

Al Hammadi Holding Releases Results for the Year Ended 31 December 2022

02 March 2023, Riyadh (Saudi Arabia). Al Hammadi Holding (“Al Hammadi” or the “Company”), an owner and operator of premier medical facilities in Saudi Arabia, announces its financial results for the year ended 31 December 2022 (FY 2022). The Company booked revenues of SAR 1,122 million during FY 2022, an 18% increase from the previous year, with net profit recording SAR 257 million, up by 188% year-on-year (y-o-y) and yielding a net profit margin (NPM) of 23%. On a quarterly basis, Al Hammadi recorded a top line of SAR 343 million during Q4 2022, increasing 22% y-o-y, while net profit rose to record SAR 74 million, with an associated margin of 22%.

Key Financial and Operational Highlights

Financial Highlights (SAR mn)	Q4 2021	Q4 2022	% Change	FY 2021	FY 2022	% Change
Total Revenues	282	343	21.6%	952	1,122	17.9%
Cost of Sales	(173)	(214)	23.3%	(588)	(706)	20.2%
Gross Profit	109	129	18.8%	364	416	14.3%
GPM	38.5%	37.6%	-0.9 pts	38.2%	37.1%	-1.1 pts
Operating Profit	19	87	357.0%	131	292	122.3%
Operating Profit Margin	6.7%	25.4%	18.6 pts	13.8%	26.0%	12.2 pts
Net Profit	11	74	591.7%	90	257	185.7%
NPM	3.8%	21.5%	17.8 pts	9.5%	22.9%	13.5 pts
Operational Highlights ('000)						
Inpatient Volumes	11.4	12.6	10.9%	40.4	45.0	11.3%
Outpatient Volumes	261.7	287.6	9.9%	983.4	1,038.5	5.6%

- Al Hammadi booked total **revenues** of SAR 1,122 for FY 2022, up by 18% from FY 2021, driven by strong increases in revenues from its hospital segment. On a quarterly basis, the Company recorded revenues of SAR 343 million during Q4 2022, rising 22% y-o-y from the SAR 282 million recorded during Q4 2021.
- **Net profit** for FY 2022 came in at SAR 257 million, increasing 186% y-o-y from SAR 90 million in FY 2021, and recording a net profit margin of 23%. The impressive year-on-year rise in net profit reflected both strong top-line growth for the year coupled with a significant reduction in operating costs. Al Hammadi’s bottom-line was also boosted by a 65% y-o-y decrease in expected credit loss provision booked in the year, showcasing the Company’s success in improving collection rates. On a three-month basis, Al Hammadi’s net profit rose to SAR 74 million during Q4 2022 from SAR 11 million in the same three months of the previous year.
- **Net debt/equity** recorded 10.0% at year-end 2022 compared to the 5.3% recorded as of December 2021.
- **Inpatient admissions** increased by 11% y-o-y during FY 2022 to reach 45.0 thousand patients across the Company’s two operating hospitals. **Outpatient visits** rose by 6% y-o-y, surpassing the one million mark to record 1,039 thousand. On a three-month basis, inpatient admissions recorded 13 thousand while outpatient visits recorded 288 thousand during Q4 2022, increasing 11% and 10% y-o-y, respectively.

Management Comment

Looking back on the past twelve months, we are delighted with the Group's performance which saw us continue to deliver short-term growth and profitability while pushing forward our longer-term value creation strategy. Our efforts over the last twelve months saw us end the year ideally placed to continue delivering world-class care to our patients and further growth and value for our shareholders in 2023 and beyond.

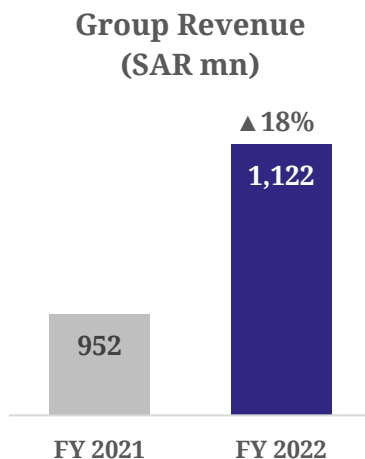
Looking at our results in more details, we are pleased to note the robust 18% y-o-y expansion in revenues in 2022 which reflected strong growth across both our inpatient and outpatient segments. Strong top-line growth combined with our successful cost optimization measures and improved collection rates drove an impressive improvement in our bottom-line profitability, with our net profit margin for the year improving by 13.5 percentage points compared to 2021.

