Middle East Healthcare Co.

Healthcare: Indsutrial
MEH AB: Saudi Arabia
22 May 2023

US$1.455bn	44.34%	US$2.22mn
Market Cap	Free Float	Avg. Daily Volume

Target price	57.00	4% below current
Current price	59.50	as at 22/05/2023

Existing rating

Underweight | **Neutral** | Overweight

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Performance (Rebased to 100)

Earnings

(SARmn)	2022	2023E	2024E
Revenue	2,152	2,538	2,826
Revenue growth	14.9%	18.0%	11.3%
Gross profit	680	867	985
Gross margin	31.6%	34.1%	34.8%
Operating profit	140	274	315
Op. margins	6.5%	10.8%	11.1%
Net profit	75	168	220
Net margin	3.5%	6.6%	7.8%
EPS	0.8	1.8	2.4
P/E	72.8x	32.7x	24.9x
RoE	5.7%	11.6%	13.4%

Source: Company data, Al Rajhi Capital.

Middle East Healthcare Co.

Initiating with Neutral, TP of SAR57/share

In our view, Saudi German is largely behind its issues with ramp up of the new facilities as well as managing the overhead costs. As the Dammam hospital, the primary reason for weak profitability in the last three years, finally achieves breakeven, the focus shifts on the sustainable margins and earnings for the company. We estimate the company to achieve low double digit operating margin and mid to high single net profit margin in the next 2-3 years. Given that the company is largely done with its greenfield expansion and the upcoming Jeddah expansion is a brownfield project, we do not see repeat of high losses as we saw for Dammam hospital. Further, the growing religious visits as well as tourism should help the company to achieve quicker breakeven for its Makkah hospital. However, we are concerned about the competition, mainly in Jeddah, which is the home market for Saudi German. The company has enjoyed high margins in Jeddah for long time due to lack of established Class A hospital operator. With Habib and Mouwasat's aggressive expansion plans in Jeddah, we see that as a risk. Further, despite the improved profitability, we continue to believe SGH will lag the sector in terms of operating margin as well as return ratios (ROEs). Thus, we value the company at a P/E of 27x on our blended forward EPS, a discount of 30% to its key peers. Our fair value is SAR 57/share, implying ***"Neutral"*** *recommendation on the stock.*

Struggle with ramp up appears to be behind: As Dammam facility finally achieves breakeven after a period of 30 months and Makkah utilization is also expected to ramp up faster than expected (breakeven expected by end of FY 2023), we believe the struggle with ramp up is finally behind us. Moreover, Riyadh being a brownfield expansion, we do not see any major overhead costs.

Pan KSA healthcare and presence in tourist locations provides an edge: Saudi German is KSA's most geographically diversified healthcare player with presence in underpenetrated regions such as Asser, Hail, Abha etc. In our view, having a wide presence would help the company in providing an edge and upper hand when it comes negotiations with the insurance companies. Additionally, the company's presence in the tourists locations such as Asser, Abha, Hail can help it to benefit from the growing tourists.

Riyadh outpatient tower fills the gap: Post the brownfield expansion in Riyadh, the company's outpatient capacity has notably increased now, from just 69 clinics to 230 clinics. We have noticed that as the industry mix has shifted towards insurance clients, the outpatient numbers in the healthcare industry have grown at a much faster pace than inpatient. Thus, having strong outpatient capacity should help the company to compete in the market.

Valuations: Despite the expected improvement in profitability, we believe the company will make margins and returns lower than the industry. Further, it is highly levered and there are concerns over the track record of the management in terms of delivering operational performance. We assign a 27x P/E to its average 1 year blended average EPS (2023/2024e), lower than the average of peers (38x) and value the stock at SAR 57/share. **Key concerns:** Rising competition in Jeddah, the home market of SGH and limited room to improve the cost base.

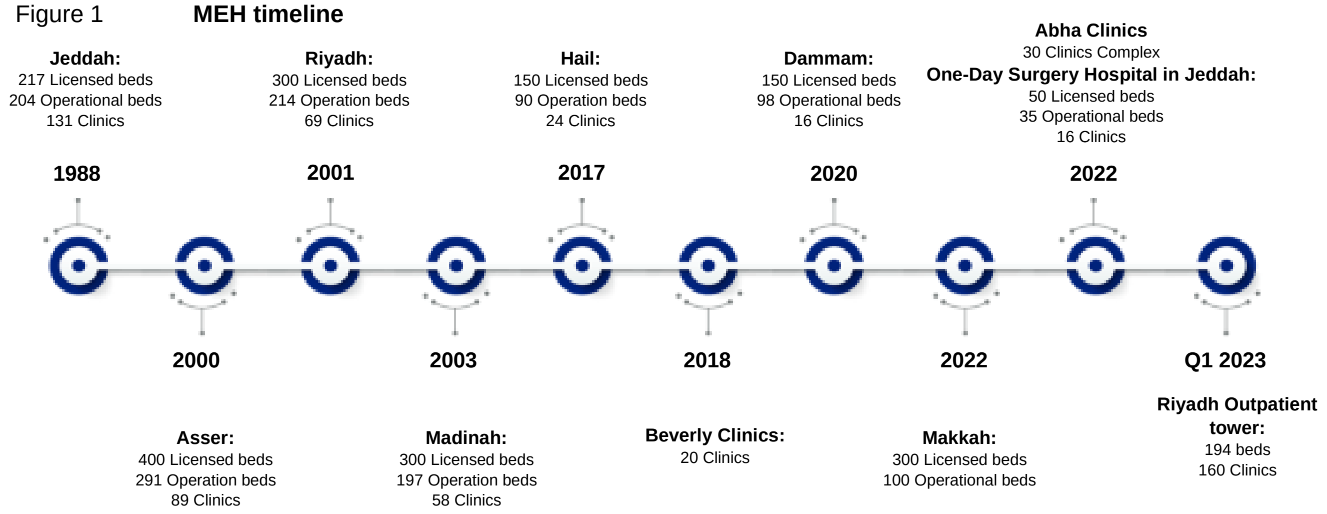
Company description:

