



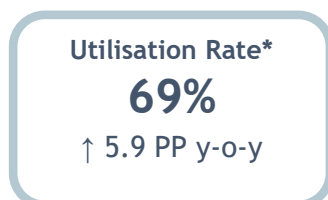
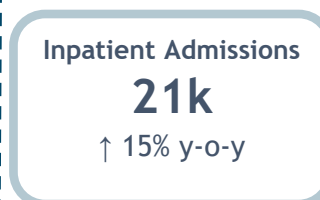
Middle East Healthcare Company “MEAHCO”

Earnings Release

1Q 2023 Financial Highlights



1Q 2023 Operational Highlights



Jeddah, Saudi Arabia, 14 May 2023

Middle East Healthcare Company (MEHACO), Saudi Arabia’s most geographically diversified healthcare player, reported today its consolidated financial results for 1Q 2023, ending 31 March 2023.

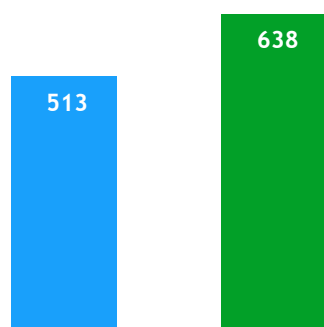
Key highlights

- **Consolidated revenue** grew by 24% y-o-y to SAR638 million in 1Q 2023
- **Total number of served patients** reached 516k patients across the Group’s network of hospitals in 1Q 2023, with an increase of 31% vs. 1Q 2022
- Insurance **contribution to total revenue** stood at 53%, followed by Ministry of Health at 28%, cash at 18% and others at 2%
- **SGH Dammam** successfully obtained the **JCI** and **AABB** accreditation certificates in 1Q 2023. **ACHSI** has awarded SGH with 13 certificates across 10 of its branches and clinics
- **SGH Riyadh’s medical tower and T-expansion** commenced operations in January 2023, with licensed capacity of 140 beds and 160 clinics
- **EBITDA** grew by 79% y-o-y to SAR123 million in 1Q 2023, implying an **EBITDA margin** of 19.2%
- **Net profit after zakat and minority interest** recorded SAR50 million in 1Q 2023, marking an increase of 145% y-o-y vs. 1Q 2022

* Inpatient utilisation rate based on operational beds

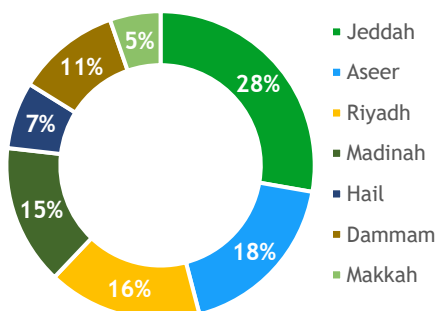


Consolidated Revenue
SAR mn

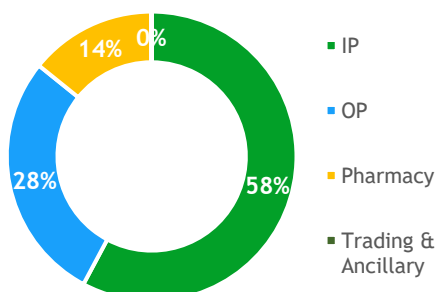


1Q 2022 1Q 2023

Revenue by Region*
1Q 2023



Revenue by Segment
1Q 2023



* Jeddah includes Management Fees

Financial Performance

(In SAR mn)	1Q 23	1Q 22	y-o-y
Revenue	638	513	24%
CoGS	(412)	(348)	
Gross Profit	225	165	37%
Gross Profit Margin	35.3%	32.1%	
Operating Profit	77	35	117%
Operating Margin	12.0%	6.9%	
Net Profit	50	20	145%
Net Profit Margin	7.9%	4.0%	

Middle East Healthcare Company (MEAHCO) consolidated revenues for 1Q 2023 was up a significant 24% y-o-y to reach SAR638 million, the highest the company has ever achieved in a single quarter. The solid performance for the quarter was driven by notable improvement across the Group's entire network of hospitals on increased census and optimized case mix.