We entered 2023 accompanied by similar challenges as those faced in the previous twelve months. While these macroeconomic challenges are likely to remain with us throughout the coming period, we are confident that the solid fundamentals underpinning the attractive growth profile of Riyadh's healthcare market remain unchanged. As such, heading into the new year we will continue to be dually focused on driving further operational and financial growth and delivering on our long-term growth strategy. On this latter front, over the coming twelve months we are looking to progress on our planned capacity expansions, add new centers of excellence and services to our roster, and continue to ramp up our pharmaceuticals business to capture the significant growth potential offered by this underpenetrated subsegment. All in all, 2023 is shaping up to be another exciting year for Al Hammadi, and we look forward to updating you as the year progresses.

Mohammad S. Al Hammadi

Chief Executive Officer

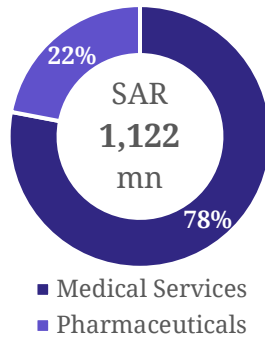
Consolidated Analysis



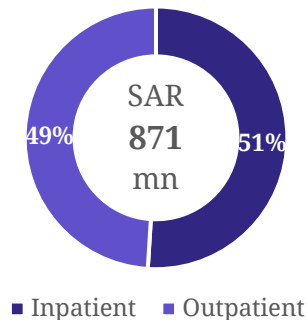
Financial Review

- Al Hammadi recorded **revenues** of SAR 1,122 million during FY 2022, an 18% y-o-y increase from the SAR 952 million recorded during FY 2021. On a quarterly basis, revenue increased by 22% y-o-y to reach SAR 343 million in Q4 2022, from the SAR 282 million recorded in the same period of 2021.
- Medical services**, which represent operations at both Al Nuzha and Al Suweidi hospitals, accounted for 78% of the Company's consolidated top-line for FY 2022, recording revenues of SAR 871 million, compared to SAR 738 million during FY 2021. Both hospitals recorded robust revenue growth, with Al Nuzha's top-line expanding 24% year-on-year and Al Suweidi growing by an impressive 46% year-on-year. On a patient type basis, revenue growth was primarily driven by higher revenues generated by insurance patients with solid growth

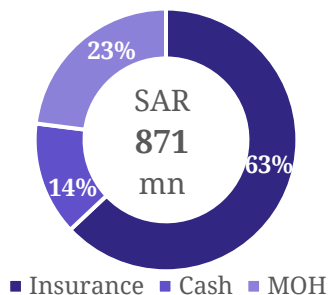
**Revenue
Breakdown
(FY 2022)**



**Medical Services
Revenue Breakdown
(FY 2022)**



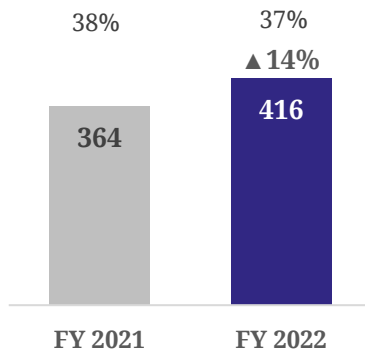
**Medical Services
Revenue by Patient
Type
(FY 2022)**



in revenues generated by Ministry of Health (MOH) patients also supporting Al Hammadi's top-line. Finally, on a segmental basis, both the Company's inpatient and outpatient segments recorded year-on-year revenue growth, making similar contributions to consolidated growth. More specifically, Al Hammadi's inpatient segment recorded revenues of SAR 442 million in FY 2022, up 15% year-on-year. Meanwhile, at the outpatient segment revenues stood at SAR 428 million, up 21% versus the previous twelve months.

