Middle East Healthcare Company “MEAHCO”

Earnings Release

1Q 2024 Financial Highlights

Revenue	Gross Profit
SAR689mn	SAR260mn
↑ 8% y-o-y	↑ 15% y-o-y 37.7% Margin

EBITDA	Net Profit
SAR169mn	SAR52mn
↑ 38% y-o-y 24.5% Margin	↑ 4% y-o-y 7.5% Margin

1Q 2024 Operational Highlights

Inpatient Admissions	Outpatient Visits
25k	556k
↑ 19% y-o-y	↑ 12% y-o-y

Performed Surgeries	Utilisation Rate*
14k	69%
↑ 15% y-o-y	↓ 340 bps y-o-y

Jeddah, Saudi Arabia, 5 May 2024

Middle East Healthcare Company (MEHACO), Saudi Arabia’s most geographically diversified healthcare player, reported today its consolidated financial results for 1Q 2024, ending 31 March 2024.

Key highlights

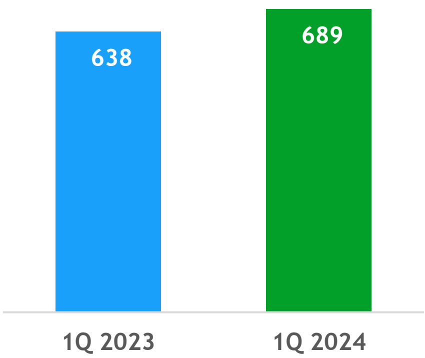
- **Consolidated revenue** grew by 8% y-o-y to SAR689 million in 1Q 2024
- **Total number of served patients** reached 582k patients across the Group’s network of hospitals in 1Q 2024, with an increase of 13% vs. 1Q 2023
- Insurance **contribution to total revenue** stood at 54%, followed by Ministry of Health at 27%, cash at 16% and others at 3%
- **SGH Makkah** successfully passed the **AABB survey** and is expected to obtain the accreditation certificate in 2Q 2024
- **EBITDA** grew by 38% y-o-y to SAR169 million in 1Q 2024, implying an **EBITDA margin** of 24.5%
- **Net profit after zakat and minority interest** recorded SAR52 million in 1Q 2024, marking an increase of 4% y-o-y vs. 1Q 2023
- The Company successfully concluded the issuance of **Public Sukuk worth SAR1 billion;** the first of its kind in the healthcare sector. The offering was 1.2x oversubscribed

** Inpatient utilisation rate based on operational beds*

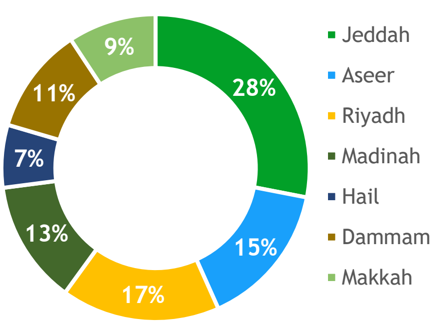
Middle East Healthcare Company (MEAHCO)

Earnings Release 1Q 2024

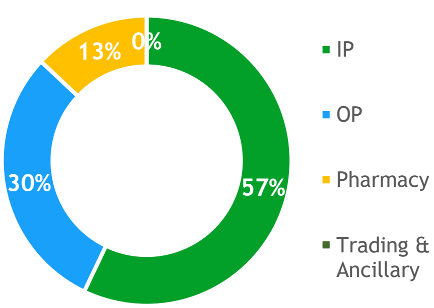
Consolidated Revenue
SAR mn



Revenue by Region*
1Q 2024



Revenue by Segment
1Q 2024



Financial Performance

(In SAR mn)	1Q 24	1Q 23	y-o-y
Revenue	**689**	**638**	**8%**
CoGS	(429)	(412)	
Gross Profit	**260**	**225**	**15%**
Gross Profit Margin	*37.7%*	*35.3%*	
Operating Profit	**118**	**77**	**54%**
Operating Margin	*17.1%*	*12.0%*	
Net Profit	**52**	**50**	**4%**
Net Profit Margin	*7.5%*	*7.9%*	

Middle East Healthcare Company (MEAHCO) delivered total revenues of SAR689 million in 1Q 2024, with an increase of 8% y-o-y, marking a solid start for the year. Ongoing operational improvement across the majority of the Group's facilities, driven by added capacities, increased census, and optimized case mix, remained the key drivers for growth.

The solid performance for the Group comes despite the relatively low seasonality, with 21 days of the holy month of Ramadan falling within the quarter vs. only 9 days in the comparable quarter last year.