Healthy ramp-up of capacity in SGH Dammam, boosted by the signing of Aramco contract in late 3Q 2022, and promising start of operations in SGH Makkah, continued to fuel the Group's top-line growth, with both entities combined driving c.50% of growth achieved during the quarter.

On a Group level, total number of inpatients increased by 15% y-o-y to 21k patients, while total number of outpatients surged 31% y-o-y to 495k patients. Inpatient revenues were up 27% y-o-y to record SAR369 million, bolstered by higher insurance census, which constitutes c.50% of inpatient revenue, and improved pricing with MoH, on obtained accreditations. Meanwhile, outpatient revenues grew 27% y-o-y to SAR179 million, driven by on higher insurance and cash patients.

All the facilitates across MEHACO's network of hospitals and clinics delivered y-o-y revenue growth. Dammam region delivered the highest growth in revenues, driven by steady ramp-up of operations, followed by Hail and Asser, supported by Abha clinics.

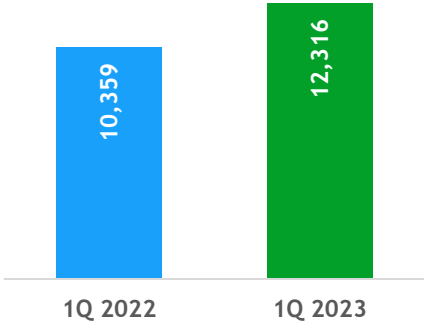
Dammam Hospital recorded revenues of SAR47 million in 1Q 2023, marking a growth of 75% y-o-y and contributing 11% to the Group's top-line. SGH Makkah, the Group's latest greenfield expansion, generated SAR34 million in its second quarter of operations.

Insurance business remains the most contributor to top line with 53% contribution, followed by MoH at 28% and cash at 18%. Total insurance revenues increased by 22% y-o-y in 1Q 2023.

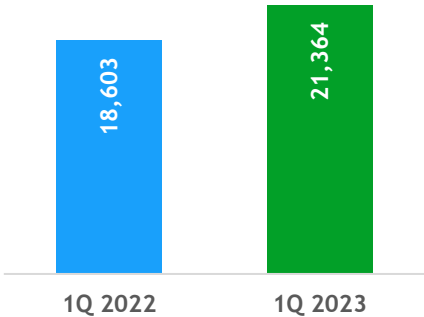


Operational Performance

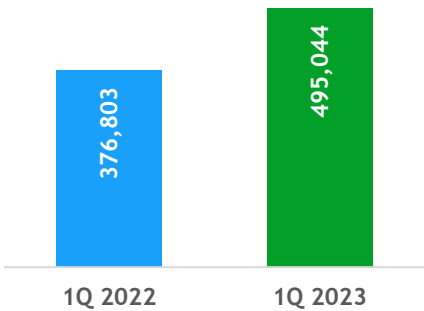
Performed Surgeries



Number of Inpatients



Number of Outpatients



The Group reported another very solid set of results in 1Q 2023, with sustained growth in number of served patients on added capacities and higher utilisation of existing facilities, primarily driven by the insurance and cash businesses.

Total number of served patients across the Group’s network of hospitals reached 516k patients in 1Q 2023, marking an increase of 31% y-o-y, while number of performed surgeries was up 19% y-o-y to 12k surgeries during the quarter.

Aggregate number of inpatients was up by 15% y-o-y to 21k patients in 1Q 2023, mostly driven by the insurance business on a Group level and higher utilization in SGH Dammam and launch of SGH Makkah. IP average revenue per stay was up 11% y-o-y during the quarter, on improved pricing with select insurance clients and upward revision of MoH pricing on obtained accreditations.

