

Al Hammadi Development and Investment Co.

Q1 2016

Recommendation

Overweight

Fair Value (SAR)

53.30

Price as of April 24, 2016

42.72

Expected Return

24.8%

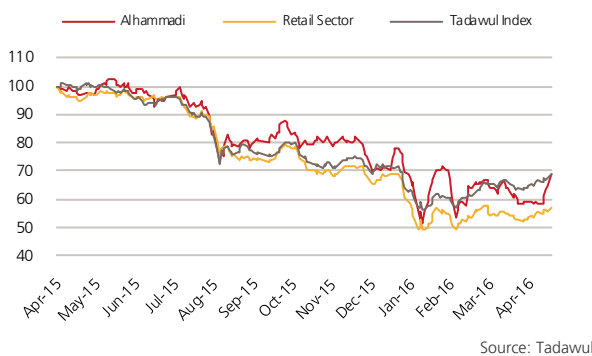
Company Data

Tadawul Symbol	4007.SE
52 Week High (SAR)	65.75
52 Week Low (SAR)	32.00
YTD Change	-13.0%
3-Month Average Volume (Thousand Shares)	401
Market Cap. (SAR Million)	5,126
Market Cap. (USD Million)	1,367
Outstanding Shares (Million Shares)	120

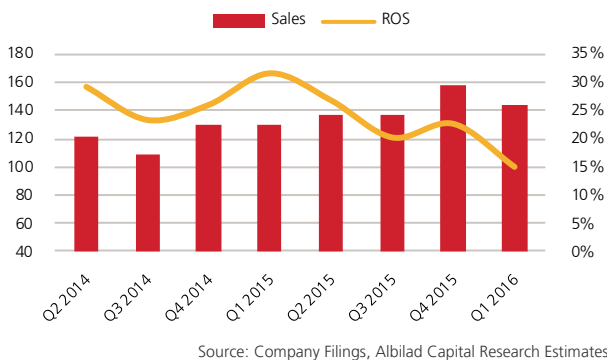
Major Shareholders (> 5%)

Jadwa Healthcare Opportunities Company	21.00%
Abdulaziz Mohammed Hamad Al Hammadi	10.00%
Saleh Mohammed Hamad Al Hammadi	10.00%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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Al Hammadi Development and Investment Company reported a 47.4% drop in its net profit in Q1 2016 to SAR 21.6 million from SAR 41.0 million in Q1 2015. On a QoQ basis, the bottom line decreased 29.7% from SAR 35.8 million in the previous quarter.

Net revenues surged 11% YoY as a result of increasing inpatient traffic during Q1 2016, however the net profit declined compared with Q1 2015 which is mainly attributed to :-

- Increase in depreciation expenses and financial charges which resulted from opening Al Sweidi Hospital.
- The closure of Al Olaya Hospital during the first quarter due to an electrical contact incident on February 7, 2016.
- The collection of SAR 9.8 million written-off debt in Q1 2015.

In addition, the temporary closure of Al Olaya Hospital in the first quarter also drive the QoQ net profit decline.

On the other hand, gross profit stretched 7.8% YoY hitting SAR 54.6 million in Q1 2016, while falling 22.7% QoQ. Moreover, operating profit came in at SAR 26.5 million in Q1 2016, nudging down 38.6% YoY and 34.8% QoQ.

Al Hammadi announced on February 2016 the approval of the board of directors to distribute a cash dividend for 2015 totalling SAR 90 million, which is equivalent to SAR 0.75 per share (7.5% of par value). The date of the general assembly has not declared yet.

In April 2016, Al Hammadi disclosed that the completion rate in Al Nozha Hospital hit 82% at the end of Q1 2016. Al Hammadi forecasts the trial run to start in Q2 2016 with a capacity of 600 beds and 64 clinics, thus raising the company's capacity to 1,328 beds and 202 clinics.