Middle East Healthcare Company (referred to as Saudi German, SGH, The Company) owns and operates a network of hospitals under the Saudi German Hospital brand in the Middle East and North Africa. The company operates multi-specialty tertiary care hospitals, clinics as well as owns pharmacies in the hospital premises. It is the most diversified listed private healthcare company with strong presence in the western region. It has a full-fledged footprint in six cities (Jeddah, Asser, Riyadh, Madinah, Hail, Dammam) and covers about 90% of Saudi Arabia's population. From its first hospital in Jeddah (217 beds) in 1988, the company now owns 8 hospitals (includes one day surgery hospital in Jeddah) with a total bed capacity of over 1500 beds. Outside KSA, Saudi German operates 5 hospitals for management fees, that are spread across UAE, Eqypt, Yemen, etc. It has plans to operate hospitals in Pakistan and Morocco under the same arrangement of receiving management fees. In terms of clients mix, as of 2022 the company's exposure is 51% towards insurance, 26% MoH, 19% cash and remaining 3% corporate. However, post the contract with Aramco for its Dammam facility in H2 2022, we believe the corporate exposure will increase in 2023.

The company has undertaken massive expansion projects in the last 6 years and invested over SAR 2.0 bn during 2017-2022 to massively expand hospital network and launch polyclinics clinics as referral centers across different geographical areas. Among all the projects, the major ones were the 150 beds hospital in Hail and Dammam, 300 beds hospital in Makkah and extension of Riyadh Medical tower. The company is largely done with its expansion and now focusses on improving its margins through boosting utilization levels of its hospitals and maintaining a tight lid on its operating costs.

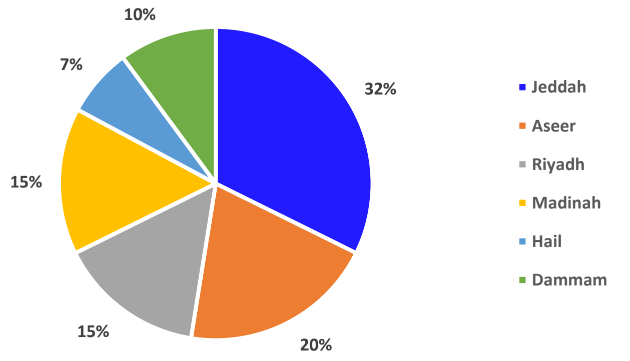
The major shareholder is the Batterjee family, that owns 54.69% stake in the company through a private company Bait Al Batterjee Medical Co. Ltd. The remaining stake is free float and one of the major institutional investors is Vanguard Global (stake of 1.73% as of 30 April as per Bloomberg).

