

# KSA Healthcare Sector Report

Investment Update | April 2026



Capacity expansions amid rising Competition, with Earnings Growth and Re-rating Ahead

السعودي الألماني الصحية  
Saudi German Health

الموسى الصحية  
Almoosa Health

فقيه  
مجموعة فقيه للرعاية الصحية  
Faqueh Care Group

Al Hammadi  
Holding

رعاية الطبية  
CARE MEDICAL

مستشفى المواساة  
Mouwasat Hospital

دله الصحية  
Dallah Health



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KSA's healthcare sector is transitioning from capacity build-out to a more balanced phase of utilization-led growth and monetization, supported by strong structural demand drivers and sweeping policy reforms under Vision 2030. The sector benefits from favorable demographics, including a rapidly ageing population and rising burden of non-communicable diseases, alongside a sharp rise of 5% Y/Y in tourism inflows (~122mn visitors in 2025) that is structurally expanding episodic and acute care demand—particularly in key hubs (Makkah and Madinah). At the same time, rising insurance penetration (~36.8% coverage in 2025 vs 27.0% in 2020) and a growing premium pool (9M25 GWP recorded at SAR 36.9bn, up 11% Y/Y, 17-YR CAGR till 2024~14.5%) are materially improving revenue visibility and affordability, accelerating private sector participation. This has triggered an aggressive capacity expansion cycle, with ~4.3K beds (c.36% of FY25s capacity) expected to be added by FY30e, driving a ~10.6% revenue CAGR for the sector. However, near-term growth quality remains impacted by margin pressures from ramp-up costs, higher staffing costs, and heightened competition—especially in Riyadh, which accounts for ~45% of the listed private bed capacity and is witnessing concentrated supply additions. Despite this, the sector remains structurally attractive, with improving operating leverage and normalization in capex intensity expected to support margins expansion and earnings growth over the medium term. With the sector currently trading at ~21.1x forward P/E (below historical averages), we see scope for re-rating as new capacities mature, although risks remain around execution delays, competition intensity, and regulatory uncertainties such as DRG implementation. Consequently, we recommend “Overweight” rating on **Almoosa** (TP: SAR 165.9), **Dallah** (TP: SAR 165.7), **Care** (TP: SAR 162.0) and **Mouwasat** (TP: SAR 90.6), while we recommend “Neutral” rating on **HMG** (TP: SAR 270.7), **MEH** (TP: SAR 41.5), **Fakeeh** (TP: SAR 36.8) and **Hammadi** (TP: SAR 32.0), with risks around execution delays, competitive intensity, and regulatory uncertainties such as DRG implementation. Within this context, Dallah and Care stand out as our preferred names, given their attractive valuation positioning and visible short to medium-term earnings growth triggers.

**Structural demand drivers underpin long-term healthcare expansion in KSA:** The Kingdom's healthcare demand outlook remains structurally strong, supported by a combination of demographic tailwinds and evolving disease burden. Population growth at ~2.1% CAGR, alongside a sharp rise in the ageing cohort (65+ population expected to reach ~6% by 2030), is driving sustained demand for chronic and long-term care services. This is further exacerbated by the high prevalence of non-communicable diseases, with ~47% of deaths linked to NCDs and elevated levels of diabetes and obesity across the population. Additionally, record tourism inflows (~122mn visitors in 2025 vs 116mn in 2024) and Umrah volumes (~35.8mn) are expanding episodic and emergency care demand, particularly in Makkah and Madinah, necessitating higher tertiary care readiness and supporting private sector revenue diversification.

**Policy overhaul and insurance expansion accelerating private sector monetization:** KSA's healthcare sector is undergoing a structural transformation under Vision 2030, with a clear shift from a public-led model toward a privatized and efficiency-driven ecosystem. HSTP aims to increase private sector participation in healthcare spending from ~20% to 60% by 2030, supported by PPP frameworks and large-scale privatization of ~290 hospitals and ~2,300 primary health centers. Concurrently, rising insurance penetration (~36.8% of population) and expansion in health insurance premiums (SAR 36.9bn as of 9M-25) are significantly enhancing affordability and revenue visibility for private operators. The government's target to expand insured lives to ~23mn by 2030, along with mandatory coverage for residents and visitors, is expected to materially deepen the monetization pool and drive higher patient volumes for private providers.

**Capacity expansion cycle intensifying competition, particularly in Riyadh:** The sector is currently in the midst of an aggressive capacity build-out phase, with ~4.3K beds (c.36% of FY25 capacity) expected to be added by FY30e, led by key players such as Mouwasat, Fakeeh, and AlMoosa. However, despite structural undersupply (23.4 beds per 10,000 vs higher global benchmarks), competitive intensity remains elevated due to geographic concentration of capacity additions. Riyadh, accounting for ~45% of private bed capacity, has emerged as the primary battleground, with significant clustering of new hospitals in North Riyadh micro-markets. This has intensified competition for physicians, payor contracts, and insured patient volumes, leading to longer ramp-up cycles and margin pressure for new facilities. The top four listed players control ~70% of private beds, reflecting a consolidated yet highly competitive landscape where scale, specialization, and execution capabilities drive differentiation.

**Near-term margin pressure offset by medium-term operating leverage and growth visibility:** While strong demand and expansion pipelines are driving robust revenue growth (sector revenues expected to grow from SAR 31.4bn in FY25 to SAR 51.8bn by FY30e, implying ~10.5% CAGR), profitability remains under pressure in the near term. Margin compression—~170bps at operating level in FY25—has been driven by upfront fixed costs, rising staff expenses, and slow ramp-up of new facilities. However, as new capacities mature and utilization improves, operating leverage is expected to drive gradual margin expansion (~60bps improvement by FY30e), supporting earnings growth across the sector. This transition from capex-heavy expansion to utilization-led growth is expected to enhance return ratios and cash flow generation over the medium term.

**Attractive sector thesis supported by valuation comfort and re-rating potential:** KSA's private healthcare sector offers a compelling investment case, driven by structural demand drivers, strong policy support, and increasing preference for private healthcare (private share of patient visits rising to ~42%). Despite these tailwinds, the sector is currently trading at ~21.1x forward P/E, significantly below its historical average of ~35x, indicating that near-term execution risks are largely priced in. As capex intensity moderates and new facilities reach maturity, we expect a gradual re-rating supported by improving margins, earnings visibility, and return profiles. While regulatory uncertainties (such as DRG implementation), competitive intensity, and execution risks remain key overhangs, the medium- to long-term outlook remains positive, underpinned by sustained demand growth and structural transformation of the healthcare ecosystem. Consequently, we recommend **"Overweight"** rating on **Almoosa** (TP: SAR 165.9), **Dallah** (TP: SAR 165.7), **Care** (TP: SAR 162.0) and **Mouwasat** (TP: SAR 90.6), while we recommend **"Neutral"** rating on **HMG** (TP: SAR 270.7), **MEH** (TP: SAR 41.5), **Fakeeh** (TP: SAR 34.3) and **Hammadi** (TP: SAR 32.0).

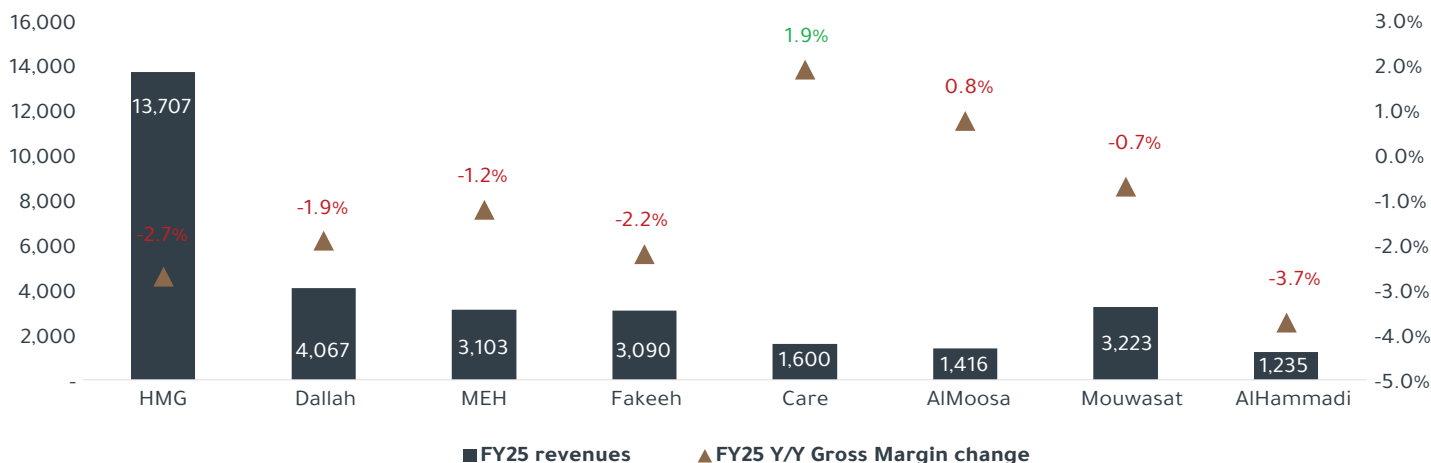
**Fig 1. Target Price & Recommendation**

Company	TP (SAR/share)	Upside/ (Downside)	Recommendation	FY26E DY	FY26E P/E
HMG	270.7	8.8%	Neutral	2.3%	30.8x
Dallah	165.7	34.6%	Overweight	1.8%	21.2x
Mouwasat	90.6	26.7%	Overweight	3.0%	18.1x
MEH	41.5	7.8%	Neutral	0.0%	27.6x
Care	162.0	28.4%	Overweight	2.6%	17.5x
Almoosa	165.9	19.3%	Overweight	0.8%	26.0x
Fakeeh	34.3	-3.4%	Neutral	0.9%	31.2x
Hammadi	32.0	20.1%	Neutral	3.6%	18.9x

Source: Argaam, Company, Aljazeera Capital research; close as of 20<sup>th</sup> April 2026

**Healthcare companies FY25 financial performance at a glance:** During FY25 our healthcare coverage universe witnessed consolidated revenue growth of 18.2% Y/Y alongside 8.1% growth in the bottom line. The revenue growth was led by improvements in patient visits, ramping up previous expansions, and operational efficiencies. Although this drove revenue growth, the gross/operating margins contracted by ~210/170bps Y/Y in FY25, reflecting margin compression from rapid capacity expansion, rising labor costs, and the slow ramp-up of new facilities.

**Fig 2. Bed expansion although has been driving revenue trajectory, but taking a toll on the gross margins; Steep 120-370bps Y/Y gross margin erosion witnessed across our coverage companies (ex-Care) due to slow ramp-ups, upfront fixed cost**

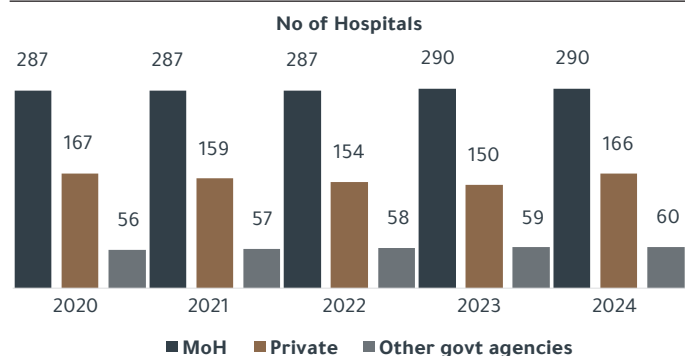


Source: Company, Aljazeera Capital Research

### KSA's healthcare sector landscape transitioning from public sector dominance to privatized and specialized healthcare model

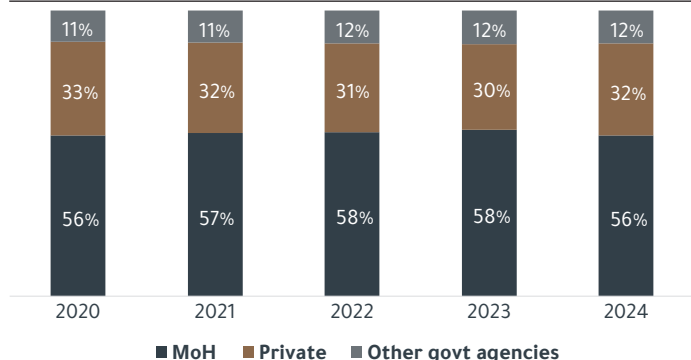
KSA's healthcare system is witnessing a shift from a predominantly public-led model to an increasingly balanced public-private structure. As of 2024, the Kingdom had 516 hospitals, with the private sector operating 166 facilities (32% share). The private sector growth has been driven by i) expanding insurance coverage, ii) urban concentration of demand and iii) regulatory reforms under Vision 2030. While public hospitals still dominate in bed capacity, private players are gaining share in outpatient services, specialized care, and high-income urban centers like Riyadh and Jeddah.

