

## Dallah Healthcare - 2Q23 Result Review

Analyst: Neetika Gupta

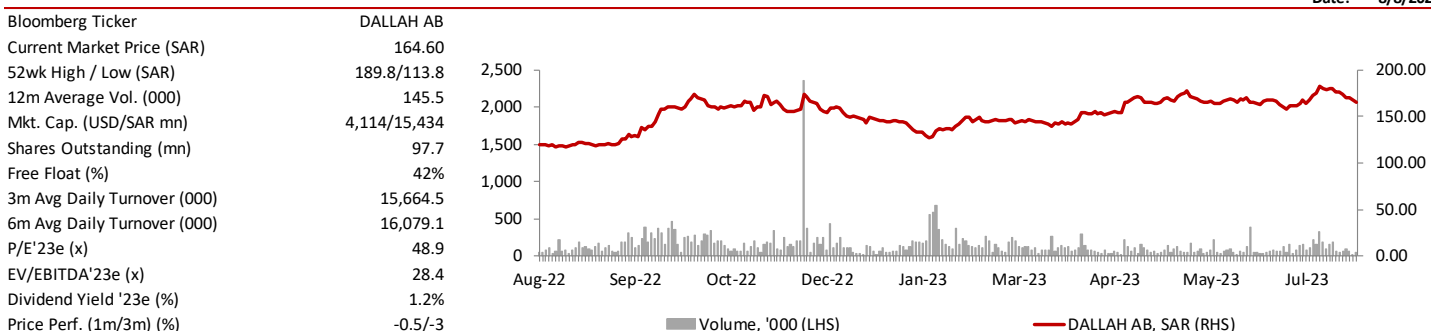
Previous Recommendation: **Hold**

Target Price (SAR): **170.50**

Previous TP & Date: TP: SAR 170.50 per share on 22-May-2023

Current Upside / (Downside): **4%**

Date: **8/8/2023**



### Dallah's revenue growth in 2Q 2023 comes largely in line with our estimate

Dallah Healthcare registered a 15% YoY revenue growth in 2Q 2023 to SAR 670.4mn, largely in line with our estimate (+5% variance).

### A faster increase in operating and non-operating costs YoY offsets healthy revenue growth. Consequently, operating and net profit misses our estimate

Dallah's direct costs jumped 17% YoY in 2Q 2023, because of which gross profit increased 11% YoY, slightly below the revenue growth, coming in line with our estimate. However, operating profit rose marginally by 2% YoY, missing our estimate by 14%, indicating a sharp rise in operating costs. Further, hit by higher finance costs and zakat provision, the company posted a 24% YoY dip in its net profit to SAR 53.0mn, below our estimate of SAR 75.5mn.

### Maintain target price

Despite the unexpected performance at the operating profit and net profit levels, we would like to maintain our SAR 170.50 target price on the stock, awaiting the availability of detailed financials. Dallah's BoD has proposed SAR 0.5 per share dividend for 2Q 2023, matching our estimate and reflecting a 92% dividend payout.

### Valuation

At the current market price, the stock is trading at around 49x P/E and 28x EV/EBITDA, based on our FY 2023 estimates, well above its 3-year daily average forward P/E of about 25x and EV/EBITDA of ~22x.

Income Statement												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H 22	1H 23	YoY (%)
Sales/Revenue	583.8	600.9	693.9	716.6	670.4	640.3	15%	-6%	5%	1,193.2	1,387.1	16.2%
Gross Profit (Loss)	212.1	211.5	239.8	266.8	235.1	228.8	11%	-12%	3%	443.8	501.9	13.1%
Operating Profit (Loss)	100.9	84.2	101.7	138.1	102.9	120.2	2%	-25%	-14%	216.0	241.0	11.6%
Net Profit (Loss) after Zakat and tax	69.5	43.9	78.4	94.7	53.0	75.5	-24%	-44%	-30%	152.2	147.7	-2.9%
Balance Sheet												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	2,022.6	1,976.5	1,989.9	3,128.9	3,133.0	3,204.3	55%	0%	-2%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	36.3%	35.2%	34.6%	37.2%	35.1%	35.7%						
Operating Profit Margin	17.3%	14.0%	14.7%	19.3%	15.4%	18.8%						
Net Profit Margin	11.9%	7.3%	11.3%	13.2%	7.9%	11.8%						
Return on Equity (RoE)	13.7%	8.9%	15.8%	12.1%	6.8%	9.4%						
Annualized EPS (SAR)	3.09	1.95	3.49	3.93	2.17	3.13						
BVPS (SAR)					32.07	32.80						
TTM P/E (x)					59.6							
Current P/BV (x)					5.1							

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%