Figure 1 **MEH timeline**



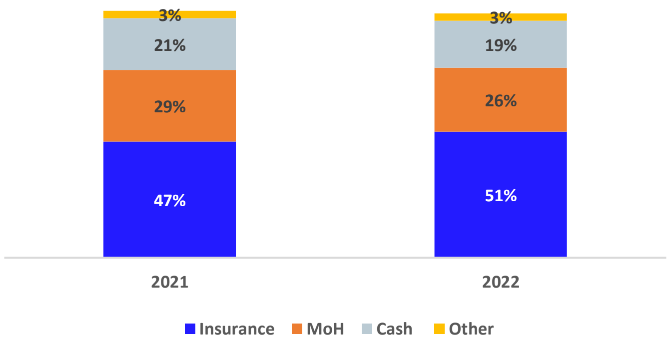
Source: Company data, Al Rajhi Capital

Figure 2 **Revenue breakdown by Hospitals as of 4Q22**



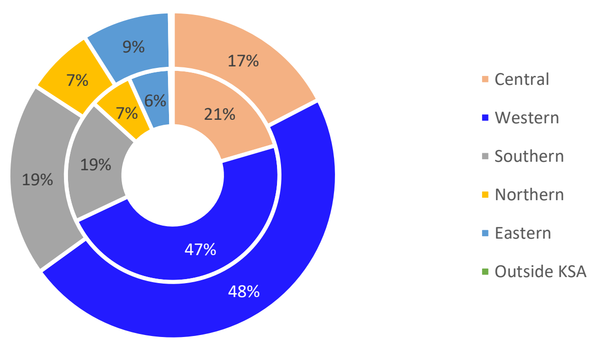
Source: Company data, Al Rajhi Capital

Figure 3 **Revenue breakdown by client**



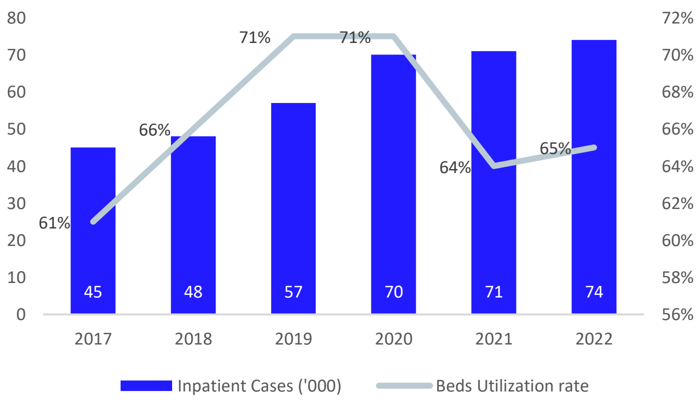
Source: Company data, Al Rajhi Capital

Figure 4 **Revenue breakdown by region (In-circle 2021, Out-circle: 2022)**



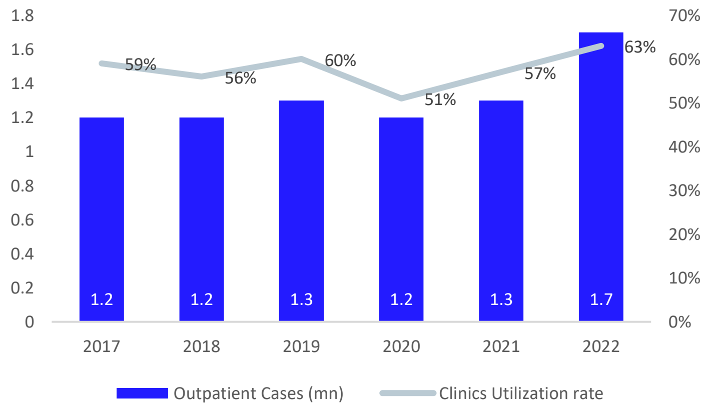
Source: Company data, Al Rajhi Capital

Figure 5 **Inpatient cases and bed utilization rate**



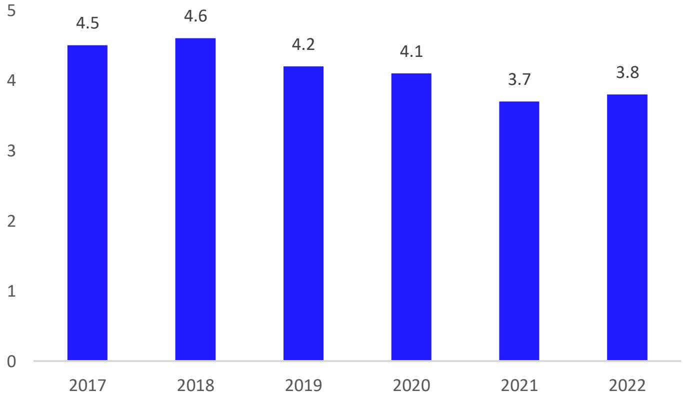
Source: Company data, Al Rajhi Capital

Figure 6 **Outpatient cases and clinic utilization**



Source: Company data, Al Rajhi Capital

Figure 7 **Average length of stay (days)**



Source: Company data, Al Rajhi Capital

Investment rationale and concerns

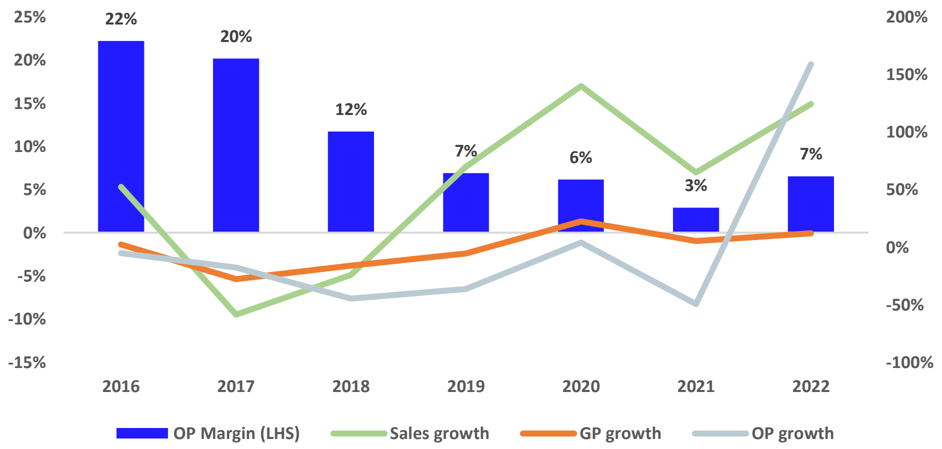
Struggle with ramp up and overhead costs appears to be behind:

Unforeseen events weighed on ramp up and profitability…..

Over the last 5-6 years, the company has undertaken massive expansion projects (invested over SAR 2.0 bn) that boosted its beds and clinics capacity notably. During 2017-Q1 2023, the company added almost 800 licensed beds (operational beds: +423 beds), a growth of 64%, while clinics capacity more than doubled from 347 clinics to 713 clinics. In total, the company added 4 major hospitals, of which 3 were greenfield, that includes Hail, Dammam and Makkah. It also expanded in Abha (30 clinics), opened a 50 beds hospital in Hai Al Jamaa-Jeddah. The Riyadh outpatient tower is a brownfield project, but notably increases the clinic capacity from just 69 clinics to almost 230 clinics. In addition to these projects, the company also invested in revamping its old facilities. The company has invested in modernizing the layout, improving patient experience, which is essential as the sector moves towards insurance clientele.

During 2016-2022, the company's cost of sales as well as overhead costs related to employee costs (staff costs shown as part of the operating cost) grew at a CAGR of 11% and 15%, respectively. However, revenues grew by just 4.9% CAGR during the same period, causing a significant drop in profitability. The operating profit margin declined from 22% in 2016 to the low of 2.9% in 2021. The major drag on the profitability came from Dammam and the delay of opening of Makkah/Riyadh outpatient tower. Multiple issues hit the Dammam facility, such as Covid-19 that weighed on promotion of a new hospital, temporary cancellation of contract with Tawuniya in H1 2021, prolonged negotiation with Aramco, delay in receiving accreditations etc. All these weighed on utilization, pricing, etc. that hurt the ramp up and profitability of the hospitals.

