



Middle East Healthcare Company “MEAHCO”

Earnings Release

3Q 2021 Financial Highlights

Revenue
SAR **499**mn
↑ 1% y-o-y

Gross Profit
SAR **172**mn
↑ 0% y-o-y
34.5% Margin

EBITDA
SAR **58**mn
↓ 23% y-o-y
11.7% Margin

Net Profit
SAR **14**mn
↓ 59% y-o-y
2.9% Margin

9M 2021 Financial Highlights

Revenue
SAR **1.4**bn
↑ 6% y-o-y

Gross Profit
SAR **448**mn
↑ 2% y-o-y
32.6% Margin

EBITDA
SAR **164**mn
↓ 10% y-o-y
12.0% Margin

Net Profit
SAR **36**mn
↓ 51% y-o-y
2.6% Margin

3Q 2021 Operational Highlights

Inpatient Admissions
19k
↓ 11% y-o-y

Outpatient Visits
337k
↓ 0% y-o-y

Performed Surgeries
8k
↓ 22% y-o-y

Utilisation Rate*
68%
↓ 7.8 PP y-o-y

Jeddah, Saudi Arabia, 4 November 2021

Middle East Healthcare Company (MEHACO), Saudi Arabia’s most geographically diversified healthcare player, reported today its consolidated financial results for 3Q 2021, ending 30 September 2021.

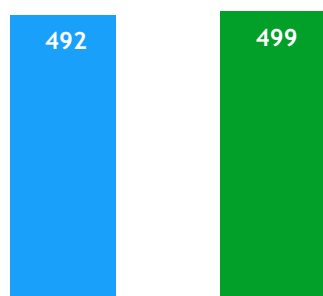
Key highlights

- **Consolidated revenue** inched up 1% y-o-y to SAR499 million in 3Q 2021
- **Total number of served patients** reached 356,208 patients across the Group’s network of hospitals in 3Q 2021
- **Insurance contribution to total revenue** stood at 47%, followed by Ministry of Health at 27%, cash at 22% and others at 4%
- **SGH Asser** obtained the **CAP** and the **AABB** accreditations in Dec. 2020 and Oct. 2021, respectively. **SGH Riyadh** obtained the **CAP** accreditation in Feb. 2021. **SGH Dammam** obtained the **CBAHI** and the **CAP** accreditations in Jun. 2021 and Oct. 2021, respectively
- **EBITDA** declined 23% y-o-y to SAR58 million in 3Q 2021, implying an **EBITDA margin** of 11.7%
- **Net profit after tax and minority interest** declined 59% y-o-y to SAR14 million in 3Q 2021

* Inpatient utilisation rate based on operational beds

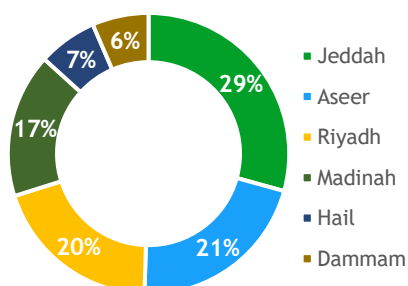


Consolidated Revenue
SAR mn

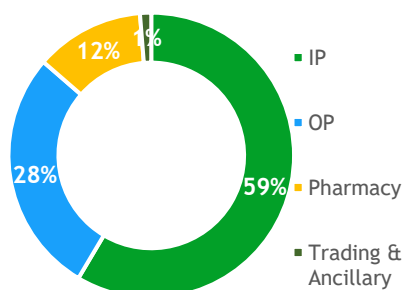


3Q 2020 3Q 2021

Revenue by Hospital*
3Q 2021



Revenue by Segment
3Q 2021



Financial Performance

(In SAR mn)	3Q21	3Q20	y-o-y	9M21	9M20	y-o-y
Revenue	499	492	1%	1,374	1,302	6%
CoGS	(326)	(320)		(926)	(862)	
Gross Profit	172	172	0%	448	439	2%
Gross Profit Margin	34.5%	34.9%		32.6%	33.7%	
Operating Profit	23	42	-45%	60	90	-33%
Operating Margin	4.7%	8.6%		4.4%	6.9%	
Net Profit	14	35	-59%	36	72	-51%
Net Profit Margin	2.9%	7.1%		2.6%	5.6%	