Net profit for Q1 2016 came less than our estimate of SAR 35 million as well as the analysts' consensus of SAR 34 million. Meanwhile, we reviewed our future estimates for revenues, therefore our valuation is downgraded from SAR 55.0 to 53.3 per share with an "Overweight" recommendation.

FY - Ending December	2014A	2015A	2016E	2017F
EV/EBITDA	36.43	29.66	25.15	18.73
EV/Sales	10.95	9.73	8.24	6.06
P/E	39.76	36.27	34.65	25.94
Dividend Yield	1.5%	1.8%	1.8%	2.9%
P/BV	3.88	3.70	3.55	3.30
P/Revenue	10.64	9.13	7.59	5.71
Current Ratio	4.29	1.57	1.97	2.49
Revenue Growth	11.0%	16.5%	20.3%	33.0%

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016E	2017F
Total Revenues	434.1	482.0	561.3	675.5	898.3
COGS	238.5	261.7	284.2	342.3	456.5
COGS/Sales	54.9%	54.3%	50.6%	50.7%	50.8%
SG&A	46.9	55.7	83.7	100.7	135.3
SG&A/Sales	10.8%	11.5%	14.9%	14.9%	15.1%
Doubtful Debts Provisions	23.0	19.7	9.3	11.2	15.7
EBITDA	125.7	144.9	184.2	221.3	290.8
EBITDA Margin	29.0%	30.1%	32.8%	32.8%	32.4%
Depreciation and Amortization	13.6	14.0	30.8	59.8	78.8
EBIT	112.1	130.9	153.4	161.5	212.0
Net Interest Income	(0.3)	(0.1)	(6.2)	(7.9)	(6.9)
Others	3.9	3.3	3.2	3.8	5.1
Pre-Tax Income	115.7	134.1	150.3	157.4	210.2
Tax and Zakat	4.2	5.2	9.0	9.4	12.6
Net Income	111.5	128.9	141.3	147.9	197.6
ROS	25.7%	26.8%	25.2%	21.9%	22.0%
Balance Sheet (SAR mn)	2013A	2014A	2015A	2016E	2017F
Cash and marketable securities	42.2	543.7	89.3	135.2	131.3
Accounts Receivables	136.5	132.1	249.3	276.7	356.1
Inventory	15.6	18.3	27.2	27.5	38.1
Others	14.5	13.2	14.3	17.8	23.5
Total ST Assets	208.7	707.3	380.1	457.3	549.0
Net Fixed Assets	362.6	359.3	1,085.6	1,683.6	1,624.4
Projects Under Implementation	665.1	1,030.7	470.1	35.5	37.2
Total LT Assets	1,027.6	1,390.0	1,555.7	1,719.1	1,661.6
Total Assets	1,236.3	2,097.2	1,935.8	2,176.4	2,210.7
Short Term Debt and CPLTD	1.9	102.9	150.0	123.9	81.4
Accounts Payable	32.2	33.9	57.4	67.6	88.2
Accrued Expenses	19.6	22.9	23.4	30.2	40.2
Others	4.3	4.9	10.6	10.8	11.0
Total ST Liabilities	57.9	164.7	241.4	232.6	220.7
Total Long Term Debt	578.0	593.8	275.7	450.6	369.3
Other Noncurrent Liabilities	14.8	19.0	32.6	49.1	69.0
Equity	585.6	1,319.8	1,386.1	1,444.1	1,551.7
Total Liabilities and Equity	1,236.3	2,097.2	1,935.8	2,176.4	2,210.7
Cash Flow (SAR mn)	2013A	2014A	2015A	2016E	2017F
Operating Cash Flow	97.4	155.8	88.1	218.1	238.3
Financing Cash Flow	272.7	722.0	(346.0)	50.9	(220.8)
Investing Cash Flow	(391.4)	(376.3)	(196.5)	(223.1)	(21.4)
Change in Cash	(21.3)	501.5	(454.3)	45.8	(3.8)

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.



Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by $< 10\%$.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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