

Al Hammadi Holding - 4Q23 Result Review

Analyst: Neetika Gupta

Recommendation:

Hold

Target Price (SAR):

54.00

Previous TP & Date:

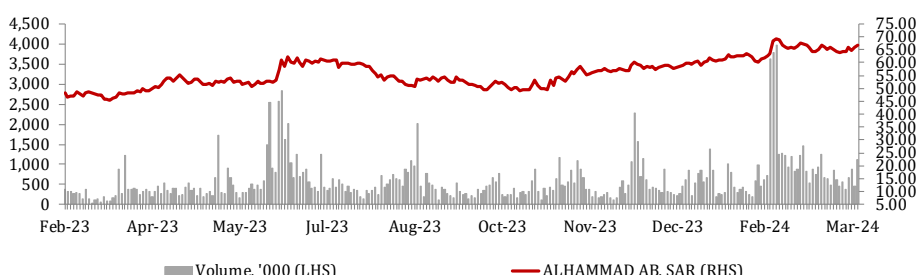
TP: SAR 54.00 per share on 05-Nov-2023

Current Upside / (Downside):

-19%

Date: 19-Mar-2024

Bloomberg Ticker	ALHAMMAD AB
Current Market Price (SAR)	66.70
52wk High / Low (SAR)	71.80/45.85
12m Average Vol. (000)	611.3
Mkt. Cap. (USD/SAR mn)	2,845/10,672
Shares Outstanding (mn)	160.0
Free Float (%)	66%
3m Avg Daily Turnover (000)	52,800.0
6m Avg Daily Turnover (000)	40,100.0
P/E'24e (x)	26.7
EV/EBITDA'24e (x)	19.0
Dividend Yield '24e (%)	2.2%
Price Perf. (1m/3m) (%)	9.1%



Al Hammadi's revenue in 4Q23 declined ~11% YoY, missing both Bloomberg consensus and U Capital's estimates

Al Hammadi Holding's revenue in 4Q23 declined 11.4% YoY, coming in below both the Bloomberg consensus and our forecast. In 4Q23, we had projected revenue to grow in the range of 7%-8% YoY, partially driven by a slight estimated increase in outpatient clinics at Al Suwaidi and Al Nuzha hospitals.

Weak top-line weighs on operating and net profit as they came in considerably lower than the consensus and U Capital's estimate

Hit by a weak top line, the company's gross profit fell at a faster rate than revenue by 15.4% YoY. As per the available information and our calculations, Al Hammadi booked around SAR 25mn in expected credit loss provision during 4Q23 vs. ~SAR 19mn in 4Q22 (our estimate: c. SAR 10mn), which partially dragged down the gross profit, in our view. Consequently, operating, and net profit also slid by 13.0% and 10.9% YoY, respectively, coming in well below the consensus and our estimate.

Maintain target price

Given the considerably weaker-than-expected financial performance in the last quarter, we would like to maintain our SAR 54.00 target price on the stock as of now. Al Hammadi's BoD has recommended a SAR 0.35 dividend per share for 4Q23, exactly matching our expectations. At the current market price, the TTM dividend gives a yield of around 2%.

Valuation

At the current market price, the stock trades at 29.0x on our FY 2024e EPS and 20.0x on FY 2024e EBITDA, in line with the average 3-year daily 12-month forward P/E of 28.2x, but higher than the average 3-year daily 12-month forward EV/EBITDA of 17.0x.

Income Statement												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY 22	FY 23	YoY (%)
Sales/Revenue	342.6	298.6	276.7	297.8	303.7	368.6	-11.4%	2.0%	-17.6%	1,122.4	1,176.8	4.8%
Gross Profit (Loss)	127.4	120.4	92.1	112.9	107.8	139.0	-15.4%	-4.5%	-22.5%	419.7	433.1	3.2%
Operating Profit (Loss)	81.6	91.8	93.2	86.6	71.0	98.9	-13.0%	-17.9%	-28.2%	291.8	342.6	17.4%
Net Profit (Loss) after Zakat and	73.2	81.4	81.8	74.9	65.2	89.3	-10.9%	-12.9%	-27.0%	257.3	303.3	17.9%
Balance Sheet												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,710.6	1,736.1	1,761.2	1,838.3	1,844.9	1,815.6	7.9%	0.4%	1.6%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	37.2%	40.3%	33.3%	37.9%	35.5%	37.7%						
Operating Profit Margin	23.8%	30.7%	33.7%	29.1%	23.4%	26.8%						
Net Profit Margin	21.4%	27.3%	29.6%	25.1%	21.5%	24.2%						
Return on Equity (RoE)	17.1%	18.8%	18.6%	16.3%	14.1%	19.7%						
Annualized EPS (SAR)	1.83	2.04	2.05	1.87	1.63	2.23						
BVPS (SAR)					11.53	11.35						
TTM P/E (x)					35.2							
Current P/BV (x)					5.8							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report on the sector, please [click here](#).