- Meanwhile, Al Hammadi's **pharmaceutical** sales contributed roughly 22% of consolidated revenues, booking SAR 252 million for the full year up a solid 18% year-on-year. During the year, Al Hammadi's in-house pharmacies (located in Al Nuzha and Al Suweidi) generated sales of SAR 189 million, up 20% year-on-year. Pharma Serve booked sales of SAR 62 million in FY 2022, up from SAR 56 million last year. This primarily reflected the signing of a vaccine contract with a total value of SAR 38 million.
- Al Hammadi's **cost of revenue** reached SAR 706 million for FY 2022, increasing 20% y-o-y from the SAR 588 million recorded during FY 2021. The increase was primarily driven by higher maintenance costs, as well as increases in salaries for medical staff compared to FY 2021. Salary increases were largely the result of the transfer of salary costs from Olaya Hospital (which temporarily ceased operations in late 2021) to the Company's Al Nuzha and Al Suweidi hospitals, as well as extra staff hires due to the Company's expansion of Al Nuzha's outpatient capacity. While the new outpatient expansion, which saw 20 new clinics added to the hospital's existing capacity, came online in the final quarter of 2022, medical staff was hired several months in advance in order to complete the necessary training and preparations ahead of its official launch. As a percentage of revenues, however, cost of revenue remained largely stable, increasing to 63% versus the 62% booked during FY 2021. On a quarterly basis, cost of revenue increased by 23% y-o-y to reach SAR 214 million during Q4 2022. Similar to trends witnessed on a full-year basis, as a percentage of revenues, cost of revenue remained largely unchanged, recording 62% compared to 61% in Q4 2021.
- **Gross profit** for FY 2022 stood at SAR 416 million, increasing 14% y-o-y and resulting in a GPM of 37.1% compared to the 38.2% recorded during FY 2021. The marginal decline in gross profitability for the year was primarily a result of the higher costs associated with the new hires

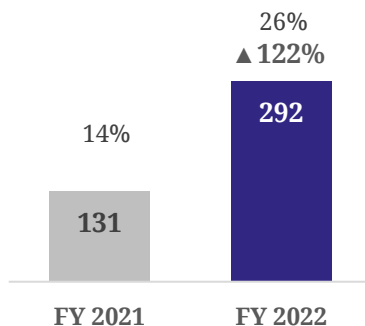
**Gross Profit, GPM
(SAR mn, %)**



at Al Nuzha Hospital's outpatient extension. On a three-month basis, gross profit increased 19% y-o-y to book SAR 129 million, yielding a gross profit margin of 37.6% for Q4 2022 versus 38.5% in the same three months of FY 2021.

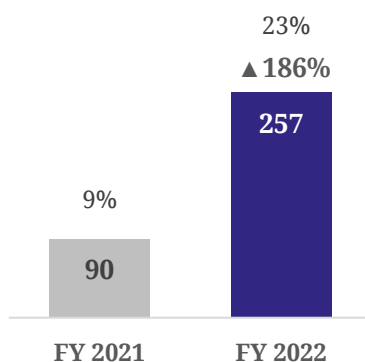
- **Sales, general & administrative (SG&A)** expenses during FY 2022 booked SAR 98 million, increasing 17% y-o-y. As a proportion of revenues, SG&A expenses stood at 8.8% for FY 2022, decreasing 0.1 percentage points versus FY 2021. On a quarterly basis, SG&A expenses recorded SAR 35 million during Q4 2022, up from the SAR 21 million recorded for the same period of FY 2021.

**Operating Profit,
Margin
(SAR mn, %)**



- **Operating profit** reached SAR 292 million for FY 2022, a year-on-year increase of 122% compared to the SAR 131 million recorded during FY 2021, with the operating margin increasing by 12 percentage points to 26% for FY 2022. The notable increase in operating profit for the year was primarily driven by the double-digit growth in the Company's gross profit, as well as significant improvements in cost management during the year. Most notably, **expected credit loss provision** decreased 65% y-o-y to book SAR 54 million during FY 2022, compared to SAR 154 million for the previous year. On a quarterly basis, Al Hammadi's operating profit increased to SAR 87 million in Q4 2022 from SAR 19 million in Q4 2021. Operating profit margin for the quarter recorded 25% in Q4 2022, up from 7% in the same three-month period of FY 2021.

