

Margins Maybe Peaking

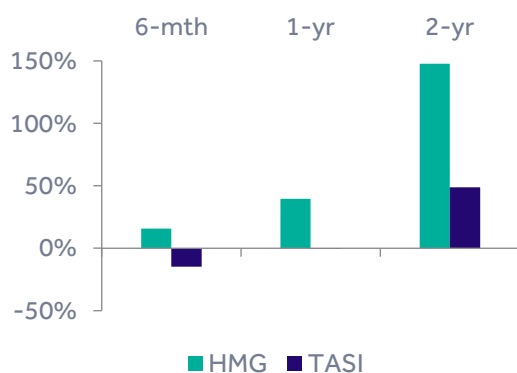
October 30, 2022

Upside to Target Price	(11.4%)	Rating	Neutral
Expected Dividend Yield	1.5%	Last Price	SAR 231.40
Expected Total Return	(9.9%)	12-mth target	SAR 205.00

Market Data	
52-week high/low	SAR 240.6/148.0
Market Cap	SAR 80,990 mln
Shares Outstanding	350 mln
Free-float	24.22%
12-month ADTV	207,213
Bloomberg Code	SULAIMAN AB

HMG	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Sales	2,052	1,836	12%	2,014	2%	2,093
Gross Profit	682	586	16%	671	2%	701
Operating Profit	436	381	15%	415	5%	439
Net Profit	421	349	21%	398	6%	422

(All figures are in SAR mln)



- HMG's topline witnessed a +12% Y/Y and +2% Q/Q growth to SAR 2.1 billion, matching our forecast. The hospital segment led growth for the Company driven by an increase in the number of patients as well as a rise in inpatients. Pharmacy segment sales increase was also due to the rise in the number of patients in the hospitals.
- Gross profit was up by +16% Y/Y and +2% Q/Q to reach SAR 682 million. Gross margins of 33.2% expanded by +50bps Y/Y but they contracted slightly by -10bps Q/Q.
- On the operational side, HMG launched a program for graduates of Healthcare Administration while the Al Khobar hospital started a remote patient monitoring service. The Company has also awarded the MEP works contract for the Maternity and Pediatric Hospital in Riyadh.
- Net income came in at SAR 421 million, up +21% Y/Y and +6% Q/Q, matching our forecast, led by the growth in the number of patients overall. The Board of Directors recommended a cash dividend of SAR 0.86 per share for 3Q2022 as well. We revise our target price to SAR 205.00 but maintain a Neutral rating.

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Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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