**Fig 3. KSA's healthcare landscape has 516 hospitals**



Source: MOH 2024, Aljazeera Capital Research

**Fig 4. Public sector has been ceding share to private sector**

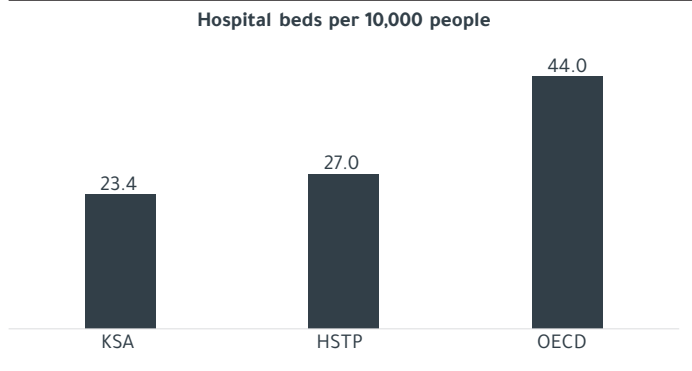


Source: MOH 2024, Aljazeera Capital Research

### KSA's healthcare infrastructure faces structural and regional inequities

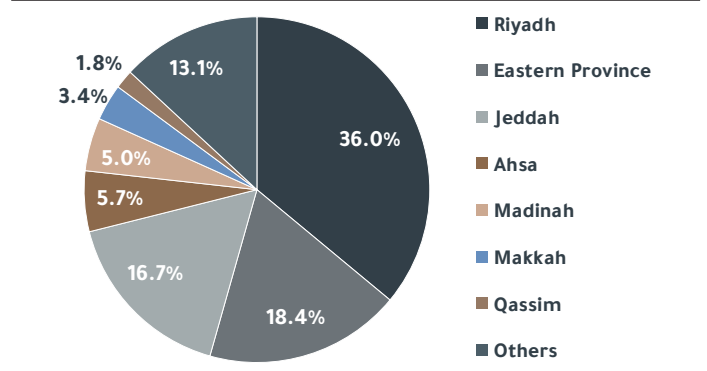
Despite rapid modernization, KSA's healthcare system still exhibits further headroom for growth in terms of beds availability. As of 2024, the Kingdom had 23.4 hospital beds per 10,000 people, falling short of HSTP (Health Sector Transformation Program) target of 27 beds by 2030, and OECD avg beds availability of 44 per 10,000 people, respectively. The public sector dominates this capacity by capturing 75% of the beds, while the private sector captures just 25%. Regional disparities further exacerbate this structural capacity gap, as populous regions like Makkah and Madinah lag significantly below the national average. These structural imbalances pose a challenge to equitable access, especially given the growing demand and Vision 2030's target to boost private-sector participation.

**Fig 5. Comparative bed capacity shows undersupply in KSA's healthcare landscape**



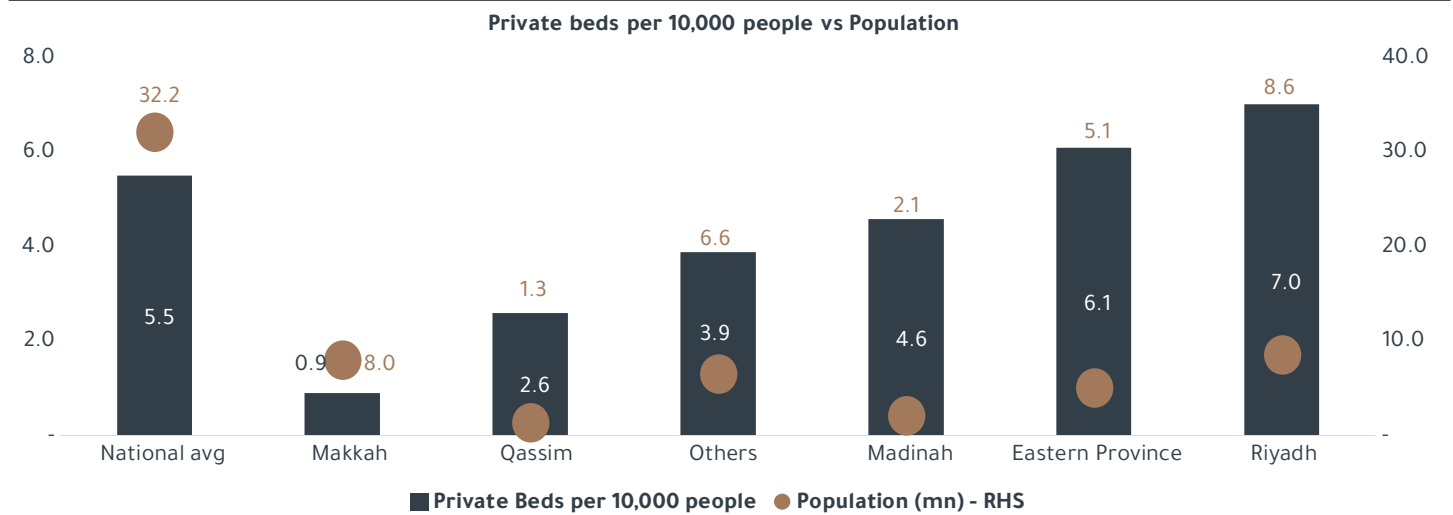
Source: MOH 2024, Aljazeera Capital Research

**Fig 7. Regional inequality in private hospital bed allocation underscores the access gaps**



Source: MOH 2024, Aljazeera Capital Research

**Fig 7. Despite larger share of population, regions like Makkah and Madinah underserved by private sector bed capacity, highlighting the prominent regional structural capacity gaps**

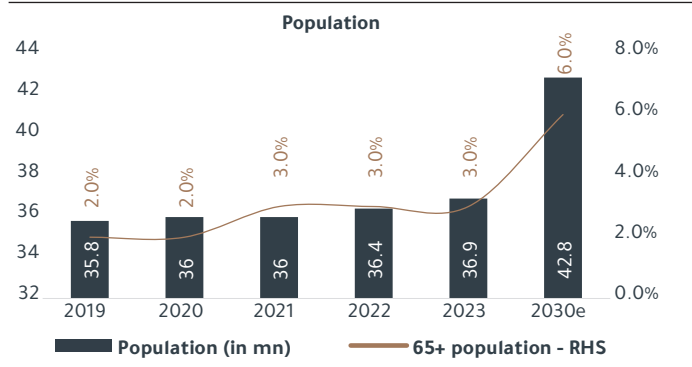


Source: MOH 2022, Aljazeera Capital research. Note: Size of the bubble indicates Population as on 2022

### Demographic ageing and NCD burden driving structural expansion in KSA's healthcare demand

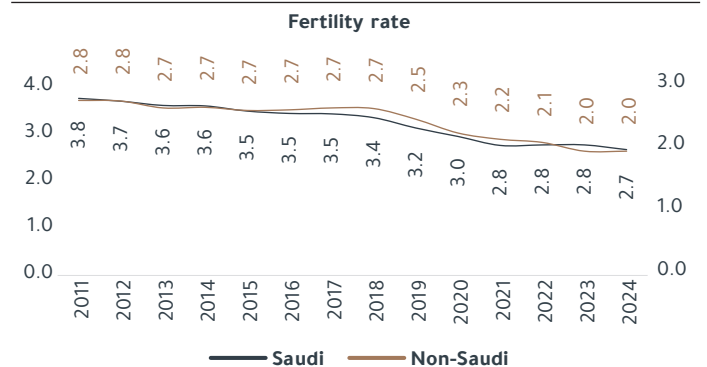
In medium to long term, KSA's healthcare system is experiencing rising and ageing population and rising burden of non-communicable diseases, alongside high road accidents and growing mental health cases. The steady rise in 65+ population from 2% in 2021 to 6% by 2030e, alongside a c.29% decline in fertility rate to ~2.0 in 2024 in the last 14 years, signals a structural ageing shift that will intensify long-term and chronic care demand. Elevated diabetes prevalence, 45.1% adult overweight prevalence, and NCDs accounting for 47% of deaths further underscores the need for expanded acute and specialized care capacity.

**Fig 8. KSA's population growth at 2.1% CAGR with 65+ growing at 12.8%; Rise in ageing population base**



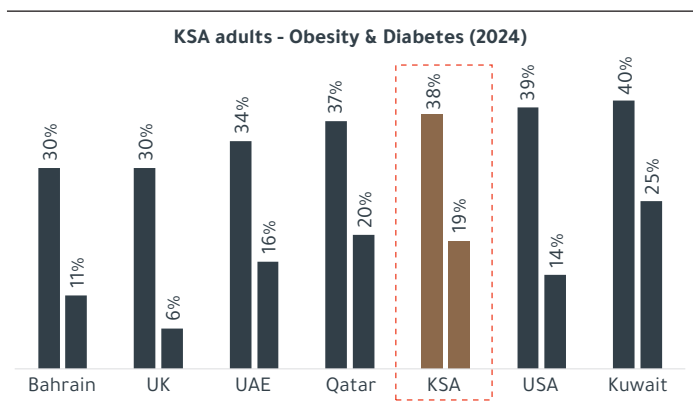
Source: SMC Prospectus, Aljazeera Capital Research

**Fig 9. Fertility rate declines from 2.8 in 2011 to ~2.0 in 2024 reinforcing moderation in new births**



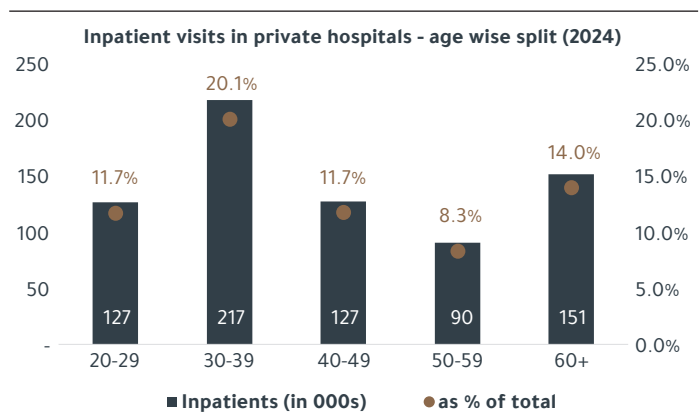
Source: MoH 2024, Aljazeera Capital Research

**Fig 10. KSA adults have one of the highest share of obesity & diabetes versus its GCC peers**



Source: SMC Prospectus, Aljazeera Capital ésearch

**Fig 11. Stronger insurance coverage & maternity demand lift admissions for 30-39 cohort; age related complications lift 60+ inpatient admissions**



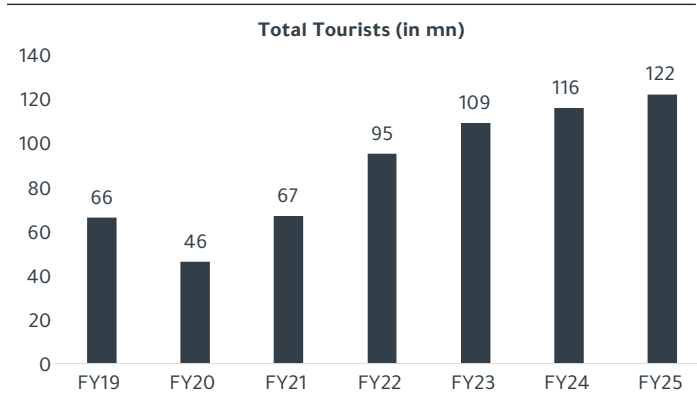
Source: MoH 2024, Aljazeera Capital ésearch

### Tourism overachievement strengthening structural healthcare demand

The sharp rise in tourist volumes to ~122mn in 2025 and Umrah pilgrims to ~35.8mn (H1-25) structurally expands episodic and emergency healthcare demand, particularly in Makkah, Madinah and key transit hubs. Higher inbound flows necessitate scaling acute care capacity, multilingual services, and public health preparedness, while also supporting private hospital revenue diversification through insured international patients.

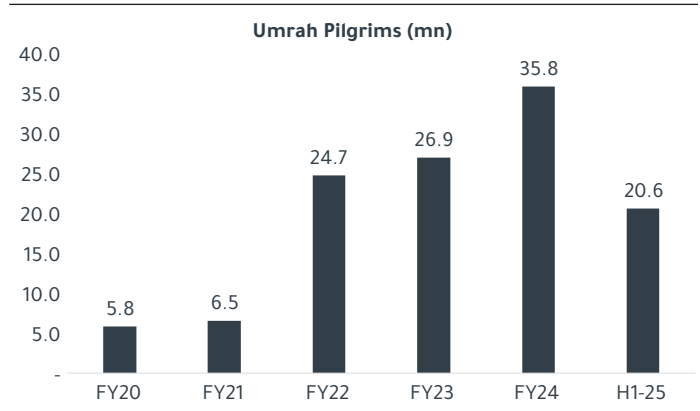
Pilgrimage-related inflows also bring a higher incidence of complex and high-acuity medical cases. Around 20% of pilgrims with underlying illnesses are diabetic, with complications such as diabetic ketoacidosis, severe hypoglycemia, infections and heat-related illnesses frequently reported amid dense gatherings and extreme temperatures. As a result, healthcare systems are required to provide advanced tertiary services during peak seasons, including renal dialysis, cardiac catheterization and emergency surgical interventions. This sustained seasonal demand for specialized care is expected to strengthen the long-term investment case for private healthcare capacity expansion in Makkah, Madinah and surrounding regions.