Figure 8 **Operating margins hit a low of 3% in 2021**

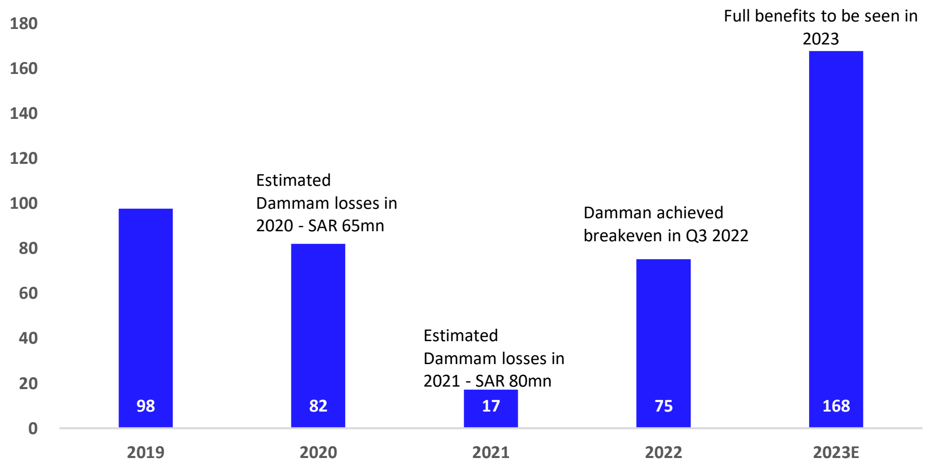


Source: Company data, Al Rajhi Capital

….Dammam achieves breakeven..profitability could improve further

After struggling with high losses, about SAR 65mn in 2020 and about SAR 80mn in 2021, the Dammam hospital finally managed to achieve break even at the net profit level in Sep/Oct 2022. This was possible after the company finalized a contract with Aramco on a pay for services basis, that has notably improved its OPD utilization level. The Dammam facility took about 30-31 months to breakeven compared to the industry standard of about 18 months. As per the company, the utilization level in Dammam for its 100 beds is 80%-90% and the company opened additional 50 beds at the start of the year to capture the strong demand. Moreover, the hospital is expected to receive HIMS accreditation in 2023, that can increase the pricing for the MoH patients at the Dammam facility. This can boost the pricing for MoH patients by 20%, on the group level total inpatient pricing could go up by 3-4%. We have been conservative and considered the impact to be witnessed in two years, 2% pricing growth in 2023 and another 1.5% in 2024.

Figure 9 **Group net profit to see full benefits of Dammam turnaround in 2023 (SAR mn)**



Source: Company data, Al Rajhi Capital

Makkah losses to be lower, Riyadh tower and Jeddah expansion are brownfield

Its another greenfield expansion, Makkah, a 300-bed hospital, has already seen decent utilization levels and the management claims that is has achieved EBITDA breakeven for the 100 beds (out of 300 licensed) that it has already opened. And, it expects to achieve net profit breakeven within 12-18 months, instead of 30 months for Dammam. Moreover, it expects the losses to be half of that Dammam, implying about SAR 10mn a quarter, as the company plans to be cautious and open additional beds based on the demand. Makkah's market is less competitive and religious tourism is returning back to normal, thus we believe the facility can breakeven faster than expected.

Its another major project, the medical tower in Riyadh is a brownfield expansion, thus overhead costs will be limited. As per the management, the utilization level is already at 70% including the medical tower, implying the facility is not witnessing any pressure in terms of costs related to the ramp up. Barring these projects, there is only one major project in pipeline, which is Jeddah expansion. Given that the company is an established player in Jeddah and the facility operates at very high utilization levels (higher than Riyadh), we believe the overhead costs would be minimal and we would not see repeat of Dammam. Moreover, the company's management is very much focused on efficiency and has already taken measures to lower the overhead costs.

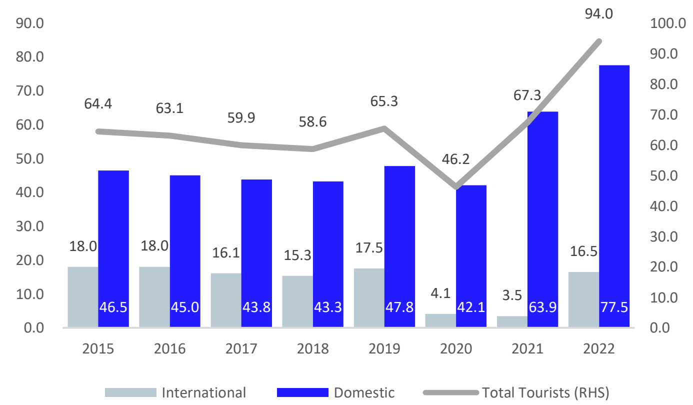
Pan KSA healthcare operator provides negotiating power and helps in capturing potential from tourism:

Saudi German is KSA's most geographically diversified healthcare player with presence in underpenetrated regions such as Asser, Hail, Abha etc. Traditionally, a western focused hospital operator with strong brand name in Jeddah (established in 1988), over the years it has grown presence across the country. The western region still dominates with almost 48% revenues (2022), while it generates over 25% of its revenues from northern and southern regions (Asser, Hail). It has a full-fledged footprint in seven cities (Jeddah, Asser, Riyadh, Makkah, Madinah, Hail, Dammam) and its comprehensive network covers 90% of KSA's population. Its recent move to bolster its presence in the tourist locations, Makkah & Madinah by adding a 300 beds hospital in Makkah is very timely, given the anticipated rise in pilgrims. Further, the launch of Beverly clinics and a 50 beds hospital in Hai Al Jamaa will add new catchment areas in Jeddah.

