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المـوسى الصحية
Almoosa Health

Reshaping business model via a network extended by 2 new hospitals and 5 standalone PHCC clinics; at a 96% beds capacity expansions

Initiation Coverage Report | January 2025

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Expanding its network and business model to support patient attraction via a 96% bed capacity expansion and 5 standalone PHCC clinics

Saudi Arabia's ongoing demographic trends requiring further healthcare services, along with Kingdom's Health Sector Transformation Program are in favor of Almoosa Health, as a premium healthcare provider with a solid specialized presence in the Eastern Province at a market share of 51.5% of post-acute private beds in the region. However, competition is already intense and could intensify as incumbents expand their capacity to capture growing demand. Almoosa's strategy of doubling bed capacity with 2 new hospitals and establishing hub and spoke model with a network of primary healthcare centers (PHCC), will enable it to have the highest Eastern Province beds presence in the listed sector. We expect beds to rise from 730 to 1,430 by FY30E, while clinics to rise from 290 to 1,056, all in the Eastern Province which has already been surpassing KSA's population growth at an FY19-22 CAGR of 2.6% in the region. A confluence of sectoral tailwinds, capacity expansion and full-integrated services could drive total revenues from FY23's SAR 979mn to SAR 4,032mn by FY30E, implying a robust FY23-30E 22.4% CAGR. As hospitals and clinics mature and operating leverage kicks in, we expect gross margins to reach 33.4% (+210bps over FY23-30E) and operating margins to reach 18.3% (+500bps). However, hospital capacity expansions could impact gross/operating margins in FY27/28E. As management guides towards deleveraging the balance through IPO proceeds, we expect finance expenses to reduce, thereby enhancing earnings to grow at an FY23-30E 30.3% CAGR. Healthy current utilization rates, cash generation and working capital efficiency to improve RoE profile, despite gradual increase in debt for large capex needs in medium term (mostly for the two planned hospitals). We initiate coverage with "Neutral" rating and a TP of SAR 144.3/share, implying a 13.7% upside from the IPO price, while the stock trades at a subpar return profile from its peers.

Favorable demographics along with regulatory shifts taking place, to be key driver for transforming KSA's healthcare landscape: KSA's healthcare sector is poised for a robust growth over FY23-30E driven by shifting demographic profile characterized by population growth, aging population, rising lifestyle diseases and longer life expectancy. Eastern Province is an economic hub for the Kingdom with a private beds penetration of 0.91 beds per 1,000 people and has surpassed the Kingdom's population growth at a CAGR of 2.6% from FY19-22; the region is set with Vision 2030 initiatives to further support a growth in population, serving demand for the sector in the region. Furthermore, the sector wide regulatory shifts under the Healthcare Sector Transformation Program taking place in form of: increasing private sector participation as MoH ceases to become a provider, PPP programs with the government, and universal private healthcare, and among others. Almoosa is likely to benefit from these changes due to its i) long operating history and complexity in operations at its Centers of Excellence services ii) brand recognition in the Eastern Province, iii) full stack service offering and well-integrated business model, iv) Hub-and-spoke model extending its geographic reach and modernizing its business model in line with Vision 2030 initiatives.

Capacity expansion of new hospitals and clinics could drive 22.4/30.3% revenue/ earnings CAGR over 2023-30e: Almoosa has announced its plan to double its bed capacity through the launch of its 2 new hospitals, one in AlHafuf (300 beds by FY27E) and another in AlKhobar (400 beds by FY28E). These hospitals are expected to add 700 beds and 500 clinics. Further its plan to establish a hub and spoke model with its PHCCs could further add 170 clinics over FY25-28E. We anticipate total beds to rise from 730 in FY23 to 1,430 by FY30E, while clinics to rise from 290 in FY23 to 1,056 by FY30E. The ramp-up of these new beds is expected gradually be at a forecasted rev/bed of c. SAR 1.7mn (FY24E) going up to SAR 2.1mn by FY30E. Population influx, aging population and rise in lifestyle related diseases can act as catalyst for outpatient growth hence we have assumed a faster increase in revenue per clinic from to reach SAR 2.2mn by FY31E recording a growth of 4.9% per year. This confluence of increased beds/clinics and improved utilizations could lift the total revenues from SAR 979mn in FY23 to SAR 4,032mn by FY30E, implying a robust 22.4% CAGR. In terms of margins, we expect gross and operating margins to improve due to maturity of hospitals and clinics, improved pricing and operating leverage. Accordingly, we expect gross margins to expand by 210bps while operating margins to rise 500bps over FY23-30E. However, commercialization of capacity expansions could impact gross and operating margins in FY27/28E. Management is committed to using 50%-60% of IPO proceeds for deleveraging initially, and then targeting leverage ratio of less than 1.0, this should aid the earnings to grow at 30.3% CAGR.

Recommendation	Neutral
Target Price (SAR)	144.3
Upside / (Downside)*	13.7%

Source: Tadawul, AlJazira Capital Research *From IPO price

Key Financials

SARmn (unless specified)	FY23	FY24E	FY25E	FY26E
Revenues	**979**	**1,236**	**1,562**	**1,781**
Growth %	20.0%	26.3%	26.4%	14.0%
Gross Profit	307	387	502	587
Operating profit	**130**	**168**	**231**	**302**
Net Income	98	73	160	232
Growth %	92.4%	-26.0%	120.5%	44.9%
EPS	2.80	1.88	3.61	5.23
DPS	-	0.36	-	-

Source: Company reports, AlJazira Capital Research

Key Ratios

	FY23	FY24E	FY25E	FY26E
Gross Margin	31.4%	31.3%	32.2%	33.0%
EBITDA Margin	20.0%	19.0%	19.8%	22.5%
Net Margin	10.0%	5.9%	10.2%	13.0%
PE (x)	0.0	67.7	35.2	24.3
PB (x)	0.0	6.9	2.7	2.5
EV/EBITDA (x)	6.1	26.6	20.2	17.3
Div Yield (%)	0.0%	0.3%	0.0%	0.0%

Source: Company reports, AlJazira Capital Research

Key Market Data

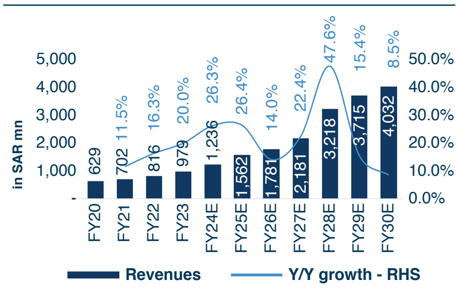
IPO price (SAR per share)	**127.0**
Market Cap at IPO price (SAR bn)	**5.6**
Share Outstanding (mn)	**44.3**

Source: Company reports, AlJazira Capital Research

Company Ownership

Shareholder	shares (inmn)	ownership
Abdulaziz Almoosa Invst. Co	29.1	65.8%
Abdulaziz Almoosa Charity Co	1.8	4.0%
Empl. Investment Fund	0.1	0.3%
Public	13.3	30.0%
Total	**25.00**	**100.0%**

Revenue growth supported by capacity expansions



Source: Company, AlJazira Capital research

Competitive landscape in KSA's healthcare space is already intense and is expected to rise further as providers race towards scalability: Despite underpenetration of beds in KSA, the competitive landscape remains intense in the private space. Top-4 players capture ~40% share of 18.2k private beds. The competition to grow market share is even more pronounced when analyzed at provincial levels. Basis our estimates, Riyadh is a focus area for all incumbents as it captures over 47% of total beds as on Q3-24. The next set of concentration is visible around the Eastern Province, where AlMoosa primarily operates. Around 23% of bed capacity lies in this region. We believe this competition to further intensify because of government's initiatives under Vision 2030 program and also regulatory shifts happening. Vision 2030 could result in population expansion. To capture this growing demand, our coverage companies have announced multiple bed expansions till FY30E. Our coverage companies are expected to add a little over 5.1K beds to the publically listed beds capacity count (almost 49% of 9M-24 capacity) to reach 15.6K beds. Largest expansion could be led by **Dallah** with ~999 bed additions over Q3-24 capacities (19% of total additions), lead mainly by its upcoming expansion in the Eastern Provide. Followed by **HMG** at an estimated ~866 beds (17% of total additions).

Robust capacity expansion calls for elevated capex in the near term and gradual increase in debt levels: A steep increase in capex is scheduled over FY24-26E on account of the planned capacity expansions of numerous beds, clinics and PHCC's. Almoosa has undertaken a capex plan of an estimated SAR 2.9bn ahead over FY24-28E, and it accounts for 2.0x of the cumulative capex spent over FY20-23. Capex could peak out in FY25-27E with Almoosa incurring SAR 2.5bn. We estimate that the PHCC's to be relatively small in capex, accounting for less than 5% of the scheduled capex. This steep requirement in near term would require gradual rise in debt levels mainly due to Khobar and AlHafouf hospitals. AlKhobar could require elevated capex/bed of almost SAR 4.4mn due to its construction complexities arising out of its proximity to the beach shore. Accordingly, we expect the debt to peak by SAR 1.8bn by FY27E, while maintaining a D/E of less than 1.0x, with a gradual decline afterward.

Improvement in working capital efficiency and margins to expand RoE: The company efficiently managed its cash conversion cycle over FY20-23, and we expect the same momentum to continue. Accordingly, we expect the cash conversion days to improve from 79 days in FY23 to 68 days by FY30E. Improved margins and working capital efficiency could also drive the RoE from 15.0% in FY23 to 16.6% by FY30E.

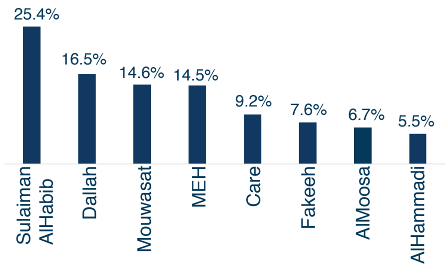
Investment thesis and valuation: Almoosa is poised to benefit from favorable demographics of growing and aging population, rising lifestyle diseases and longer life expectancy and the regulatory shifts. Its strategy of 1) doubling bed capacity through 2 new hospitals, and 2) developing a hub and spoke model by its PHCCs, could drive revenues from SAR 979mn in FY23 to SAR 4,032 by FY30E, implying 22.4% CAGR. Maturity of hospital beds/clinics, improved pricing and operating leverage would aid in expansion of gross, operating, and net margins. Over FY23-30E, we expect gross margins to improve from 31.4% to 33.4%, while operating margins to expand from 13.3% to 18.3%. As anticipated rate cuts commence and as Almoosa de-levers its balance sheet to a targeted guidance of leverage ratio less than 1.0, we expect finance expenses to reduce, thereby aiding earnings to grow at an FY23-30E CAGR of 30.3%. Further, we expect Almoosa to maintain RoE profile of 10.2% in FY24E, which could rise to 16.6% by FY30E.