Total number of outpatients increased by a sweeping 31% y-o-y to 495k patients, with solid growth across the Group’s entire network of hospitals, boosted by the insurance business and added capacities in Riyadh and Makkah. OP average charge per visit declined a mere 4% y-o-y during the quarter vs. 1Q 2022.

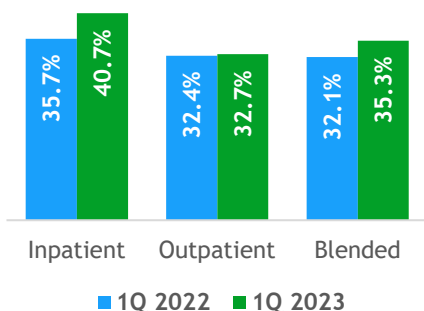
In terms of footprint, the growth in OP census was driven primarily by SGH Dammam, backed by Aramco contract, Riyadh’s new medical tower and Makkah hospital.

With the inclusion of SGH Makkah, Riyadh’s medical tower and T-expansion, and minor addition of capacities in select branches, the Group’s operational beds and clinics’ capacities now stands at 1.3k beds and 560 clinics, respectively. On a Group level, blended inpatient and outpatient utilisation rates recorded 69% and 63% in 1Q 2023, respectively, with blended average length of stay (ALOS) of c3.8 nights.

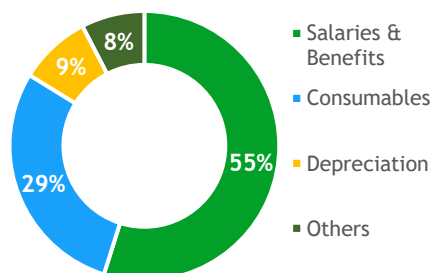
Commercial operations of SGH Makkah and SGH Riyadh’s medical tower started in late September 2022 and January 2023, respectively. SGH Makkah, which currently operates 100 beds and 33 clinics, has already signed with the majority of the key insurance players in the Kingdom and is accepting MoH referral as well.



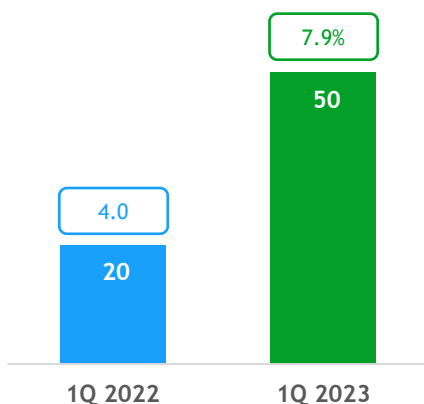
Gross Profit Margin



CoGS Breakdown 1Q 2023



Net Profit (SAR mn, % margin)



Profitability

The Group recorded consolidated gross profit of SAR225 million in 1Q 2023, 37% ahead of the comparable quarter last year, implying a gross profit margin of 35.3% and 320 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 55% and 29% of total cost of revenue, respectively. Total salaries and benefits increased by 19% 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 1Q 2023, up from 6.2k in 1Q 2022.

On segmental performance, IP gross margin recorded 40.7% and OP gross margin recorded 32.7% during the quarter, up from 35.7% and 32.4% 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.

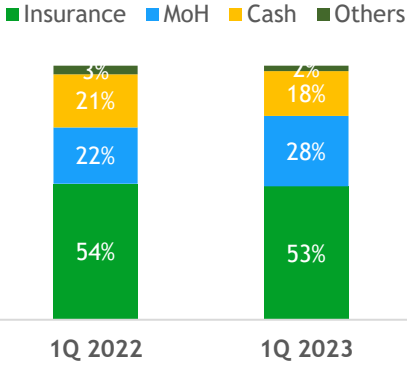
The Group recorded an EBITDA for the quarter of SAR123 million, up a solid 79% y-o-y and implying an EBTIDA margin of 19.2% vs. 13.3% in 1Q 2022. Net profit after zakat and minority interest reached a solid SAR50 million in 1Q 2023, almost c.2.5x the earnings generated in the comparable quarter last 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 second consecutive quarter vs. a loss of SAR11 million in 1Q 2022.