Additionally, the company's presence in the tourists and underserved locations such as Asser, Abha, Hail can help it to benefit from the growing tourists. Tourism in the Kingdom is experiencing a remarkable surge, with a growth rate of 121% in 2022, positioning it as the fastest-growing destination among G20 countries when compared to the global pre-COVID-19 average.. In 2022, Saudi Arabia welcomed a total of 94mn tourists, including 16.5mn international visitors and 77.6mn domestic travellers. At the moment, the competition in the healthcare sector is concentrated in the larger cities such as Riyadh, the company's presence in these underserved can help it to enjoy the first mover advantage. Also, its existing hospital, Hail, that barely makes profits, can improve its profitability and this should further help the margins.

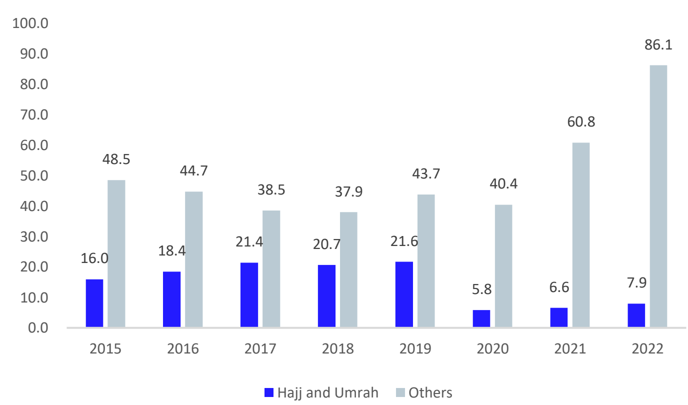
Moreover, in our view, having a wide presence also helps the company in providing an edge and upper hand when it comes negotiations with the insurance companies. Given that most of the affluent patients in the underpenetrated areas are cash patients or have insurance that claim reimbursement later from the insurance companies, are target customers of the insurance companies. The benefits of diversified presence were seen in 2021 when the company got into a dispute with Tawuniya for increasing prices. Although, there was a temporary loss of business in H1 2021, the company eventually managed to get into a contract with Tawuniya with a condition of annual 10% increase for three years.

Figure 10 **Total Tourists (in mn)**



Source: GASTAT, Ministry of Tourism, Al Rajhi Capital

Figure 11 **Hajj and Umrah visitors (in mn)**



Source: GASTAT, Ministry of Tourism, Al Rajhi Capital

Makkah expansion timing coincides with growing religious visits

Among the listed players, Saudi German is the only hospital that has very strong presence in the western region. The region is mostly dominated by private players, while the listed players such as Habib, Dallah, Care are now expanding in the region to capture the growing potential. The company has presence not only in Jeddah, but also in the two holy cities, total licensed beds of 817. The Makkah expansion (300 licensed beds) is very timely in our view, given that the government is planning to boost religious tourism.

The Minister of Hajj and Umrah of Saudi Arabia anticipates hosting two million pilgrims during the Hajj season this year (from 26th June to 1st July). This compares to 900,000 pilgrims in 2022 and 2.5 million in 2019. Furthermore, the number of Umrah visitors is also expected to rise in 2023 (compared to 7 million in 2022), as the Kingdom has lifted the limit on the number of times one can perform Umrah. Already, there has been a 65% month-over-month surge in volumes during February-March 2023, in anticipation of Ramadan (which began on 23rd March 2023).

Thus, we believe both the ramp up of Makkah from 100 beds (currently opened) to 300 beds can happen quickly aiding it to achieve breakeven faster than its anticipated timely of 12-18 months.

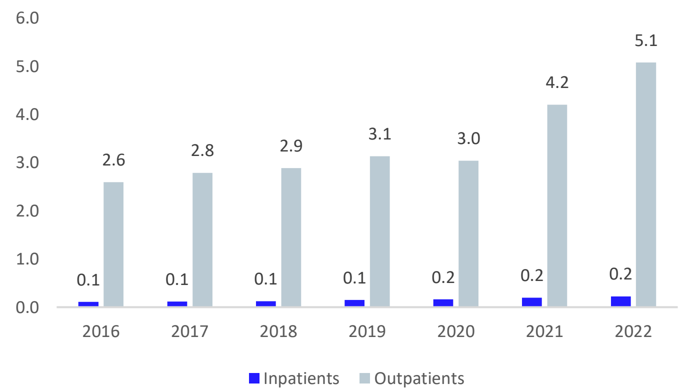
Riyadh outpatient tower notably fills the gap:

The year 2022 was one of the best years for the private hospital operators, driven by sharp jump in utilisation levels. We observed that Riyadh focussed hospital operators with strong exposure to outpatient clinics did relatively well. Habib, the largest operator, saw almost 21% growth in total patient volumes in 2022 driven primarily by outpatients. As per our estimates, Habib has added about 2mn outpatient clients in the last two years, despite no incremental capacity addition, just through higher utilisation of the existing facilities and efficiency. In our view, this is mainly due to the change in the mix of clients, shift towards the insurance from MoH in the past. The MoH patients were mainly inpatient referrals, while insurance clients are a mix of both in and out patient, with latter being a bigger share.

In the past, SGH lagged having a strong presence in Riyadh and moreover, it lacked capacity mainly in outpatient, it only had 69 clinics in Riyadh versus 860 clinics for Habib and about 460 clinics for Dallah in Riyadh. With the recent expansion and modernization of the layout, SGH will have 300 beds hospital and 230-250 clinics (we have considered only 230 clinics). Further, the location of the hospital is in the upmarket North Riyadh, which is densely populated by affluent customers.