**Net Profit, Margin
(SAR mn, %)**

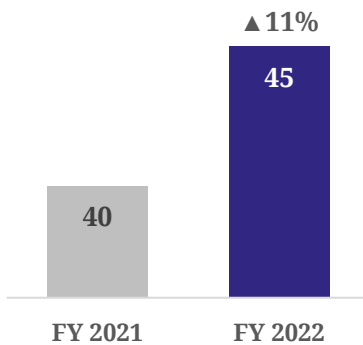


- Al Hammadi posted a **net profit** of SAR 257 million during FY 2022, up by 186% from the SAR 90 million posted during FY 2021. The Company's net profit margin also increased by 14 percentage points to record 23% for the full year. The substantial expansion of Al Hammadi's bottom-line principally reflects the solid rise in operating profits for the twelve-month period. Strong bottom-line growth in FY 2022 also partially reflects the booking of a one-time SAR 10 million loss from investment in subsidiaries during the prior year. The SAR 10 million loss during FY 2021 was a result of recording an impairment of goodwill in the Company's subsidiary, Pharma Serve. On a three-month basis, the Company's net profit stood at SAR 74 million in Q4 2022, increasing almost seven-fold from SAR 11 million in the same period of the previous year. In Q4 2022, Al Hammadi recorded a net profit margin of 22%, up from 4% in Q4 2021.

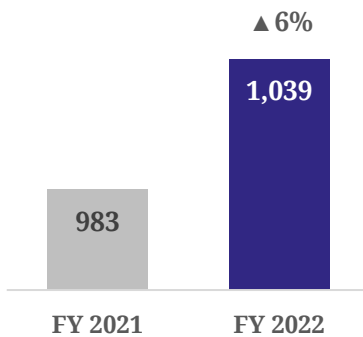
- Al Hammadi adheres to a clear **dividend** policy of distributing no less than 60% of annual profits on a quarterly basis to shareholders. In light of the strong results consistently delivered and the business's positive outlook, the Company distributed SAR 200 million in cash dividends over the course of FY 2022. This represents a 178% increase from the total dividends distributed in FY 2021, which stood at SAR 72 million.
- Al Hammadi's total **assets** stood at SAR 2,482 million as of 31 December 2022, up 10% y-o-y from SAR 2,262 million as of year-end 2021. **Inventories** as of year-end 2022 booked SAR 56 million, up from SAR 54 million as of 31 December 2021.
- **Cash and cash equivalents** booked SAR 61 million as of year-end 2022, down from SAR 121 million as of 31 December 2022. The Company improved its **liquidity** position, with the current and quick ratios booking 2.8 and 2.6 as of 31 December 2022, compared to 2.5 and 2.2 respectively as of year-end 2021.
- The Company recorded **total debt** of SAR 232 million as of 31 December 2022, up from SAR 209 million as of year-end 2021. Total debt for FY 2022 is split as SAR 31 million in commercial loans and SAR 201 million in zero-interest government grants. **Net debt** as of 31 December 2022 stood at SAR 172 million, up from SAR 88 million as of December 2021.
- **Shareholders' equity** posted SAR 1,711 million as of 31 December 2022, increasing from the SAR 1,659 million recorded as of 31 December 2021. The Company recorded debt/equity of approximately 13.6% as of year-end 2022 compared to 12.6% in 2021. Additionally, net debt/equity came in at 10.0% at the close of FY 2022, up against 5.3% at the close of FY 2021.

Operational Review

**Inpatient Admissions
(‘000)**



**Outpatient Visits
(‘000)**



- On a Group level, Al Hammadi recorded **inpatient admissions** of 44,973 during FY 2022, an impressive 11% y-o-y increase. Al Nuzha hospital contributed 58% of overall patient admissions in FY 2022, up from 52% during FY 2021. The Company’s Al Suweidi hospital accounted for 42% of inpatient admissions in FY 2022 (versus 39% during FY 2021). The Company’s inpatient admission growth came despite the temporary closure of its Olaya facility (which had contributed to 9% of inpatient volumes in FY 2021) for renovation. The facility is set to reopen in 2026. On a quarterly basis, the Company booked 12,599 inpatient admissions during Q4 2022, an 11% y-o-y increase compared to the same quarter of the previous year.
- Al Hammadi registered **outpatient visits** amounting to 1,038,547 during FY 2022, an increase of 6% compared to FY 2021. The Company’s Al Nuzha hospital accounted for 62% of all outpatient examinations, compared to 53% in FY 2021. Al Suweidi hospital registered 38% of outpatient visits during FY 2022 (versus 34% during FY 2021). Al Hammadi was able to maintain this strong growth in outpatient volumes despite the suspension of Olaya hospital’s operations (which had contributed to 13% of outpatient volumes in FY 2021). Outpatient visits for the quarter recorded 287,628 during Q4 2022, up 10% y-o-y compared to Q4 2021.
- Throughout FY 2022, Al Hammadi maintained high and stable **utilization rates** across both its hospitals and patient segments. More specifically, at Al Nuzha Hospital, the Company reported average inpatient and outpatient utilization rates of 100% in FY 2022. Meanwhile, at Al Suweidi Hospital, average inpatient room utilization stood at 55% while outpatient clinic utilization stood at 95% in FY 2022.
- On the **capacity expansions** front, 2022 saw the Company continue to take important strides forward. As part of its growth strategy, Al Hammadi is planning to launch several new hospital facilities in strategic catchment areas of Riyadh over the coming seven years. The first to come online (in 2026) will be the revamped Olaya facility housing 200 inpatient rooms, 120 outpatient clinics, and two centers of excellence, with specializations in sports medicine and oncology. This will be followed by Al Narjis hospital in 2028. The facility will also house 200 inpatient rooms and 120 outpatient clinics as well as two centers of excellence focused on rehabilitation and plastic surgery.

