



Nahdi Records SAR 2.2 billion Revenue in Q4 2023, Growing 3.6% Year-On-Year, While Investing in Long Term Value-Creating Strategic Initiatives

Jeddah, Saudi Arabia – 18 March 2024: Nahdi Medical Company (“Nahdi” or “the Company”), Saudi Arabia’s leading purpose-driven healthcare and wellbeing Company, today reported its financial results for the fourth quarter of 2023 (“Q4 2023”) and fiscal year 2023 (“FY 2023”)

Q4 2023 HIGHLIGHTS

- Revenue of SAR 2.2 billion grew 3.6% year-on-year, driven by the Pharma segment and Beauty categories registering 6.1% and 3.3% increases, respectively.
- Investment in sales promotion in Beauty products during the second half of the year, led to a growth in the fourth quarter, paving the way for similar trends in other Front Shop segment categories.
- Strong performance of Nahdi’s emerging businesses, with healthcare revenue up 125% and UAE by 214%.
- Net profit of SAR 171 million, jumping 33% year-on-year, supported by higher revenue, improved OPEX, and strong cash position.

FY 2023 HIGHLIGHTS

- Revenue of SAR 8.7 billion, up 1.1% year-on-year.
- Gross margin held at 40.4%. The investments in Front Shop marketing mix and sales promotions, was partially offset by non-recurring inventory provision release of SAR 33 million
- Net profit of SAR 893 million, reflecting a 10.2% margin, despite the investment in strategic initiatives of healthcare, e-commerce, and UAE operations.
- Savings from established efficiencies programs and income generated from Islamic Murabaha time deposits helped to fund these initiatives.

Strategic key highlights (as of 31 December 2023)

- Nahdi continues winning with its Guests, highest in the sector Brand equity score, and listed second in Fortune500 Healthcare sector across 26 countries.
- Ranked second “Great Place to Work” in Saudi Arabia in 2023 and among the top companies throughout Saudi, GCC and Asia for the 6th consecutive time.



- 1,120 Nahdi Pharmacies in Saudi Arabia across region reaching 140+ cities & villages served + 97% of the population.
- Sales contribution from e-commerce platform increased to 16% from 13%.
- 6 Nahdi Polyclinics, with the opening of Jeddah, Mekkah and Taif in 2023 and healthcare business delivered break even profitability despite the three new openings.

Eng. Yasser Joharji, CEO at Nahdi Medical Company said:

“At Nahdi, our tireless commitment to creating value for our Guests is a constant that holds firm throughout all business and economic cycles. In 2023, Nahdi showcased exceptional resilience and adaptability, amidst a challenging macro-economic environment and rising competition from online players and emerging channels across the Kingdom. This steady performance was driven by our ongoing engagement with our Guests, partners, and government stakeholders, our consistency in driving operational efficiencies, and our DNA of continuous innovation.

There were certainly challenges we had to address. In the first half of 2023, Front Shop sales experienced a 3.5% decline due to pressures on consumer disposable incomes and heightened competitive headwinds. Accordingly, in the second half of the year, the Company took the decision to invest in sales promotions, focusing on Beauty products. As a result, the Beauty category witnessed a 3.3% increase in the fourth quarter.

Looking at the bigger picture, Nahdi remains steadfast on its journey to enrich Guest experiences by continuing to execute its strategy. We further strengthened our core retail offering with Pharma segment recording 3.5% year-on-year growth, and revenue contribution from our Private Label & Direct Import products reaching 13%. We continue to optimize our omnichannel retail footprint with 1,120 pharmacies in total, an e-commerce business that grew 25.6% year-on-year reaching 16% contribution, and 8 new pharmacies across the UAE. We added 3 new polyclinics boosting the healthcare portfolio to 6, growing its revenue by 106%, and marking a breakeven profitability position despite the opening of the 3 new polyclinics. The new lighter asset & OPEX model has improved payback period. Moreover, our virtual medical consultations increased by more than 200% to 564,847.

As we completed the year, I can confidently say that Nahdi emerged more agile than ever. We were nimble enough to effectively address short-term disruptions, and far-sighted enough to continue investing in and optimizing our long-term growth initiatives that are bringing out the best of Nahdi for our Guests, shareholders, and all our important stakeholders.



Financial Performance (SAR Million)

	FY 2023	FY 2022	Change	Q4 2023	Q4 2022	Change
Revenue	8,713.68	8,616.19	1.13%	2,214.25	2,138.24	3.6%
Gross Profit	3,522.24	3,545.39	-0.65%	865.06	856.31	1.0%
Gross Margin	40.4%	41.1%	-	39.1%	40.0%	-
Net Profit	892.62	887.81	0.54%	170.52	127.98	33.2%
Net Profit Margin	10.2%	10.3%	-	7.7%	6.0%	-
ROA	16.6%	18.0%	-	-	-	-
ROE	36.2%	39.6%	-	-	-	-
Cash Balance	910	1,076	-	-	-	-

The Company recorded revenue of SAR 8.7 billion in FY 2023, and SAR 2.2 billion in Q4 2023, growing 1.1% and 3.6%, respectively. This was driven by a 3.5% increase in Pharma segment sales in FY 2023 and a 6.1% increase in Q4 2023. Nahdi's Front Shop sales declined 3.5% for FY 2023 on the back of tighter consumer disposable income levels and competitive tactics from emerging online players in Saudi Arabia. To mitigate the impact in the second half of the year, Nahdi invested strategically in the marketing mix of its Beauty category which resulted in 3.3% Q4 growth year-on-year.

