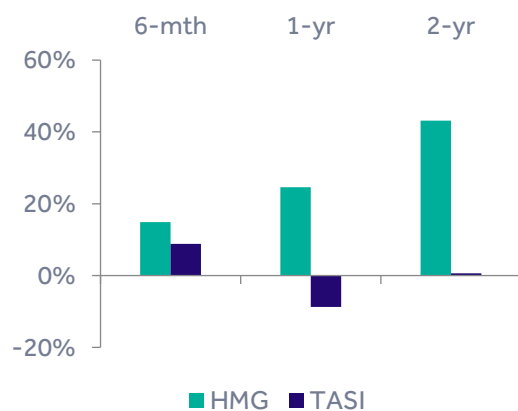


Market Data	
52-week high/low	SAR 308.0/191.4
Market Cap	SAR 94,850 mln
Shares Outstanding	350 mln
Free-float	24.2%
12-month ADTV	196,990
Bloomberg Code	SULAIMAN AB



Flat Bottomline Q/Q

August 14, 2023

Upside to Target Price	0.0%	Rating	Neutral
Expected Dividend Yield	1.5%	Last Price	SAR 271.00
Expected Total Return	1.5%	12-mth target	SAR 271.00

HMG	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Sales	2,272	2,014	13%	2,307	(1%)	2,356
Gross Profit	775	671	15%	784	(1%)	806
Gross Margins	34%	33%		34%		34%
Operating Profit	499	415	20%	511	(2%)	524
Net Profit	487	398	22%	489	(0%)	504

(All figures are in SAR mln)

- HMG posted a topline of SAR 2,272 mln (+13% Y/Y, -1% Q/Q), close to our SAR 2,356 mln forecast. The Y/Y increase was on the back of growth in both hospital segments (76% of revenues) and pharmacy segments (21% of revenues), due to the increase in the number of patients and inpatient occupancy. This has positively impacted pharmacy segment sales as well. The Q/Q decline was driven by seasonality.
- Gross margins improved to 34.1% this quarter versus 34.0% in the preceding quarter and 33.3% in the same period last year. Gross profit witnessed a slight decline of -1% Q/Q to come in at SAR 775 mln. Net margins also expanded to 21.4% in 2Q, as compared to 21.2% in the preceding quarter. EBITDA for 1H2023 rose by +18% to SAR 1,238 mln as compared to SAR 1,047 mln in 1H2022.
- HMG's bottom line was almost flat for the quarter at SAR 487 mln but inclined by +22% Y/Y, in-line with our SAR 504 mln forecast. HMG maintained its healthy growth despite facing inflationary challenges. Massive strategic expansions lined up in the central region and renewed focus on the western region are expected to boost the Company's revenues and improve margins in the coming years.
- For 2Q2023, the Board of Directors have recommended a cash dividend of SAR 1.00 per share. Moving forward, we believe HMG will be able to increase its market share if it concentrates on reaching out to additional customer groups with limited investment, such as medical centers with lower capital expenditure and fewer operational costs. We maintain our target price at SAR 271.00 and 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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