We value Almoosa assigning 50% weight to DCF (2.5% terminal growth and 8.1% WACC), while we assign 50% weight to PE (23.0x based on FY28E EPS), to arrive with a "**Neutral**" rating and a TP of **SAR 144.3/share**, offering an upside of 13.7% from IPO price of SAR 127 per share. Downside risks to our valuations are 1) slower population growth leading to lower patient influx, 2) latency in ramping-up of new facilities, and 3) increasing competitive intensity in the eastern province. Major upside risks to our target price are 1) faster ramp up of new facilities, 2) higher than expected utilization rate of new facilities and 3) better than expected economic growth.

Beds Capacity

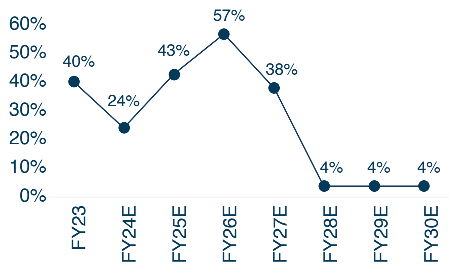
	FY24E	FY25E	FY26E	FY27E	FY28E
Beds					
AlAhsa	430	430	430	430	430
Rehab	300	300	300	300	300
AlHofuf	--	--	--	300	300
Khobar	--	--	--	--	400
Clinics					
AlAhsa	341	341	341	341	341
Rehab	45	45	45	45	45
AlHofuf	--	--	--	200	200
Khobar	--	--	--	--	300
PHCC 1	--	30	30	30	30
PHCC 2	--	50	50	50	50
PHCC 3	--	--	30	30	30
PHCC 4	--	--	--	30	30
PHCC 5	--	--	--	30	30

Player wise market share based on bed capacity



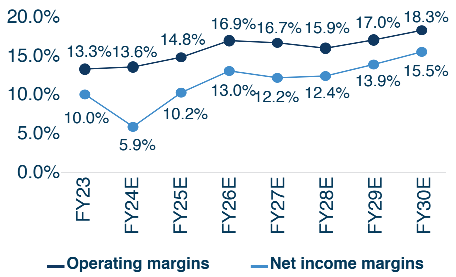
Source: Company, AlJazira Capital research

Capex intensity



Source: Company, AlJazira Capital research

Margin profile over the forecasted period



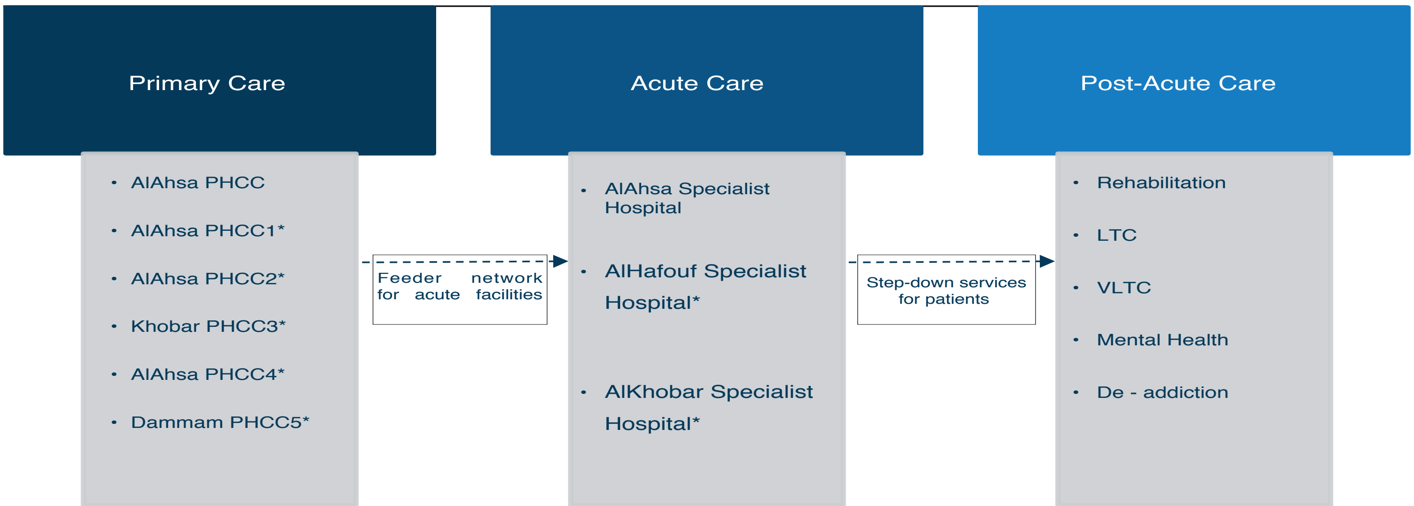
Source: Company, AlJazira Capital research

Company Overview

Almoosa Health Co. opened its doors in 1996 as the first private hospital in AlAhsa with the establishment of Almoosa Specialist Hospital (ASH, now hosting a capacity of 430 beds). It expanded its presence in AlAhsa in 2023 by opening Almoosa Rehabilitation facility (300 beds). At 730 beds and a 290 clinics across its facilities, Almoosa has developed a long standing presence in AlAhsa region as a specialized class A/VIP provider and provides comprehensive range of services from Primary Care to Acute Care and Post-Acute Care through its 3,000 employees. It reported 9.3% share of the Eastern Province's (EP) private acute care beds supply via its Almoosa Specialist Hospital, and c. 52% of EP's post-acute beds supply through its Rehabilitation Hospital for the latter. Almoosa has a large exposure to corporate patients, mainly through one corporate client which constitutes 36.5% of FY23 revenues, as well as Insurance patients, making up 45.6% of FY23 revenues. Its Specialist Hospital is accredited 'Centers of Excellence' for its: Heart Center, as well as its Joint Replacement & Sport Injury Center, Oncology, Pediatric, and Critical Care Centers, among others, with the only licensed helipad in AlAhsa. Almoosa offers Home Healthcare Services, as well as Primary Care, Telemedicine, and Pharmacy services.

Business Model: Patient progression

Fig 1. Three stage hub-and-spoke model; funneling patients from Primary Care Centers, to Acute Care Hospitals, and stepping patients down to Post Acute Care.



Source: Company, AlJazira Capital research. Note: Hospitals and Centers marked with * are yet to be completed

Almoosa's plans to evolve its business model to become a 'hub-and-spoke' network, in line with the Kingdom's vision to advance the primary care gatekeeper model via family medicine and GPs. While Primary Care is currently a department in the Almoosa Specialist Hospital (Acute Care), the firm's strategy plans to expand its operational model with standalone outpatient Primary Health Care Centers (PMHCC) as a primary feeder network to its existing, and future, acute care hospitals. Patient acquisition at the Primary Care stage is sourced via the conventional patient walk-ins, call centers, online bookings and referrals; and are then bridged to Acute Care facilities with specialized secondary and tertiary care centers. Almoosa's services then able to step-down patients to post-acute rehabilitation care. Its post-acute care covers inpatient (IPT) and outpatient (OPT) services for medical & physical care, as well as lifestyle care for mental health and de-addiction cases. Almoosa intends to fulfill its strategic plan by opening up 5 new PMHCCs and 2 new hospitals by FY28 with a planned capex of SAR 2.9bn till FY28 to realize its scheduled expansions and to meet its business model plan.

Existing and Upcoming Assets: Doubling beds capacity

Existing facilities already functioning at over 50% utilizations

Fig 2. Primary care, Acute care and Post-Acute care services offered through its 2 hospitals

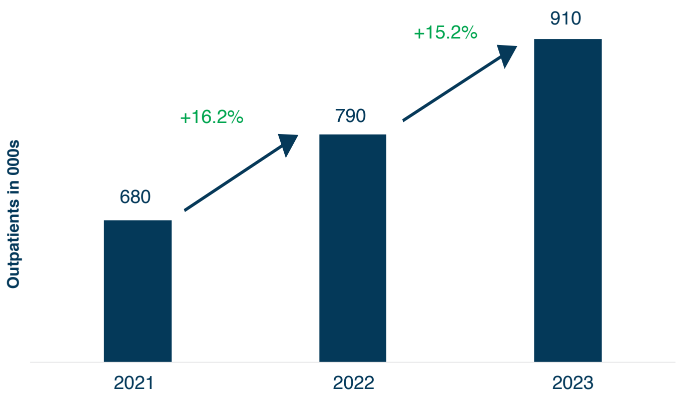
Facility	Type	Location	# of Beds	# of Clinics	Land Ownership	Opening Date	Utilization	EP Beds Mkt Share
ASH - AlAhsa	Hospital	AlAhsa	430	341*	Owned	1996	50%-55%	9.3%**
Almoosa Rehabilitation	Hospital	AlAhsa	300	45	Owned	2023	55%-60%	52%***

Source: Company, AlJazira Capital research. Note: *Includes new batch of 96 clinics rolling out operations into early FY25. **Share of private acute care beds. ***Share of private rehabilitation beds

- **AlMoosa Specialized Hospital (ASH) – AlAhsa:** Took in its first patient in 1996 to mark the start of Almoosa's commercial presence as the first private hospital in AlAhsa. Its main building initially hosted 30 beds, before the maternity & children hospital extension came in in 2014 to raise the hospital's capacity to 240 beds via the hospital's south tower. The hospital, through its north tower expansion in 2021, now hosts 430 beds and 245 clinics. Of these 245 clinics, 16 are part of a PHCC department at the hospital, where in the near term future the focus on PHCCs will become standalone facilities. A 96 clinic expansion at ASH – AlAhsa is expected to be fully completed by FY24's end to Q1-25. The hospital took in c. 910,000 outpatients and and c. 31k inpatients, as it attracts patients in the region and neighboring GCC countries via its comprehensive services, tertiary care, and services at its centers of excellence covering various specialized and sub-specialized medical fields. Its inpatient volume grew 16.2% and 15.2%, Y/Y, in 2022 and 2023 respectively; in support of its latest north tower expansion. Similarly, outpatient volumes grew 19.0% and 24.0% during those same periods as well.

