



Nahdi records SAR 722 million Net Profit as of 9M 2023

- Generates SAR 6.5 billion in revenue and SAR 722 million net profit yielding 11.1% net margin as of 9M 2023.
- Strong fundamentals and diversified business model enabling market share growth while accelerating development of healthcare and e-commerce platforms.

Jeddah, Saudi Arabia – 1 November 2023: Nahdi Medical Company (“Nahdi” or “the Company”), Saudi Arabia’s leading purpose-driven healthcare and wellbeing Company, today reported its financial results for the third quarter of 2023 (“Q3 2023”) and first nine months of 2023 (“9M 2023”).

Operational Highlights	Financial Highlights 9M		
1,105 Nahdi Pharmacies	Financial results	Cash Flow	Value Creation
5 Nahdi Polyclinics	SAR 6.5 billion Revenue	SAR 894 million Cash Flow	14.1% ROA 31.7% ROE
140+ Cities and villages served in Saudi Arabia & UAE	SAR 722 million Net profit	Zero Debit Financial stability	SAR 715 million Dividend Distribution
	11.1% Net Margin	72% FCF conversion rate	SAR 5.6 EPS SAR 5.5 DPS



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

“Guest satisfaction continues to be the center of our strategy informing our long-term growth plans. In the first nine months of 2023 we onboarded an additional 1.2 million ‘Nuhdeek’ Guests, within our loyalty program, reflecting their trust in Nahdi to meet their health & wellness requirements. Nahdi was also the most recommended pharmacy to go to in KSA with an NPS score of 63.

Having said that, I want to acknowledge the more challenging market environment which has prompted us to make a series of strategic decisions to reinforce Nahdi’s market leadership. Our core pharma categories grew 6% in 9M year-on-year, gaining 80bps in market share in the private sector, and our strategic investment in front shop categories has grown our market share with a CAGR of 20bps over the last four quarters consecutively.

Nahdi’s strong fundamentals and diversified business model enable it to invest for the future. In particular, our e-commerce platform is crucial to ensuring our competitiveness versus global retailers and e-commerce players and we will continue accelerating its development over the coming years. In the first nine months of 2023 e-commerce grew 21%, compared to the same period last year, reaching 16% revenue contribution supported by the addition of Nahdi Global which offers our Guests endless shelves of global products.

With regards to our long term investment, our NahdiCare business model drives Guest loyalty through comprehensive and integrated primary care services, generating SAR 100 million in medicine business to the pharmacy and expected to support total profitability for the long term. Our more mature clinics are currently generating 15%+ net margin thereby validating our decision to accelerate our 5-year NahdiCare clinic plan.

In the UAE, Nahdi’s Omnichannel offering is now available across three cities - Abu Dhabi, Dubai, and Sharjah - tripling revenue in 9M 2023 compares to the same period last year with a healthy growth pipeline, thereby validating our confidence to operate beyond the borders of Saudi Arabia.

As we look ahead, Nahdi will remain focused on reinforcing market share, accelerating the development of the e-commerce & healthcare businesses, and continuing to win the hearts and minds of our Guests.”



Financial Performance

The Company recorded revenue of SAR 6.5 billion in 9M 2023, and SAR 2.16 billion in Q3 2023, remaining relatively flat compared to 9M 2022 and Q3 2022 respectively. Nahdi's revenue contribution from its leading Medicine segment grew 6% YoY, driven by incremental SAR 50 million prescription referrals from NahdiCare clinics, our investment in provider pharmacies, and strategic partnerships with insurance companies. Nahdi's front shop was impacted by thinner disposable income levels which led to a -3.8% YoY revenue decline, and subsequently put pressure on profitability to remain competitive with global e-commerce players.

Nahdi recorded a gross profit of SAR 2.65 billion in 9M 2023, and SAR 874 million in Q3 2023, declining 1.2% and 4.0% in 9M 2022 and Q3 2022 respectively. The performance is primarily driven by flat revenues and slight increases in the cost of sales, as the Company invested more in its pricing strategy to grow market share and remain competitive against global online players.

Nahdi recorded 11.1% net margin and SAR 722 million net profit in 9M 2023 and SAR 213 million in Q3 2023, declining by 5% and 16.2% respectively. The decline resulted from the lower gross profit and a slight increase in operating expenses to support a variety of strategic initiatives, including self-funded investments in provider pharmacies, clinics, and the broader healthcare business, in addition to investments in Nahdi's continued digital transformation, and marketing support around Nahdi Global.