**Fig 12. Consistent rise in tourist arrivals can expand episodic and emergency care demand**



Source: SMC Prospectus, Aljazeera Capital ésearch

**Fig 13. Surge in Umrah pilgrim volumes intensify acute care and public health requirements in key pilgrimage hubs**

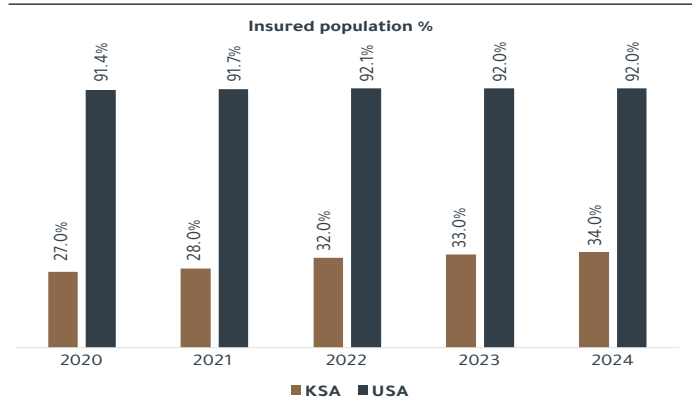


Source: MoH 2024, Aljazeera Capital ésearch

### Rising insurance penetration and premium pool expanding healthcare monetization

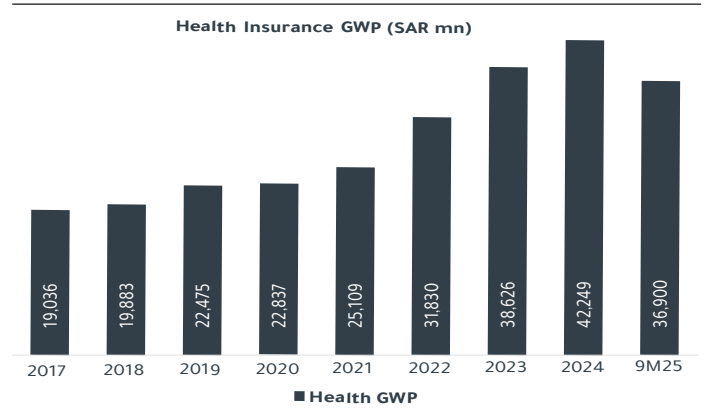
The share of population with health insurance has expanded to ~36.8% in 2024 alongside the expansion of health insurance GWP to SAR 36.9bn by 9M-25. This significantly expands the private healthcare revenue pool. Higher premium volumes and coverage penetration enhance affordability, support capacity expansion, and improve revenue visibility for private hospital operators. Moreover, under the recently approved National Insurance Sector Strategy, the Government has set a goal to increase the insured lives to 23mn by 2030 from the 13.1mn in 2024. Despite lack of details on the nitty-gritty of this strategy, its full implementation in letter and spirit can significantly increase revenues of the private healthcare operators in the medium to long term.

**Fig 14. Health insurance penetration in KSA rises to ~34.0% while US remains above 92%, indicating further headroom for coverage expansion**



Source: Argaam, US Census, Aljazeera Capital Research

**Fig 15. Health insurance GWP reaches SAR 36.9bn in 9M-25 thereby strengthening the funding capacity for private providers**



Source: Argaam, Aljazeera Capital research

### Policy overhaul to build a more efficient and private-sector driven healthcare system for KSA

KSA's healthcare system is undergoing a sweeping transformation driven by Vision 2030, with reforms aimed at improving efficiency, expanding private-sector participation, and enhancing quality of care across the Kingdom. KSA's HSTP has made healthcare a high-priority reform area. A central goal of HSTP is to dramatically increase private-sector involvement: the program aims to raise private healthcare spending from around 20% of total health expenditure today to 60% by 2030. This shift is being supported through a public-private partnership (PPP) framework, and the MoH expects substantial private investment.

**Fig 16. HSTP's multi-pronged approach**



The program contributes to achieving:

- Saudi Vision 2030 pillar  
One of the three major pillars
- Level 1 objectives  
Overarching objectives
- Level 2 objectives  
Branch objectives
- Level 3 objectives  
Strategic objectives

Source: Vision 2030, Aljazeera Capital research

**Fig 17. Strategic cornerstones of KSA's HSTP**



Better health



Better care



Better sustainability



Better workforce

Source: Vision 2030, Aljazeera Capital research

Complementing HSTP, KSA has committed to privatize a large portion of its public hospital infrastructure. Specifically, the plan calls for the privatization of 290 hospitals by 2030, along with 2,300 primary health centers. This effort is a part of a broader push to turn more healthcare delivery over to private providers, reducing MOH's direct role as a service provider and transitioning its function more toward regulation. As a part of the new healthcare structure, regional health clusters will be organized with the aim of improving system efficiency and service quality. These clusters are designed to reduce wait times, eliminate service redundancies, and enhance care delivery for beneficiaries. Each cluster will serve approximately 1mn people through an integrated network of primary care centers, general hospitals, and specialized services. Under this model, CNHI will offer free insurance and facilitate access to treatment by purchasing healthcare services from the Health Holding Company. The private sector is expected to play a key role in delivering these services and managing operations within the clusters through PPP arrangements.

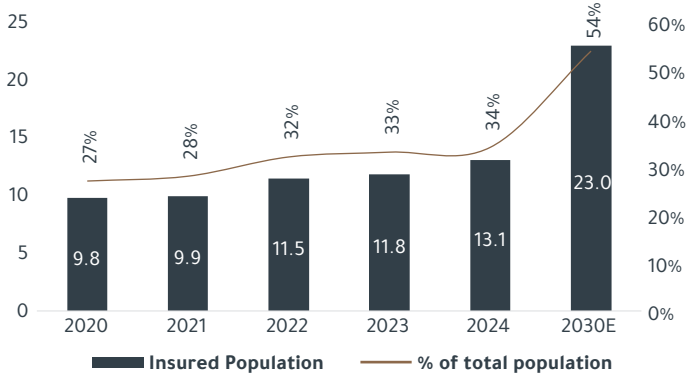
**Fig 18. Multi-fold impact of the Modern Care Model on the beneficiaries**



Source: Vision 2030, Aljazeera Capital research

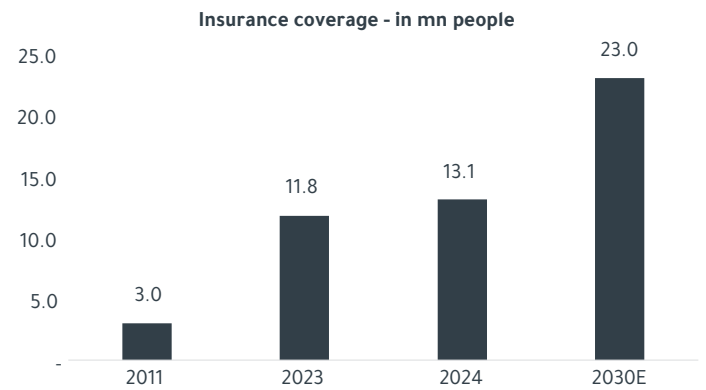
To further drive the private sector engagement and universal access, HSTP intends to roll out universal healthcare for its population to grant individuals access to healthcare services from private providers. Currently around 37% of the total population is covered by health insurance. The mandate for all private sector employees and all visitors to KSA to have health insurance coverage will act as an impetus to the health insurance penetration in KSA. This nationwide private insurance opens the gates for a huge influx of patient volumes. This initiative is expected to double the class B, A and VIP patient volumes for some healthcare providers.

**Fig 19. Initiatives driven by the government over the years has raised insurance coverage penetration**



Source: MOH, Aljazeera Capital Research

**Fig 20. Mandatory insurance to be a key driver supported by CHI's target of covering 23mn people by 2030e**

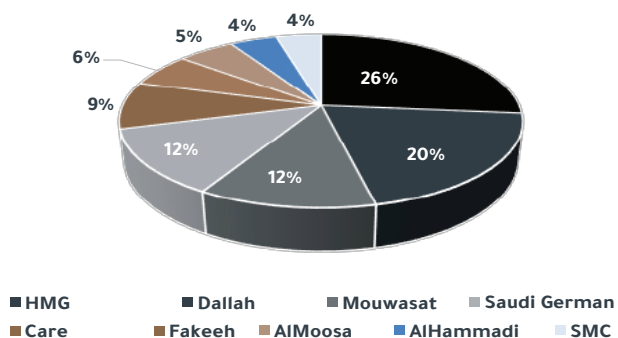


Source: CHI, Aljazeera Capital Research

### Competitive landscape: High consolidation amid low bed density

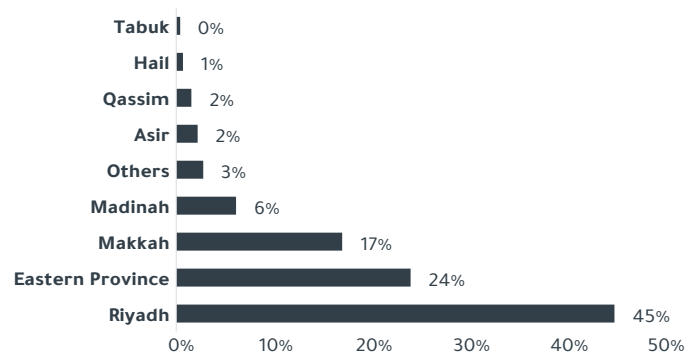
Despite the under penetration in KSA's healthcare industry—at 23.4 beds per 10,000 people—the private sector remains intensely competitive and consolidated. Our estimates indicate that the top four listed private operators control nearly 70% of the 13.3K private beds available as of FY25, underscoring a highly consolidated landscape. This competition becomes even sharper when viewed through a provincial lens: In Riyadh, the total bed capacity is projected to rise by ~6,850 beds to reach ~30,000 by 2035e, with around 40% expected to come from the private sector. Riyadh alone accounts for roughly 45% of the total private bed capacity, making it the primary battleground for market share among all major incumbents. Eastern Province (24%) and Makkah (17%) follow, but with meaningfully smaller shares, reinforcing Riyadh's position as the strategic epicenter where operators are most active in expanding capacity and strengthening their footprint.

**Fig 21. KSA' listed private healthcare industry remains consolidated as top-4 players control 70% of the beds as on FY25**



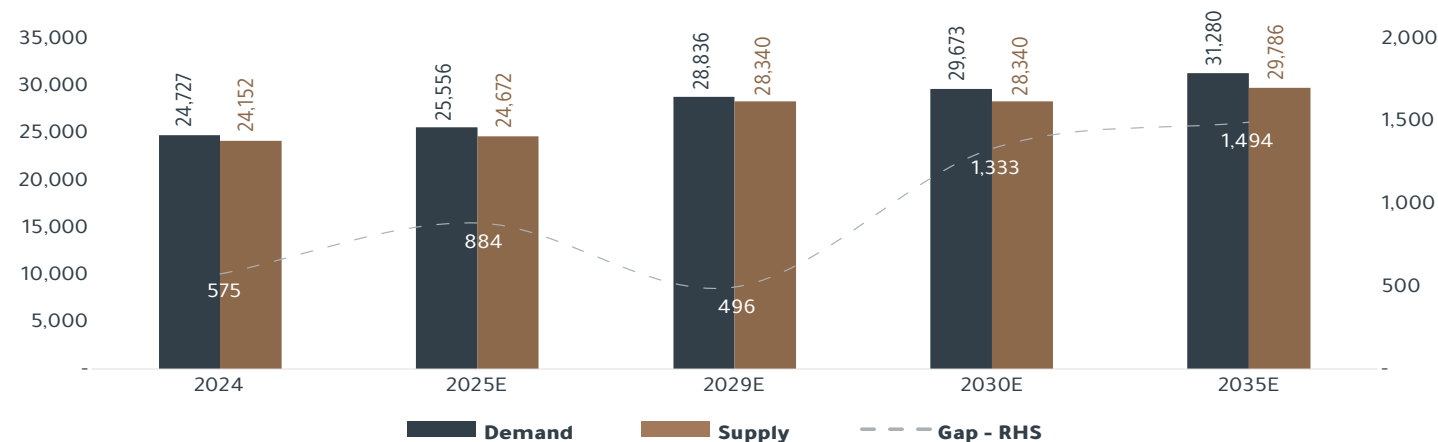
Source: Aljazeera Capital Research. Note: Market share based on bed capacity as on FY25 basis our estimates

**Fig 22. Provincial distribution suggests Riyadh to be the battleground for private healthcare operators**



Source: Aljazeera Capital Research. Note: Market share based on bed capacity as on FY25 basis our estimates

**Fig 23. Capacity build-out in Riyadh supports long-term growth for operators**



Source: Company, Aljazeera Capital Research

### Riyadh's rising bed density and the intensifying battle for healthcare market share

Despite a structurally undersupplied healthcare landscape in Riyadh (as highlighted in Fig. 22), the region's supply gap is expected to narrow materially, reaching its lowest level of c.496 beds by FY29e as the bulk of announced capacity additions comes online. The influx of new beds – particularly concentrated in North Riyadh – is likely to further intensify an already competitive operating environment. This wave of expansion reinforces Riyadh's position as the primary destination for capital deployment within KSA's private healthcare ecosystem.

Upcoming capacity additions are heavily clustered within key sub-markets such as Al Narjis, Northern Ring Road, Al Malqa and Khuzam, pointing to an increasing geographic concentration of hospital infrastructure. Such clustering is expected to heighten the competition at micro-market level, particularly in physician recruitment, development of specialized service lines and payor network positioning. With Riyadh already accounting for c.45% of private sector capacity and the top four private listed operators controlling nearly 70% of the market, incremental bed additions are unlikely to translate into proportional gains in pricing power. Instead, competitive dynamics are likely to manifest through more aggressive physician hiring, renegotiation of payor contracts and ongoing efforts to optimize case mix.

Mid-tier operators such as AlHamadi and SMC appear structurally compelled to continue expanding capacity to defend market share against well-established leaders including HMG and Dallah. In our view, rising bed density within an already concentrated market elevates execution risks and increases margin sensitivity – particularly for single-region operators with limited geographic diversification.

Recent sector developments further illustrate these competitive pressures. Fakeeh's acquisition of a 180-bed Riyadh hospital in 2022 and its relaunch in March 2023 highlight the prolonged ramp-up cycles associated with new facilities in the city. Importantly, HMG's flagship ~500-bed Sahafa Hospital, inaugurated in 2024, is in very close proximity – almost adjacent – to Fakeeh's Riyadh facility. This micro-market clustering has significantly intensified competition for physicians, insured patient volumes and payor contracts within the immediate catchment area. As a result, despite commencing operations in 2023, Fakeeh's hospital remains loss-making and is expected to reach net profitability breakeven only by FY27e, implying gestation period of ~4 years.