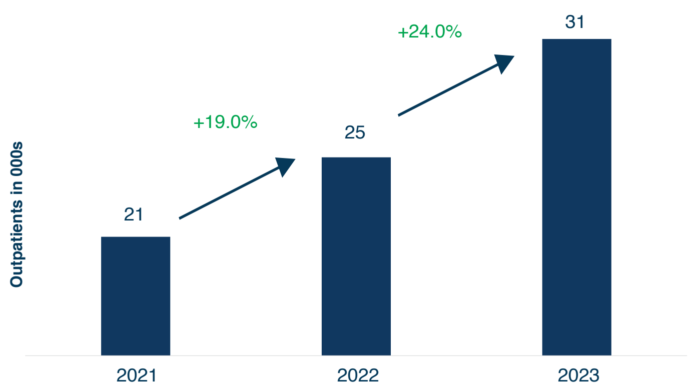
- **Almoosa Rehabilitation Hospital:** With a capacity of 300 beds, the Almoosa Rehabilitation Hospital was inaugurated in November 2023 to extend Almoosa's services to a specialized step-down post-acute care center. The facility is reported to have a 52% share of the private post-acute beds supply in the EP, and 14.0% of the Kingdom's as of 2023 (excluding mental health beds, which 24 of which are dedicated to mental health inpatients). In its contemporary building design, the facility offers five specialized centers focused on medical & post-care and lifestyle rehabilitation centers: Peak Performance Center (Sport Rehabilitation), Children Rehabilitation, Neurological Rehabilitation, Free Movement Rehabilitation, and Mental Health which treats psychological disorders and soon de-addiction. As the facility came into commercial operation in FY23's end, it only contributed around SAR 10mn to FY23's revenue, comparably however, it contributed SAR 25.7mn in revenue during Q1-24 (7.4% of total revenues for the quarter) and has broken even on EBITDA basis as of FY24E.

Fig 3. ASH-AlAhsa Inpatient growth



Source: Company, AlJazira Capital research

Fig 4. ASH-AlAhsa Outpatient growth



Source: Company, AlJazira Capital research

Future facilities to aid in doubling the capacity

Almoosa Health's scheduled expansion plans nearly double the firm's bed capacity to reach 1,430 beds by FY28, and increasing clinics count by c. 174% (including the 96 clinic expansion at AlAhsa in-base). In doing so, Almoosa seeks to expand its presence in the Eastern Province via a two hospital expansion; one in AlHafuf (300 beds, 200 clinics) and a later one in Khobar (400 beds, 300 clinics). Furthermore, its five standalone PMCC expansions sets to establish its broader hub-and-spoke model through three PMCC centers in AlAhsa, one in Khobar, and another in Damam. The guided CAPEX for PHCC2, ASH-AlHofuf, and AHS-Khobar include the acquired land costs already incurred at SAR 10mn, SAR 32.2mn, and 102.7mn, respectively. CAPEX-per-bed for AHS-Khobar is higher than that of ASH-AlHofuf's (SAR 4.38mn per bed vs SAR 2.78mn) due to the land's proximity to the sea, as it sits on New Corniche in Khobar, which comes with more CAPEX required for excavation, support, and land works. The total guided CAPEX estimate for the planned expansions reach SAR 2,785mn; which the firm intends to utilize 40%-50% of the IPO proceeds on (and including related costs such as working capital effects and corporate purposes).

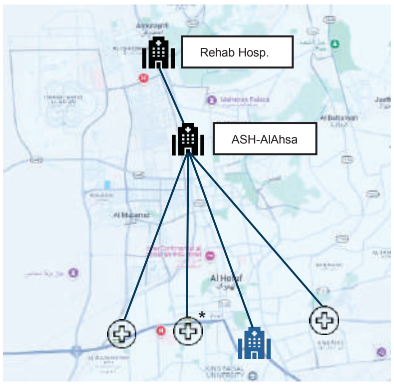
Fig 5. Almoosa Health is poised for doubling its bed capacity with its the planned expansion plans over FY25-28E

Facility	Type	Location	# of Beds	# of Clinics	Land Ownership	Expected Opening Date	Guided CAPEX
PHCC1	Primary care	AlAhsa	-	30	Leased	Q2-25	SAR 25mn
PHCC2	Primary care	AlAhsa	-	50	Owned	Q4-25	SAR 100mn
PHCC3	Primary care	Khobar	-	30	Leased	Q1-26	SAR 25mn
ASH - AlHofuf	Hospital	AlHofuf	300	200	Owned	Q2-27	SAR 835mn
PHCC4	Primary care	AlAhsa	-	30	Leased	Q2-27	SAR 25mn
PHCC5	Primary care	Dammam	-	30	Leased	Q4-27	SAR 25mn
AHS - Khobar	Hospital	Khobar	400	300	Owned	Q1-28	SAR 1.75bn

Source: Company, AlJazira Capital research

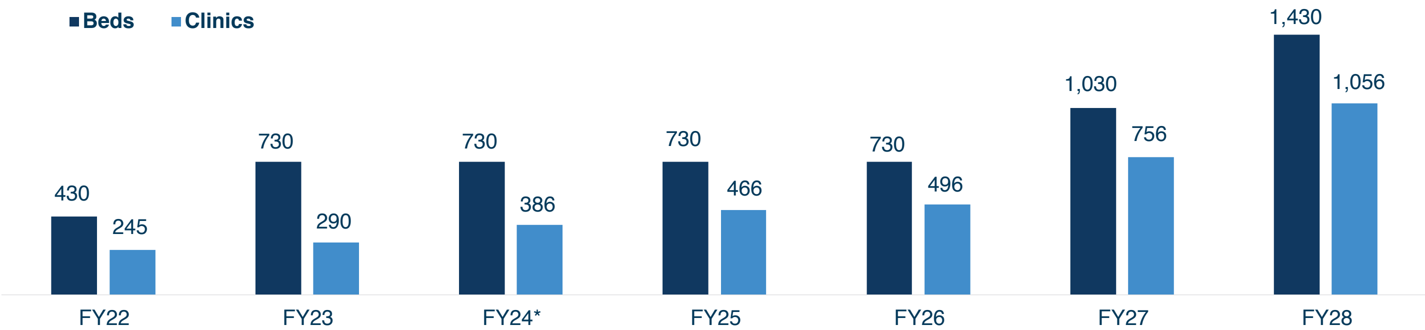
Fig 6. Khobar-Dammam network

Fig 7. AlAhsa-AlHofuf network



Source: Company, AlJazira Capital research. Note: Location not yet decided | Key: Existing hospital, Future hospital, PHCC

Fig 8. Almoosa Health expanding its capacity via two new hospitals, and five standalone PHCCs



Source: Company, AlJazira Capital research *Including 96 clinic expansion at ASH-AlAhsa to be fully operational by FY25E

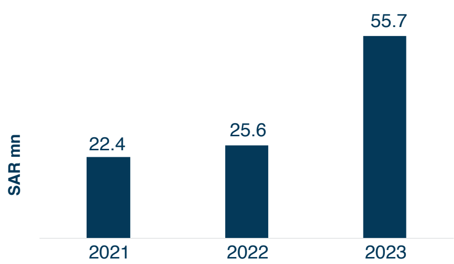
Services offered under its comprehensive healthcare network

Main service offerings and its gross revenue growth

Almoosa Health's main business revolves around its following three service offerings;

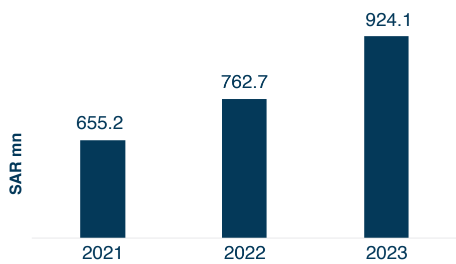
- **Primary Care:** It is currently a service offered at ASH-AlAhsa as a first point of contact care for patients.
- **Acute Care:** It provides intensive care services and serves as a service for complex cases at its ASH-AlAhsa facility.
- **Rehabilitation Care:** This service was introduced in November 2023 through the Rehab hospital, however it did not make significant revenues in FY23.

Fig 9. Primary Care



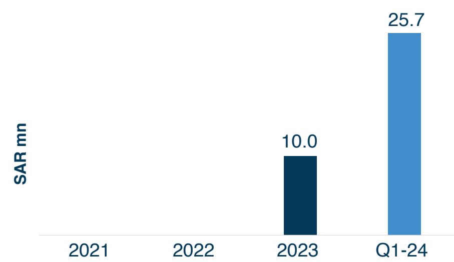
Source: Company Prospectus, AlJazira Capital Research

Fig 10. Acute Care



Source: Company Prospectus, AlJazira Capital Research

Fig 11. Rehabilitation Care



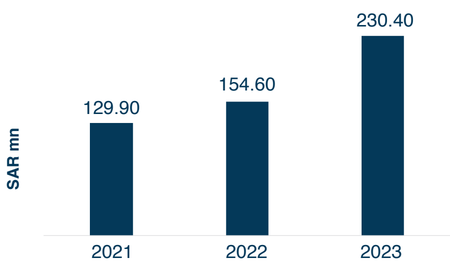
Source: Company Prospectus, AlJazira Capital Research

Sub- service offerings and its revenue growth

Almoosa Health provides following sub-service offerings which serves as step-down services for its patients;

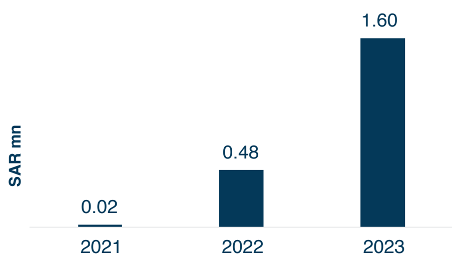
- **Pharmaceuticals:** It operates 2 OPT pharmacies at ASH-AlAhsa, and 1 in Rehab Hosp. It also has 2 IPT pharmacies at ASH-AlHasa, and 1 in Rehab Hosp.
- **Home Healthcare:** This service began in 2020; offering in-home healthcare services such as specialized care, home nursing, and at-home technical health needs.
- **Telemedicine:** Offering remote healthcare services from 2020 to connect patients and practitioners remotely. The users for this service grew from 3,224 patients in 2022 to 9,543 patients in 2023.