Ongoing healthy ramp up of operational capacities in SGH Makkah and SGH Riyadh's medical tower, along with solid uptick in Jeddah's performance, continued to boost the Group's top-line growth and compensate for lagging facilities.

On a Group level, total number of inpatients increased by 19% y-o-y to 25k patients, while total number of outpatients was up 12% y-o-y to 556k patients. Inpatient revenues were up 7% y-o-y to record SAR394 million, predominantly volume driven on increased insurance and MoH businesses. Outpatient revenues grew 17% y-o-y to SAR206 million on increased census, primarily insurance and cash patients, and overall higher average charge per visit.

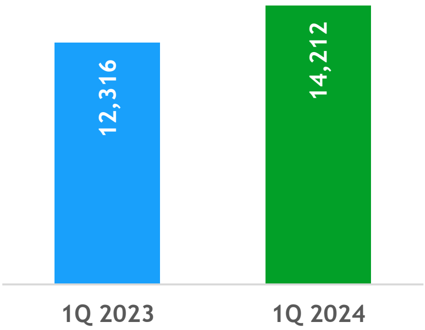
Dammam and Riyadh continued to deliver the highest growth in revenues within the Group, excluding recently launched Makkah hospital, with both growing 11% y-o-y, driven by steady ramp-up of operations on increased MoH referrals and insurance business, with Riyadh further supported by the new medical tower.

Insurance business remains the most contributor to top line with 54% contribution, followed by MoH at 27% and cash at 16%. Total insurance revenues increased 11% y-o-y in 1Q 2024.

** Jeddah includes Management Fees*

Operational Performance

Performed Surgeries

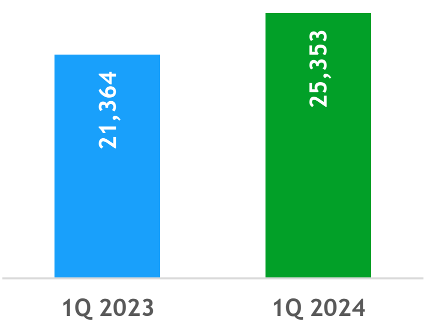


The Group reported another solid set of results, delivering sustained y-o-y growth across all lines of businesses in terms of number of served patients on added capacities and higher utilisation of existing facilities.

Total number of served patients across the Group's network of hospitals reached 582k patients in 1Q 2024, an increase of 13% y-o-y, while number of performed surgeries grew 15% y-o-y to 14k surgeries.

On a Group level, blended inpatient and outpatient utilisation rates recorded 69% and 71% in 1Q 2024, respectively, with blended average length of stay (ALOS) of c3.4 nights. The Group's current operational beds and clinics' capacities stand at c.1.4k beds and c.560 clinics, respectively.

Number of Inpatients

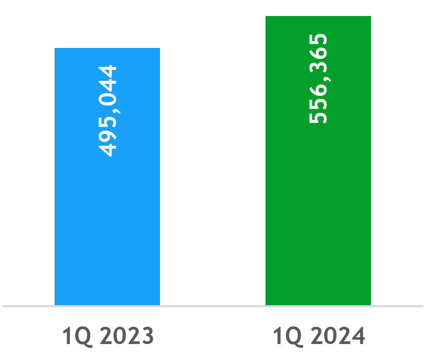


Aggregate number of inpatients was up by 19% y-o-y to 25k patients during the quarter, primarily on increased MoH and insurance businesses across the Group. Meanwhile, blended average IP revenue per stay was 10% lower y-o-y.

In terms of footprint, Makkah continued to lead the overall increase in inpatients' census, followed by Dammam and Riyadh, driving combined over two-thirds of the Group's IP volume growth.

Total number of outpatients increased by 12% y-o-y to 556k patients, predominantly driven by higher insurance and cash patients. Average charge per OP visit recorded a 4% y-o-y increase vs. 1Q 2023. Makkah, Dammam, and Jeddah delivered the highest OP growth rates.