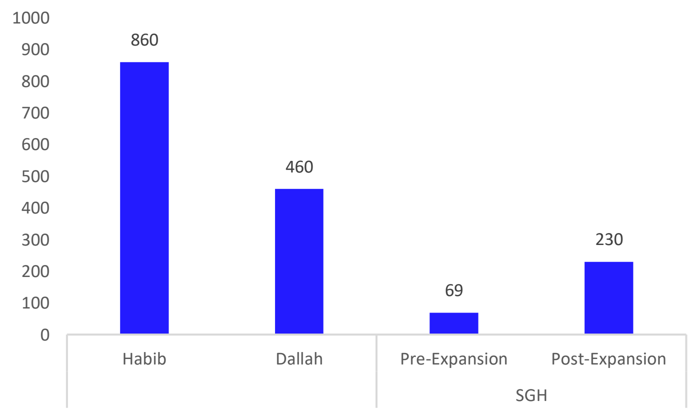
Although, Riyadh has become a very competitive market and we see risk from Habib's upcoming hospital (500 beds and 300 clinics), expected to open by the end of 2023, we believe there is room for both the class A hospitals to grow given the sharp jump in insured lives in the recent months. However, we prefer to be conservative and expect some dip in the utilization for 2024/2025 for its Riyadh hospital, before it picks up in 2026.

Figure 12 **Habib patient mix (in mn)**



Source: Company data, Al Rajhi Capital

Figure 13 **Clinics in Riyadh**



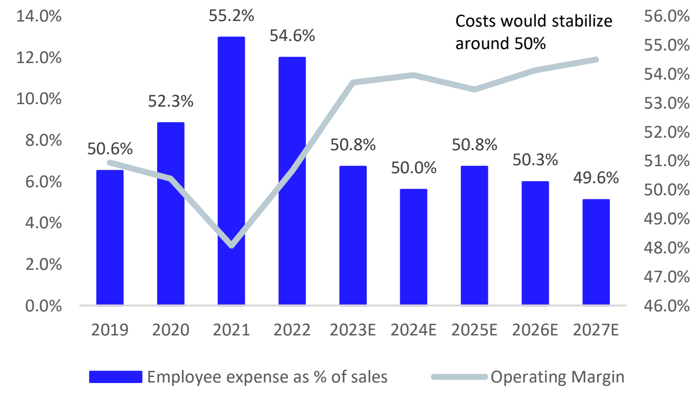
Source: Company data, Al Rajhi Capital

Our key concerns: Competition in Jeddah and limited room to improve cost base

SGH's mostly profitable hospital is the 204 beds (operational capacity) hospital in Jeddah, that was established in 1988. We believe the company's utilization level is over 80% and it is above any other hospital within its group. Jeddah is relatively underpenetrated (1.7 beds per capita (1000) versus average of 2.3 in KSA, and 2.2 in Riyadh) and has very high share of expatriates, that are mostly insurance holders. Due to lack of established class A listed hospital operator in Jeddah, the company enjoyed strong margins for a long period of time. However, many listed companies are now expanding in the western region. Habib plans to open two major hospitals in 2023, each in North and South Jeddah, that will have total capacity of 680 beds, that would make it the largest private listed operator. Further, Mouwasat plans a 300-bed hospital that will be opened by 2025. Moreover, Dallah has built its presence through acquiring 27.2% stake in International Medical Center (IMC). These hospitals have a long history of working with insurance, thus the space could become very competitive and weigh on the margins of SGH.

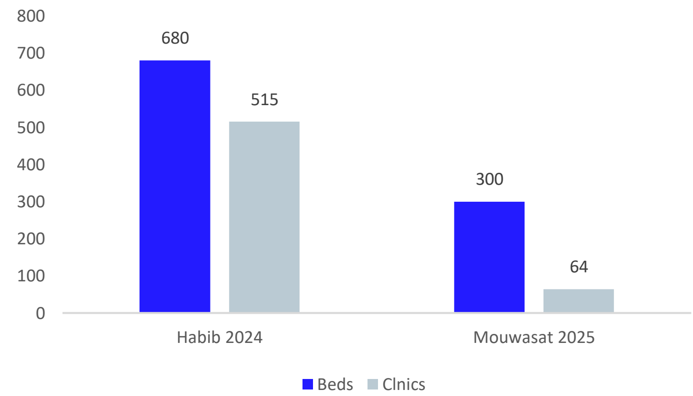
Second concern is that SGH's hospitals are spread across the country, which limits the possibility of efficient utilization of doctors/nurses, thus its employee cost could stay elevated. Currently, its employee cost (including employee costs recorded in cost of sales) as a % of sales is 55% much higher than even Habib's 40%. Habib is considered to have very high share of Saudi doctors and very low doctor turnover, implying better pay. However, Habib has very high concentration of hospitals in Riyadh (70% of total operational beds), that helps it to utilize the manpower better. As competition rises in Riyadh and Jeddah, and pricing power becomes limited, inability to manage employee cost would become an issue. We see limited room for margin improvement, we expect the margins to hit 10.8% and peak at 12.5% in 2029e versus our expectation of almost 22% peak operating margins for Habib.