The Company is actively exploring additional expansion opportunities in the Kingdom's capital and largest city of Riyadh. Meanwhile, across its already operating facilities, the Group is pursuing multiple expansion projects to add to their respective capacities. On this front, in 2022 Al Hammadi inaugurated a 20-clinic outpatient expansion at Al Nuzha Hospital. The new clinics, which began operations in Q4 2022, are expected to complete the ramp up phase in the first half of 2023 reaching 100% utilization in the first six months from launch. In 1H 2023, the Company will also expand Al Suweidi Hospital's outpatient capacity by an additional 20 clinics.

– End –

Consolidated Income Statement

SAR mn	Q4 2021	Q4 2022	%	FY 2021	FY 2022	%
Revenue	281.8	343.6	21.6%	951.9	1,122.4	17.9%
Cost of revenue	(173.3)	(213.7)	23.3%	(587.8)	(706.4)	20.2%
Gross Profit	108.5	128.9	18.8%	364.0	416.0	14.3%
<i>GPM</i>	38.5%	37.6%	-0.9 pts	38.2%	37.1%	-1.1 pts
Selling and marketing expenses	(1.5)	(4.2)	168.2%	(5.0)	(6.2)	22.5%
Administrative and general expenses	(19.8)	(30.7)	55.2%	(79.3)	(92.7)	16.9%
Expected credit loss provision	(67.9)	(15.4)	-77.3%	(154.5)	(54.3)	-64.8%
Impairment loss on investment in subsidiaries	(9.7)	N/A	N/A	(9.7)	N/A	N/A
Other operating income	7.4	6.3	-14.1%	15.7	29.0	99.5%
Operating Profit	19.0	86.9	357.0%	131.2	291.8	122.3%
<i>Operating profit margin</i>	6.7%	25.4%	18.6 pts	13.8%	26.0%	12.2 pts
Share of profit in subsidiaries	2.0	1.9	-5.6%	2.0	4.1	99.0%
Finance costs	(4.0)	(7.2)	78.4%	(15.7)	(21.7)	38.1%
Net profit before Zakat	15.0	79.8	431.4	117.6	274.2	133.2%
Zakat expenses	(4.3)	(6.0)	37.6%	(18.7)	(16.8)	-10.0%
Net profit from continued operations	10.7	73.8	591.7%	98.9	257.3	160.3%
(Loss) profit from discontinued operations	N/A	N/A	N/A	(8.8)	N/A	N/A
Net profit for the period	10.7	73.8	591.7%	90.1	257.3	185.7%
<i>NPM</i>	3.8%	21.5%	17.8 pts	9.5%	22.9%	13.5 pts
Earnings per share:	0.09	0.46	418.8%	0.75	1.61	114.7%

Consolidated Balance Sheet

SAR mn	31 December 2021	31 December 2022
ASSETS		
Non-current assets		
Property and equipment	1,546.9	1,606.2
Advance payments for acquisition of property and equipment	-	95.8
Intangible assets and goodwill	32.2	28.5
Investment in associates	120.3	124.2
Total non-current assets	1,699.3	1,854.8
Current Assets		
Inventories	53.6	56.2
Other receivables	4.8	7.2
Prepayments	11.4	14.8
Contract assets	7.4	7.3
Trade receivables	364.2	481.1
Cash and cash equivalents	120.9	60.6
Total current assets	562.4	627.1
TOTAL ASSETS	2,261.7	2,481.8
SHAREHOLDER'S EQUITY AND LIABILITIES		
SHAREHOLDER'S EQUITY		
Share capital	1,200.0	1,600.0
Statutory reserve	73.2	37.0
Retained earnings	386.1	73.5
TOTAL SHAREHOLDER'S EQUITY	1,659.3	1,710.6
LIABILITIES		
Non-current liabilities		
Loans	179.1	203.0
Government grants	129.3	114.9
Lease liabilities	0.75	114.5
Employees' terminal benefits	65.9	78.8
Total non-current liabilities	375.1	511.2
Current liabilities		
Loans	29.6	29.2
Government grants	7.4	9.1
Lease liabilities	7.8	14.5
Accrued zakat	18.3	16.9
Trade payables	61.0	87.0
Accrued expenses	22.7	35.5
Other payables	28.3	25.0
Contract liabilities	52.3	42.8
Total current liabilities	227.4	260.1
TOTAL LIABILITIES	602.4	771.3
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	2,261.7	2,481.8