Middle East Healthcare Company (MEAHCO) consolidated revenue for 3Q 2021 inched up 1% y-o-y to SAR499 million, primarily on notable growth in the insurance business, and overall improvement in the average service price, both of which offset the decline in MoH business and muted growth in aggregate number of served patients.

The management continued to deliver on their strategy to enhance the quality of offered services, focus on hospitals' accreditation, and sustain a healthy and well-diversified sales mix. The aforementioned moves reflected in significant increase in number of accreditations obtained by the Group, and the successful renewal of the key insurance contracts at more favorable terms.

On a Group level, total number of inpatients declined by 11% y-o-y to 19k patients, while total number of outpatients was flat y-o-y at 337k patients. Outpatient revenue grew 25% y-o-y to SAR139 million, boosted by significant improvement in average revenue per visit. Inpatient revenue declined by 3% y-o-y to reach SAR292 million, purely on decline in census, which was partly offset by higher average revenue per stay.

Business with Tawuniya, Saudi Arabia's leading insurance provider, is back on track starting Jul. 2021, with newly agreed upon pricing to be implemented gradually across the Group's network starting Oct. 2021.

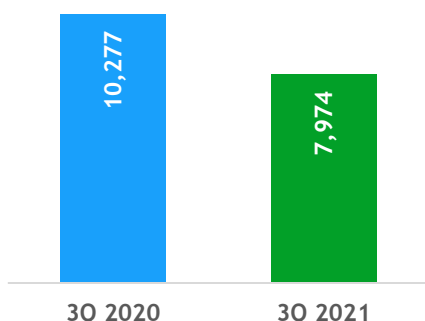
Insurance business remains the most contributor to top line with 47% contribution, followed by MoH at 27% and cash at 22%. Overall insurance revenue was up 10% y-o-y in 3Q 2021.

* Jeddah contribution include Beverly Clinics, AJ Sons and Management Fees



Operational Performance

Performed Surgeries

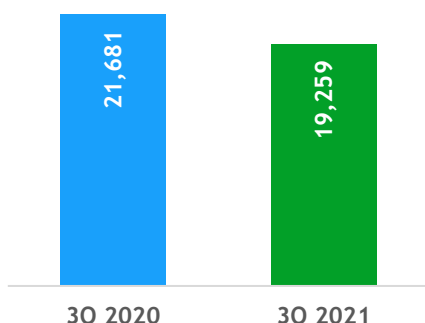


Overall, the Group reported mixed set of operational KPIs in 3Q 2021, with the most notable theme being overall improvement in average revenue generated per offered service.

Total number of served patients across the Group’s network of hospitals reached 356,208 patients in 3Q 2021, with number of performed surgeries down 22% y-o-y to reach 7,974 surgery during the quarter.

Aggregate number of inpatients declined 11% y-o-y to 19k patients in 3Q 2021. The drop in number of inpatients was predominantly driven by decline in MoH referrals, on the back of the y-o-y decline in number of reported COVID-19 cases, and to a lesser extent lower cash business. IP average revenue per stay was higher 9% y-o-y during the quarter, on better pricing across all lines of business, primarily for cash patients.

Number of Inpatients

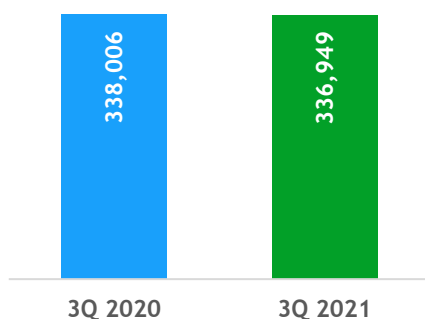


Total number of outpatients was flat y-o-y at 337k patients, slightly affected by the gradual return of business from Tawuniya which started in July 2021. OP average revenue per visit was higher a significant 25% y-o-y in 3Q 2021 vs. the comparable quarter. This was a function of the ongoing renewal of insurance contract at more favorable terms.