Figure 14 **Employee expenses as % of sales has limited scope of decline**



Source: Company data, Al Rajhi Capital

Figure 15 **Capacity from competitors in Jeddah**



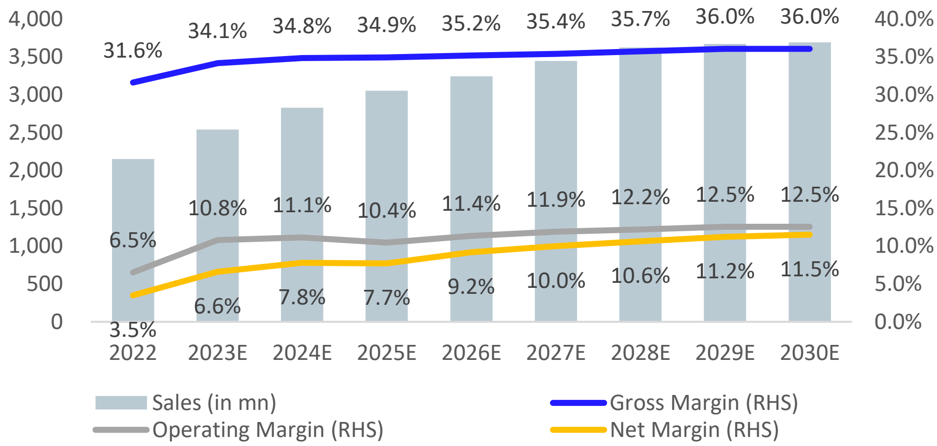
Source: Company data, Al Rajhi Capital

Financial projections and Valuations:

We expect revenues to grow by a CAGR of 10% during 2022-2027e supported by ramp up of Makkah, Riyadh Outpatient Tower and brownfield expansion at Jeddah (194 beds, 22 clinics). We also estimate pricing for inpatient to improve by 2.5% and 1.5% in 2023e and 2024e, respectively, led by HIMS accreditation for Dammam facility and thereafter to remain stable due to rising competition in Jeddah as well as Riyadh. We expect cost of sales and overhead costs to grow at a slower rate than the revenues, as growth will be driven by ramp up of existing facilities and no new greenfield expansion is planned. Further, the management's measures to reduce the spending on consumables should aid the margins. We estimate operating margins to improve to 10.8% in 2023e and 11.1% in 2024e, and average operating margins to be 11.8% beyond 2024 between 2025-2030e.

Given the sharp rise in SAIBOR, we estimate interest costs to spike in 2023 and weigh on the net margins for 2023 and offset the improvement in operating profits. We estimate net margins to reach 6.6% in 2023e and 7.8% in 2024e. Beyond 2024e, we estimate net profit margins to average around 10% supported by improvement in operating margins as well as lower interest costs.

Figure 16 **Financial highlights**



Source: Company data, Al Rajhi Capital

Valuations:

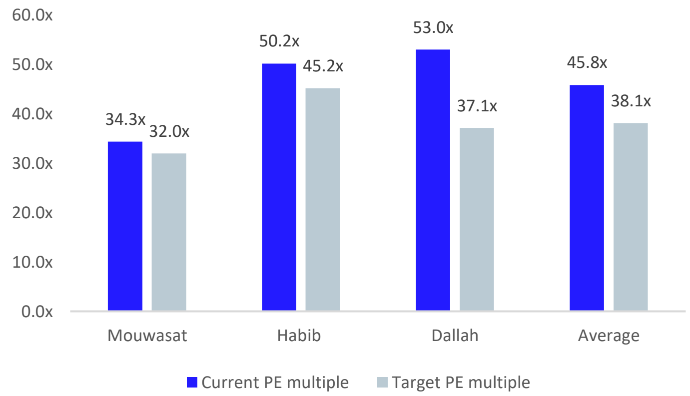
Despite the expected improvement in absolute profitability, we believe the company will make returns lower than the industry (ROE of 12% versus its peers' average of 21%) as it has limited scope to reduce its cost base. Further, the company is highly levered and has high exposure to MoH that keeps its receivables on the higher levels. Moreover, there are concerns over the track record of the management in terms of delivering operational performance. Thus, the investor community would prefer to see the actual results and continue to not fully price in the potential earnings. In our view, the company should trade at a P/E of 25-30x, slightly higher than Care, but lower than Hammadi. The right comparable peers for the company are Habib, Dallah and Mouwasat, the average forward multiple for its peers is 38x, we believe SGH should be valued at a discount to its peers. We assign a discount of 30% to its key peers and assign a multiple of 27x. Our fair value for the stock is SAR 57/share, valued at 27x on our blended forward EPS for 2023/2024e. We initiate the company with a Neutral recommendation.

Figure 17 **Valuation**

Relative Valuation (PE)	
Average PE of Peers*	38x
Discount to peers	30%
Forward P/E of SGH	27x
2023/2024e EPS	2.1
Fair value per share (SAR)	57

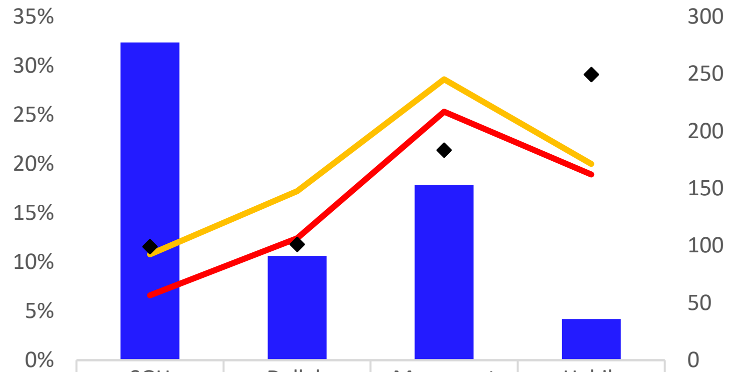
Source: Company data, Al Rajhi Capital. Peers includes Mouwasat, Habib and Dallah

Figure 18 **SGH valued at discount to Peers (P/E)**



Source: Company data, Al Rajhi Capital. Current PE multiple is calculated using average of 2023 and 2024 EPS dividend by current price and Target PE multiple is calculated using average of 2023 and 2024 EPS dividend by our target price.