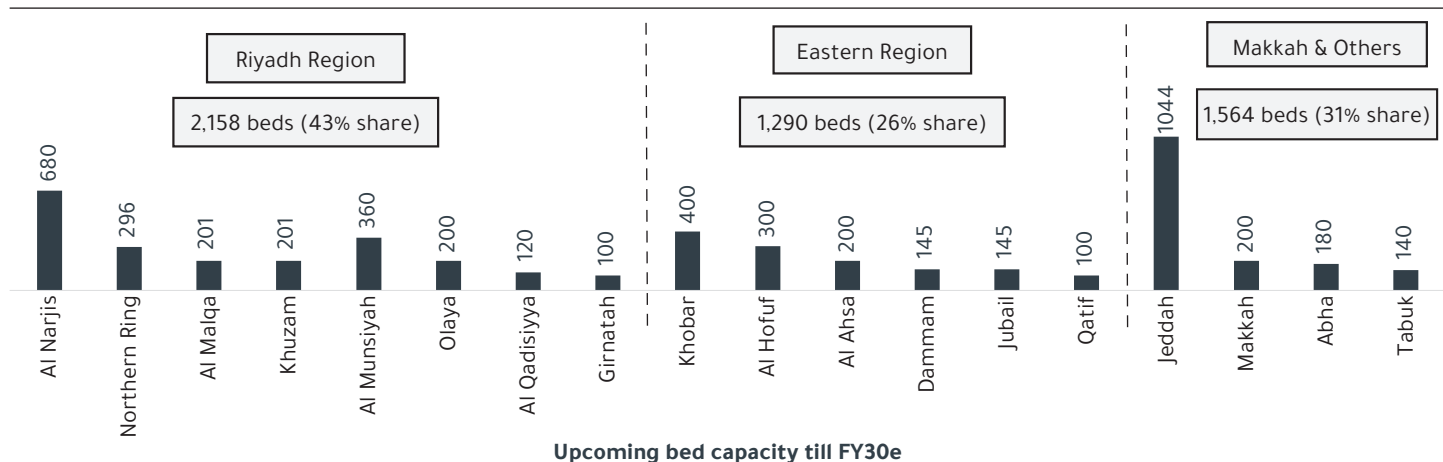
Against this backdrop, we remain cautiously positive on new capacity additions within our healthcare coverage universe, while factoring in longer-than-historical timelines to achieve breakeven profitability and optimal occupancy levels amid rising competitive intensity in Riyadh's northern corridor.

### Supply build-up and new flagship hospitals reshape competitive landscape in Jeddah

In comparison, Jeddah, which accounts for ~17% of KSA's private healthcare capacity is also witnessing a steady build-up in supply, with total private sector beds expected to increase from c.9.5k currently to around 10.7k by 2030, despite relatively modest population growth to ~5.0mn. Upcoming hospital additions are largely concentrated in northern coastal corridors such as South Obhur and Al Zahra, signaling a continued deepening of private healthcare presence across key catchment areas of the city. As new facilities become operational within these clusters, competitive dynamics are likely to tighten, particularly among multi-city operators seeking to strengthen referral linkages between Riyadh and the western region.

Competitive pressures are already becoming visible at the facility level. The performance trajectory of the c.307-bed International Medical Center (IMC) hospital, in which Dallah holds 27% stake has remained operationally satisfactory but reflects more challenging profitability backdrop amid rising competition following the launch of two flagship hospitals by HMG in Southwest and North Jeddah. This pressure is evident in Dallah's share of profit from IMC, which declined 92% Y/Y to SAR 2.2mn in 9MFY25 and subsequently turned into a loss of SAR 46mn by FY25. In addition to heightened competition within Jeddah, the opening of a new polyclinic in Makkah by IMC has also contributed to earnings pressure by increasing competitive overlap within IMC's broader catchment area. While competitive intensity in Jeddah remains lower than Riyadh in absolute terms, the ongoing increase in total capacity is likely to sustain pressure on ramp-up timelines and moderate near-term margin expansion for newer assets across the western region.

**Fig 24. Eastern, Riyadh and Jeddah regions emerge as expansion hubs; Incumbents targeting the upcoming expansions in these regions; HMG, Dallah, Mouwasat & Fakeeh already have a strong hold in these regions thereby increasing the competitive landscape for new entrants**



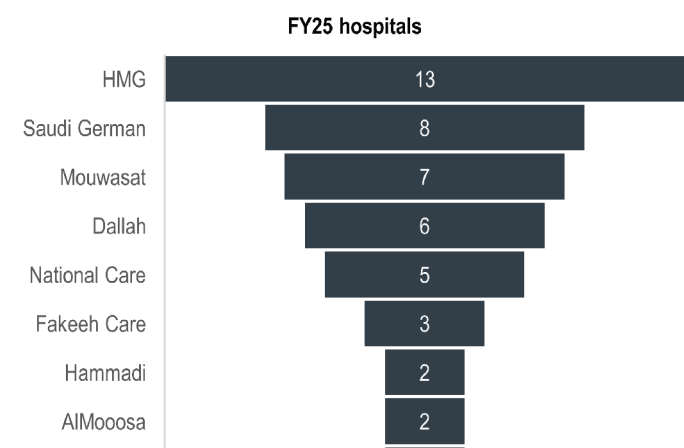
Source: Argaam, Aljazeera Capital Research

Competition has expedited as Vision 2030 initiatives set the private sector on the center stage of the healthcare sphere. Supported by strong demand and policy tailwinds, private healthcare providers are into a multi-year expansion cycle. Over FY25-30e, our coverage companies are expected to add 4.3K beds (almost 36% of FY25 capacity) to the public listed bed capacity count, to reach 16.3K beds by FY30e via greenfield/brownfield expansions. The largest expansion is led by **Mouwasat** with 1,120 bed additions (26% of total additions), followed by **Fakeeh Care** at 840 beds (20% of total additions), followed by **AIMoosa** at 700 beds (16% of total additions). **HMG** and **Hammadi** are expected to add 590 and 400 beds, respectively. On the other hand, **Dallah, Care & MEH** are expected to add 250, 200 beds and 194 beds, respectively.

### Performance Outlook

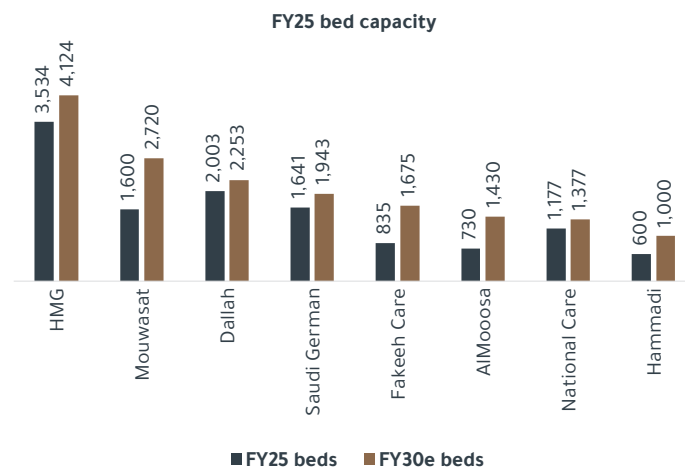
Robust growth initiatives are underway by KSA government to boost the growth of hospital chains. The bed capacity expansions planned by the incumbents to arrest the growing demand are likely to expand the revenues of our coverage companies from SAR 31.4bn in FY25 to SAR 51.8bn by FY30e, implying a robust 10.5% CAGR. Since most of the capex for the planned expansions is likely to be incurred over FY26-28e, we expect the margins to be impacted in the near to medium term. However, over the long term the margins are likely to expand at the expanded capacities turning mature to capture the growing demand potential. Over FY25-30e, we expect the operating margins of the incumbents to expand modestly by 60bps, from an average of 17.8% in FY25 to an average of 18.4% by FY30e.

**Fig 25. HMG is the largest operator with 13 hospitals, while SMC, AIMoosa and Hammadi yet to scale-up**



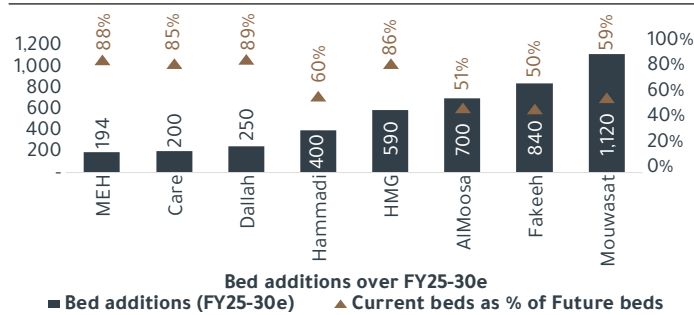
Source: Argaam, Aljazeera Capital Research

**Fig 26. Mouwasat & Fakeeh drive sector-wide expansions with largest planned bed additions**



Source: Company, Argaam, Aljazeera Capital Research

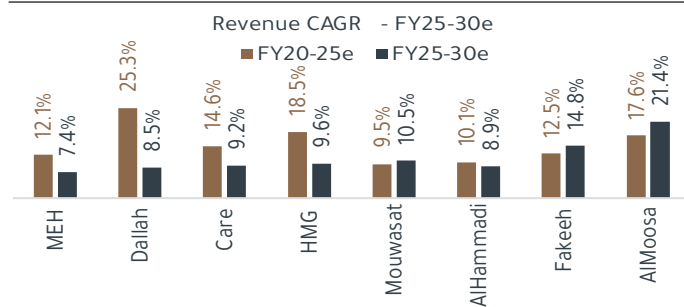
**Fig 27. Fakeeh, AIMoosa, & Mouwasat lead sector expansions while peers focus on utilization driven growth**



**Fakeeh, AIMoosa, Mouwasat & Hammadi** driving sector-wide expansion with largest planned bed additions, positioning them for superior volume growth. On the other hand, HMG follows with measured expansion, while Dallah, MEH, Care pursues selective capacity additions, indicating focused utilization optimization rather than aggressive scale-up. Execution progress varies significantly, with MEH and HMG already activating most of its future bed additions, while other peers remain at early implementation stages.

Source: Company, Aljazeera Capital research. Note: Based on AJC estimates

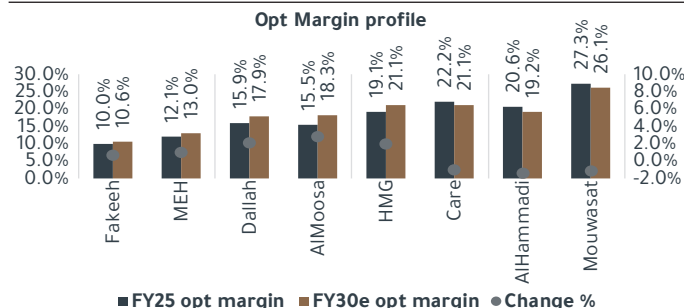
**Fig 29. Almoosa, Fakeeh & Mouwasat outperform peers as their next 6YR revenue CAGR outpaces historical growth**



**Almoosa, Fakeeh & Mouwasat** outperform with strongest CAGRs across both FY20-25 and FY25-30e driven by higher capacity build out and ramp up of new facilities. In contrast, **Dallah, HMG** and **Care** show comparatively softer trajectories, with sharper deceleration into FY25-30e, signaling more mature growth curves and limited near term expansion catalysts

Source: Company, Aljazeera Capital research

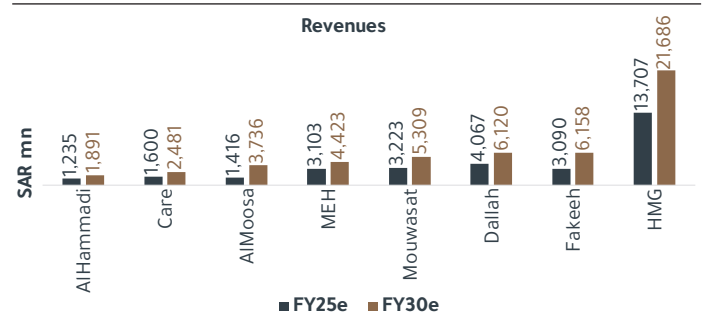
**Fig 31. Operating margins to expand sector-wide reflecting operating leverage and mix improvement**



**Almoosa, Fakeeh & Mouwasat** outperform with strongest CAGRs across both FY20-25 and FY25-30e driven by higher capacity build out and ramp up of new facilities. In contrast, **Dallah, HMG** and **Care** show comparatively softer trajectories, with sharper deceleration into FY25-30e, signaling more mature growth curves and limited near term expansion catalysts

Source: Company, Aljazeera Capital research

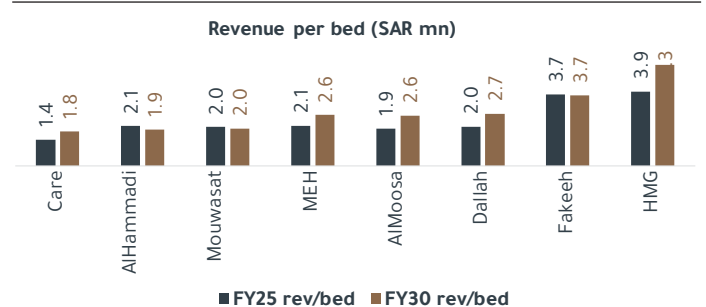
**Fig 28. Revenue upside inclined toward players with higher % of future expansions**



By FY30e, **HMG & Fakeeh** are expected to consolidate their leadership with a materially larger revenue base, reflecting both scale and effective monetization of incremental beds. Notably, **Dallah** is projected to closely trail Fakeeh in terms of revenue, underscoring its strong positioning despite a relatively measured expansion pipeline with only one major upcoming hospital addition. Nevertheless, **Dallah** is expected to secure the third position in the sector, supported by a solid FY25-30e revenue CAGR of 8.5%, driven by the continued ramp-up and scaling of its recently acquired hospitals.

