

Revenue resilience, supported by pricing strategy, reinforced healthy Q1-25 results in face of seasonality.

Hammadi ended Q1-25 at a bottom line of SAR 73.9mn (up 15.4% Y/Y and down 4.9% Q/Q). This came at a positive surprise to our estimate of SAR 67.4mn by 9.7%. Along with a 7.0% increase in insurance revenues, driven by pricing, total patient volumes were up by 1% Y/Y (despite full effect of Ramadan in Q1-25) to support top line growth of 9.0% Y/Y (down 6.5% Q/Q) to reach SAR 301.9mn. Increase in average revenue per outpatient by 6% Y/Y further reinforced the top line in face of Ramadan pressures. Further supporting the bottom line was a SAR 5.5mn in share from associates (up from a negligible amount in Q1-24, and SAR 2.8mn in Q4-24). A provision reversal recording a net positive SAR 0.3mn in ECLs (vs an ECL booking of SAR -12.9mn) supported sequential improvement in net income. Operational metrics, patient volumes recovery, and Hammadi's financial position are healthy ahead of its 600 bed capacity expansion plan. We maintain our **'Overweight'** recommendation on the stock, at the **TP of 46.7 /share**.

- Hammadi's Q1-25 came at a net income of SAR 73.9mn (up 15.4% Y/Y and down 4.9% Q/Q), positively surprising our estimates of SAR 67.4mn by 9.7%. Results were supported by Y/Y patient volume increases, higher revenue per insurance patient as a result of pricing strategy, and share of profit from associates reaching SAR 5.5mn further supported the bottom line (vs a negligible amount in Q1-24, and SAR 2.8mn in Q4-24). A provisions reversal recording a net positive ECL for the quarter of SAR 0.3mn positively impacted sequential net income growth (vs Q4-24's ECL booking of SAR 12.9mn). Gross margins faced Y/Y and sequential pressures as a result of increases in salaries and wages.
- Revenues were reported at SAR 301.9mn up 9.0% Y/Y (down 6.5% Q/Q), broadly in line our estimates of SAR 285.9mn at a +5.6% deviation. When excluding the SAR 8mn MoH billing which supported Q4-24 revenues for the treatment of non-eligible foreign patients, revenues would have been down 4.1% Q/Q. Patient volumes were nearly flat Y/Y at a 1% growth, despite a full effect of Ramadan taking place in this year's Q1. Patient volumes declined 8.4% Q/Q. Offsetting seasonal pressures on volumes were a 7% increase in insurance revenue as a result of pricing, corresponding to a 6% increase in revenue per outpatient as well. Inpatient and outpatient volumes grew 13.3% and 0.5% Y/Y, respectively; though outpatients constitute 96% of patient segmentation.
- Gross profit rose 6.0% Y/Y to reach SAR 96.5mn (down 12.0% Q/Q), with cost of revenues increasing 10.4% Y/Y (down 3.7% Q/Q) as a result of increases salary and wages. Gross profit came in line with our estimate of SAR 95.7mn (+0.9% deviation); though gross profit margins negatively surprised our estimate of 33.5% by 150bps. Gross margins at 32.0% came down 90bps Y/Y and 200bps Q/Q.
- Operating profit reached SAR 76.7mn (up 2.4% Y/Y and down 2.4% Q/Q), in line with our estimates of SAR 75.6mn (+1.6% deviation). SGA's increased 4.4% Y/Y, driven by increases in marketing expenses, offsetting a 2.9% Y/Y decrease in admin expenses. Supporting operating profits was a net positive 0.3 ECL, as a result of a provision reversal. Operating margins at 25.4% were down 160bps Y/Y and up 110bps Q/Q, and 100bps below our estimates of 26.4%.

AJC view and valuation: Hammadi's results displayed resilience in revenues facing a full month of Ramadan, with a 1% Y/Y increase in patient volumes, and in support by pricing increases. Its share from associates could further continue to support its bottom line in coming periods as its stake in Sudair Pharma (35%) will benefit from the holding's recent expansions in its insulin production line. We take Hammadi's utilization rate of 90% as a positive signal ahead of its 600 bed expansion campaign by FY30. Furthermore, Hammadi possesses a healthy financial position ahead of its expansions, summarized by an increasing cash position punctuating at a negative net D/E. We keep our **TP of SAR 46.7/share** on Hammadi while maintaining an **"Overweight"** recommendation.

SAR mn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	277.0	322.8	301.9	9.0%	-6.5%	5.6%
Gross Profit	91.0	109.6	96.5	6.0%	-12.0%	0.9%
Gross Margin	32.9%	34.0%	32.0%	-	-	-
EBIT	74.9	78.7	76.7	2.4%	-2.4%	1.6%
Net Profit	64.0	77.8	73.9	15.4%	-4.9%	9.7%
EPS	0.40	0.49	0.46	-	-	-

Source: Company Reports, AlJazira Capital

Recommendation	Overweight
Target Price (SAR)	46.7
Upside / (Downside)*	16.2%

Source: Tadawul *prices as of 12th of May 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	1,122	1,177	1,154	1,238
Growth %	17.9%	4.8%	-1.9%	7.3%
Gross Profit	416.0	433.1	382.5	413.8
Net Income	257.3	303.3	338.8	298.4
Growth %	185.7%	17.9%	11.7%	-11.9%
EPS	1.61	1.90	2.12	1.86
DPS	1.25	1.40	1.40	1.40

Source: Company reports, AlJazira Capital

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	37.1%	36.8%	33.1%	33.4%
OP Margin	26.0%	29.4%	31.7%	26.4%
Net Margin	22.9%	25.8%	29.4%	24.1%
EBITDA Margin	35.6%	37.4%	40.1%	38.8%
RoE	15.3%	17.1%	17.8%	14.9%
P/E (x)	24.9	31.3	18.1	21.5
P/B (x)	3.8	5.2	3.1	3.2
EV/EBITDA (x)	16.5	21.8	13.1	13.2
Dividend Yield	3.1%	2.4%	3.6%	3.5%

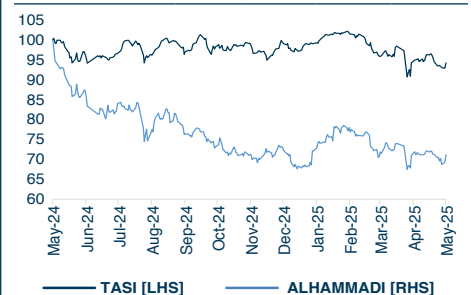
Source: Company reports, AlJazira Capital

Key Market Data

Market Cap (bn)	6.4
YTD%	4.7%
52 week (High)/(Low)	56.3/36.1
Share Outstanding (mn)	160.0

Source: Company reports, AlJazira Capital

Price Performance



Source: Tadawul, AlJazira Capital

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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