Fig 12. Pharmaceutical



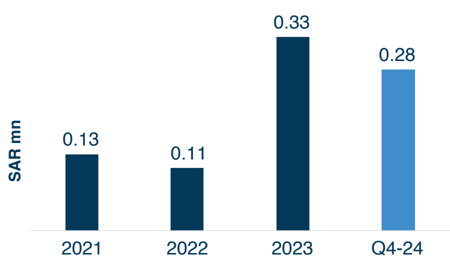
Source: Company Prospectus, AlJazira Capital Research

Fig 13. Home Healthcare



Source: Company Prospectus, AlJazira Capital Research

Fig 14. Telemedicine



Source: Company Prospectus, AlJazira Capital Research

IPO Offering Summary

AlMoosa is floating 13.3mn shares, representing 30.0% of its post-IPO share capital, with a fully paid nominal value of SAR 10 per share. The IPO is divided into two tranches: one for institutional investors and the other for retail investors. 70% of the floated shares are from newly issued primary offerings, while the remaining to be secondary offerings from existing shareholders. Institutional investors will be allocated 80% of the offering with remaining for retain investors. The subscription period for institutional investors and the book building process was open from December 04, 2024 to December 10, 2024 and was oversubscribed 103x, while retail subscriptions were covered by 409x at the final offer price is set as SAR 127 per share.

Ownership (Pre and post IPO)

Fig 15. Pre and Post IPO ownership pattern

Shareholder name	Pre-IPO ownership		Post-IPO ownership	
	No. of shares (in mn)	% ownership	No. of shares (in mn)	% ownership
Abdulaziz AlMoosa Investment Co	33.3	95.0%	29.1	65.8%
Abdulaziz AlMoosa Charity Co	1.8	5.0%	1.8	4.0%
Employee Investment Fund	0.0	0.0%	0.1	0.3%
Public	0.0	0.0%	13.3	30.0%
Total	**35.0**	**100%**	**44.3**	**100%**

Source: Company, AlJazira Capital research

Competitive Advantages

1. **Full stack, hub and spoke model enabling it to be a distinguished player and reach more patients:** Almoosa focuses on primary, acute and post-acute services. This wide gamut of service offerings enables it to be a leader in the Eastern Province. It has focused on high-end tertiary care services through the establishment of multiple centers of excellence. Almoosa also differentiates itself with provision of critical care and trauma support services.
2. **Strong foothold and strategic positioning in the Eastern province:** Since its inception Almoosa has been operating in the Eastern Province, where the private bed penetration is just 0.91 beds per 1,000 people. Its 25+ years of presence in the Eastern Province has enable it to develop a strong hold through its 2 hospitals which are strategically located within the province. This strategic location ensures ease of access to its services from all locations.

Industry Overview

Underpenetration of private healthcare providers to the population provides opportunity for premium players, and as the MoH aims to retract as a healthcare provider

The current supply of healthcare services are centered towards MoH provided beds and hospitals; as out of the ~499 hospitals in KSA, 349 of them are hospitals operated by government and quasi government entities, commanding a 70% share of the overall hospitals (MoH, 2023). Private entities accounted for 150 hospitals with 30% share. KSA hosts 23.7 beds per 10,000 people (as compared to a European average of 41.9 beds), with private beds penetration in KSA at just 5.3 beds per 10,000 people. As for AlAhsa, where Almoosa's operations are, private bed penetration is at 0.81 beds per 1,000. This underpenetration in terms of private beds provides a long growth runway for the private players in KSA as the MoH seeks to cease its role as a provider, and take up the sole role as a regulator, as per the Kingdom's Healthcare Sector Transformation Program. This privatization program seeks to unlock the state-owned assets for the private sector investment via a public-private-partnership (PPP) and privatize selected government healthcare services. By 2030, this initiative aims to privatize 290 hospitals and 2,300 PHCCs thereby expanding the role of private entities in KSA's healthcare landscape. In a nearer term, as more of the population has access to private insurance through increased participation in the private sector and national plans for universal private insurance, the undersupply of private hospital beds remains in favor of Almoosa and premium private providers.

Majority of hospitals and beds in KSA provide acute care services; Public sector dominates the acute care services, but private sector have a stronger hold in medical post-acute services

KSA's healthcare providers provide three types of services, namely: i) Acute Care, ii) Medical Post-Acute and iii) Rehabilitation Post-Acute. Around 455 hospitals (92% of the total) in KSA provide acute care services, while 22 hospitals (4%) provide medical post-acute and 20 hospitals (4%) provide rehabilitation post-acute services.

Within acute care services the public sector dominates the market, with a 67% and 77% share of total acute care hospitals and acute care beds in the Kingdom. Meanwhile in case of medical post-acute services, although public sector dominates the market with 64% share of total hospitals, private sector has a stronger hold with 56% of total beds. In terms of geographies, Riyadh/Jeddah/Eastern region capture the majority share of acute care and medical post-acute hospitals/beds in the Kingdom.

Fig 16. KSA's healthcare landscape is dominated by hospitals providing acute care services

	Hospitals	Beds
Total in KSA	**497**	**78,954**
-Acute Care	455	71,639
as % of total	92%	91%
-Medical Post-Acute	22	3,060
as % of total	4%	4%
-Rehab Post-Acute	20	4,255
as % of total	4%	5%

Source: Company, MOH 2022, AlJazira Capital research

Fig 17. Public sector dominates acute services, but private players have a strong hold in medical post-acute services

	Hospitals	Beds
Acute Care	**455**	**71,639**
-Govt	306	54,990
as % of total	67%	77%
-Private	149	16,649
as % of total	33%	23%
Medical Post-Acute	**22**	**3,060**
-Govt	14	1,349
as % of total	64%	44%
-Private	8	1,711
as % of total	36%	56%

Source: Company, MOH 2022, AlJazira Capital research

Eastern province is of strategic importance to KSA but has dearth of acute and post-acute care beds

KSA's Eastern Province is a critical economic hub for energy, infrastructure, mining and trade. Major industrial projects like Jafurah gas field, Ras Al-Khair Industrial city are being developed in this region to further support a growth in population. The region has the second highest density of private beds per 1,000 people at 0.91. However, when looked at the acute care beds and post-acute care beds, which is of primary importance to Almoosa, the region accounts for just 12% and 10% of the total acute care and post-acute care beds capacity, respectively, as on 2022 while representing almost 16% of KSA's population. The company has a solid 51.5% market share (2023) in private post-acute beds supply in the Eastern Region.

The company prospectus reports that the upcoming private bed supply in KSA is expected to be 5,965 beds over FY24-28E. Majority of this supply will be concentrated in Riyadh (49%), Makkah (28%) and Eastern province (14%). These significant developments being undertaken by the government under its Vision 2030 is expected to support the Eastern Province population growth, which has been surpassing the total KSA population growth as the region grew by an FY19-22 CAGR of 2.6%.

Fig 18. Despite eastern province having the second highest private bed density, it accounts for just…

Acute Services	Hospitals	Beds
Riyadh	**102**	**18,305**
as % of total	22%	26%
Eastern	**50**	**8,322**
as % of total	10%	12%
Jeddah	**44**	**7,368**
as % of total	10%	10%
Al-Ahsa	**16**	**3,088**
as % of total	4%	4%
Others	**243**	**34,556**
as % of total	53%	48%

Source: Company, AlJazira Capital research

Fig 19. …12% of KSA's acute and 10% of post-acute beds as on 2022, thus denoting the dearth of these services

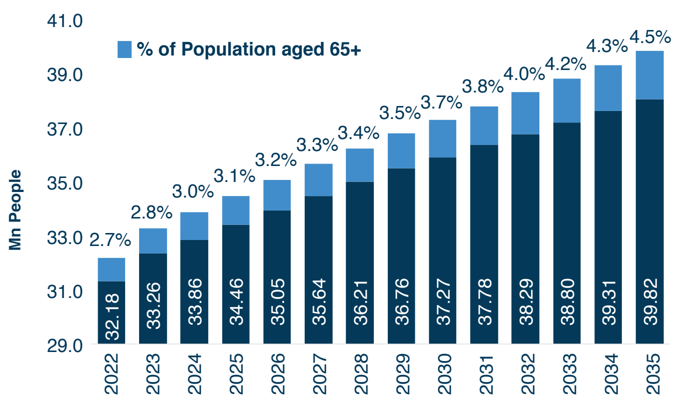
Acute Services	Hospitals	Beds
Riyadh	**6**	**1,374**
as % of total	27%	45%
Jeddah	**3**	**520**
as % of total	14%	17%
Eastern	**3**	**320**
as % of total	14%	10%
Al-Ahsa	**1**	**80**
as % of total	5%	3%
Others	**9**	**766**
as % of total	41%	25%

Source: Company, AlJazira Capital research

Demographic profile trends in KSA to require more healthcare services in favor of Almoosa and other providers

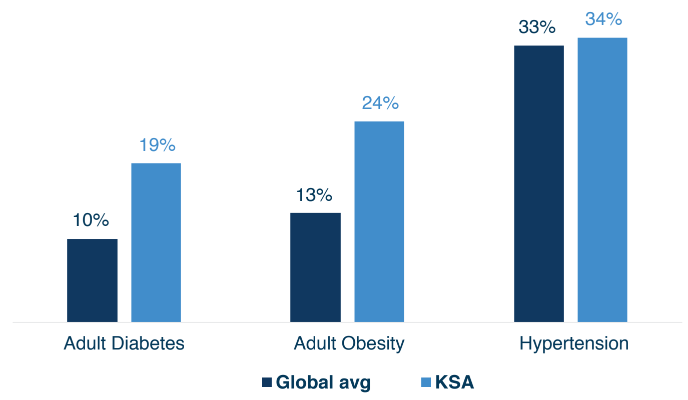
Long term demographic trends in KSA are in favor the healthcare sector; as a growing and aging population requires more healthcare services. Population is forecasted to grow at an 8yr CAGR of 1.9% (2022-30), while the portion of the population aged 65 or above are expected to grow at a CAGR of 5.0% during the same period in a sign of an aging population. Furthermore, KSA has a prevalence of lifestyle diseases which require long term treatment; CHI (2024) states that 30% of Saudi's are more likely to have diabetes than other nationalities, while 45.1% of adults over the age of 15 are classified as overweight (GASTAT, 2024). The composition of this population growth is also an important factor to consider. The expat's population has depicted recovery in 2021-22, post the declining trend witnessed over 2017-20 due to expat levy and covid-19. KSA's economic transformation through its Vision 2030 program is expected to attract significant influx of expats and could increase their share in the population from 42% in 2022.