Source: Company, Aljazeera Capital research

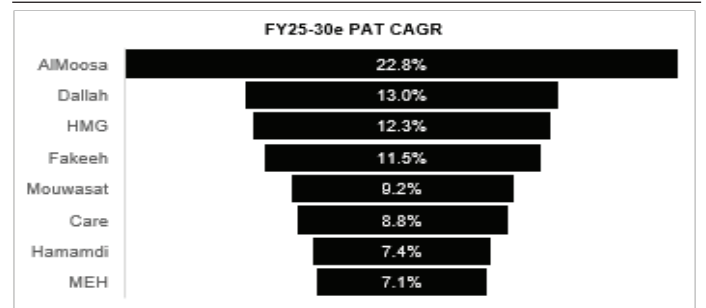
**Fig 30. Sector-wide expansion in revenue per bed highlights divergence in pricing power and case mix**



**HMG & Fakeeh** continue to lead, underscoring superior pricing power, case mix, and brand positioning. **Almoosa, Dallah** and **Care** show meaningful improvement by FY30e. **Mouwasat** maintains comparatively lower revenue intensity, suggesting limited upside from yield expansion. Meanwhile **Hammadi's** revenue per bed is expected to decline due to competitive pressures.

Source: Company, Aljazeera Capital research

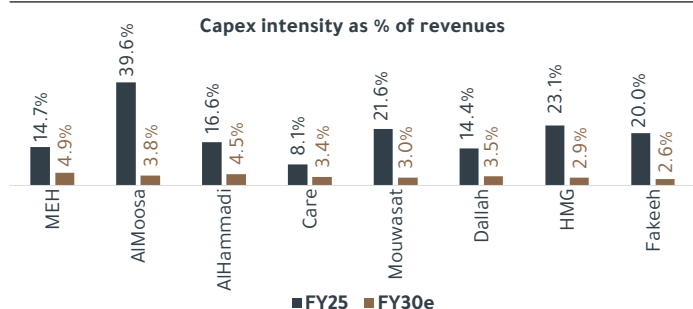
**Fig 32. PAT CAGR Driven by Bed Additions & Ramp-Up**



**HMG & Fakeeh** continue to lead, underscoring superior pricing power, case mix, and brand positioning. **Almoosa, Dallah** and **Care** show meaningful improvement by FY30e. **Mouwasat** maintains comparatively lower revenue intensity, suggesting limited upside from yield expansion. Meanwhile **Hammadi's** revenue per bed is expected to decline due to competitive pressures.

Source: Company, Aljazeera Capital research

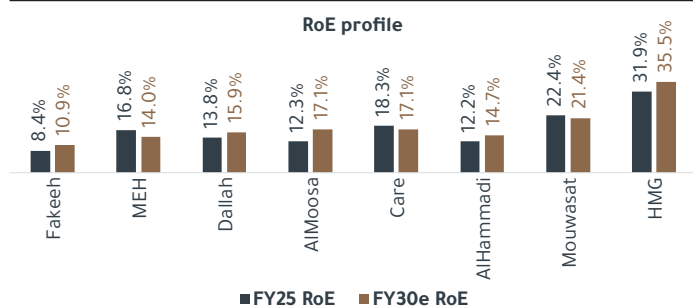
**Fig 33. Capex intensity normalizes for the sector as major bed expansion phase progresses**



Following aggressive bed expansion, capex intensity declines across the sector by FY30e, indicating a transition from build-out to consolidation. High-growth operators like Almoosa, HMG and Fakeeh show sharp normalization

Source: Company, Aljazeera Capital research

**Fig 35. RoE expansion reflects capital discipline diverging across operators**



RoE expansion by FY30e is broadly driven by operating maturity post the heavy expansion cycle rather than leverage. HMG leads with the highest absolute RoE (35.5%), underpinned by quicker facility ramp-ups, while AIMoosa and Care exhibit the most notable improvements, reflecting a transition toward earnings monetization. Dallah also delivers healthy expansion, while Mouwasat and MEH are exceptions, seeing RoE dilution driven by continued reinvestment pressure and elevated finance charges, respectively. Fakeeh trails the group with the most modest improvement overall.

Source: Company, Aljazeera Capital research

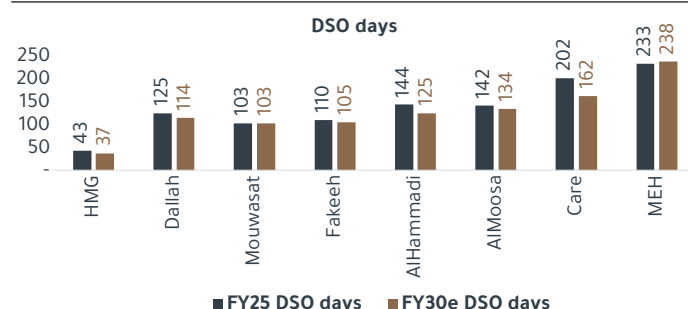
### Sector Thesis & Valuations

KSA's private healthcare sector is poised for a buoyant growth over FY26-30e at the back of i) overall population expansion coupled with ageing population; ii) rise in lifestyle related diseases and life expectancy rate; iii) supportive government initiatives, & iv) people preference to access private healthcare (i.e., private sector share of total no of patients visits reached 42% in 2024 from 38% in 5 Yrs). These factors collectively have compelled the incumbents to expand their operational presence across the prime regions in the Kingdom and hence the expansions planned by the incumbents can absorb the near-term demand influx. This is already playing out with a sharp increase in patient volumes for our coverage companies. To leverage the growing demand, our coverage companies have planned expansion of c.4.3K beds and capex of SAR 25.0bn over FY26-30e, as per the basis our calculations.

Notably, the sector is currently trading at a forward P/E of 21.1x, representing a significant discount to its historical average multiple of c.35.0x. In our view, this valuation compression already factors in near-term execution risks associated with expansion cycles, while sector's strong structural growth outlook remains intact. Accordingly, we adopt a positive outlook on the sector, viewing current valuation levels as supportive for medium- to long-term re-rating as new capacities mature and margins normalize.

In addition, uncertainty persists around the timeline and scope of DRG implementation across the private healthcare sector. Based on recent earnings calls interactions with multiple healthcare providers, there remains limited visibility on the exact rollout framework, despite earlier indications that DRG could be introduced around FY27e. In response, operators are proactively investing in pricing systems, clinical coding capabilities and case-mix management initiatives to enhance preparedness for a potential transition toward outcome-based reimbursement mechanisms. Given the current lack of regulatory clarity and the preparatory steps already being undertaken by providers, we do not expect DRG implementation to materially affect our near-term earnings estimates. Nonetheless, once formalized, the shift toward DRG-linked reimbursement could have broader implications for pricing discipline, service mix optimization and operational efficiency across the sector.

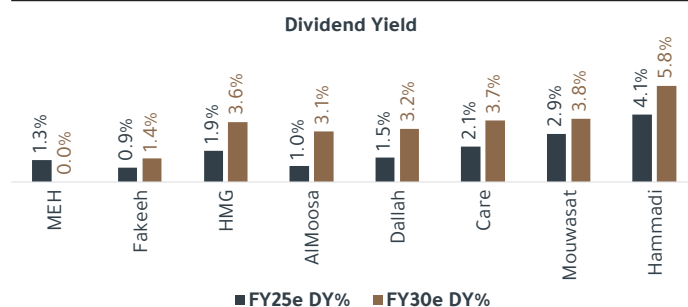
**Fig 34. DSO trends highlight diverging working capital discipline**



DSO days remain elevated for many operators, reflecting continued exposure to government and insurance receivables, though trends remain broadly stable into FY30e.

Source: Company, Aljazeera Capital research

**Fig 36. Dividend yield signals free cash flow inflection and capital allocation priorities**



Dividend yields are set to rise by FY30e as capex intensity moderates and FCF generation improves for sector. **AlHammadi & Mouwasat** stand out with higher payout visibility, reflecting limited incremental expansion needs, while Care & Dallah maintain balanced approach, prioritizing reinvestment along shareholder returns in line with their current dividend policy. Near zero long-term yield of MEH's represents tight liquidity position throughout our forecasted horizon.

Source: Company, Aljazeera Capital research

Fig 37. Upcoming Projects

Company	Location	Region	Start	End	Beds	Capex (SAR mn)
Mouwasat	Jeddah	Makkah	2022	2026	200	-
	Al Qadisiyya	Riyadh	DNA	DNA	120	335
	Qatif	Eastern	2026	2028	100	350
	Riyadh	Riyadh	2026	2029	100	330
	Al Ahsa	Eastern	2026	2029	200	700
	Abha	Asir	DNA	2029	180	700
	Al Narjis	Riyadh	DNA	DNA	280	900
Fakeeh Care	Makkah	Makkah	2024	2028	200	600
	Jeddah	Makkah	2024	2028	200	460
	Jeddah	Makkah	2024	2028	140	400
	Jeddah	Makkah	2024	2028	300	900
AlMoosa	Al Hofuf	Eastern	2024	2027	300	-
	Khobar	Eastern	2024	2028	400	-
SMC Healthcare	Northern Ring	Riyadh	2024	2027	296	1,300
	Khuzam	Riyadh	2025	2028	201	925
	Al Malqa	Riyadh	2026	2029	201	950
Hammadi	Olaya	Riyadh	2024	2027	200	450
	Al Narjis	Riyadh	2025	DNA	200	-
	Al Munsiyah	Riyadh	DNA	2030	200	-
HMG	Tabuk	Tabuk	2023	2027	140	400
	Jubail	Eastern	2025	2028	145	571
	Al Munsiyah	Riyadh	2025	2028	160	991
	Dammam	Eastern	2025	2028	145	988
National Care	Al Narjis	Riyadh	2023	2028	200	-
Saudi German	Jeddah	Makkah	2022	2026	194	399

Source: Argaam, Aljazeera Capital Research

Fig 38. Coverage Universe

Company	Recommendation	TP (SAR)	Up/ downside (%)	Revenue FY26e (SAR mn)	Net Income FY26e (SAR mn)	Revenue CAGR FY25- 30e	Net Income CAGR FY25- 30e	Beds Expansions over FY25- 30e	Dividend Yield (FY26E)	PE (FY26E)	PE (FY27E)
HMG	Neutral	270.7	8.8%	15,796	2,871	9.6%	12.3%	590	2.3%	30.8	27.7
MEH	Neutral	41.5	7.8%	3,429	123	7.4%	7.1%	194	0.0%	27.6	17.0
Dallah	Overweight	165.7	34.6%	4,725	650	8.5%	13.0%	250	1.8%	21.2	18.8
Care	Overweight	162.0	28.4%	1,752	344	9.2%	8.8%	200	2.6%	17.5	15.8
Mouwasat	Overweight	90.6	26.7%	3,615	793	10.5%	9.2%	1,120	3.0%	18.1	15.9
Hammadi	Neutral	32.0	20.1%	1,325	232	8.9%	7.4%	250	3.6%	18.9	16.6
Almoosa	Overweight	165.9	19.3%	1,614	244	21.4%	18.8%	700	0.8%	26.0	24.1
Fakeeh	Neutral	34.3	-3.4%	3,367	261	14.8%	11.5%	840	0.9%	31.2	25.2

Source: Company, Aljazeera Capital Research, close as of 20th April 2026

Fig 39. Coverage Universe Financial performance

Company	Revenue FY26e (SAR mn)	Net Income FY26e (SAR mn)	Revenue CAGR FY25-30e	Net Income CAGR FY25-30e	Beds Expansions over FY25-30e	Avg Opt Margin (FY25-30E)	Avg RoE (FY25- 30E)	Avg Capex intensity (FY25- 30E)
HMG	15,796	2,871	9.6%	12.3%	590	20.2%	34.3%	14.9%
MEH	3,429	123	7.4%	7.1%	194	11.4%	11.8%	9.2%
Dallah	4,725	650	8.5%	13.0%	250	17.0%	15.2%	7.6%
Care	1,752	344	9.2%	8.8%	200	21.3%	17.4%	8.1%
Mouwasat	3,615	793	10.5%	9.2%	1,120	25.8%	20.8%	15.6%
Hammadi	1,325	232	8.9%	7.4%	250	19.2%	12.9%	13.0%
Almoosa	1,614	244	21.4%	18.8%	700	17.0%	13.6%	29.5%
Fakeeh	3,367	261	14.8%	11.5%	840	8.9%	8.2%	15.9%

Source: Company, Aljazeera Capital Research

### Sulaiman AlHabib

**Strong capacity-led growth outlook largely priced in; stretched valuations keep upside limited, maintained “Neutral”**

HMG delivered a strong FY25 top-line performance, with revenues growing 22.4% Y/Y to SAR 13.7bn, driven by capacity additions, with nearly 90% of incremental revenues attributable to recently commissioned six new hospitals in the last two years. HMG continues to execute on one of most ambitious healthcare expansion pipelines along with the upgrade of legacy facilities, with a guided capex of SAR 9.8bn over FY26-28e, which should support a revenue CAGR of c.10% over FY25-30e to reach SAR 21.7bn by FY30e. While the ongoing expansion cycle will keep leverage elevated in the near term, HMG’s structurally efficient negative working capital profile (avg cash conversion cycle of ~1.2 days over FY26-30e) is expected to support internal cash generation and partially mitigate funding requirements. As utilization ramps up across newer facilities – most of which have already reached net profit breakeven – we expect a gradual recovery in profitability, with gross and operating margins improving to c.32.8% and 21.1%, respectively, by FY30e. This should translate into earnings CAGR of c.12-13% over the same period. However, near-term margin pressures from ongoing ramp-ups, elevated finance costs, and premium valuation multiple limits the risk-reward at current levels. Accordingly, we maintain a “Neutral” rating with a TP of SAR 270.7/share.

