

Al Hammadi Holding - 1Q23 Result Review

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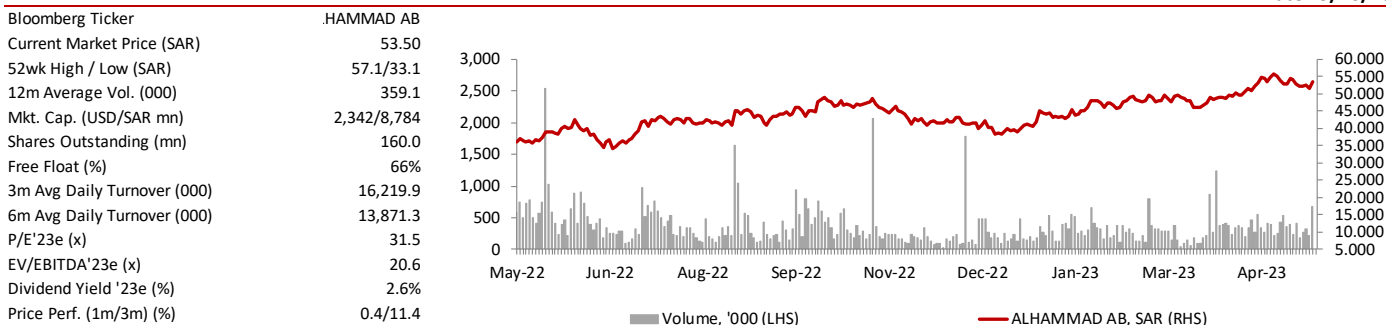
Previous Recommendation: Accumulate

Target Price (SAR): UR

Previous Reco. & Date: TP: SAR 47.50 per share; Accumulate on 05-Mar-2023

Current Upside / (Downside): -

Date: 5/16/2023



The top line in 1Q 2023 increases 19% YoY to beat our estimate by 15%

Al Hammadi Holding's top line grew 19% YoY in 1Q 2023 to reach SAR 298.6mn (15% beat). Revenue of the medical services segment increased 22.2% YoY (our estimate: +3.0% YoY), which primarily drove the overall revenue higher and led to the revenue beat. The company also registered a 7.8% YoY increase in its pharmaceutical sales, aided by higher sales of in-house pharmacies, exceeding our estimate of about 4% YoY growth.

Higher sales, coupled with improved efficiencies boosted operating profit which came in 27% above our estimate

Al Hammadi's gross and operating profit outpaced revenue growth, rising 25% YoY and 31% YoY, respectively, supported by higher and an improvement in operational efficiencies of the company's medical facilities. Consequently, gross, and operating margins improved more than 200 and 250 bps YoY as compared to our estimate. Overall, this led to a 31% YoY increase in the bottom line to SAR 81.4mn (our estimate: 62.7mn).

Place Under Review

The company has sustained a healthy growth rate and also enhanced its profitability, registering the highest quarterly operating profit margin since 1Q 2019, which is commendable. Considering the company's above-estimated performance, we would like to revisit our estimates and hence we are placing the company Under Review.

Valuation

At the current market price, the stock trades at 31.5x on our FY 2023e EPS and 20.6x FY 2023e EBITDA, higher than its average 3-year daily 12-month forward P/E and EV/EBITDA of ~29x and ~16x, respectively.

Income Statement												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)	FY 2021	FY 2022	YoY (%)
Sales/Revenue	250.9	281.9	246.9	342.6	298.6	258.9	19%	-13%	15%	951.9	1,122.4	17.9%
Gross Profit (Loss)	96.1	109.1	83.5	127.4	120.4	100.7	25%	-5%	20%	364.1	416.0	14.3%
Operating Profit (Loss)	70.1	73.9	66.2	81.6	91.8	72.2	31%	12%	27%	131.2	291.8	122.3%
Net Profit (Loss) after Zakat and tax	62.0	65.1	57.1	73.2	81.4	62.7	31%	11%	30%	90.1	257.3	185.6%
Balance Sheet												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,674.7	1,689.8	1,698.2	1,710.6	1,736.1	1,773.3	4%	1%	-2%			
Key Ratios												
	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Profit Margin	38.3%	38.7%	33.8%	37.2%	40.3%	38.9%						
Operating Profit Margin	27.9%	26.2%	26.8%	23.8%	30.7%	27.9%						
Net Profit Margin	24.7%	23.1%	23.1%	21.4%	27.3%	24.2%						
Return on Equity (RoE)	14.8%	15.4%	13.5%	17.1%	18.8%	14.2%						
Annualized EPS (SAR)	1.55	1.63	1.43	1.83	2.04	1.57						
BVPS (SAR)					10.85	11.08						
TTM P/E (x)					30.9							
Current P/BV (x)					4.9							

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%