Traffic at SGH Dammam, the Group’s recently launched hospital, continued to grow on firm footing with number of inpatients for the hospital up 44% y-o-y during the quarter and number of outpatients up almost 3x the comparable quarter last year.

The Group has also expanded its presence in the city of Jeddah through the lease of Hai Al Jamea Hospital in Jeddah. The company has signed a two-year leasing contract for the hospital, effective from the date all required regulatory approvals are obtained.

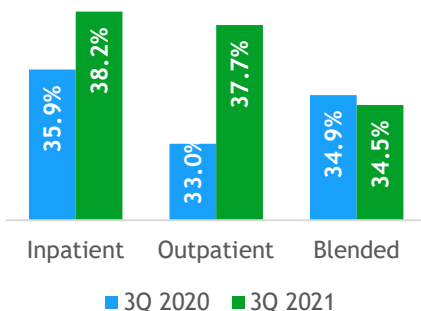
Number of Outpatients



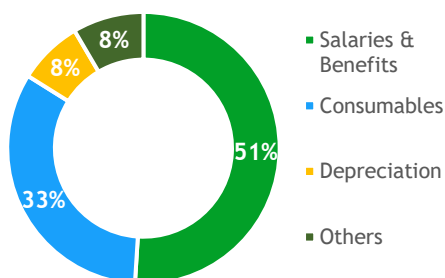
Hai Al Jamea Hospital, is a one-day surgery hospital located in Jeddah with the capacity of 35 beds and 16 clinics. The Group is currently pending the final approvals from MoH to start the commercial operations of the hospital.



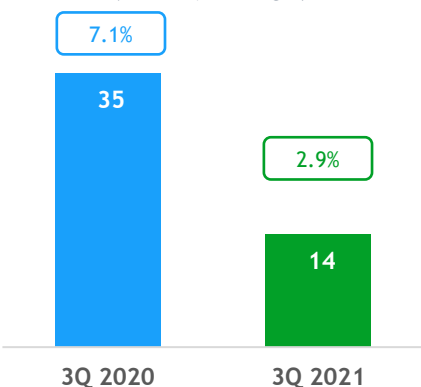
Gross Profit Margin



CoGS Breakdown 3Q 2021



Net Profit (SAR mn, % margin)



Profitability

The Group recorded consolidated gross profit of SAR172 million in 3Q 2021, in line with the comparable quarter last year. Reported gross profit margin reached 34.5% in 3Q 2021 vs. 34.9% in 3Q 2020. The minor y-o-y contraction in margins, despite the improvement in average price per offered services, was primarily due to one-off discounts in the pharma segment that negatively impacted the blended margins for the Group.

On segmental performance, IP gross margin recorded 38.2% and OP gross margin recorded 37.7% during the quarter vs. 35.9% and 33.0% in the comparable quarter, respectively. The enhanced IP profitability was a function of improved pricing with MoH (-45% of IP business) on obtained several accreditations across the Group's network of hospitals over the past period. OP margins significantly improved as the company continued to reap the benefits of the its negotiated insurance contracts.

Salaries & benefits and consumables remains the key cost components for the business, representing 51% and 33% of total cost of revenue, respectively. Total salaries and benefits bill increased 4% y-o-y during the quarter on new hires in Dammam, and the hiring of select prominent doctors across the Group.

EBITDA for the quarter stood at SAR58 million, down 23% y-o-y and implying an EBTIDA margin of 11.7% vs. 15.5% in the comparable period.