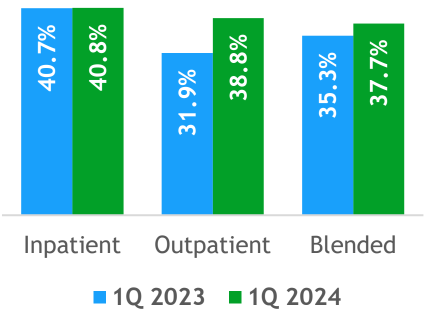
Number of Outpatients



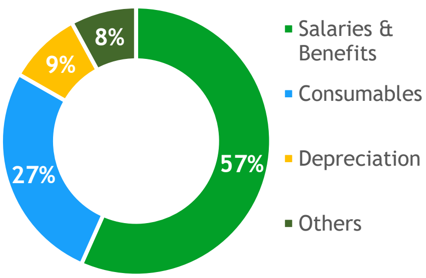
The Group is currently working on increasing the number of operational and/or licensed beds in select locations to capitalize on growing and pent-up demand.

SGH Dammam is mulling to increase the number of licensed beds and clinics to cater for the growing demand in the Eastern province. The Group earlier increased the number of operational beds in Dammam by 50 beds to 150 beds in 1Q 2023, reaching the ceiling of the licensed capacity, and is currently running near full utilization rate.

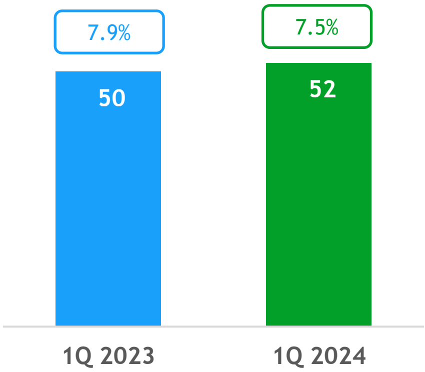
Gross Profit Margin



CoGS Breakdown
1Q 2024



Net Profit
(SAR mn, % margin)



Profitability

The Group recorded consolidated gross profit of SAR260 million in 1Q 2024, 8% ahead of the comparable quarter last year, implying a gross profit margin of 37.7% and c.240 bps y-o-y margin enhancement. Improved pricing with select clients, better case-mix, contained OPEX and higher utilisation rates all contributed to drive economies of scale.

Salaries & benefits and consumables remain the key cost components for the business, representing 57% and 27% of total cost of revenue, respectively. Total salaries and benefits increased by 7% y-o-y, reflecting the typical annual merit increase and new hires. The Group's total number of staff increased to 7.3k staff as of 1Q 2024, up from 7.2k in 1Q 2023.

On segmental performance, IP gross margin recorded 40.8% and OP gross margin recorded 38.8% during the quarter, up from 40.7% and 31.9% in the comparable quarter last year, respectively.

Despite the increase in people's cost on new hires in Dammam, Hai Al Jamea, Makkah, and Riyadh, to accommodate for added capacities, elevated people cost was offset by higher utilisation and improved profitability on scale.

The Group recorded an EBITDA for the quarter of SAR169 million, up a solid 38% y-o-y and implying an EBTIDA margin of 24.5%, the highest the company has ever achieved on a quarterly basis.

Net finance costs increased almost threefold y-o-y recording SAR66 million in 1Q 2014 on higher leverage and increased interest rates. Net profit after zakat and minority interest was up a mere 4% y-o-y to reach SAR52 million in 1Q 2024, predominantly on higher depreciation and financing cost.

Recently launched facilities, Hai Al Jamea, Makkah hospital, and Abha clinics, remained loss-making, in line with management expectations on typical initial high OPEX associated with the start of operations. The three facilities generated combined net losses of SAR18 million during the quarter, down from SAR21 million in 1Q 2023.

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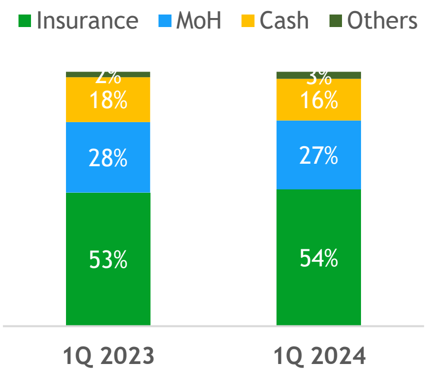
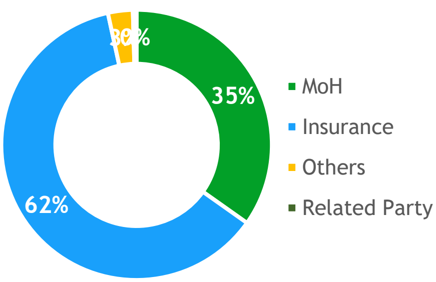
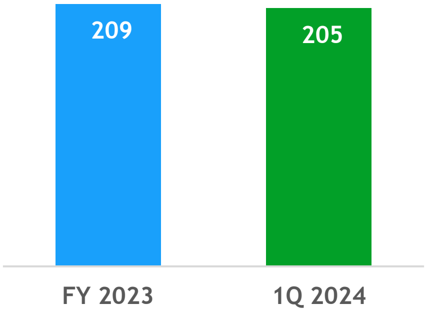
Revenue by Clientele



Receivables by Clientele
1Q 2024



Cash Conversion Cycle
Days on Hand (DoH)



Cash Management

Outstanding receivables stood at SAR2.1 billion as of March 2024, down from SAR2.3 billion in December 2023, despite the growth in the size of the business, on improved collection. Overall cash conversion cycle improved to 205 days in 1Q 2024, down from 209 in FY 2023.