Fig 20. Population growth of 1.9% CAGR over 2022-30e…



Source: GASTAT, World Bank, AlJazira Capital research

Fig 21. …along with higher % of chronic diseases in KSA's adults could drive demand for healthcare services



Source: Company, AlJazira Capital research

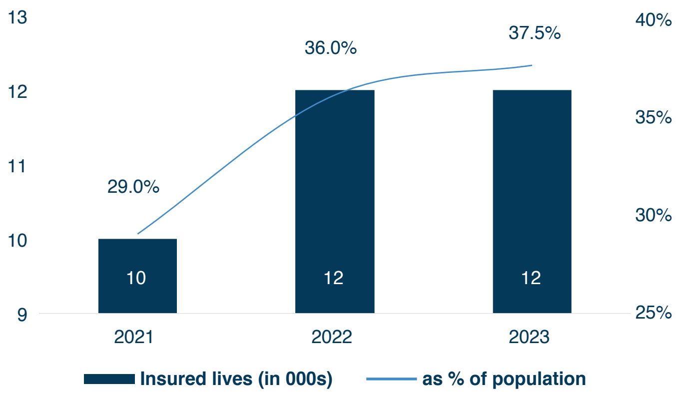
A demographic shift is taking place in KSA, as Gen-Z (12-24 years), working age population and 60+ population is increasing. This is also accompanied by rising lifestyle related diseases due to unhealthy dietary choices and sedentary lifestyle. This is evident from the rate of adult obesity, diabetes in adults and hypertension being significantly above the global average. This increased demand for preventive care screening for the management of chronic diseases presents expansion opportunities for the healthcare industry. This rapid expansion in the 65+ population is expected to boost the demand for healthcare services related to chronic diseases, ambulatory care and long-term support.

Healthcare Sector Transformation Program to benefit demand for private players

Nationwide private insurance initiative to increase the penetration of private healthcare services

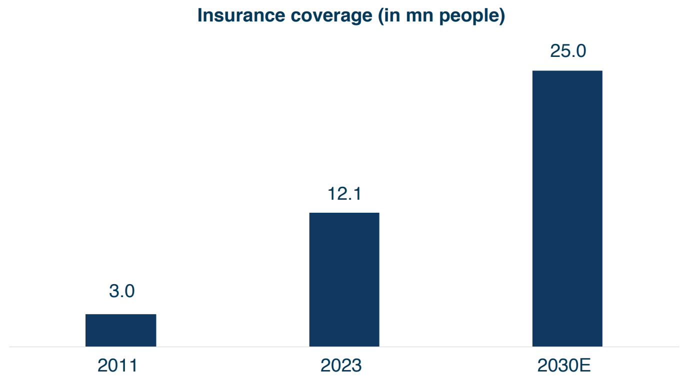
Saudi Arabia's Healthcare Sector Transformation program intends to roll out universal healthcare for its population to grant individuals access to healthcare services from private providers. Currently around 37.5% of the population is covered by health insurance. The mandate for all private sector employees and all visitors to KSA, to have health insurance coverage will act as an impetus to the insurance penetration in KSA. This nationwide private insurance opens the gates for a huge influx of patient volumes. This initiative is expected to double the class B, A and VIP patient volumes for some healthcare providers.

Fig 22. Initiatives driven by the KSA government over the years has increased the insurance coverage penetration…



Source: MoH, AlJazira Capital research. Note: Based on 2022 population estimates

Fig 23. … with mandatory insurance to be a key driver supported by CHI's target of covering 20-25mn people by 2030E



Source: CHI, AlJazira Capital research

Healthcare Transformation Program poised to transform KSA's healthcare industry

Under the Vision 2030 plan, Healthcare has been given a high-priority objective. To implement this, KSA government has come up with the Healthcare Transformation Program (HTP) which aims to restructure Saudi health sector by enhancing its status and capabilities as an effective, integrated, value-based ecosystem. One of the key goals of the HTP is to enhance the participation of the private sector in healthcare expenditure from 20% to 60% by 2030. Under this program, KSA's healthcare sector is poised to transition to a Private Public Partnership (PPP) structure with plans to privatize 290 hospitals and 2,300 primary health centers access to private healthcare services. This is going to be achieved through National Healthcare Insurance program wherein citizens will be provided with state-funded private healthcare insurance, which will be managed by Center of National Healthcare Insurance (CNHI). As on 2023, around 37.5% of the population is privately insured, however through the NTP program, KSA aims to privately insure the entire population.

Fig 24. Multi-fold objectives of the transformation plan to boost the healthcare services in KSA

Source: NTP, AlJazira Capital research

Modern Care Model to act as additional lever apart from PPP to transform KSA's healthcare industry

Under the new healthcare structure regional health clusters will be present, which will be utilized to improve industry efficiency in terms of wait times and redundant services. It will also focus on improving the quality of service for beneficiaries. Each of the clusters will be poised to serve 1mn people through a confluence of primary care centers, general hospitals, and specialized services. Under this model, CNHI provide free insurance and access to treatment via purchasing health services provided by Health Holding Co. The private sector entities are expected to play a pivotal role in providing these services and managing the operations under each cluster via a PPP structure.

Fig 25. Multi-fold impact of the Modern Care Model on the beneficiaries

Source: Vision 2030, AlJazira Capital research

Implementation of DRG is at the cusp of being effective, with changes to inpatient billings and potential benefits to premium players with complex service offerings

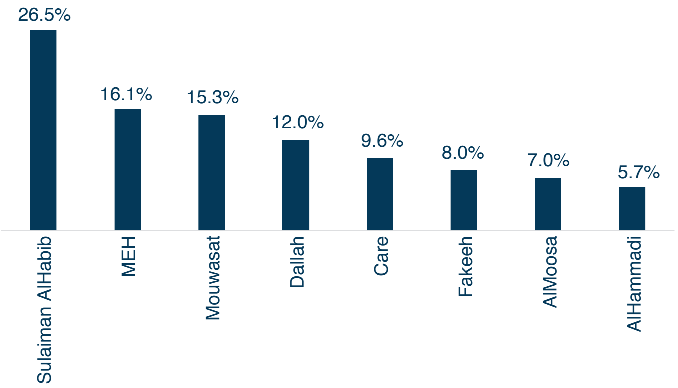
Diagnosis Related Group (DRG) is a classification system used for streamlining the inpatient billings. The classification is expected to group patient and diagnostic traits to be billed under a unified set pricing, nationwide, for inpatient services. Providers have already begun to brace for this change in billing via shadow billing practices and preparing billing structuring, with some providers voicing an expected mandated shadow billing to run from 2025 before a nationwide DRG implementation in 2027. While pricing codes for services are not announced, and while they are expected to have a set regulated guidance, healthcare providers with more complex profiles and service offerings are expected to have pricing multipliers over the mandated DRG pricing. The effect will only impact inpatient revenues, and thus providers with more inpatient exposures are expected to be most affected, yet details of this change are still pending more information.

Competitive landscape

Current competition is intense and is expected to intensify in future as incumbents gear up to capture growing demand

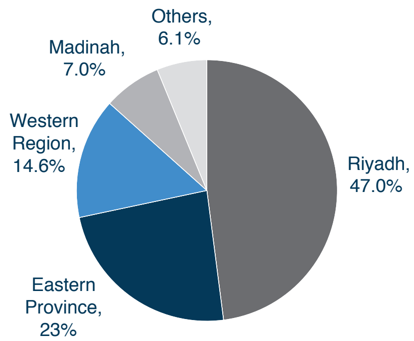
Despite underpenetration (2.4 beds per 1000 capita) in KSA's healthcare industry, there exists stiff competition in KSA's private healthcare space. Top-4 players in the industry capture around 40% share of 18.2K private beds in KSA as on 2023. The competition to capture market share becomes even more pronounced when analyzed at provincial level. Basis our estimates, Riyadh region has the key focus areas for all the incumbents as it captures around 47% of the total bed capacity as on Q3-24 of our coverage companies. The next set of concentration is visible around the Eastern Province, where AlMoosa primarily operates. Around 23% of the beds capacity lies in this region.

Fig 26. Top-4 players capture 40% of private beds in KSA; Sulaiman AlHabib comes out as the largest player



Source: AlJazira Capital research, MoH (2023

Fig 27. Listed bed capacity concentrated in Riyadh and Eastern Province



Source: AlJazira Capital research. Note: Based on our estimates. Others includes Asir, Qassim, Hail and Tabuk provinces.

Competition has expedited as Vision 2030 initiatives set the private sector on the center stage of the healthcare sphere. To capture the growing demand, companies in our coverage have announced multiple bed expansions over FY23-30E in a race for scalability, with providers targeting geographic footings across the Kingdom. Over 9M-24 to FY30E, our coverage companies are expected to add 5.1K beds (almost 49% of 9M-24 capacity) to the public listed bed capacity count, to reach 15.6K beds by FY30E by via greenfield/brownfield expansions, or acquisitions. The largest expansion is being led by **Dallah** with ~999 bed additions (19% of total sector additions) ahead of its key acquisition in the Eastern Region, followed by **HMG** at ~866 beds (17% of total additions). **Almoosa** is expected to add 700 beds to its capacity, 14% of the total bed additions via its scheduled two hospitals project. Meanwhile, **MEH** has passed its bulk of its capacity expansionary phase, with only a ~4% scheduled capacity addition to total additions via its next brownfield expansion.

