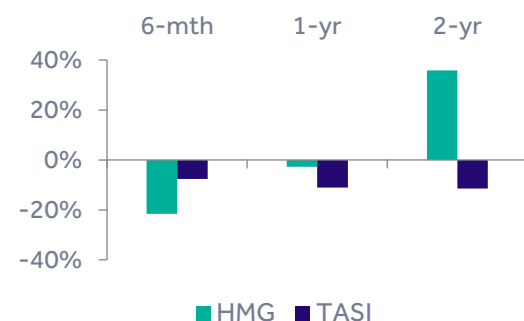


Market Data	
52-week high/low	SAR 308.0/204.00
Market Cap	SAR 78,820 mln
Shares Outstanding	350 mln
Free-float	24.2%
12-month ADTV	214,942
Bloomberg Code	SULAIMAN AB



Substantial Margin Expansion

October 29, 2023

Upside to Target Price	12.8 %	Rating	Neutral
Expected Dividend Yield	1.9%	Last Price	SAR 225.20
Expected Total Return	14.7%	12-mth target	SAR 254.00

HMG	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	2,443	2,052	19%	2,272	8%	2,278
Gross Profit	843	682	24%	775	9%	775
Gross Margins	35%	33%		34%		34%
Operating Profit	552	436	27%	499	11%	507
Net Profit	545	421	30%	487	12%	488

(All figures are in SAR mln)

- HMG posted an impressive growth in revenues to SAR 2.44 bln (+19% Y/Y, +8% Q/Q), beating our SAR 2.28 bln forecast. The rise in topline was led by both the hospital segment (76% of revenues) and the pharmacy segment (21% of revenues). The steady growth in the number of outpatients and inpatient occupancy continued. Higher patient numbers led to better pharmacy segment sales as well.
- In our view, the highlight for the quarter was the expansion in gross margins to 34.5% as compared to 33.2% last year and 34.1% in the preceding quarter. This is one of the highest gross margins recorded by the Company and it remains to be seen if these margins can be sustained in the final quarter. Historically, the fourth quarter is a good one for HMG. Gross profit witnessed a growth of +24% Y/Y to SAR 843 mln. Net margins also increased to 22.3%, 180 bps higher Y/Y and 90 bps higher Q/Q.
- Net income witnessed a +30% Y/Y and +12% Q/Q rise to SAR 545 mln, beating our SAR 488 mln forecast and market consensus of SAR 491 mln. Management has attributed this primarily to higher patient traffic. With expansions coming on-line in the central region and the western region, we have a positive long-term outlook for the Company.
- The Board has recommended a cash dividend of SAR 1.17 per share for 3Q. We continue to believe that smaller medical centers, which require limited investment and reaches additional customer groups is a good strategy besides hospital expansions. We trim our target price to SAR 254.00 but maintain our Neutral rating.

Muhammad Faisal Potrik
 muhammed.faisal@riyadcapital.com
 +966-11-203-6807

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

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.