**Capacity-led expansion lifts revenues 22% in FY25 but margins contractions and elevated finance cost muted earnings growth:** HMG delivered a robust FY25 top-line performance, with revenues rising 22.4% Y/Y to SAR 13.7bn. Growth was predominantly capacity-led, with nearly 90% of hospitals incremental revenues (SAR 2,042mn) attributable to the six recently commissioned facilities in the last 2 years. The ramp-up in total patients’ volumes (9.5mn, +27.5% Y/Y) remained the primary growth engine, driving hospital segment revenues (+23.9% Y/Y) to SAR 10.6bn, while pharmacy revenues expanded 21.3% Y/Y to SAR 2.9bn, reflecting steady throughput and cross-utilization benefits across the network. However, the accelerated onboarding of new capacity exerted near-term pressure on profitability. During FY25, gross margins declined 270bps to 30.7%, reflecting start-up-related fixed costs, and initial staffing costs. Elevated finance cost (+108% Y/Y) from incremental debt, combined with softer gross margins, led to a 320bps contraction in net margin to 17.5%. Consequently, this translated into a modest growth of 3.7% Y/Y in net income to SAR 2,401mn. During FY25 HMG added 580 beds through commissioning of Sehat AlHamra, Sehat AlKharj, Al Muhammadiyah hospitals.

**Capacity ramp-up supports revenue momentum, but near-term margins to be pressured in FY26 as well:** With 975 and 580 beds added in FY24 & FY25, HMG has completed around c.72% of its planned capacities till FY23-FY30e. The key hospitals in the next phase of expansion include 140 beds in Tabuk (by FY27e end), 145 beds in Jubail (by FY28e end), 160 beds in Munsiyah and 145 beds in Dammam by FY28e, alongside five-year O&M mandates at Red Sea and AMAALA. This phased commissioning shall expand the addressable capacity and should enable HMG to sustain c.10% revenue CAGR over FY25-30e to reach a revenue base of c.SAR 21.7bn by FY30e. Current bed occupancy stands at 60%, with mature facilities operating at 75-77% versus 52-55% for newer assets, indicating visible headroom for revenue ramp-up. Out of the six new hospitals opened in FY24 & FY25, all hospitals have achieved breakeven on net profitability level except for the Al-Kharj and Al-Muhammadiyah hospitals.

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>270.7</b>
<b>Upside/(Downside)</b>	<b>8.8%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	11,200	13,707	15,796	17,228
Growth %	17.8%	22.4%	15.2%	9.1%
Gross Profit	3,744	4,207	4,912	5,502
Net Income	2,315	2,401	2,871	3,193
Growth %	13.2%	3.7%	19.6%	11.2%
EPS	6.6	6.9	8.2	9.1
DPS	4.8	4.9	5.7	6.4

Source: Company, Aljazira Capital research

### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	33.43%	30.69%	31.10%	31.94%
Net Margin	20.67%	17.52%	18.18%	18.53%
ROE	33.90%	31.86%	34.47%	34.57%
ROA	12.74%	10.97%	11.72%	11.98%
P/E (x)	42.4x	41.3x	30.8x	27.7x
P/B (x)	13.7x	12.6x	10.1x	9.1x
EV/EBITDA (x)	37.2x	30.3x	24.0x	21.5x
Dividend Yield	1.7%	1.7%	2.3%	2.5%

Source: Company, Aljazira Capital research

### Key Market Data

Market Cap (bn)	88.3
YTD%	-1.8%
52-week (High)/(Low)	290.6/215.0
Share Outstanding (mn)	350.0

Source: Company, Aljazira Capital research

### Price Performance



Source: Tadawul, Aljazira Capital research

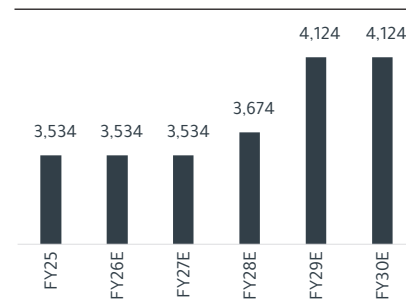
Consequently, we expect modest improvement of ~40bps in FY26e gross margins with more amplified improvement starting to reflect from FY27e onwards. Within our forecasted period (FY26e-30e), we expect gross margins to reach at maximum level of 32.8% vs HMG's previous peak of 33.4%, on the back of intensified competitive landscape in both Riyadh and Eastern regions. Owing to this gradual improvement in gross margins and c.10% topline CAGR till FY30, HMG's earnings are expected to grow at a CAGR of 12.3%.

**Capex-led expansion to drive net debt levels to a peak of SAR 9.1bn before cash-flow supported deleveraging:** HMG is undertaking one of the most capital-intensive healthcare expansion programs, with planned capex of SAR 9.8bn between FY26e-28e. This capex is expected to add around c.600 beds over the period along with the major renovation & upgrade of legacy facilities. Thus, requiring a combination of internal cash reserves and incremental borrowings to fund this spending. Consequently, we expect the net debt to rise from SAR 6.9bn in FY25 to SAR 9.4bn at peak funding levels, before gradually moderating as new facilities mature and begin generating operating cash flows to support deleveraging and scheduled repayments.

**Sustained negative working capital profile combined with high profitability to enable HMG to maintain sector-leading RoE profile:** HMG continues to operate with a structurally efficient negative working capital cycle of ~1.2 days over FY26e-30e, reflecting strong cash collection dynamics and favorable payables terms with suppliers. This lean working capital structure supports internal cash generation and partially offsets the funding requirements arising from the ongoing capex cycle. Despite the balance sheet expansion, ROE is expected to remain robust and gradually improve from 34.4% in FY26e to 35.5% by FY30e, supported by stable margins, improving utilization from newly commissioned facilities, and efficient capital deployment.

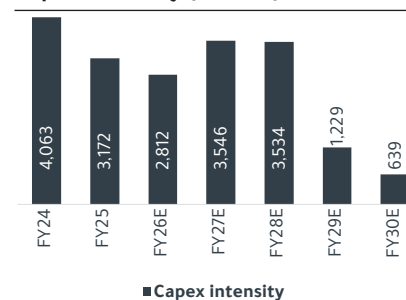
**AJC View and Valuation:** HMG has expanded its capacity by c.80% from FY23 levels by FY25, positioning it as the largest private healthcare operator in the Kingdom in terms of bed count. Despite completing c.72% of its planned FY23-30e capacity additions, gross margins are expected to remain under some pressure in FY26e as the Northwest Jeddah hospital continues its early ramp-up phase, while flagship North Riyadh facility is currently operating at ~350 beds out of its planned 500-bed capacity. The gradual scaling up of these facilities is likely to keep staffing and initial operating costs elevated, thereby limiting HMG's ability to fully translate strong topline growth into earnings momentum in the near term. The stock is currently trading at a forward P/E of 30.8x, representing a notable premium to the sector average of 19.1x. At current valuation levels, we believe most near- to medium-term growth positives are already priced in. Accordingly, we derive a TP of **SAR 270.7/share** (50% weight to FY26e P/E multiple of 32.0x; 50% weight to DCF based on a 7.2% WACC and 3.0% terminal growth) and maintain a **"Neutral"** rating.

### Bed capacity



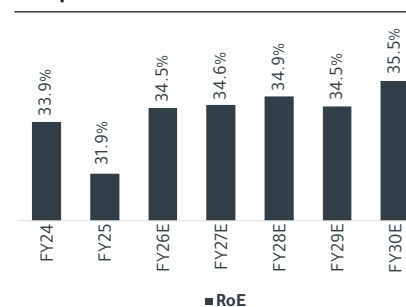
Source: Company, Aljazira Capital Research

### Capex intensity (SARmn)



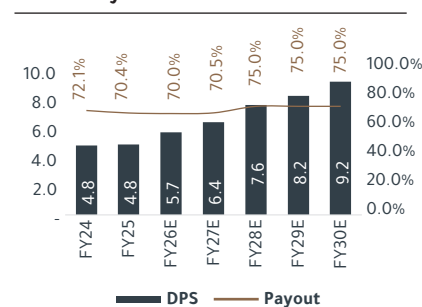
Source: Company, Aljazira Capital Research

### RoE profile



Source: Company, Aljazira Capital Research

### DPS & Payout



Source: Company, Aljazira Capital Research

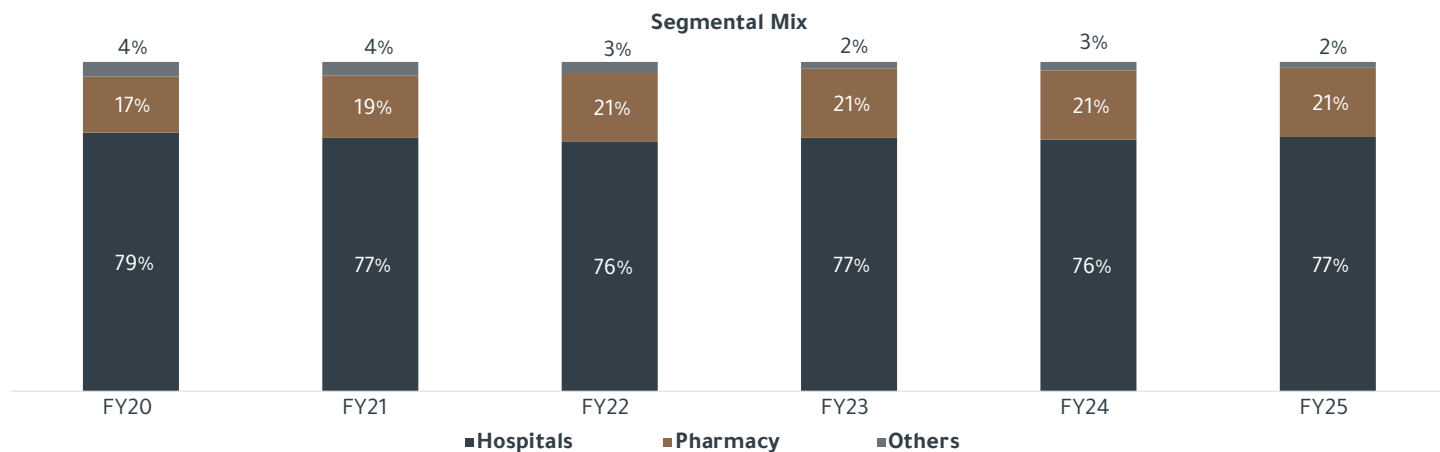
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	278.9	50%	139.5
P/E	262.5	50%	131.3
<b>Blended TP</b>			<b>270.7</b>

**Upside/(Downside) potential**

**8.8%**

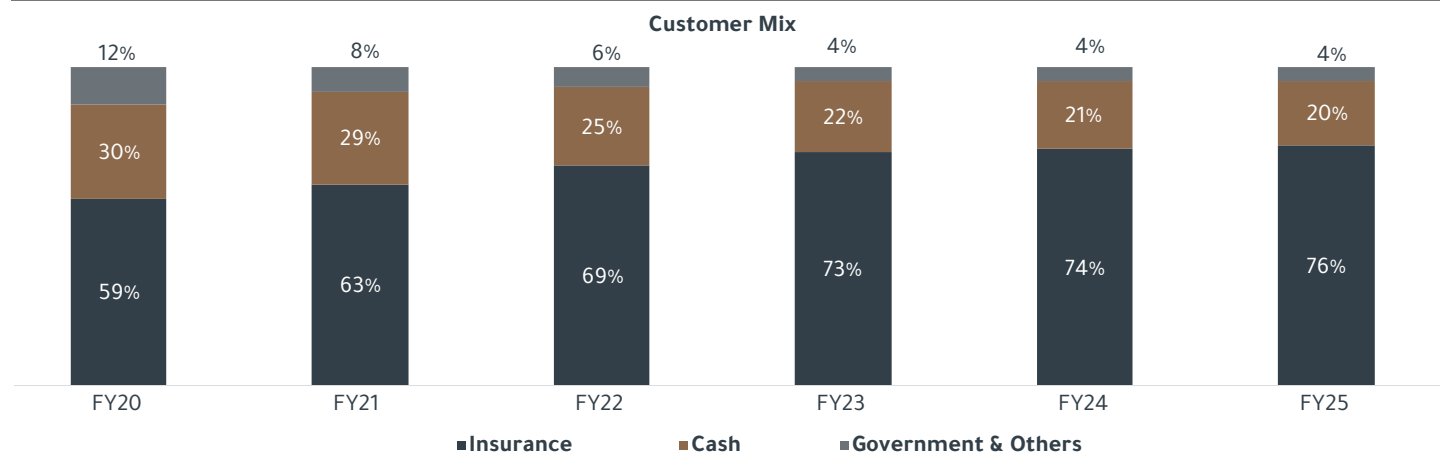
Source: Aljazira Capital Research

Fig 40. Hospital segment dominates the segmental mix



Source: Company, Aljazira Capital Research

Fig 41. HMG has a higher skew to Insurance customer type



Source: Company, Aljazira Capital Research

Fig 42. HMG's existing facilities

Hospital name	Location	Beds
Rayan Hospital	Riyadh	349
Takhassusi Hospital	Riyadh	218
Dubai Hospital	Dubai	151
Suwaidi Hospital	Riyadh	305
Qassim Hospital	Qassim	172
Olaya Medical Complex	Riyadh	260
Khobar Hospital	Khobar	458
Sahafa Hospital	Riyadh	500
Fayhaa Hospital	Jeddah	350
Al Muhammadiyah Hospital	Jeddah	350
Women's Health Hospital	Riyadh	145
Sehat Al Kharj Hospital	Kharj	141
Sehat Al Hamra Hospital	Riyadh	120