Nahdi recorded a gross profit of SAR 3.52 billion in FY 2023, and SAR 865 million in Q4 2023, compared to SAR 3.55 billion and SAR 856 million, respectively, last year.

In FY 2023, net profit was SAR 893 million, flat compared to the previous year, and SAR 171 million in Q4 2023, increasing by 33% year-on-year. The latter growth rate was driven by higher gross profit, leaner operating expenses, and income generated from Islamic Murabaha deposits.

Nahdi enjoys a strong cash position valued at SAR 910 million as of 31 December 2023 and holds zero debt.



Commenting on the financial results, **Mohammed Alkhubani, Chief Financial Officer of Nahdi,** said:

“FY 2023 demonstrated Nahdi’s financial robustness exemplified by its double-digit net profit margin at 10.2%, a healthy gross margin of 40.4%, an 80% dividend payout ratio, and organically funded strategic growth initiatives. Moreover, our excess cash placed in Islamic Murabaha time deposits yielded additional income to support the bottom line.

Operating expenses remained almost flat at 29.7% of revenue due to Nahdi’s established cost efficiencies programs, the savings from which were reinvested into other strategic initiatives of new openings, healthcare acceleration, UAE expansion, and digitalization.

Throughout the year, the Company maintained its zero-debt position and generated strong cash flows, with the year-end cash balance sitting over SAR 900 million. As a result of Nahdi’s strong financial performance, the Board of Directors recommended a cash dividend distribution for the first half of 2023 of SAR 2.50 per share. Moreover, the Board approved an additional cash dividend distribution of SAR 390 million (or SAR 3.00 per share) for the second half of 2023, which will be distributed in Q2 2024, bringing the total to SAR 715 million, representing 80% of 2023 net profit. This is in line with the Company’s dividend distribution policy to reward our shareholders for their belief in the Company. Nahdi registered Return on Assets (ROA) & Return on Equity (ROE) at 16.6% and 36.2%, respectively, among the highest in the sector.

Operational Performance

Nahdi remains steadfast on its journey to enrich Guest experiences by operating in close alignment with its four strategic pillars:

1. Strengthening the core retail offering

- In FY 2023, the Pharma segment grew 3.5% driven by the Medicine categories which grew 7.1%.
- Front Shop sales declined by 3.5% in FY 2023. During the middle of the year, investments were made to the marketing and sales mix for certain Front Shop categories which began yielding positive results in Q4.
- Private Label brands and Direct Import products posted revenues of SAR 1,116 million in FY 2023, reflecting a 13% contribution, up from 12% last year.



2. *Expanding the Omnichannel retail footprint*

- The brick & mortar store count stands at 1,120 as of 31 December 2023 compared to 1,086 a year earlier.
- Revenue from the omnichannel offering grew by 25.6% to SAR 1,413 million in 2023 making it one of the top e-commerce platforms in the Kingdom.
- "Nahdi Global" significantly increased Nahdi's e-commerce offering. This new revenue stream provides Guests with access to a significantly wider array of competitively priced products, sourced from trusted international manufacturers all over the world.
- Nahdi expanded its UAE presence with 8 new pharmacies, bringing the total to 15, and covering the largest Emirates of Abu Dhabi, Ajman, Dubai and Sharjah. FY 2023 UAE revenue grew by 236%.

3. *Evolving into a leading Omnihealth platform*

- Nahdi added 3 new polyclinics to its portfolio during the year, bringing the total to 6 operational polyclinics.
- In FY 2023, Healthcare revenue grew 106% year-on-year resulting in overall break even in profitability, despite the opening of 3 new polyclinics.
- The 3 more mature polyclinics are profit-generating delivering a combined net margin of more than 10%. During the year, the Company updated its clinic business model making it lighter on CAPEX and OPEX, which resulted in a shorter payback period.
- By expanding polyclinics to Jeddah, Makkah and Taif, Nahdi now covers all major hubs for pilgrims visiting the Kingdom, and the communities that serve them.
- In 2023, the number of Nahdi's virtual medical consultations increased by more than 200% to 564,847 (compared to 276,389 in 2022), and the Company's home healthcare services catered to 14,310 Guests in 2023 (compared to 3,230 in 2022), an increase of 443%.

4. *Enabling Nahdi's key strategic functions.*

- Of the 500,000+ training hours allocated in 2023, 300,000 hours were specific to pharmacists.
- Nahdi maintains partnerships with 24 Universities across the Kingdom, providing more than 2,000 training opportunities for Saudi pharmacist students in 2023.
- In 2023, more than 91% of the company's new hires were Saudis, 40% were women, and 50% of the 361 new Saudi pharmacists hired were women.



- Ranked second “Great Place to Work” in Saudi Arabia in 2023 and among the top companies throughout Saudi, GCC and Asia for the 6th consecutive time.
- The Road to Efficiency Excellence “R2E” program was developed in partnership with a global consultancy firm with an aim to drive efficiency and rationalize Nahdi’s operating expenses.
- Nahdi Global has been launched, utilizing Saudi Arabia’s first bonded zone, based at the state-of-the-art distribution center “IMDAD”.
- In line with the regulations of the National Cybersecurity Authority’s (NCA) in Saudi Arabia, and its equivalent in the UAE, Nahdi launched a comprehensive information security & data privacy program (Himaya)
- In 2023 Nahdi invested in DXP which represents the operationalization of our personalization and data and analytics which improves our guest experience.

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