Fig 28. Public listed bed capacity to expand by ~49% beds over 9M-24 to FY30E; Dallah to lead capacity additions mainly via its recent acquisition in Eastern Province

Company name	Existing capacity as on 9M-24	Additional capacity till FY30E	Total capacity till FY30E	Expansion Size %	
				as % of total additional capacity	as % of existing capacity
Dallah	1,254	999	2,253	19%	80%
HMG	2,778	866	3,644	17%	31%
Fakeeh	835	840	1,675	16%	101%
AlMoosa	730	700	1,430	14%	96%
Mouwasat	1,600	620	2,220	12%	39%
Care	1,005	500	1,505	10%	50%
AlHammadi	600	400	1,000	8%	67%
MEH	1,684	200	1,884	4%	12%
Total	**10,486**	**5,125**	**15,611**	**100%**	**49%**

Source: Company, AlJazira Capital research

Growth, Profitability, Working capital efficiency and Leverage comparison of our coverage universe

In the below exhibit we have analyzed the KSA's listed peers in private hospital landscape on multiple financial metrics. In terms of absolute revenues, **HMG** leads the industry due to its scale and brand profile generating patient attraction. Its ability to provide premium services and cater to complex patient cases, along with **Fakeeh**, enables them to enjoy industry highest revenue per bed. However, **Dallah** demonstrates industry best revenue growth, consistently over 3-year and 5-year horizon.

In terms of profitability, higher share of insurance clients coupled with better cost rationalization benefits **Mouwasat**, **MEH** and **Dallah** to enjoy highest gross margins. Higher gross margins and better cost rationalization helps **Mouwasat** to enjoy industry highest operating margins.

Within our coverage universe, the median DSO days is slightly north of 4 months, but **HMG** demonstrates exception working capital efficiency with 37 days of DSO days. While **Almoosa** and **MEH** are the two companies in our coverage universe, who are driving the industry median of debt/equity on the higher side due to their high dependency on leverage.

Fig 29. HMG outperforms on most key metrics, while Almoosa lags in return, margins and leverage profiles; though improvements are expected amid ramp ups and deleveraging

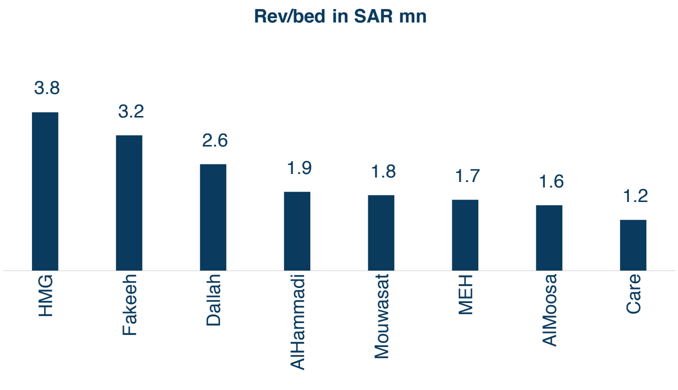
Parameters	HMG	Dallah	Mouwasat	MEH	Fakeeh	AlHammadi	Care	Almoosa	Median
TTM rev	10,558	3,203	2,897	2,854	2,711	1,135	1,221	1,143	**2,782**
9M-24 beds	2,778	1,254	1,600	1,684	835	600	1,005	730	**1,130**
Rev/bed	3.8	2.6	1.8	1.7	3.2	1.9	1.2	1.6	**1.9**
FY20-23 rev CAGR	17.5%	30.7%	9.8%	14.9%	10.7%	15.5%	10.2%	15.9%	**15.2%**
TTM GM %	34.2%	37.8%	47.1%	39.4%	26.4%	33.4%	35.7%	31.0%	**33.1%**
TTM OPM %	21.5%	17.5%	25.3%	14.9%	13.1%	23.6%	21.3%	12.5%	**14.1%**
ROAE % (9M-24)	33.9%	14.4%	19.1%	14.5%	14.8%	18.4%	19.2%	6.1%	**16.6%**
DSO days (9M-24)	37	97	170	258	85	143	166	126	**135**
Debt/Equity	0.99	0.56	0.23	1.41	0.18	0.10	0.17	1.93	**0.40**
P/E – TTM	46.6	33.4	30.4	31.5	47.2	20.9	33.8	92.7*	**33.4**

Source: Company, AlJazira Capital research *Based on IPO price

Side-by-Side comparison of our coverage universe on

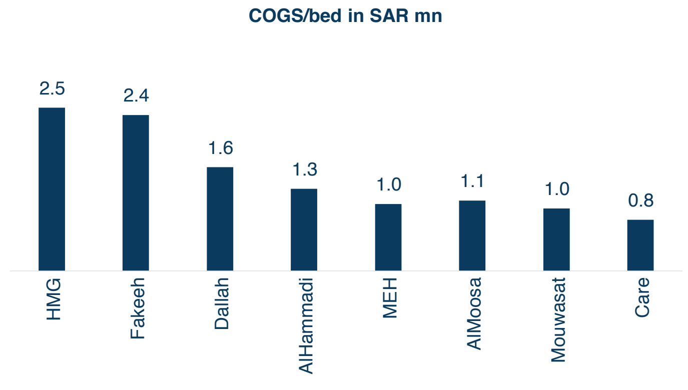
In the below exhibit we have analyzed KSA's listed peers in private hospital landscape on multiple financial metrics.

Fig 30. HMG's premium status and Fakeeh's ability to deal with complex cases drives their revenue/bed



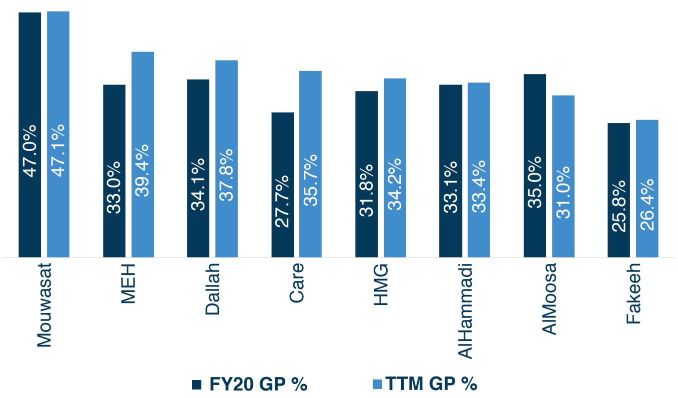
Source: Company, AlJazira Capital research. Note: TTM revenues and 9M-24 beds used

Fig 31. HMG and Fakeeh's premium offerings drives COGS/bed



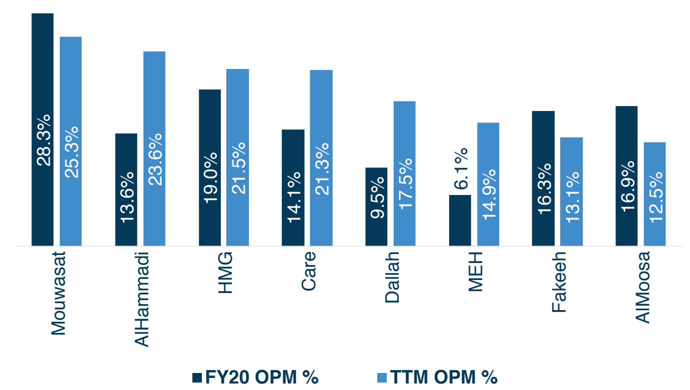
Source: Company, AlJazira Capital research. Note: TTM COGS and 9M-24 beds used

Fig 32. Higher share of insurance patients for Mouwasat results in higher gross margins



Source: Company, AlJazira Capital research

Fig 33. AlHammadi scaled-up its operating margins post Olaya branch closure



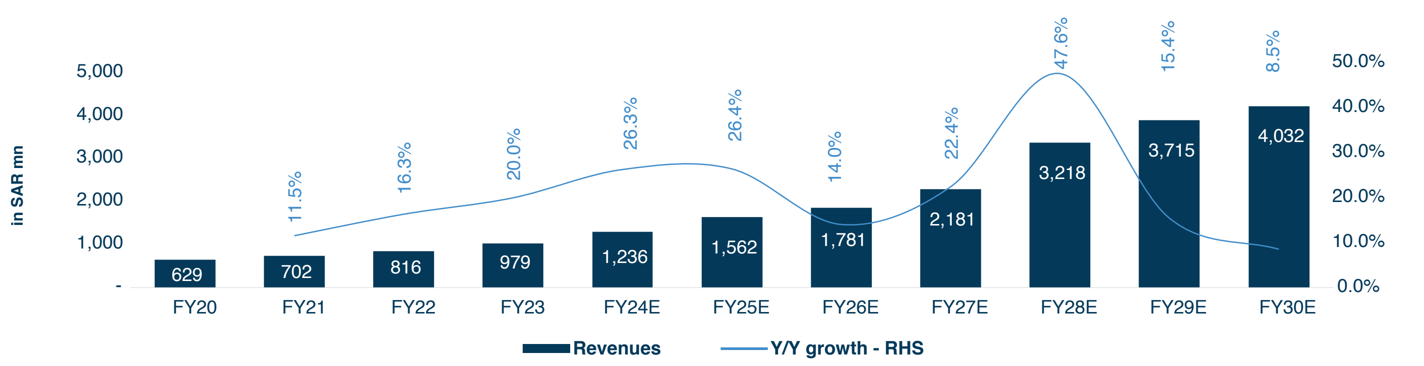
Source: Company, AlJazira Capital research

Financial Analysis

Upcoming planned capacity expansion a key revenue driver, alongside sectoral attractiveness

Almoosa's revenue grew from SAR 629.0mn in FY20 to SAR 979.0mn in FY23, implying a 15.9% CAGR. Revenues are dominated by the firm's medical services segments (81% mix), with modest contributions from pharmaceutical (18% mix) and rehabilitation (1% mix) segments. Population expansion, ageing population, rise in lifestyle related diseases, increase in life expectancy rate and supportive government initiatives are the key drivers for the growth momentum of KSA's healthcare sector. To capture the demand influx from these growth drivers, Almoosa is expanding its operational presence especially across the Eastern Province, with a planned expansion of its new chain of hospitals, clinics and PHCC's. The current bed capacity could increase from 730 in FY23 to 1,430 by FY30E, while the number of clinics & PHCC's to increase from 290 in FY23 to 1,056 by FY30E. This significant capacity expansion, favorable industry fundamentals and Almoosa's strategy of following a hub and spoke business model should aid the overall revenues to grow from SAR 979mn in FY23 to SAR 4,032mn by FY30E, implying a 22.4% CAGR over FY23-30E.

