

Al Hammadi Development and Investment Co.

Q1 2017

Recommendation **Neutral**

Fair Value (SAR) **41.00**

Price as of May 16, 2017 41.50

Expected Return -1.2%

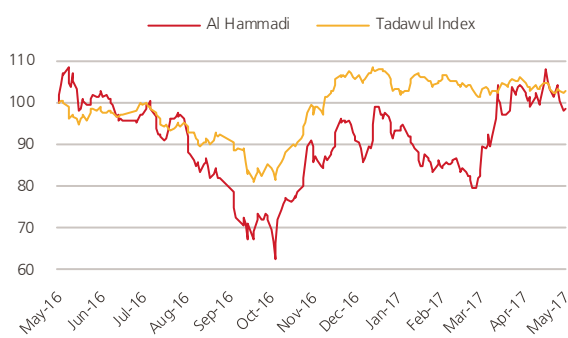
Company Data

Tadawul Symbol	4007.SE
52 Week High (SAR)	46.10
52 Week Low (SAR)	25.20
YTD Change	0.24%
3-Month Average Volume (Thousand Shares)	370
Market Cap. (SAR Million)	4,980
Market Cap. (USD Million)	1,328
Outstanding Shares (Million Shares)	120

Major Shareholders (> 5%)

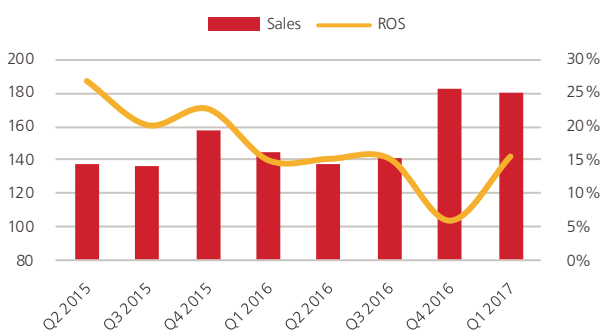
Jadwa Healthcare Opportunities Company	21.00%
Abdulaziz Mohammed Hamad Al Hammadi	10.00%
Saleh Mohammed Hamad Al Hammadi	10.00%

52-week Stock Price Movement



Source: Tadawul

Quarterly Sales (SAR mn) and ROS



Source: Company Filings, Albilad Capital Research Estimates

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Al Hammadi reported net profit of SAR 28 million in Q1 2017 soaring 32% from SAR 21 million in Q1 2016, while skyrocketing 160% compared to SAR 11 million in the previous quarter. This resulted in a net profit margin of 15.5% in Q1 2017 compared to 14.9% for Q1 2016 and 5.9% in Q4 2016.

Total revenues in Q1 2017 leapt 25% YoY to reach SAR 180 million compared to SAR 144 million in Q1 2016, and declined by 1% QoQ from SAR 183 million in the previous quarter.

The improvement in bottom line during Q1 2017 was driven by higher revenues resulting from the increase the number of patient nights, and the improvement of the contractual terms with some customers, in addition to the shutdown of Al Olaya Hospital due to an electric contact incident for 53 days during Q1 2016. Moreover, the strong growth in net profit compared to the previous quarter was fueled by the decrease in the doubtful debt provision as the company provisioned around SAR 20 million by the end of Q4 2016.

Gross profit for Q1 2017 climbed 13% to SAR 62 million compared to SAR 55 million for Q1 2016, however the gross profit margin shrank to 34.4% from 37.9% in Q1 2016. The operating profit for Q1 2017 hit SAR 35 million compared to SAR 28 million in Q1 2016 soaring 25%, therefore the operating margin improved to 19.2% compared to 18.4% in Q1 2016. Compared to the previous quarter, operating profit skyrocketed 91% from SAR 18 million, while gross profit edged up 15% from SAR 73 million.

On the other hand, Al Hammadi announced the completion of the construction work in Al Nuzha Hospital and commenced the test run on March 13, 2017. The commercial run launch is pending the required approvals. It is worth mentioning that Al Nuzha Hospital capacity is determined at 650 beds, including 75 critical care beds and 320 long stay and re-habitation beds, in addition to 64 outpatient clinics, thus raising the total capacity of Al Hammadi hospitals to 1,378 beds and 202 clinics.