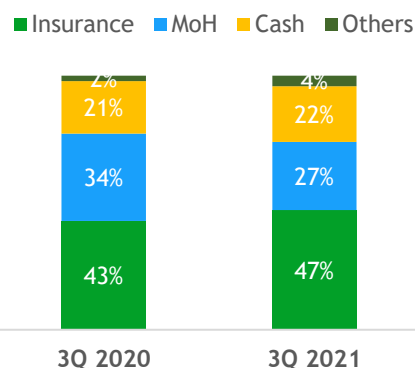
Net profit after zakat and minority interest recorded SAR14 million in 3Q 2021 vs. SAR35 million in 3Q 2020. Higher overheads and depreciation related to Dammam ramp up, the appointment of select new functions at the Holding as part of the ongoing restructuring plan, the hiring for Hai Al Jamea Hospital in Jeddah, and the one-off costs related to the Group's offshore business units were the key reasons behind the decline in profitability.

Net profit margin contracted to 2.9% in 3Q 2021 vs. 7.1% in 3Q 2020.

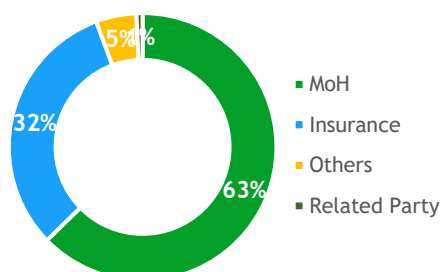
Dammam Hospital generated net loss of SAR13 million during the quarter vs. a loss of SAR11 million in 3Q 2020.



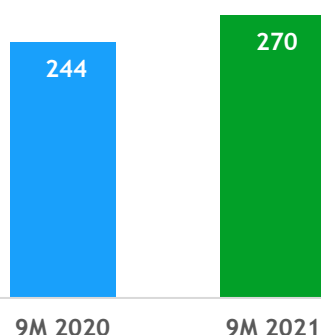
Revenue by Clientele



Receivables by Clientele 1H 2021



Cash Conversion Cycle Days on Hand (DoH)



Cash Management

Management remains focused on enhancing the Group's balance sheet quality through reaching a more optimized sales mix, along with the ongoing efforts to boost revenues for all lines of business. The key pillars to enhance cash conversion cycle are increasing insurance and cash businesses' contribution while capitalizing on existing MoH business through adding more accreditations.

As of 3Q 2021, insurance maintained the lion's share of the business, with 47% contribution to revenue. Meanwhile, MoH contribution to revenue significantly declined to 27% from 34% in 3Q 2020 and cash business increased to 22% from 21% in 3Q 2020.

Cash conversion cycle reached 270 days in 9M 2021, down from 281 days in 1H 2021 and slightly above 244 days in 9M 2020. Despite the y-o-y lower MoH business contribution, the increase in cash conversion cycle was a function of the one-off surge in MoH business, which typically carry above-average receivables days-on-hand, since the start of the pandemic in late 1Q 2020.

Outstanding receivables stood at SAR1.6 billion as of 9M 2021, of which 63% are related to MoH, 32% to insurance, 1% to related party and 5% to other clients. Out of MoH exposure, ~45% of the outstanding balance surpassed the average collection cycle of one year with negotiations still in progress and are subject to final reconciliation and agreement before collection.

Total capex spent during the period amounted to SAR282 million. Construction work for Makkah Hospital is now 77% completed and Riyadh Outpatient Tower and beds expansion is 66% and 70% completed, respectively. Staff Housing in Dammam and Makkah are 87% and 94% completed as well, respectively.



Latest Developments



The Group has been steadily moving forward with its strategy to focus on accreditations across its entire network of hospitals. This comes as part of a wider approach to enhance the level of offered services and improve the customers' perception of Saudi German Health brand.

Most recently, SGH Asser obtained the CAP and the AABB accreditations in December 2020 and October 2021, respectively. SGH Riyadh obtained the CAP accreditation in February 2021 and SGH Dammam obtained the CBAHI and the CAP accreditations in June 2021 and October 2021, respectively. MoH was revised upwards by 5% (based on MoH base pricelist) to reflect each of the CAP, CBAHI, and AABB accreditations for the relevant hospitals.