Fig 34. Future revenue growth momentum likely to exceed historical growth at the back of its upcoming planned hospital & clinic capacity expansion; Revenues to grow at 22.4% CAGR over FY23-30E



Source: Company, AlJazira Capital research

Fig 35. Operational footprint post the ramp-up of upcoming planned expansion across hospitals and clinics

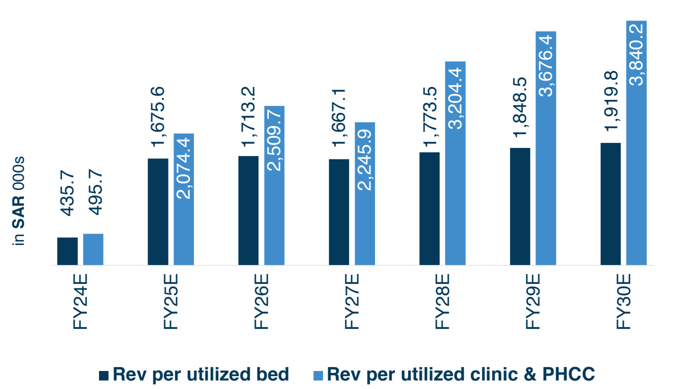
Facilities	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Beds	**730**	**730**	**730**	**730**	**1,030**	**1,430**	**1,430**	**1,430**
Existing:	**730**	**730**	**730**	**730**	**730**	**730**	**730**	**730**
Specialist - AlAhsa	430	430	430	430	430	430	430	430
Rehab	300	300	300	300	300	300	300	300
Upcoming:	**--**	**--**	**--**	**--**	**300**	**400**	**--**	**--**
Specialist – AlHofuf	--	--	--	--	300	300	300	300
Specialist – Khobar	--	--	--	--	--	400	400	400
Clinics	**290**	**386**	**466**	**496**	**706**	**1,056**	**1,056**	**1,056**
Existing:	**290**	**386**	**386**	**386**	**386**	**386**	**386**	**386**
Specialist - AlAhsa	245	341*	341	341	341	341	341	341
Rehab	45	45	45	45	45	45	45	45
Upcoming:	**--**	**--**	**80**	**110**	**370**	**670**	**670**	**670**
Specialist – AlHofuf	--	--	--	--	200	200	200	200
Specialist – Khobar	--	--	--	--	--	300	300	300
PHCC 1	--	--	30	30	30	30	30	30
PHCC 2	--	--	50	50	50	50	50	50
PHCC 3	--	--	--	30	30	30	30	30
PHCC 4	--	--	--	--	30	30	30	30
PHCC 5	--	--	--	--	30	30	30	30

Source: Company, AlJazira Capital research | Including 96 clinic expansion expected to roll out openings into early FY25

Commercialization of capacity expansions to impact operating margins in FY27/28E, but gradual ramp-ups to expand operating margins post that; Reduction in finance expense to drive 30.3% net profit CAGR

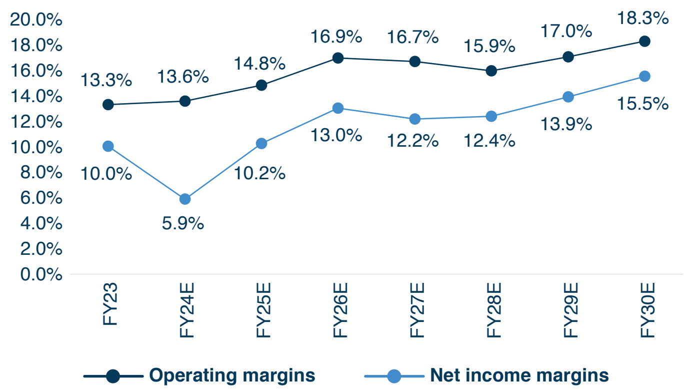
The company's operating margins expanded from 9.5% in FY21 to 13.3% in FY23, driven by i) robust growth in patient volumes, ii) consistent increase in revenue per patient, iii) implementation of workforce optimization plan and other strategic initiatives. Going forward we expect the operating margins to improve from 13.3% in FY23 to 16.9% by FY26E, before dropping 100bps over FY27-28E, driven by cost-impacts from new capacity ramp-ups. However, over FY29-30E we expect the margins to increase again to 18.3%, driven by gradual ramp-ups in the new capacities and premiumization of services. Further as interest rate cuts are anticipated and Almoosa de-levers its balance sheet at a guided target of leverage ratio less than 1.0, which will help the net profits to grow at 30.3% CAGR over FY23-30E, to reach SAR 625mn.

Fig 36. Consistent rise in pricing except in FY27E to be one of the key drivers for gross and operating margin expansion



Source: Company, AlJazira Capital research

Fig 37. Operating margins to be impacted in FY27/28E due to capacity build-up

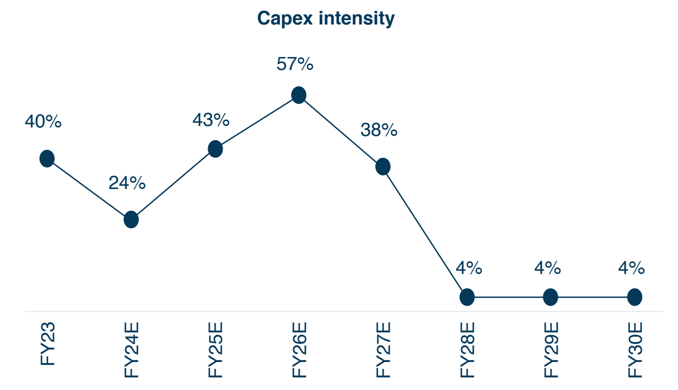


Source: Company, AlJazira Capital research

Robust capacity expansion calls for elevated capex in the near term and gradual increase in debt levels

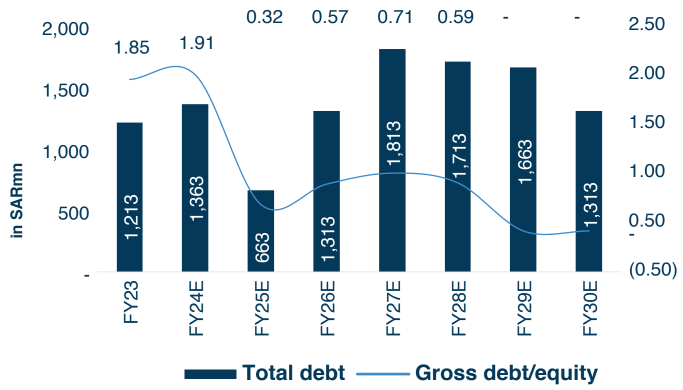
While the company's capex intensity has been within 38-45% of revenues, a steep increase in capex is scheduled over FY24-27E on account of the planned greenfield and brownfield expansions of numerous hospital beds, clinics and PHCC's. The company has undertaken a capex plan of an estimated SAR 2.9bn for its expansion plans over FY24-28E. This capex accounts for 2.0x of the cumulative capex spent by the company over FY20-23. This capex plan is likely to add an additional 700 beds, 670 clinics and PHCC's by FY30E. Capex is likely to peak out in FY25-27E, wherein the company is likely to incur SAR 2.5bn, post which we believe the capex intensity will revert to its normal levels. Further according to the management, 50-60% of the IPO proceeds will be utilized to repay the existing debt of SAR 1,280mn. Due to the elevated capex in the near term, we expect the debt levels to gradually increase. Accordingly, we expect the debt levels to reach SAR 1,313mn by FY30E.

Fig 38. Capex intensity to peak out in FY25-27E, before normalizing back to historic levels



Source: Company, AlJazira Capital research

Fig 39. Elevated capex in the near term to increase the debt levels gradually

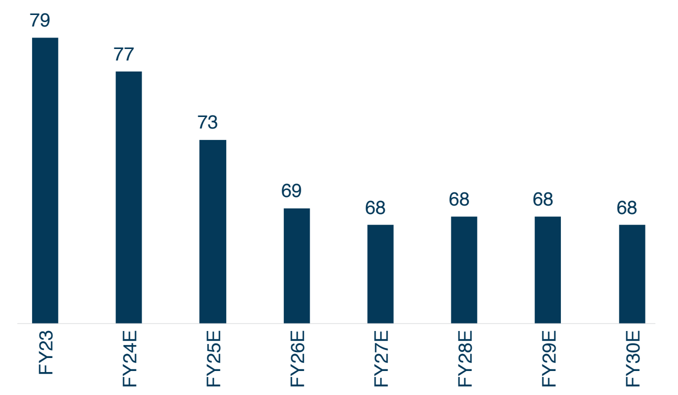


Source: Company, AlJazira Capital research

Improvement in working capital efficiency to continue, while improved margins to expand RoE profile

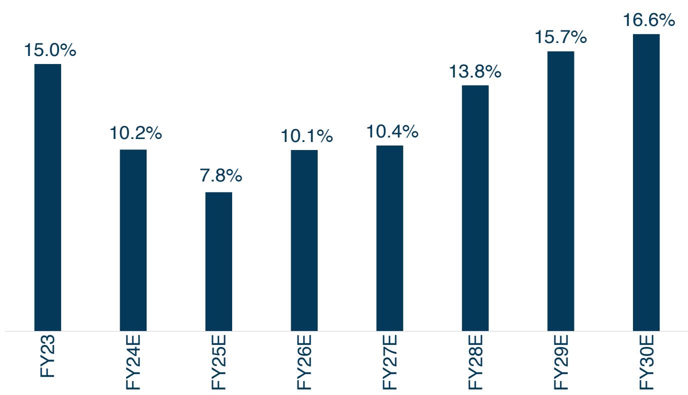
The company efficiently managed its cash conversion cycle by marginally increasing from 59 days in FY20 to 79 days by FY23. This was largely driven by a decrease in payable days from 106 days in FY20 to 79 days in FY23. Going forward, and as management guides towards improvement, we expect the working capital requirement to improve with the cash conversion days to move from 79 days in FY23 to 68 days by FY30E. In terms of the return on equity, it decreased from 17.8% in FY20 to 15.0% in FY23 due to leveraging the balance sheet to fund the Rehabilitation facility. However, going forward we expect the return on equity to significantly expand to 16.6% by FY30 at the back of improved margins and ramping up of existing facilities.