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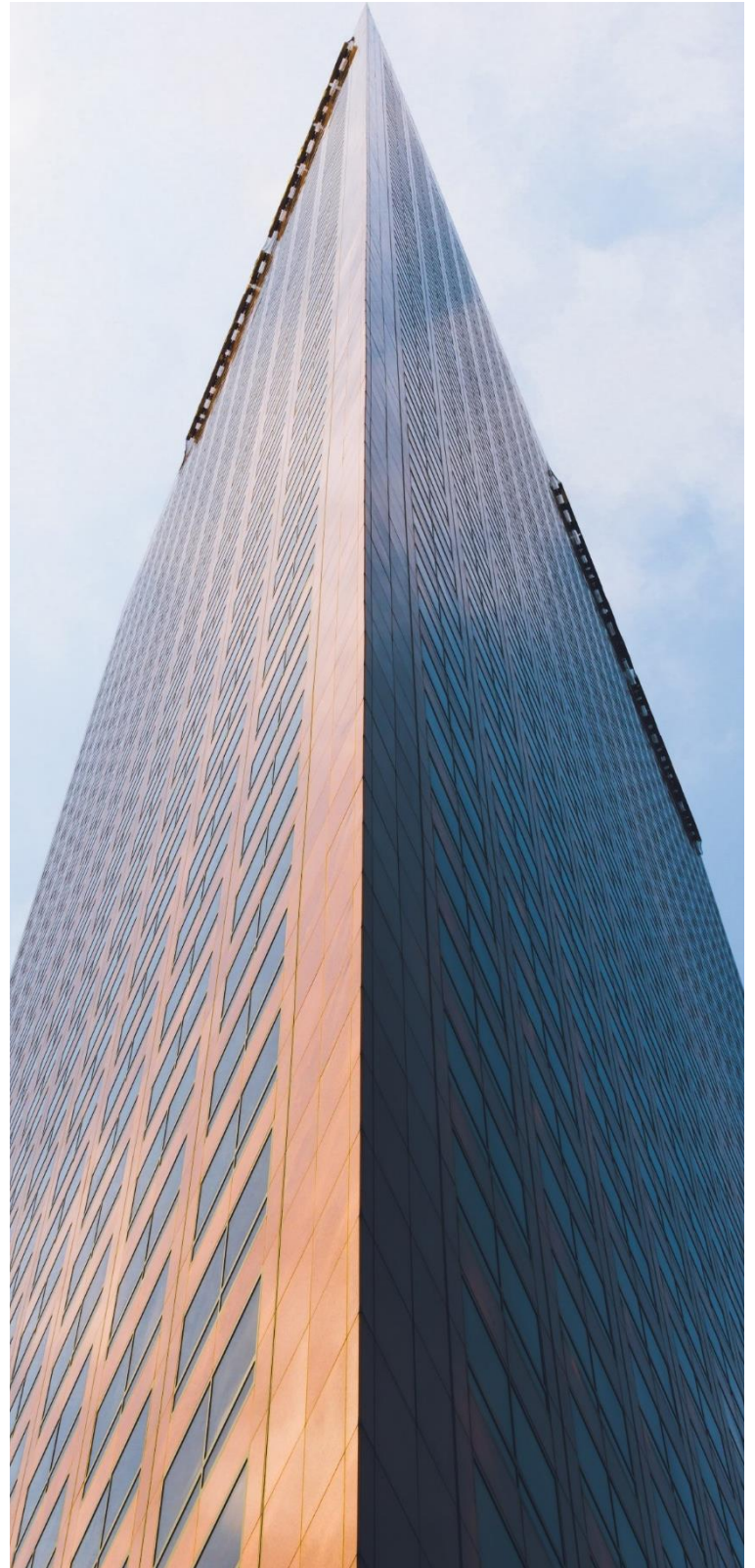
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Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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