Source: Company, Argaam, Aljazira Capital research

### Key Financial Data

Amount in SARmn	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
<b>Income statement</b>							
Revenues	11,200	13,707	15,796	17,228	18,518	20,344	21,686
<b>Y/Y</b>	<b>17.8%</b>	<b>22.4%</b>	<b>15.2%</b>	<b>9.1%</b>	<b>7.5%</b>	<b>9.9%</b>	<b>6.6%</b>
Cost	(7,456)	(9,500)	(10,884)	(11,726)	(12,495)	(13,837)	(14,582)
<b>Gross profit</b>	<b>3,744</b>	<b>4,207</b>	<b>4,912</b>	<b>5,502</b>	<b>6,023</b>	<b>6,507</b>	<b>7,104</b>
<b>GP margin</b>	<b>33.4%</b>	<b>30.7%</b>	<b>31.1%</b>	<b>31.9%</b>	<b>32.5%</b>	<b>32.0%</b>	<b>32.8%</b>
S&D expense	(496)	(432)	(476)	(564)	(606)	(664)	(708)
G&A expense	(892)	(1,156)	(1,308)	(1,470)	(1,580)	(1,735)	(1,828)
<b>Operating profit</b>	<b>2,356</b>	<b>2,619</b>	<b>3,128</b>	<b>3,468</b>	<b>3,838</b>	<b>4,108</b>	<b>4,568</b>
<b>Y/Y</b>	<b>12.4%</b>	<b>11.1%</b>	<b>19.5%</b>	<b>10.9%</b>	<b>10.6%</b>	<b>7.0%</b>	<b>11.2%</b>
<b>OP margin</b>	<b>21.0%</b>	<b>19.1%</b>	<b>19.8%</b>	<b>20.1%</b>	<b>20.7%</b>	<b>20.2%</b>	<b>21.1%</b>
Financial charges	-163	-339	-308	-311	-323	-319	-297
Other income/income from associates	219	239	199	199	213	233	247
<b>Income before Zakat</b>	<b>2,413</b>	<b>2,519</b>	<b>3,019</b>	<b>3,357</b>	<b>3,729</b>	<b>4,021</b>	<b>4,519</b>
Zakat and minority interest	(43)	(28)	(54)	(60)	(66)	(72)	(80)
<b>Net income</b>	<b>2,315</b>	<b>2,401</b>	<b>2,871</b>	<b>3,193</b>	<b>3,546</b>	<b>3,825</b>	<b>4,298</b>
<b>Y/Y</b>	<b>13.2%</b>	<b>3.7%</b>	<b>19.6%</b>	<b>11.2%</b>	<b>11.1%</b>	<b>7.9%</b>	<b>12.4%</b>
<b>EPS</b>	<b>6.62</b>	<b>6.86</b>	<b>8.20</b>	<b>9.12</b>	<b>10.13</b>	<b>10.93</b>	<b>12.28</b>
<b>DPS</b>	<b>4.77</b>	<b>4.85</b>	<b>5.70</b>	<b>6.40</b>	<b>7.60</b>	<b>8.20</b>	<b>9.20</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & bank balance	2,891	2,282	3,143	2,421	1,791	2,598	3,991
Other current assets	1,318	1,523	1,611	1,371	1,455	1,604	1,683
Receivables	1,110	1,622	1,594	1,739	1,869	2,054	2,189
Property & Equipment	14,773	17,302	19,263	21,803	24,108	23,995	23,265
Other non-current assets	465	475	175	175	175	175	175
<b>Total assets</b>	<b>20,558</b>	<b>23,205</b>	<b>25,787</b>	<b>27,510</b>	<b>29,398</b>	<b>30,426</b>	<b>31,304</b>
<b>Liabilities &amp; owners' equity</b>							
Total current liabilities	2,322	2,703	3,215	3,319	3,476	3,731	3,859
Payables	1,840	2,015	2,178	2,347	2,501	2,769	2,918
Long-term loans	7,662	8,735	9,639	9,939	10,431	9,719	9,014
Total other non-current liabilities	1,122	1,323	1,375	1,470	1,555	1,692	1,781
Non-controlling interest	438	527	620	723	838	962	1,101
<b>Total equity &amp; liabilities</b>	<b>20,558</b>	<b>23,205</b>	<b>25,787</b>	<b>27,510</b>	<b>29,398</b>	<b>30,426</b>	<b>31,304</b>
<b>Cashflow statement</b>							
Operating activities	2,970	3,402	4,404	4,841	5,049	5,602	5,938
Investing activities	(3,775)	(2,970)	(2,512)	(3,546)	(3,534)	(1,229)	(639)
Financing activities	1,075	(1,041)	(1,013)	(2,017)	(2,146)	(3,566)	(3,906)
Change in cash	270	(609)	880	(722)	(630)	807	1,393
<b>Ending cash balance</b>	<b>2,891</b>	<b>2,281</b>	<b>3,161</b>	<b>2,439</b>	<b>1,809</b>	<b>2,616</b>	<b>4,009</b>
Depreciation & Amortization	421	672	851	1,006	1,229	1,342	1,369
<b>Key fundamental ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	1.3	1.2	1.2	1.0	0.9	1.0	1.2
Quick ratio (x)	1.1	0.9	1.0	0.8	0.7	0.8	1.0
<b>Profitability ratios</b>							
Gross profit margin	33.43%	30.69%	31.10%	31.94%	32.53%	31.99%	32.76%
Operating margin	21.04%	19.11%	19.81%	20.13%	20.72%	20.19%	21.06%
EBITDA margin	24.79%	25.59%	25.19%	25.97%	27.36%	26.79%	27.37%
Net profit margin	20.67%	17.52%	18.18%	18.53%	19.15%	18.80%	19.82%
Return on assets	12.74%	10.97%	11.72%	11.98%	12.46%	12.79%	13.92%
Return on equity	33.90%	31.86%	34.47%	34.57%	34.92%	34.53%	35.54%
<b>Leverage ratio</b>							
Debt / equity (x)	1.1	1.2	1.2	1.1	1.0	0.9	0.8
<b>Valuation ratios</b>							
EV/EBITDA (x)	37.2	30.3	24.0	21.5	19.2	17.6	15.8
Dividend yield	1.7%	1.7%	2.3%	2.5%	3.0%	3.2%	3.6%
P/E ratio (x)	42.4	41.3	30.8	27.7	24.9	23.1	20.6
P/B ratio (x)	13.7	12.6	10.1	9.1	8.3	7.6	7.0

Source: Company, Aljazeera Capital Research

**Dallah Healthcare**

**Acquisition-led scale driving earnings visibility, with margin normalization and deleveraging underpinning re-rating potential, supporting our “Overweight” stance**

Dallah delivered record FY25 revenues supported by consolidation and strong ramp-up of newly acquired hospitals, significantly expanding its operating scale. While accelerated ramp-up exerted near-term pressure on gross margins, improving utilization and insurance repricing should support a revenue growth of 8.5% CAGR over FY25-30e, taking revenues to SAR 6.1bn. The planned 250-bed AlArid hospital (FY27e operational) is expected to further strengthen its footprint in Central Region, although initial ramp-up may temporarily dilute margins by c.50bps Y/Y to 36.0% in FY27e, before gradually improving to 37.3% by FY30e as maturity benefits emerge. Importantly, Dallah’s capex cycle is likely to peak by FY26e, paving the way for meaningful deleveraging phase with net debt declining from ~SAR 3.6bn in FY26e to ~SAR 1.6bn by FY30e, supported by stronger operating cash flows and improving working capital efficiency (cycle normalizing from ~118 days toward a ~95-day steady state). Consequently, we expect operating margins and ROE to trend upward to 17.9% and ~15.9% by FY30e, respectively. While competition intensity is rising amid sector capacity additions and staffing cost inflation, Dallah’s improving earnings visibility and balance sheet trajectory reinforce our positive stance. We therefore revise our TP to **SAR 165.7/share** and upgrade the rating to “**Overweight**”.

**Recent acquisitions lifted Dallah’s revenues & profitability to all-time high:** Dallah delivered a robust FY25 top-line performance, with revenues rising 27% Y/Y to SAR 4.1bn, also resulting in an all-time high profitability of SAR 538mn (+14% Y/Y). The growth was driven by consolidation and strong ramp-up of recently acquired AlKhubar and AlAhsa hospitals, which contributed ~66% of the incremental revenues, alongside sustained growth (+9.0% Y/Y) at the legacy facilities. The uptick in revenues was primarily achieved through the higher patient throughput across the network (+1.0mn visits Y/Y to ~3.8mn) because of the acquisitions. Noteworthy to mention here both Al Ahsa and Al Khobar hospitals started contributing to Dallah’s revenues from Q2-25. Even within a short span of just 9 months, these hospitals’ revenues increased by 172% to reach SAR 572mn. On the flip side, the consolidation of new hospitals also diluted Dallah’s gross margins by c.200 bps to 35.7%. Nevertheless, the benefits of increased topline did trickle down to the bottom line which increased 14.2% Y/Y.

**Continued ramp up of AlKhubar hospital along with the sustained growth at legacy hospitals to drive 8.5% revenue CAGR over FY25-30e:** Dallah’s acquisitive expansions has augmented its capacity and revenue base. With just 9-months of consolidation, the two acquired hospitals accounted for 66% of the group’s incremental revenue growth in FY25. Dallah’s recent guidance of c.SAR 4.7bn topline for FY26e seems reasonable considering growth potential derived from newly acquired assets. We expect both AlAhsa and AlKhubar to contribute c.42.6% in incremental revenues in FY26e, while the remaining growth to come from the legacy facilities alongside some modest price revision in the insurance contracts. The 49% Y/Y growth in Eastern province hospitals seems very achievable as it just represents c.11.8% Y/Y increase if FY25 revenues are annualized. We remain optimistic on Eastern assets as AlKhubar hospital has potential to continue to be Dallah’s growth engine till FY30e due to lower utilization (only 150 beds operational of 400 beds). Further, Dallah has also planned to add 50 beds in Alkhubar and Namar hospitals in FY26e which would further add in incremental revenues. In terms of financial performance, AlKhubar hospital achieved profitability in Q4-25 as against losses experienced last year. Alongside this, Dallah recently concluded price renegotiations with major insurance providers in Feb-26. Based on these revisions, management expects FY26e budgeted profitability to increase by c.15% over the next three years.

<b>Recommendation</b>	<b>Overweight</b>
<b>Target Price (SAR)</b>	<b>165.7</b>
<b>Upside/(Downside)</b>	<b>34.6%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

**Key Financials**

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	3,206	4,067	4,725	5,270
Growth %	8.9%	26.9%	16.2%	11.5%
Gross Profit	1,207	1,452	1,725	1,895
Net Income	471	538	650	731
Growth %	30.8%	14.2%	20.7%	12.6%
EPS	4.64	5.30	6.40	7.20
DPS	2.00	2.00	2.40	2.70

Source: Company, Aljazira Capital research

**Key Ratios**

	FY24	FY25	FY26E	FY27E
Gross Margin	37.6%	35.7%	36.5%	36.0%
Net Margin	14.7%	13.2%	13.7%	13.9%
ROE	14.1%	13.8%	15.0%	15.3%
ROA	7.3%	6.9%	6.9%	7.2%
P/E (x)	32.3	25.7	21.2	18.8
P/B (x)	4.2	3.4	3.0	2.7
EV/EBITDA (x)	24.2	20.2	16.7	14.5
Dividend Yield	1.0%	1.5%	1.8%	2.0%

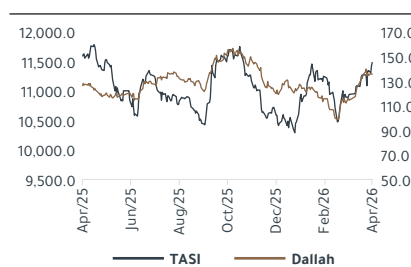
Source: Company, Aljazira Capital research

**Key Market Data**

Market Cap (bn)	13.8
YTD%	<b>8.1%</b>
52-week (High)/(Low)	157.3/90.0
Share Outstanding (mn)	101.6

Source: Company, Aljazira Capital research

**Price Performance**



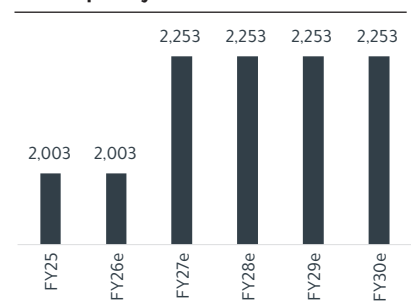
Source: Tadawul, Aljazira Capital research

In terms of gross margins trajectory, Dallah is one of the few hospitals in our coverage universe where gross margins are expected to improve by c.80 bps in FY26e. We expect some pressure on gross margins in FY27e as the new hospital in North Riyadh comes online. However, despite this we expect the margins to reduce modestly by c.50 bps in FY27e on the back of i) gross margin expansion in newly acquired hospitals in the eastern region, and ii) price revision in insurance contracts. From FY28e, we expect the gross margins to gradually improve and reach 37.3% by FY30e (vs 38% guided level). Our estimates remain conservative, reflecting our cautiously optimistic view of the company's North Riyadh facility in light of intensifying competition and ongoing upward pressure on staffing costs. Consequently, we forecast the revenues & net income to grow at a CAGRs of 8.5% and 13.0%, respectively over FY25-30e, reaching SAR 6.1bn and SAR 991mn by FY30e.