Figure 19 **Operation metrics for SGH with peers for 2023E**



	SGH	Dallah	Mouwasat	Habib
DSO (RHS)	277	91	153	36
Operating Margin	11%	17%	29%	20%
Net Margin	7%	12%	25%	19%
ROE	12%	12%	21%	29%

Source: Company data, Al Rajhi Capital. Dallah's ROE is impacted by capital increase for IMC acquisition. DSO: Days sales outstanding

Key Financials

Figure 20 **Income Statement**

Income Statement (SAR mn)	**2022**	**2023E**	**2024E**	**2025E**	**2026E**
Sales	**2,152**	**2,538**	**2,826**	**3,051**	**3,243**
y-o-y growth	*14.9%*	*18.0%*	*11.3%*	*8.0%*	*6.3%*
Cost of Sales	(1,472)	(1,672)	(1,842)	(1,985)	(2,102)
y-o-y growth	*16.4%*	*13.6%*	*10.2%*	*7.8%*	*5.9%*
Gross Income	**680**	**867**	**985**	**1,066**	**1,140**
y-o-y growth	*11.8%*	*27.4%*	*13.6%*	*8.3%*	*7.0%*
margins	*31.6%*	*34.1%*	*34.8%*	*34.9%*	*35.2%*
Employee costs	(363)	(386)	(430)	(488)	(512)
Selling and distribution expenses	(30)	(29)	(42)	(46)	(32)
Administrative expenses	(146)	(178)	(198)	(214)	(227)
Operating Income	**140**	**274**	**315**	**318**	**369**
y-o-y growth	*158.7%*	*94.9%*	*15.1%*	*1.2%*	*15.7%*
margins	*6.5%*	*10.8%*	*11.1%*	*10.4%*	*11.4%*
Investments and other	10	12	12	12	13
Financing Expense	(69)	(109)	(94)	(82)	(65)
Income from Affiliate	0	0	0	0	0
Net income before tax	**81**	**176**	**233**	**249**	**316**
Zakat & Tax	(10)	(12)	(16)	(17)	(22)
tax rate	*11.8%*	*7.0%*	*7.0%*	*7.0%*	*7.0%*
Net Profit Before Minority Interest	**72**	**164**	**217**	**232**	**294**
Minority Interest (loss)/profit	4	4	4	4	4
Reported net income	**75**	**168**	**220**	**235**	**297**
y-o-y growth	*337.1%*	*123.0%*	*31.3%*	*6.9%*	*26.3%*
margins	*3.5%*	*6.6%*	*7.8%*	*7.7%*	*9.2%*
EPS	0.8	1.8	2.4	2.6	3.2

Source: Company data, Al Rajhi Capital

Figure 21 **Cash Flow Statement**

Cash flow statement (SAR mn)	**2022**	**2023E**	**2024E**	**2025E**	**2026E**
Net cash flows from Operating Activities	76	222	397	361	427
Cash Flows from Investing Activities	(249)	(216)	(254)	(107)	(104)
Cash Flows from Financing Activities	161	(2)	(142)	(254)	(323)

Figure 22 **Balance Sheet**

Balance Sheet (SAR mn)	**2022**	**2023E**	**2024E**	**2025E**	**2026E**
Assets					
Cash & Cash Equivalents	16	20	20	20	20
Receivables, Net	1,635	1,928	2,063	2,227	2,367
Inventory	149	178	197	212	224
Other	157	157	157	157	157
Total Current Assets	**1,957**	**2,284**	**2,437**	**2,616**	**2,769**
Fixed Assets	2,471	2,550	2,659	2,616	2,567
Right-of-use asset	63	63	63	63	64
Intangibles	7	6	5	4	3
Total Non-Current Assets	**2,542**	**2,619**	**2,727**	**2,683**	**2,634**
Total Assets	**4,499**	**4,903**	**5,164**	**5,300**	**5,403**
Liabilities					
Short term debt	991	1,301	1,456	1,487	1,434
Other financial liab	5	5	5	5	5
Trade payables	426	508	562	604	640
Accrued expenses	188	224	248	266	282
Zakat payable	9	9	9	9	9
Total Current liabilities	**1,631**	**2,058**	**2,291**	**2,384**	**2,382**
Long-Term Debt	1,181	993	805	617	430
Long-term lease liabilities	57	57	57	57	57
Deferred income	11	11	11	11	11
Employee's end of service benefit	205	205	205	205	205
Total Non-Current Liabilities	**1,460**	**1,273**	**1,085**	**897**	**709**
Total Liabilities	**3,091**	**3,331**	**3,376**	**3,281**	**3,092**
Retained earnings	243	410	630	864	1,160
Total Shareholders' Equity	1,365	1,533	1,752	1,986	2,282
Minority Interest	43	40	36	32	29
Total Owners Equity	**1,408**	**1,572**	**1,788**	**2,019**	**2,311**
Total Equity and Liabilities	**4,499**	**4,903**	**5,164**	**5,300**	**5,403**

Source: Company data, Al Rajhi Capital

Figure 23 **Key Ratios**

Cash flow statement (SAR mn)	**2022**	**2023E**	**2024E**	**2025E**	**2026E**
Current Ratio	1.2x	1.1x	1.1x	1.1x	1.2x
Quick Ratio	1.1x	1.0x	1.0x	1.0x	1.1x
Return on Equity	5.7%	11.6%	13.4%	12.5%	13.9%
Return on Assets	1.7%	3.5%	4.3%	4.4%	5.5%
Book value per share	14.8x	16.7x	19.0x	21.6x	24.8x
Price to book	4.0x	3.6x	3.1x	2.8x	2.4x
Debt to Equity	1.6x	1.5x	1.3x	1.1x	0.8x
Days sales outstanding	277	277	267	266	266
Days payable outstanding	106	106	106	106	106
Days inventory outstanding	37	37	37	37	37

Source: Company data, Al Rajhi Capital

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