	205
<b>Total Non-Current Liabilities</b>	<b>1,423</b>	<b>1,460</b>
Short-Term Borrowings	1,101	991
Other Non-Current Liabilities	7	5
Lease Obligations	14	12
Accounts Payable	566	426
Accrued Expenses and Others	204	188
Zakat Payable	9	9
<b>Total Current Liabilities</b>	<b>1,902</b>	<b>1,631</b>
<b>Total Liabilities</b>	<b>3,324</b>	<b>3,091</b>
<b>Total Liabilities and Equity</b>	<b>4,827</b>	<b>4,499</b>





### Financial Statements

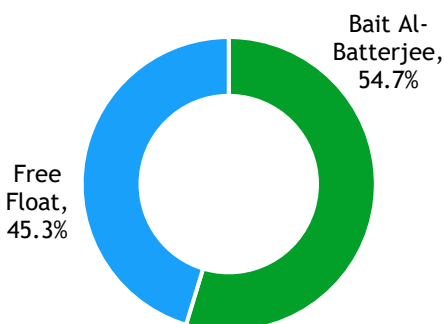
#### Cash Flow

(In SAR mn)

	1H 2023	1H 2022
<b>Cash Flows From Operating Activities</b>		
Profit before Zakat	103	36
<i>Adjustments for:</i>		
Depreciation	87	61
Amortization of Intangible Assets	1	1
Amortization of Right of Use Assets	7	5
Unwinding Impact of Other Financial Liabilities	0	0
Provisions for Slow Moving and Obsolete Inventories	1	2
Amortization of Deferred Income	1	(1)
Finance Charges Related to Lease Obligations	2	1
Finance Charges Related to Borrowings	47	29
Loss on Disposal of Property & Equipment	1	1
Provisions for Employees' End of Service Benefits	21	23
<b>Operating Cash before Changes in Working Capital</b>	<b>270</b>	<b>157</b>
Accounts Receivable	(241)	(258)
Inventories	34	(6)
Prepayments & Other Current Assets	19	(50)
Accounts Payable	140	69
Accrued Expenses & Other Current Liabilities	45	83
Other Financial Liabilities	(4)	(3)
<b>Cash Flow from Operating Activities</b>	<b>264</b>	<b>(8)</b>
Employees' End of Service Paid	(20)	(18)
Zakat Paid	(9)	(9)
<b>Net Cash Flow from Operating Activities</b>	<b>235</b>	<b>(35)</b>
<b>Cash Flow from Investing Activities</b>		
Additions to Property & Equipment & Intangible Assets	(150)	(116)
Proceeds from Disposal of Property & Equipment	0	0
<b>Net Cash Flow from Investing Activities</b>	<b>(150)</b>	<b>(116)</b>
<b>Cash Flow from Financing Activities</b>		
Lease Obligations, Net	(11)	(5)
Loans and Borrowings, Net	86	168
Financial Charges Paid	(78)	(18)
<b>Net Cash Flow from Financing Activities</b>	<b>(3)</b>	<b>144</b>
<b>Net Change in Cash and Cash Equivalent</b>	<b>82</b>	<b>(8)</b>
Cash and Cash Equivalent at the Beginning of the Period	16	28
<b>Cash and Cash Equivalent at the End of the Period</b>	<b>98</b>	<b>21</b>



### Shareholder Structure



### Share Information

Reuters / Bloomberg
2009.SE / MEH AB

Shares Outstanding
92,040,000

Free Float
45.3%

### About Middle East Healthcare Company

Middle East Healthcare Company, publicly known as Saudi German Health, is a leading healthcare provider in Saudi Arabia with operations spanning across seven cities in the Kingdom. Building on a long family legacy as medical pioneers in the Kingdom, Saudi German Health was founded by the Batterjee family 33 years ago to relieve people's suffering and have a positive impact on their health.

In 1988, Eng. Sobhi Batterjee, Chairman of Saudi German Health, and Dr. Khalid Batterjee, Vice President of Saudi German Health, established the first hospital in Jeddah and collaborated with German University Hospitals to bring advanced German healthcare standards and expertise to the local community for the first time in the Kingdom of Saudi Arabia. These associations inspired the 'German' in our name.

Since then, MEAHCO has been expanding and growing its presence organically on firm footing. MEHACO is the most geographically diverse healthcare player in Saudi Arabia with a comprehensive network of 8 full-fledged hospitals in Jeddah, Aseer, Riyadh, Madinah, Hail, Dammam, and Makkah, enabling it to access ~90% of the Kingdom's population.

The Group has a total licensed capacity of 1,517 beds and operational capacity of ~1.2k beds.

Learn more at: [www.saudigermanhealth.com](http://www.saudigermanhealth.com)

### Investor Relations Contacts

Investor Relations team  
E: [IR@sghgroup.net](mailto:IR@sghgroup.net)

Jinan Alzarkan - Investor Relations Specialist  
E: [JMALzarkan@sghgroup.net](mailto:JMALzarkan@sghgroup.net)  
M: +966 50 4906 006

Khaled Sadek - Group CIO  
E: [KESadek@sghgroup.net](mailto:KESadek@sghgroup.net)  
M: +966 50 6710 879



### Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “aims”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company’s management (“Management”) on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company’s actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company’s business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.