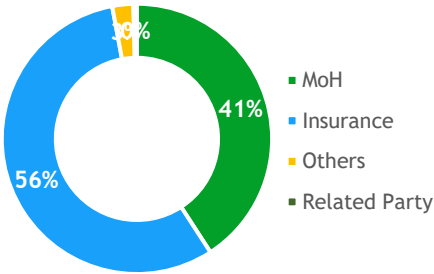
Meanwhile, recently launched facilities remained loss-making at the bottom-line level, on typical initial high opex associated with the start of operations, as planned. Hai Al Jamea, Makkah hospital, and Abha clinics generating a combined net losses of SAR21 million during the quarter.



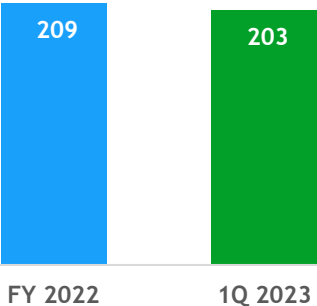
Revenue by Clientele



Receivables by Clientele 1Q 2023



Cash Conversion Cycle Days on Hand (DoH)



Cash Management

Outstanding receivables stood at SAR1.8 billion as of March 2023, of which 56% are related to insurance, 41% to MoH, and 3% to related parties. Cash conversion cycle continued to improve sequentially for the fourth consecutive quarter to reach 203 days in 1Q 2023, down from 209 in days FY 2022, 215 days in 9M 2022, and 220 days in 1H 2022. Management remains focused on enhancing balance sheet quality through reaching a more optimized sales mix and continuously working on enhancing revenue cycle management.

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 1Q 2023, with 53% contribution to revenue. Meanwhile, MoH contribution to revenue during the quarter increased to 28% from 22% in 1Q 2022, primarily bolstered by improved pricing on obtained accreditations while MoH referral cases declined on a y-o-y basis. Cash business contribution contracted slightly to 18%.

Total capex spent during 1Q 2023 amounted to SAR70 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 Group kicked off the year with steady moves towards its strategy to focus on accreditations across its entire network of hospitals and expand footprint. Enhancing the level of offered services and consistently monitoring patients' satisfaction through a number of KPIs helped improve the customers' perception of Saudi German Health brand.



The Group hosted its first Open House Doctor's Day at SGH Riyadh in March 2023 as a joint marketing and recruitment campaign. The event aim was to educate the healthcare community about the changes and transformation that took place within the Group and offer an opportunity for recruiting eminent doctors.



SGH Riyadh's medical tower and T-expansion commenced operations in January 2023, with licensed capacity of 140 beds and 160 clinics. Across the Group, minor addition of capacities took place in select branches in 1Q 2023, bringing the Group's operational beds and clinics' capacities to 1.3k beds and 560 clinics, respectively.



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. The HIMSS accreditation is a key milestone given its positive magnitude on MoH pricing. As we stand, HIMSS accreditation will increase MoH pricing by 20% (based on MoH base pricelist).



The opening of Saudi German Clinics Complex in the city of Abha, Aseer, played a vital role as a secondary catchment area in Aseer and referral unit to the Group's main hospital in Asser. The complex currently operates 30 clinics that serve outpatients, while inpatients are referred to SGH Aseer.





Financial Statements

Income Statement

<i>(In SAR mn)</i>	1Q 2023	1Q 2022	Change
Revenue	638	513	24%
Cost of Revenue	(412)	(348)	
Gross Profit	225	165	37%
<i>Gross Profit Margin</i>	<i>35.3%</i>	<i>32.1%</i>	
Selling & marketing Expenses	(10)	(5)	
General & Admin Expenses	(139)	(125)	
Operating Profit	77	35	117%
<i>Operating Profit Margin</i>	<i>12.0%</i>	<i>6.9%</i>	
Other Income	4	2	
Finance Cost	(24)	(12)	
Profit before Zakat	57	26	117%
Zakat	(5)	(6)	
Net Profit	52	20	159%
<i>Net Profit Margin</i>	<i>8.1%</i>	<i>3.9%</i>	
<i>Distributed as:</i>			
Parent Company	50	20	145%
Non-Controlling Interest	(2)	(0)	