Management remains focused on enhancing balance sheet quality through reaching a more optimized sales mix and continuously working on enhancing revenue cycle management. The pace of collection from MoH and select key insurance clients witnessed significant improvement compared to the preceding quarter that was utilized to paydown key suppliers' dues and enhance overall cash conversion cycle.

Breakdown of receivables remained largely unchanged, with the bulk of receivables associated with the insurance business (c.62% of total receivables), followed by MoH (c.35% of total receivables).

Insurance contributed the lion's share of the Group's business in 1Q 2024, with 54% contribution to revenue, with a solid growth of 11% compared to 1Q 2023. Meanwhile, cash business was flat, contributing 16% to the Group's revenues, while MoH contribution declined to 27%, down from 28%, diluted by the growth in insurance business, despite obtained accreditations in select branches and the opening of SGH Makkak.

Proceeds raised from Sukuk issuance were fully utilized to restructure the Group's debt and extend overall debt profile's maturity. Net debt, including Sukuk, declined by 4% compared to FY 2023 to SAR2.3 billion.

Total capex spent during the quarter amounted to SAR38 million, mostly payments related to previous expansions as several milestone projects took place during 2022-23, including SGH Makkah Hospital, Hai Al Jamea Hospital, Abha Clinics and Riyadh expansion. SGH Riyadh new outpatient tower and T-expansion is up and running since January 2023.

The company is planning a c.SAR400 million brownfield expansion and renovation work in SGH Jeddah that will add 194 beds and 22 clinics. The planned expansion will nearly double the number of beds of the Group's flagship hospital, which started operations in 1988.

Latest Developments

On March 20234, the Company successfully concluded the issuance of Sukuk worth SAR 1 billion, the first of its kind public issuance within the healthcare sector in the Kingdom of Saudi Arabia. Alrajhi Capital acted as the sole financial advisor, lead manager, and bookrunner for the transaction.

The offering was 1.2x oversubscribed, with huge turnout from private investors, financial organizations, insurance companies, and local banks. Of the total offering, c.45% was allocated to local banks, c.27% to retail investors, and c.28 % to financial institutions, government entities, and insurance companies

The Group received assessment from the Zakat, Tax and Customs Authority (ZATCA), claiming additional Zakat and withholding tax liabilities of SAR111.5 million in respect of the assessment for the years from 2015 to 2018, and SAR68 million related to the years from 2019 to 2020. The Group has filed appeals against ZATCA's assessments with the Committee for Resolution of Tax Violation and Dispute (CRTVD) and with the Appellate Committee for Tax, and Customs Violations and Disputes (ACTVD) but were rejected. The Group filed pleas for reconsideration against the decisions taken by ACTVD in respect of both assessments, which are still under study.

On accreditation, the Group has been steadily moving forward with its strategy to focus on accreditations across its entire network of hospitals. SGH Makkah successfully passed the AABB survey and is expected to obtain the accreditation certificate in 2Q 2024. The hospital has already obtained the CAP accreditation and the CBAHI accreditation in 4Q 2023. Meanwhile, SGH Dammam is working on the Healthcare Information and Management Systems (HIMSS) certificate with a target to be accredited by the MoH during 2024.

To accommodate for the growing demand in the Eastern province, the Group is working on obtaining the required approvals to increase the number of licensed beds in SGH Dammam. The hospital is currently running near the full capacity of its 150 operational and licensed capacity.

