

## Dallah Healthcare - 1Q23 Result Review

Analyst: Neetika Gupta

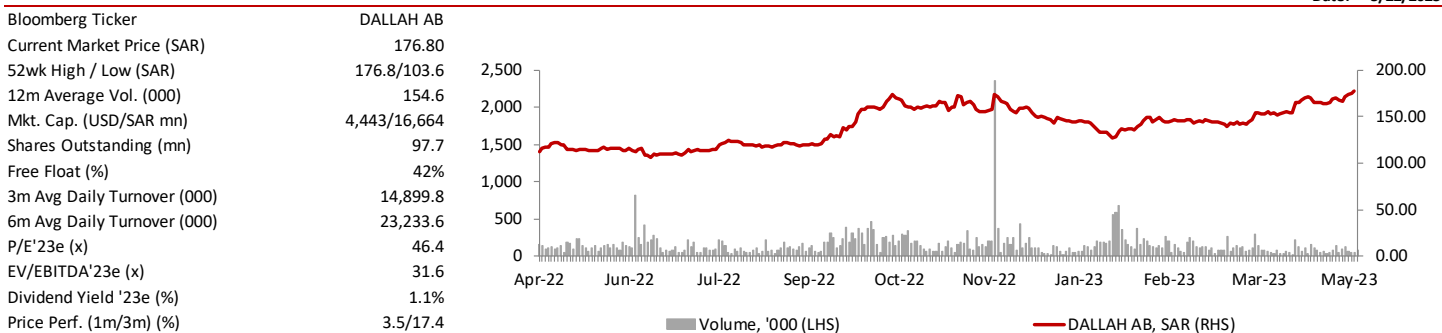
**Previous Recommendation:** **Hold**

**Target Price (SAR):** 170.50

**Previous Reco. & Date:** TP: SAR 170.50 per share; Hold on 20-Mar-2023

**Current Upside / (Downside):** -4%

Date: 5/22/2023



### The top line increases 18% YoY on higher patient numbers and occupancy, largely in line with our estimate

Dallah Healthcare's revenue in 1Q 2023 rose 18% YoY to SAR 716.6mn, largely in line with our estimate (+4% variance). Both the inpatient and outpatient departments registered an increase in the number of patients as well as beds and clinics' occupancy rates, which drove the revenue higher.

### Operating and net profit also match our estimate, indicating overall costs moved largely as per our expectations

Operating profit outpaced revenue growth (+20% YoY; SAR 138.1mn), matching our expectations, and leading to an expansion in operating margin by nearly 40 bps to 19.3%. Net profit, however, increased at a relatively lesser pace (vs. operating profit; +15% YoY), which in our opinion resulted partly due to a sharp increase in finance charges (+156% YoY; over 50% as compared to our estimate), perfectly matching our estimate of SAR 94.6mn.

### Maintain target price

Post the in-line 1Q 2023 earnings performance, we would stick with our SAR 170.50 stock price for Dallah Healthcare as of now. Since our last report on 20th March 2023, the stock price has appreciated nearly 25% and considering its premium valuations, we believe the upside potential is limited.

### Valuation

At the current market price, the stock is trading at over 45x P/E and 31x EV/EBITDA, based on our FY 2023 estimates, well above its 3-year daily average forward P/E of about 30x and EV/EBITDA of ~22x.

Income Statement												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)	FY 2021	FY 2022	YoY (%)
Sales/Revenue	609.4	583.8	600.9	693.9	716.6	692.3	18%	3%	4%	2,105.2	2,488.0	18.2%
Gross Profit (Loss)	231.7	212.1	211.5	239.8	266.8	265.2	15%	11%	1%	760.4	895.1	17.7%
Operating Profit (Loss)	115.1	96.7	84.2	101.7	138.1	134.5	20%	36%	3%	364.8	422.4	15.8%
<b>Net Profit (Loss) after Zakat and tax</b>	<b>82.6</b>	<b>69.5</b>	<b>43.9</b>	<b>78.4</b>	<b>94.7</b>	<b>94.6</b>	<b>15%</b>	<b>21%</b>	<b>0%</b>	<b>258.6</b>	<b>274.5</b>	<b>6.1%</b>
Balance Sheet												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,953.1	2,022.6	1,976.5	1,989.9	3,128.9	2,084.5	60%	57%	50%			
Key Ratios												
	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Profit Margin	38.0%	36.3%	35.2%	34.6%	37.2%	38.3%						
Operating Profit Margin	18.9%	16.6%	14.0%	14.7%	19.3%	19.4%						
Net Profit Margin	13.6%	11.9%	7.3%	11.3%	13.2%	13.7%						
Return on Equity (RoE)	16.9%	13.7%	8.9%	15.8%	12.1%	18.2%						
Annualized EPS (SAR)	3.67	3.09	1.95	3.49	3.88	4.21						
BVPS (SAR)					32.03	21.34						
TTM P/E (x)					60.3							
Current P/BV (x)					5.5							

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

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

## Recommendation

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

### Ubhar Capital SAOC (U Capital)

Website: [www.u-capital.net](http://www.u-capital.net)

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: [research@u-capital.net](mailto:research@u-capital.net)

**Disclaimer:** This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.