Financial Statements

Balance Sheet

(In SAR mn)

	1Q 2023	Dec 2022
Property and Equipment	2,496	2,471
Right of Use Assets	64	63
Intangible Assets	10	7
Total Non-Current Assets	2,570	2,542
Inventories	131	149
Account Receivable	1,849	1,635
Prepayments and Others	144	157
Cash and Bank Balances	14	16
Total Current Assets	2,137	1,957
Total Assets	4,708	4,499
Share Capital	920	920
Statutory Reserve	202	202
Retained Earnings	294	243
Equity Attributable to Shareholders	1,417	1,365
Non-Controlling Interests	45	43
Total Equity	1,462	1,408
Term Loans	1,158	1,181
Lease Obligations	54	57
Other Non-Current Liabilities	3	7
Deferred Income	9	11
Employees' End of Service Benefits	202	205
Total Non-Current Liabilities	1,426	1,460
Short-Term Borrowings	1,003	991
Other Non-Current Liabilities	7	5
Lease Obligations	14	12
Accounts Payable	524	426
Accrued Expenses and Others	257	188
Zakat Payable	14	9
Total Current Liabilities	1,819	1,631
Total Liabilities	3,246	3,091
Total Liabilities and Equity	4,708	4,499



Financial Statements

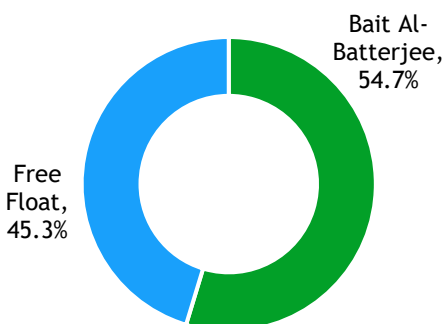
Cash Flow

(In SAR mn)

	1Q 2023	1Q 2022
Cash Flows From Operating Activities		
Profit before Zakat	57	26
<i>Adjustments for:</i>		
Depreciation	42	30
Amortization of Intangible Assets	0	0
Amortization of Right of Use Assets	4	2
Unwinding Impact of Other Financial Liabilities	0	0
Provisions for Slow Moving and Obsolete Inventories	(0)	0
Amortization of Deferred Income	(1)	(1)
Finance Charges Related to Lease Obligations	1	0
Finance Charges Related to Borrowings	25	0
Loss on Disposal of Property & Equipment	1	1
Provisions for Employees' End of Service Benefits	10	14
Operating Cash before Changes in Working Capital	138	73
Accounts Receivable	(214)	(106)
Inventories	19	4
Prepayments & Other Current Assets	14	(11)
Accounts Payable	98	20
Accrued Expenses & Other Current Liabilities	78	49
Other Financial Liabilities	(2)	(2)
Cash Flow from Operating Activities	131	26
Employees' End of Service Paid	(13)	(9)
Zakat Paid	0	(11)
Net Cash Flow from Operating Activities	118	6
Cash Flow from Investing Activities		
Additions to Property & Equipment & Intangible Assets	(70)	(53)
Proceeds from Disposal of Property & Equipment	(1)	0
Net Cash Flow from Investing Activities	(70)	(53)
Cash Flow from Financing Activities		
Lease Obligations, Net	(7)	(2)
Proceeds of Loans and Borrowings	951	253
Repayment of Loans, Borrowings and Financial Charges	(993)	(187)
Net Cash Flow from Financing Activities	49	64
Net Change in Cash and Cash Equivalent	(2)	17
Cash and Cash Equivalent at the Beginning of the Period	16	28
Cash and Cash Equivalent at the End of the Period	14	45



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

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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.