Financial Statements

Income Statement

(In SAR mn)	1Q 2024	1Q 2023	Change
Revenue	689	638	8%
Cost of Revenue	(429)	(412)	
Gross Profit	260	225	15%
Gross Profit Margin	*37.7%*	*35.3%*	
Selling & marketing Expenses	(18)	(10)	
General & Admin Expenses	(125)	(139)	
Operating Profit	118	77	54%
Operating Profit Margin	*17.1%*	*12.0%*	
Other Income	8	4	
Finance Cost	(66)	(24)	
Profit before Zakat	59	57	5%
Zakat	(7)	(5)	
Net Profit	52	52	0%
Net Profit Margin	*7.5%*	*8.1%*	
Distributed as:			
Parent Company	52	50	4%
Non-Controlling Interest	0	2	

Financial Statements

Balance Sheet

(In SAR mn)	Mar 2024	Dec 2023
Property and Equipment	2,489	2,502
Right of Use Assets	70	55
Intangible Assets	35	31
Investment in Subsidiary / Associated Company	10	10
Total Non-Current Assets	**2,604**	**2,598**
Inventories	77	75
Account Receivable	2,116	2,301
Prepayments and Others	161	155
Cash and Bank Balances	22	44
Total Current Assets	**2,376**	**2,575**
Total Assets	**4,980**	**5,171**
Share Capital	920	920
Statutory & FX Reserves	222	221
Retained Earnings	429	377
Equity Attributable to Shareholders	**1,572**	**1,519**
Non-Controlling Interests	46	46
Total Equity	**1,618**	**1,565**
Term Loans	893	1,310
Lease Obligations	60	46
Sukuk	991	0
Deferred Income	8	9
Employees' End of Service Benefits	246	240
Total Non-Current Liabilities	**2,198**	**1,606**
Short-Term Borrowings	428	1,116
Other Non-Current Liabilities	3	6
Lease Obligations	13	13
Accounts Payable	442	559
Accrued Expenses and Others	252	291
Zakat Payable	25	18
Total Current Liabilities	**1,164**	**2,003**
Total Liabilities	**3,362**	**3,608**
Total Liabilities and Equity	**4,980**	**5,173**

Financial Statements

Cash Flow

(In SAR mn)	1Q 2024	1Q 2023
Cash Flows From Operating Activities		
Profit before Zakat	**59**	**57**
Depreciation	45	42
Amortization of Intangible Assets	2	0
Depreciation of Right of Use Assets	4	4
Allowance for Expected Credit Losses	(33)	0
Unwinding Impact of Other Financial Liabilities	0	0
Provisions for Slow Moving and Obsolete Inventories	1	(0)
Amortization of Deferred Income	(1)	(1)
Finance Charges Related to Lease Obligations	1	1
Finance Charges Related to Borrowings	63	25
Loss on Disposal of Property & Equipment	0	1
Provisions for Employees' End of Service Benefits	12	10
Operating Cash before Changes in Working Capital	**153**	**138**
Accounts Receivable	217	(214)
Inventories	(2)	19
Prepayments & Other Current Assets	(6)	14
Accounts Payable	(116)	98
Accrued Expenses & Other Current Liabilities	(38)	79
Other Financial Liabilities	(3)	(2)
Cash Flow from Operating Activities	**204**	**133**
Employees' End of Service Paid	(6)	(13)
Net Cash Flow from Operating Activities	198	120
Cash Flow from Investing Activities		
Additions to Property & Equipment & Intangible Assets, Net	(38)	(70)
Investment in Subsidiary / Associated Company	0	0
Net Cash Flow from Investing Activities	(38)	(70)
Cash Flow from Financing Activities		
Lease Obligations, Net	(6)	(7)
Loans and Borrowings, Net	(1,105)	(11)
Proceeds from Sukuk	991	0
Financial Charges Paid	(63)	(33)
Net Cash Flow from Financing Activities	(183)	(51)
Net Change in Cash and Cash Equivalent	**(23)**	**(2)**
Cash and Cash Equivalent at the Beginning of the Period	44	16
Cash and Cash Equivalent at the End of the Period	**22**	**14**

Middle East Healthcare Company (MEAHCO)

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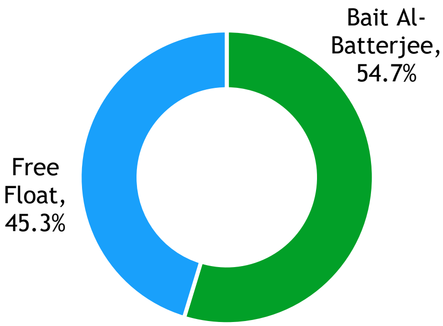
Shareholder Structure



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 seven 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 35 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 8 full-fledged hospitals in Jeddah, Aseer, Riyadh, Madinah, Hail, Dammam, and Makkah, enabling it to access ~90% of the Kingdom's population.

The Group has a total licensed capacity of c.1.8k beds and operational capacity of c.1.3k 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.