Meanwhile, SGH Jeddah has successfully passed the survey for the Healthcare Information and Management Systems (HIMSS) in October 2021. SGH Jeddah expects to obtain the accreditation certificate in 4Q 2021. Following the success of the pilot project in Jeddah, the management plan to replicate the process across MEACHO's network of hospitals.



The HIMSS accreditation is a key milestone for MEAHCO as it should significantly help improve the Group's margins and profitability, given its positive magnitude on MoH pricing. As we stand, HIMSS accreditation will increase MoH pricing by 20% (based on MoH base pricelist).



The Group has also expanded its presence in the city of Jeddah through the lease of Hai Al Jamea Hospital in Jeddah. Hai Al Jamea Hospital, is a one-day surgery hospital located in Jeddah with the capacity of 35 beds and 16 clinics. The Group is currently pending the final approvals from MoH to start the commercial operations of the hospital. The hospital is currently serving as a vaccination center for MoH as part of the Group's corporate social responsibility (CSR).



Management remains in favor of organic expansions to increase the company's footprint in Saudi Arabia, with constructions across the Group's various expansions in Makkah, Dammam and Riyadh moving on track. Makkah Hospital will further expand MEAHCO's network to cover seven cities in Saudi Arabia. The hospital is targeted to be operational in 2H 2021 and will have a total capacity of 300 beds.





Financial Statements

Income Statement

(In SAR mn)	3Q 2021	3Q 2020	Change	9M 2021	9M 2020	Change
Revenue	499	492	1%	1,374	1,302	6%
Cost of Revenue	(326)	(320)		(926)	(862)	
Gross Profit	172	172	0%	448	439	2%
<i>Gross Profit Margin</i>	<i>34.5%</i>	<i>34.9%</i>		<i>32.6%</i>	<i>33.7%</i>	
Selling & marketing Expenses	(9)	(10)		(21)	(21)	
General & Admin Expenses	(140)	(120)		(367)	(328)	
Operating Profit	23	42	-45%	60	90	-33%
<i>Operating Profit Margin</i>	<i>4.7%</i>	<i>8.6%</i>		<i>4.4%</i>	<i>6.9%</i>	
Other Income	4	1		10	5	
Finance Cost	(11)	(8)		(34)	(26)	
Profit before Zakat	17	35	-53%	36	69	-48%
Zakat	(3)	(2)		(5)	(4)	
Net Profit	14	34	-59%	32	66	-52%
<i>Net Profit Margin</i>	<i>2.8%</i>	<i>6.9%</i>		<i>2.3%</i>	<i>5.0%</i>	
<i>Distributed as:</i>						
Parent Company	14	35	-59%	36	72	-51%
Non-Controlling Interest	(0)	(1)		(4)	(7)	



Financial Statements

Balance Sheet

(In SAR mn)

	Sep 2021	Dec 2020
Property and Equipment	2,257	2,074
Right of Use Assets	33	26
Intangible Assets	7	7
Total Non-Current Assets	2,296	2,106
Inventories	157	156
Account Receivable	1,646	1,594
Prepayments and Others	137	85
Cash and Bank Balances	74	17
Total Current Assets	2,015	1,851
Total Assets	4,311	3,957
Share Capital	920	920
Statutory Reserve	192	192
Retained Earnings	513	477
Equity Attributable to Shareholders	1,625	1,590
Non-Controlling Interests	39	43
Total Equity	1,664	1,633
Term Loans	937	847
Lease Obligations	13	18
Other Non-Current Liabilities	27	23
Deferred Income	12	14
Employees' End of Service Benefits	236	235
Total Non-Current Liabilities	1,226	1,137
Short-Term Borrowings	907	675
Other Non-Current Liabilities	7	8
Lease Obligations	7	4
Accounts Payable	353	359
Accrued Expenses and Others	140	135
Zakat Payable	7	6
Total Current Liabilities	1,421	1,188
Total Liabilities	2,647	2,325
Total Liabilities and Equity	4,311	3,957