Nahdi enjoys a strong cash position and holds zero debt, with returns from Islamic deposits helping to partially offset the profit decline. Moreover, the Company was able to improve its free cashflow conversion rate from 53% in H1 2023 to 72% in Q3 2023, due to strong operational fundamentals and efficient working capital management.

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

"Nahdi continues to enjoy strong profitability margins, a testament to our strong business fundamentals and efficient management of operations and working capital which have allowed us to build a robust cash position while maintaining zero debt levels.

It is from this strong position that we have been able to quickly address shifting consumer behavior while also supporting capex requirements without the higher expenses other



companies would face from servicing debt in this interest rate environment. As of 9M 2023, ROA was 14.1% and ROE was 31.7%, reflecting robust returns to our investors by many standards.”

Operational Performance

Nahdi continues executing on its four strategic pillars to drive the Company’s performance on its journey to enriching its Guests’ experiences:

1. Strengthening the core retail offering

- Nahdi’s revenue contribution from its leading medicine segment grew 6.0%, mainly driven by provider pharmacies, insurance, and prescription flow from Nahdi’s Omnihealth platform.
- This growth was offset by a -3.8% decline in some divisions within the non-pharma segment driven by pressures on disposable income. However, Nahdi’s investment in pricing to remain competitive, in conjunction with its e-commerce platform managed to grow front shop market share with a CAGR of 20bps for the last 4 quarters consecutively, with a 50bps growth in Q3 vs Q2 2023.
- The Company continued to defend its margin under Private Label & Direct Imports products, recording a revenue increase of 8.1% to SAR 886 million in the first 9 months of 2023. The revenue contribution increased to 14%, compared to 13% last year.

2. Expanding the Omnichannel retail footprint

- During the first 9 months of 2023, Nahdi kept investing in its store mix as the Company shifts its proposition ‘from convenience to experience’ ensuring consistent traffic to certain Brick & Mortar formats. The overall store count increased to 1105 from 1091.
- Nahdi’s Omnichannel platform provides Guests with seamless access to health and wellbeing products and services at fair value. In the first 9 months of 2023, the number of unique visitors increased from 2.2million to 2.5million for the same period last year, which translated into a 21% increase in online sales exceeding SAR 1 billion. This reflected positively in terms of online contribution to the total revenue, reaching 16% compared to 13% for the same period last year.



- In 2023, Nahdi expanded its presence in the UAE by 5 pharmacies bringing the total to 12 pharmacies covering Abu Dhabi, Dubai and Sharjah. Annual revenue grew threefold during the first 9 months of 2023 with further expansion plans underway.

3. *Evolving into a leading Omnihealth platform*

- As part of its long-term investment strategy, Nahdi continues to lead the charge in redefining the future of healthcare in the Kingdom by seamlessly integrating primary healthcare, pharmacy, and digital services, to provide a unique value proposition to its Guests and investors.
- Nahdi began scaling its Omnihealth platform in 2022 to increasingly become a national hub in primary healthcare. The Company is accelerating the delivery of polyclinics which are pivotal to Nahdi's Omnihealth platform, increasing to 5 in the first 9 months of 2023, from 3 in 2022 and the aim is to reach 7 fully operational Clinics by end of Q1 2024. Further, visitations went up by 172% for the first 9 months (485k vs. 178k).
- Revenue for healthcare has doubled compared to 9M 2022 with three clinics out of four being profitable.
- An improved, lighter business model has led to shorter payback periods, delivering more than 15% net margin in the medium term.
- The integration between healthcare and core retail business is exemplified by the fact that healthcare revenue generates 1.2 times the revenue from pharmacies. This translated into SAR 86mn healthcare revenue generating SAR 100 million revenue in retail for the first 9 months.
- Moreover, virtual consultations have increased 194% (555k vs. 286k) in the last 9 months, demonstrating significant growth in Guest adoption of Nahdi's Omnihealth proposition.
- Nahdi has witnessed very positive indications that once Guests are exposed to the full omnihealth ecosystem, their spend increases three-fold.

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

- Nahdi keeps investing in its greatest asset, its people, with more than 500,000 training hours delivered to Nahdi employees throughout the year.
- Nahdi maintains partnerships with 24 Universities across the Kingdom, providing more than 2,000 training opportunities for Saudi pharmacist students in 2023.



- Additionally, Nahdi continues to lead the way in Saudization, with approximately 100% of hiring in 2023 consisting of Saudi nationals.
- These efforts are being recognized and Nahdi has been certified Great Place to Work in 2023 and is consistently highly ranked among the top “Great Places to Work” in Saudi, GCC & Asia since 2014.

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