With regards to the application of international financial reporting standards (IFRS), Al Hammadi stated that the transition process would not have a material impact on the company's financial statements.

The earning figure for Q1 2017 came in line with our estimate of SAR 27 million and analysts' consensus of SAR 28 million. We believe Al Hammadi will continue to achieve a good growth rate in the coming years, especially with the launch of Al Nuzha Hospital which will significantly boost the overall operating capacity of Al Hammadi Hospitals, in addition to higher demand for medical services. Meanwhile, we expect Al Hammadi to be negatively impacted by the removal of subsidies in electricity and water. As a result, we maintain our valuation of Al Hammadi at SAR 41 per share.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	39.07	30.74	37.38	27.30
EV/Sales	11.75	10.09	9.34	7.15
P/E	38.62	35.24	66.69	39.01
Dividend Yield	1.5%	1.8%	0.0%	2.4%
P/BV	3.77	3.59	3.63	3.32
P/Revenue	10.33	8.87	8.21	6.29
Current Ratio	4.29	1.57	2.45	1.77
Revenue Growth	11.0%	16.5%	8.0%	30.7%
EPS (SAR)	1.07	1.18	0.62	1.06

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017E
Total Revenues	434.1	482.0	561.3	606.2	792.1
COGS	238.5	261.7	290.3	311.3	414.9
COGS/Sales	54.9%	54.3%	51.7%	51.4%	52.4%
SG&A	46.9	55.7	67.7	96.6	130.0
SG&A/Sales	10.8%	11.5%	12.1%	15.9%	16.4%
Doubtful Debts Provisions	23.0	19.7	19.1	46.9	39.8
EBITDA	125.7	144.9	184.2	151.5	207.4
EBITDA Margin	29.0%	30.1%	32.8%	25.0%	26.2%
Depreciation and Amortization	13.6	14.0	30.8	53.4	64.1
EBIT	112.1	130.9	153.4	98.1	143.3
EBIT Margin	25.8%	27.2%	27.3%	16.2%	18.1%
Net Interest Income	(0.3)	(0.1)	(6.2)	(13.6)	(11.3)
Others	3.9	3.3	3.2	1.2	3.8
Pre-Tax Income	115.7	134.1	150.3	85.7	135.8
Tax and Zakat	4.2	5.2	9.0	11.0	8.1
Net Income	111.5	128.9	141.3	74.7	127.7
ROS	25.7%	26.8%	25.2%	12.3%	16.1%
Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and marketable securities	42.2	543.7	88.9	12.6	112.9
Accounts Receivables	136.5	132.1	248.8	430.7	443.0
Inventory	15.6	18.3	27.2	32.1	34.7
Others	14.5	13.2	15.2	16.5	21.7
Total ST Assets	208.7	707.3	380.1	491.9	612.3
Net Fixed Assets	362.6	359.3	1,085.6	1,057.7	1,842.4
Projects Under Implementation	665.1	1,030.7	470.1	590.0	15.8
Total LT Assets	1,027.6	1,390.0	1,555.7	1,647.7	1,858.2
Total Assets	1,236.3	2,097.2	1,935.8	2,139.6	2,470.5
Short Term Debt and CPLTD	1.9	102.9	150.0	100.0	218.8
Accounts Payable	32.2	30.1	36.4	38.2	48.9
Accrued Expenses	19.6	27.3	45.0	50.7	66.2
Others	4.3	4.3	10.0	12.3	12.3
Total ST Liabilities	57.9	164.7	241.4	201.1	346.1
Total Long Term Debt	578.0	593.8	275.7	527.2	575.8
Other Noncurrent Liabilities	14.8	19.0	32.6	40.5	50.1
Equity	585.6	1,319.8	1,386.1	1,370.8	1,498.5
Total Liabilities and Equity	1,236.3	2,097.2	1,935.8	2,139.6	2,470.5
Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Operating Cash Flow	97.4	155.8	72.2	(31.1)	218.9
Financing Cash Flow	272.7	722.0	(352.3)	100.2	156.0
Investing Cash Flow	(391.4)	(376.3)	(174.6)	(145.3)	(274.7)
Change in Cash	(21.3)	501.5	(454.8)	(76.3)	100.3

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.

* All the financials statements were prepared in accordance with SOCPA standers until the releasing (IFRS) financial statements.

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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