Financial Statements

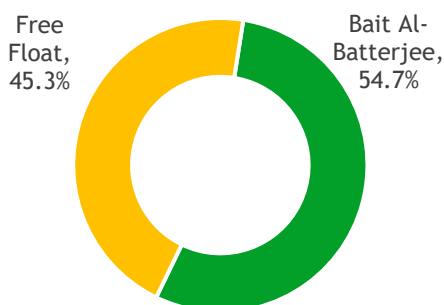
Cash Flow

(In SAR mn)

	9M 2021	9M 2020
Cash Flows From Operating Activities		
Profit before Tax	36	69
<i>Adjustments for:</i>		
Depreciation	96	89
Amortization of Intangible Assets	7	1
Amortization of Right of Use Assets	1	4
Charge/(Reversal) of Expected Credit Loss	(13)	9
Provisions for Slow Moving and Obsolete Inventories	3	2
Amortization of Deferred Income	(1)	(2)
Unwinding impact of Other Financial Liabilities	0	1
Finance Charges Related to Lease Obligations	1	1
Loss on Disposal of Property & Equipment	1	1
Provisions for Employees' End of Service Benefits	32	0
Operating Cash before Changes in Working Capital	163	175
Accounts Receivable	(40)	(371)
Inventories	(4)	(20)
Prepayments & Other Current Assets	(52)	7
Accounts Payable	(6)	11
Accrued Expenses & Other Current Liabilities	6	49
Other Financial Liabilities	(6)	(9)
Finance Charges Paid	0	2
Employees' End of Service Paid	(31)	(6)
Zakat Paid	(4)	(4)
Net Cash Flow from Operating Activities	25	(167)
Cash Flow from Investing Activities		
Additions to Property & Equipment	(282)	(179)
Additions to Intangibles	0	0
Net Cash Flow from Investing Activities	(282)	(179)
Cash Flow from Financing Activities		
Term Loans and Borrowings, Net	321	331
Lease Obligations, Net	(8)	(4)
Net Cash Flow from Financing Activities	314	326
Net Change in Cash and Cash Equivalent	57	(20)
Cash and Cash Equivalent at the Beginning of the Period	17	54
Cash and Cash Equivalent at the End of the Period	74	34



Shareholder Structure



Share Information

Reuters / Bloomberg

2009.SE / MEH AB

Shares Outstanding

92,040,000

Free Float

45.3%

About Middle East Healthcare Company

Middle East Healthcare Company, publicly known as Saudi German Health, is a leading healthcare provider in Saudi Arabia with operations spanning across six cities in the Kingdom. Building on a long family legacy as medical pioneers in the Kingdom, Saudi German Health was founded by the Batterjee family 33 years ago to relieve people's suffering and have a positive impact on their health.

In 1988, Eng. Sobhi Batterjee, Chairman of Saudi German Health, and Dr. Khalid Batterjee, Vice President of Saudi German Health, established the first hospital in Jeddah and collaborated with German University Hospitals to bring advanced German healthcare standards and expertise to the local community for the first time in the Kingdom of Saudi Arabia. These associations inspired the 'German' in our name.

Since then, MEAHCO has been expanding and growing its presence organically on firm footing. MEHACO is the most geographically diverse healthcare player in Saudi Arabia with a comprehensive network of 6 full-fledged hospitals in Jeddah, Asser, Riyadh, Madinah, Hail and Dammam, enabling it to access ~90% of the Kingdom's population.

The Group has a total licensed capacity of 1,517 beds and operational capacity of ~1k beds.

Learn more at: www.saudigermanhealth.com

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Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “aims”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company’s management (“Management”) on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause the Company’s actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company’s business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.