Fig 40. Cash conversion days



Source: Company, AlJazira Capital research

Fig 41. RoE profile



Source: Company, AlJazira Capital research

Valuation Methodologies

We have performed 50% DCF and 50% P/E based valuation based on our forecasts for the next eight years. We assumed risk free rate of 4.25%, market risk premium of 6.25% and beta of 0.9 to arrive at WACC of 8.8%. Terminal growth rate is assumed at 2.50%. Our valuation of Almoosa Health based on DCF yielded an enterprise value of SAR 7.23bn and a fair value to equity shareholders of SAR 5.98bn, which translated into a value of **SAR 135.0 per share**. We also have valued Almoosa Health using a relative valuation method based on 12-month forward P/E multiple of 23.0x and applied it to our earnings for FY28E estimates to reflect its growth prospects. Maturity PE is discounted from the sector by 10% due to subpar net margins and return profile. Based on the P/E based valuation and after discounting it to present, our value is **SAR 153.7 per share**. Further assigning 50% weightage to DCF and 50% to P/E based valuation methodology, we have arrived at a weighted target price of **SAR 144.3 per share**.

Fig 42. Discounted Cash Flow model

SAR mn	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
NOPAT	**125**	**155**	**220**	**287**	**345**	**488**	**601**	**700**	**772**
Depreciation & Amortization	66	67	77	99	132	160	164	169	175
Change in working capital	(144)	40	(25)	(9)	(34)	(115)	(52)	(27)	(13)
Capex	(394)	(298)	(668)	(1,012)	(829)	(122)	(141)	(153)	(164)
FCFF	**(347)**	**(36)**	**(396)**	**(636)**	**(385)**	**411**	**572**	**689**	**770**
Discounting factor	1.00	1.00	0.92	0.86	0.80	0.74	0.68	0.62	0.55
Present value of FCFF	**(347)**	**(36)**	**(364)**	**(546)**	**(310)**	**305**	**390**	**425**	**426**
Sum of present value									**327**
Terminal Value									12,472
PV Terminal Value									6,900
Enterprise value									**7,227**
Equity value to shareholders									5,980
No of outstanding shares (mn)									44.3
Fair value per share									**135.0**

Source: AlJazira Capital research

Fig 43. DCF key assumptions

		Risk premium				
		5.25%	5.75%	6.25%	6.75%	7.25%
Terminal growth rate	1.90%	120.7	120.7	120.7	120.7	120.7
	2.2%	127.5	127.5	127.5	127.5	127.5
	2.50%	135.0	135.0	135.0	135.0	135.0
	2.80%	143.2	143.2	143.2	143.2	143.2
	3.10%	152.3	152.3	152.3	152.3	152.3

Source: AlJazira Capital research

Above is an illustration of sensitivity of our DCF based target price to the changes in terminal growth rate (range: 1.90%-3.10%) and risk premium (range: 5.25%-7.25%). The sensitivity analysis indicates valuation in the range between a minimum of SAR 120.7 (at terminal growth rate of 1.90% and risk premium of 7.25%) and a maximum of SAR 152.3 per share (at terminal growth rate of 3.10% and risk premium of 5.25%).

Fig 44. Relative valuation using P/E multiple

P/E ratio (x)	23.0
FY28 net income	398.6
Equity value	9,168.6
Discounted equity value	6,809.6
No. Shares (mn)	44.3
Fair Value/Share	**153.7**

Source: AlJazira Capital research

Fig 45. Weighted valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	135.0	50%	67.5
P/E	153.7	50%	76.9
Blended TP			**144.3**
Up/Downside			**13.7%**

Source: AlJazira Capital research

Risk Factors

- **Increased competitive intensity:** Despite underpenetration, fierce competition exists in KSA's healthcare space. Eastern province, where Almoosa has its majority presence, has been a targeted region for premium players with an upcoming entrance of Dallah via its latest acquisition. We believe this share will increase in the near future as incumbents are expanding their operational presence across the region to capture the growing demand. Failure of Almoosa to capture the growing demand could lead to a market share loss, which can have a negative impact on the financials of the company.

- **Delayed ramp-up of launching of new facilities:** Almoosa has set ambitious target of adding 700 beds by FY28E and is currently the third highest bed additions within our coverage universe. Apart from the 700 beds in its 2 new hospitals, Almoosa is also planning to increase its clinics to 1,056 with the launch of 5 new PHCCs. The company is targeting to achieve a breakeven in 9-10 months for PHCCs and 9-14 months for the hospitals. Any latency in ramping-up of new hospital and clinics, could affect margins.

- **Client and Geographic concentration:** Insurers and Corporates account for 83% of FY23 revenues. Whereas Almoosa currently generates all of its revenues from the Al-Ahsa region which lies in the Eastern province. One corporate client makes up 36.5% of its FY23 revenues; this raises the risk of client and geographic concentration, amidst a competitive landscape which is expected to further intensify in the near future.

Key Financial Table

Amount in SAR mn, unless otherwise specified	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement									
Revenues	816	979	1,236	1,562	1,781	2,181	3,218	3,715	4,032
Y/Y	**16.3%**	**20.0%**	**26.3%**	**26.4%**	**14.0%**	**22.4%**	**47.6%**	**15.4%**	**8.5%**
Cost	(577)	(672)	(849)	(1,060)	(1,194)	(1,472)	(2,208)	(2,514)	(2,684)
Gross profit	**239**	**307**	**387**	**502**	**587**	**709**	**1,011**	**1,201**	**1,348**
SG&A Expenses	(186)	(189)	(229)	(283)	(298)	(358)	(509)	(579)	(622)
Other operating Income/(expense)	19	14	15	16	17	21	24	25	26
Operating profit	**71**	**130**	**168**	**231**	**302**	**364**	**513**	**633**	**736**
Y/Y	**6.3%**	**83.4%**	**28.8%**	**38.1%**	**30.3%**	**20.5%**	**41.2%**	**23.3%**	**16.4%**
Financing Expense	(15)	(28)	(90)	(64)	(59)	(86)	(96)	(93)	(82)
Income before zakat	**56**	**102**	**79**	**168**	**244**	**279**	**420**	**543**	**658**
Zakat	(5)	(4)	(6)	(8)	(12)	(14)	(21)	(27)	(33)
Net income	**51**	**98**	**73**	**160**	**232**	**265**	**399**	**516**	**625**
Y/Y	**-18.3%**	**92.4%**	**-26.0%**	**120.5%**	**44.9%**	**14.4%**	**50.2%**	**29.5%**	**21.1%**
EPS (SAR)	**1.46**	**2.80**	**1.88**	**3.61**	**5.23**	**5.99**	**9.00**	**11.65**	**14.10**
DPS (SAR)	**-**	**-**	**0.36**	**-**	**-**	**-**	**1.26**	**2.68**	**3.67**
Balance sheet									
Assets									
Cash & equivalent	15	16	34	60	19	53	220	538	639
Receivables	285	447	458	571	641	782	1,145	1,312	1,418
Other current assets	98	86	101	127	150	193	285	329	362
Property plant & equipment	1,409	1,744	1,971	2,561	3,474	4,171	4,133	4,109	4,093
Other non-current assets	18	10	20	29	43	67	67	68	69
Total assets	**1,825**	**2,302**	**2,584**	**3,349**	**4,327**	**5,267**	**5,850**	**6,355**	**6,581**
Liabilities & owners' equity									
Short-term loans	-	65	82	40	79	109	103	100	79
Long-term loans	681	1,055	1,185	577	1,142	1,577	1,490	1,446	1,142
Payables	208	211	271	351	410	508	745	850	928
Total other current liabilities	194	212	220	208	281	372	469	518	529
Total other non-current liabilities	94	103	110	118	128	148	148	148	148
Paid -up capital	1	1	350	443	443	443	443	443	443
Reserves	647	655	365	1,613	1,845	2,110	2,453	2,850	3,313
Total owners' equity	**648**	**656**	**715**	**2,056**	**2,288**	**2,553**	**2,896**	**3,293**	**3,756**
Total equity & liabilities	**1,825**	**2,302**	**2,584**	**3,349**	**4,327**	**5,267**	**5,850**	**6,355**	**6,581**
Cashflow statement									
Operating activities	(10)	40	270	277	381	450	541	721	850
Investing activities	(317)	(454)	(298)	(668)	(1,012)	(829)	(122)	(141)	(153)
Financing activities	284	415	46	417	591	413	(252)	(262)	(595)
Change in cash	(43)	1	18	26	(41)	34	166	318	102
Ending cash balance	**15**	**16**	**34**	**60**	**19**	**53**	**220**	**538**	**639**
Key fundamental ratios									
Liquidity ratios									
Current ratio (x)	1.0	1.1	1.0	1.3	1.1	1.0	1.3	1.5	1.6
Quick ratio (x)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Profitability ratios									
Gross profit margin	29.3%	31.4%	31.3%	32.2%	33.0%	32.5%	31.4%	32.3%	33.4%
Operating margin	8.7%	13.3%	13.6%	14.8%	16.9%	16.7%	15.9%	17.0%	18.3%
EBITDA margin	15.8%	20.0%	19.0%	19.8%	22.5%	22.7%	20.9%	21.5%	22.5%
Net profit margin	6.3%	10.0%	5.9%	10.2%	13.0%	12.2%	12.4%	13.9%	15.5%
Return on assets	2.8%	4.3%	2.8%	4.8%	5.4%	5.0%	6.8%	8.1%	9.5%
Return on equity	7.9%	15.0%	10.2%	7.8%	10.1%	10.4%	13.8%	15.7%	16.6%
Leverage ratio									
Debt / equity (x)	1.21	1.85	1.91	0.32	0.57	0.71	0.59	0.50	0.35
Market/valuation ratios									
EV/sales (x)	0.9	1.2	5.0	4.0	3.9	3.4	2.2	1.8	1.6
EV/EBITDA (x)	6.0	6.1	26.6	20.2	17.3	14.9	10.6	8.5	7.0
Dividend yield	-	-	0.3%	0.0%	0.0%	0.0%	1.0%	2.1%	2.9%
P/E ratio (x)	-	-	67.7	35.2	24.3	21.2	14.1	10.9	9.0
P/BV ratio (x)	-	-	6.9	2.7	2.5	2.2	1.9	1.7	1.5

Source: Company, AlJazira Capital research

الجزيرة كابيتال
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RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated “Overweight” will typically provide an upside potential of over 10% from the current price levels over next twelve months.
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.

Disclaimer