Consolidated Statement of Cash Flow

SAR mn	31 December 2021	31 December 2022
OPERATING ACTIVITIES		
Net profit	90.1	257.3
Adjustments to reconcile net profit to cash flow		
Depreciation of property and equipment and right of use assets	105.2	96.7
Amortization of intangible assets	4.2	3.7
Losses on disposals from discontinued operations	39.2	-
Losses on disposals of property and equipment	(0.03)	-
Losses on disposals of right of use assets	0.07	-
Impairment losses of goodwill	9.7	-
Company share of profits from associate	(2.0)	(4.1)
Provision from slow-moving inventory	0.12	0.85
Impairment loss on trade receivables and other debit balances	154.5	54.3
Government grants released	(7.6)	(17.4)
Current services cost of employees' terminal benefits	12.6	11.9
Reverse of legal provision	(4.8)	-
Lease liability generated during the period	52.7	45.5
Finance expenses	15.8	21.7
Zakat charge during the period	18.7	16.8
	488.3	487.4
Working capital adjustments		
Inventories	8.1	(3.5)
Other receivables	(0.45)	(3.3)
Prepayments	25.0	(3.5)
Contract assets	(2.2)	(8.5)
Net changes in related parties	(0.04)	2.7
Trade receivables	77.5	(162.3)
Trade payables	6.2	17.5
Accrued expenses	(4.1)	12.8
Other payables	(6.3)	(4.3)
Contract liability	(127.0)	(55.0)
Employees' terminal benefits paid	(9.9)	(8.5)
Zakat paid	(20.5)	(18.2)
NET CASH GENERATED FROM OPERATING ACTIVITIES	434.6	253.3
INVESTING ACTIVITIES		
Purchase of property and equipment	(14.6)	(16.7)
Advance payments for acquisition of property and equipment	-	(95.8)
Cash proceeds from sale of property and equipment	(0.03)	-
Purchase of intangible assets	(0.31)	(0.08)
Investment in associate	(118.1)	-
NET CASH USED IN INVESTING ACTIVITIES	(133.0)	(112.6)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	50.8	146.2
Repayment of bank and government borrowings	(98.3)	(135.0)
Lease liability paid	(13.3)	(8.2)
Finance cost paid	(2.1)	(5.1)
Dividends paid	(131.7)	(199.0)
NET CASH USED IN FINANCING ACTIVITIES	(194.4)	(201.0)
Net change in cash and cash equivalents	107.2	(60.3)
Cash and cash equivalents at the beginning of the period	13.6	120.9
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	120.9	60.6

About Al Hammadi Holding

Al Hammadi Holding is an integrated healthcare company and a premier hospital operator in Riyadh providing world-class healthcare services to hundreds of thousands of local and foreign residents each year. The company currently operates two hospitals in the Saudi Arabian capital, housing more than 600 inpatient rooms and 180 outpatient clinics. In line with the company's ambitious growth plans and Saudi Arabia's Vision 2030 strategy, Al Hammadi is aiming to inaugurate three more facilities in Riyadh over the coming six years, more than doubling its inpatient and outpatient capacity. Al Hammadi also offers retail pharmacy services through a network of physical stores and a growing online presence and is also active in the vaccine import segment through its subsidiary, Pharma Serve. Al Hammadi boasts several international accreditations and certificates, including the Canadian Accreditation Certificate (ACCREDITATION CANADA), the Joint Commission International (JCI) accreditation, the Australian Council on Healthcare Standards International (ACHSI), the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), the American College of Cardiology (ACC) accreditation, as well as the ISO 9001:2008 certification and the Saudi Heart Association Certificate.

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