GIB جي آي بي كابيتال CAPITAL

**Target Price: SAR50/share**
Current Price: SAR42.4/share
Upside: 18% (+Div. Yield: 2.3%)
**Rating: Overweight**

# Arabian International Healthcare (Tibbiyah)

## *Maintain target price at SAR50/share*

- Delays in awarding medical equipment/turnkey business has led to lower than expected revenue in 2022 though 2H22 was inline with historical patterns.
- Further delays will act as overhang while potential from high margin newer business is a key upside driver to profits.
- We value Tibbiyah at 16x P/E and maintain our target price of SAR50/share, implying 18% upside. The stock had rallied 30%+ from October but reversed on profit booking and lower than expected 2022 results.

**Business Update:** In FY22, the company recorded 3.9% y/y growth in revenue supported by positive contribution from Innovative Healthcare Company (NewYou) and higher demand for medical supplies, partially offset by lower sales volume of medical equipment. The latter continues to be a point of focus with management optimistic of the revenues shifting into 1H23 (forecasted into our model). Gross margin remained broadly stable as expected. However, the bottom line declined by 68.7% to reach SAR26mn due to higher finance charges, higher base and a rise in interest rates as the company secured borrowing to acquire NewYou in 2H22.

**New business:** Full year impact of NewYou (seen in 2023) will help deliver a 21% revenue growth. Other than that, we factor low single digit growth from core business and a high single digit annualized sales growth from NewYou without factoring in upside from their 50% subsidiary Saudi Advanced Medical Lab, which could contribute more than SAR10mn in net profits from 2024. This could offset any potential delay in the core business. Margins could improve with higher margins for the newer business lines and as the general/admin costs could go lower as there were one off costs relating to the new initiatives and related integration.

**Risks:** Downside risks to valuation are delayed receivables, interest rate, weaker-than-expected profits of newer investments, and trading illiquidity, given its presence in NOMU. Lack of visibility in the equipment business due to a longer-term shift in market share from public to private healthcare, given its high exposure to Govt. clients, is also a risk factor for the equipment business.

*Figure 1: Key financial metrics*

| SARmn | 2021a | 2022a | 2023e | 2024e |
|---|---|---|---|---|
| Revenue | 619 | 643 | 775 | 811 |
| *Revenue growth* | *-24%* | *4%* | *21%* | *5%* |
| Gross Profit | 144 | 154 | 194 | 204 |
| *Gross Profit margin* | *23.2%* | *24.0%* | *25.0%* | *25.1%* |
| EBITDA | 114 | 71 | 107 | 115 |
| Net profit | 82 | 26 | 50 | 62 |
| *Net profit margin* | *13.3%* | *4.0%* | *6.5%* | *7.6%* |
| EPS (SAR) | 4.1 | 1.3 | 2.5 | 3.1 |
| DPS (SAR) | 4.1 | 3.0 | 1.0 | 1.9 |
| P/E | 10.2x | 32.6x | 16.8x | 13.6x |

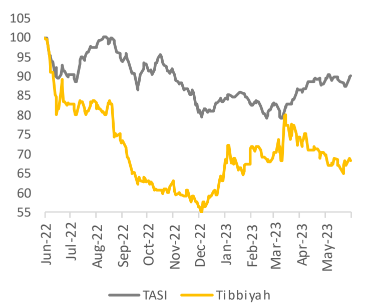
*Source: Company, GIB Capital*

**Stock data**

| | |
|---|---|
| TASI ticker | 9530.SE |
| Mcap (SARmn) | 847 |
| Avg. Trd. Val (3m) SARmn | 0.4 |
| Free float | 25.0% |
| QFI holding | 0.2% |
| NOMUCap Index weight | 1.12% |

*Source: Bloomberg*

Prices indexed to 100




*Source: Bloomberg*

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We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/-10%, we have a Neutral rating.

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