**Company's capex requirements to normalize after the commissioning of North Riyadh hospital as no further expansion in sight:** Within our coverage universe, Dallah is one of the few companies with very shortened expansion cycle. Owing to this shortened cycle, it is expected to spend SAR 1.0bn over FY26-27e due to construction of new hospital in Riyadh and some renovation works in Eastern hospitals. Following the commissioning phase, capex intensity could normalize, indicating the transition from heavy expansion to maintenance and selective growth investments from FY28e. Consequently, the total net debt could peak at SAR 3.6bn in FY26e (vs. SAR 2.7bn in FY25) before declining steadily as operating cash flows improve and capex intensity eases. We project the net debt to fall to SAR 2.9bn in FY28e and to SAR 1.6bn by FY30e, reflecting a clear deleveraging phase supported by ramp-up of newly added facilities and improving cash generation. This deleveraging can further be increased if company's divestment of 31% stake in Dr. Mohammed Rashid Al-Faqih Company to Fakeeh Care group materializes in FY26e. Due to negotiations still in place, we have not incorporated this possible transaction in our base case which can further make Dallah's case more compelling. This 350 beds hospital was opened in Eastern Riyadh in 2020 and has become profitable in FY24. We expect this hospital to command higher valuations, supported by a significant improvement in FY25 profitability, with net income rising to SAR 54mn (14.5x Y/Y rise).

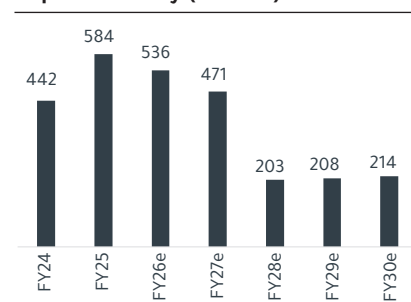
**AJC View and Valuation:** In the healthcare sector, Dallah has reputable brand equity and long standing facilities in the Central Region. Its recent venture into the Eastern Province provides quick potentials for enhancements and turnarounds for the acquired facilities, as Dallah can leverage its brand, client relationships, and efficiencies to meet its turnaround targets. We consider Dallah as our top pick within the sector as it has one of the shortest expansion cycles which can significantly enhance its earnings visibility in near term without affecting gross margins too much which we have seen with other players. Owing to this enhanced visibility in profits in the near to mid term, we expect current stock price to converge to our target price in relatively short span of time vs other players in the sector. However, due to early signs of intensifying competition emerging in Riyadh as new hospitals begin operations, we remain cautiously positive on the upcoming North Riyadh assets. Our earnings growth primarily stems from the existing legacy facilities, and quick ramp up of newly acquired assets in the Eastern province. Consequently, we arrive at our TP of **SAR 165.7** (50% PE at 25x of FY26e earnings, 50% DCF with 7.6% WACC and 3.0% terminal growth). Reflecting this upside, we upgrade the stock to **"Overweight"** from our previous rating of Neutral.

### Bed capacity



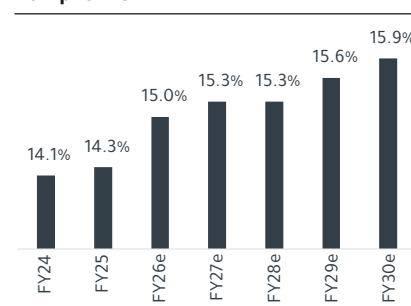
Source: Company, Aljazira Capital Research

### Capex intensity (SARmn)



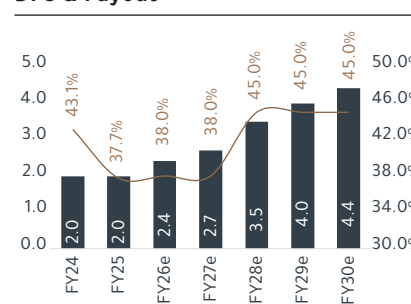
Source: Company, Aljazira Capital Research

### RoE profile



Source: Company, Aljazira Capital Research

### DPS & Payout



Source: Company, Aljazira Capital Research

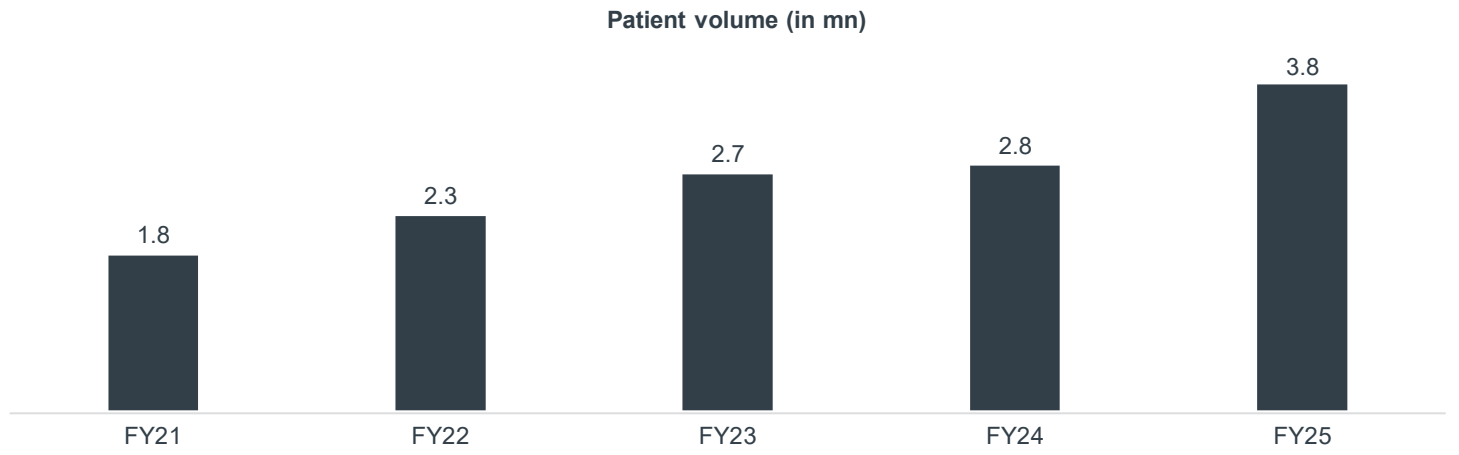
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	171.5	50%	85.8
P/E	159.9	50%	79.9
<b>Blended TP</b>			<b>165.7</b>

**Upside/(Downside) potential**

**34.6%**

Source: Aljazira Capital Research

**Fig 43. Dallah's patient volume trend shows solid 5-YR CAGR of 20.5%**



Source: Company, Argaam, Aljazira Capital Research

**Fig 44. Dallah's existing facilities**

Hospital name	Location	Beds
Al Nakheel Hospital	Riyadh	540
Namar Hospital	Riyadh	300
Care Shield Holding Company	Riyadh	180
Makkah Medical Center	Makkah	134
Al Khobar Hospital	Makkah	475
Al Ahsa Hospital	Makkah	274
AlFagih Hospital-Associate	Riyadh	350
International Medical Center-Associate	Jeddah	307

Source: Company, Argaam, Aljazira Capital Research

Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	3,206	4,067	4,725	5,270	5,540	5,820	6,120
Y/Y	8.9%	26.9%	16.2%	11.5%	5.1%	5.0%	5.2%
Cost	(1,999)	(2,615)	(3,000)	(3,375)	(3,522)	(3,669)	(3,836)
<b>Gross profit</b>	<b>1,207</b>	<b>1,452</b>	<b>1,725</b>	<b>1,895</b>	<b>2,018</b>	<b>2,150</b>	<b>2,285</b>
<b>GP margin</b>	<b>37.6%</b>	<b>35.7%</b>	<b>36.5%</b>	<b>36.0%</b>	<b>36.4%</b>	<b>37.0%</b>	<b>37.3%</b>
S&D expense	(69)	(107)	(108)	(118)	(125)	(129)	(134)
G&A expense	(562)	(740)	(823)	(881)	(933)	(985)	(1,038)
Expected credit loss provision	(34)	(50)	(52)	(53)	(55)	(58)	(61)
Other income	25	89	38	42	44	44	46
<b>Operating profit</b>	<b>567</b>	<b>645</b>	<b>780</b>	<b>886</b>	<b>949</b>	<b>1,022</b>	<b>1,097</b>
Y/Y	12.0%	13.8%	20.8%	13.6%	7.1%	7.7%	7.3%
<b>OP margin</b>	<b>17.7%</b>	<b>15.9%</b>	<b>16.5%</b>	<b>16.8%</b>	<b>17.1%</b>	<b>17.6%</b>	<b>17.9%</b>
Financial charges	(107)	(148)	(147)	(172)	(165)	(144)	(119)
Share from associates	43	52	43	46	47	49	51
<b>Income before zakat</b>	<b>503</b>	<b>550</b>	<b>675</b>	<b>760</b>	<b>831</b>	<b>927</b>	<b>1,029</b>
Zakat	(18)	(9)	(25)	(29)	(31)	(35)	(39)
Non-controlling interest	(14)	(2)	-	-	-	-	-
<b>Net income</b>	<b>471</b>	<b>538</b>	<b>650</b>	<b>731</b>	<b>800</b>	<b>892</b>	<b>991</b>
Y/Y	30.8%	14.2%	20.7%	12.6%	9.4%	11.5%	11.0%
<b>EPS</b>	<b>4.64</b>	<b>5.30</b>	<b>6.40</b>	<b>7.20</b>	<b>7.88</b>	<b>8.78</b>	<b>9.75</b>
<b>DPS</b>	<b>2.00</b>	<b>2.05</b>	<b>2.40</b>	<b>2.70</b>	<b>3.50</b>	<b>4.00</b>	<b>4.40</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & equivalent	166	211	109	507	559	683	646
Receivables	775	1,196	1,585	1,739	1,798	1,857	1,919
Other current assets	563	537	609	676	701	726	754
Property plant & equipment	3,173	4,480	4,753	4,922	4,811	4,694	4,568
Other non-current assets	1,937	2,711	2,724	2,731	2,738	2,744	2,748
<b>Total assets</b>	<b>6,615</b>	<b>9,135</b>	<b>9,779</b>	<b>10,576</b>	<b>10,607</b>	<b>10,704</b>	<b>10,636</b>
<b>Liabilities &amp; owners' equity</b>							
Payables	318	410	487	566	610	656	707
Other current liabilities	989	1,161	1,364	1,452	1,338	1,229	825
Long-term loans	1,188	2,943	2,738	2,888	2,538	2,188	1,888
Total other non-current liabilities	372	502	590	613	619	643	684
Non-controlling interest	278	38	38	38	38	38	38
Total owners' equity	3,747	4,120	4,600	5,057	5,502	5,987	6,531
<b>Total equity &amp; liabilities</b>	<b>6,615</b>	<b>9,135</b>	<b>9,779</b>	<b>10,576</b>	<b>10,607</b>	<b>10,704</b>	<b>10,636</b>
<b>Cashflow statement</b>							
Operating activities	678	555	633	988	1,127	1,235	1,351
Investing activities	(357)	(787)	(559)	(489)	(222)	(227)	(233)
Financing activities	(390)	276	(175)	(100)	(854)	(883)	(1,155)
Change in cash	(69)	44	(102)	398	52	125	(37)
<b>Ending cash balance</b>	<b>166</b>	<b>210</b>	<b>109</b>	<b>507</b>	<b>559</b>	<b>683</b>	<b>646</b>
Depreciation & Amortization	115	181	226	257	262	266	270
<b>Key fundamental ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	1.2	1.2	1.2	1.2	1.4	1.6	1.7
Quick ratio (x)	1.0	1.0	1.0	1.2	1.3	1.5	1.8
<b>Profitability ratios</b>							
Gross profit margin	37.6%	35.7%	36.5%	36.0%	36.4%	37.0%	37.3%
Operating margin	17.7%	15.9%	16.5%	16.8%	17.1%	17.6%	17.9%
EBITDA margin	22.1%	21.4%	22.3%	22.7%	23.0%	23.4%	23.7%
Net profit margin	14.7%	13.2%	13.7%	13.9%	14.4%	15.3%	16.2%
Return on assets	7.3%	6.8%	6.9%	7.2%	7.6%	8.4%	9.3%
Return on equity	14.1%	14.3%	15.0%	15.3%	15.3%	15.6%	15.9%
<b>Leverage ratio</b>							
Debt / equity (x)	0.58	0.96	0.86	0.82	0.66	0.53	0.37
<b>Market/valuation ratios</b>							
EV/EBITDA (x)	24.2	20.2	16.7	14.5	13.2	11.9	10.7
Dividend yield	1.0%	1.5%	1.8%	2.0%	2.6%	2.9%	3.2%
P/E ratio (x)	32.3	25.7	21.2	18.8	17.2	15.4	13.9
P/BV ratio (x)	4.2	3.4	3.0	2.7	2.5	2.3	2.1

Source: Company, AlJazeera Capital Research

### Mouwasat

**Yanbu hospital to drive medium-term growth; margins to remain pressured until FY28 – maintain “Overweight” on valuation ground and long-term outlook**

Mouwasat’s FY25 revenue growth of 11.9% Y/Y in FY25 missed the management’s guidance of 15-20% growth. The growth primarily emanated from i) price escalation (i.e., 3%) on insurance contracts and ii) a 23% Y/Y increase in patients’ volumes across the legacy facilities. In Feb-26, Mouwasat commercially opened 200 beds Yanbu Hospital, which along with a series of other new planned expansions could drive the revenues at 10.5% CAGR over FY26e-30e to reach a revenue base of SAR 5.3bn. With Yanbu & upcoming 200 beds Jeddah hospital being the center of expansion, existing stiff competition could hamper the translation of revenue into profitability in FY26e. Accordingly, we expect the operating margins to face near-term pressure due to expansion-related costs, typically incurred by hospitals during the initial years of ramp-up. However, as these facilities mature and the utilization improves, we expect operating leverage to kick-in and aid in margin expansion over FY29-30e. This margin expansion along with the topline growth and finance cost reduction could translate into a c.9.2% net income CAGR over FY25-30e. Thus, we revise our TP to **SAR 90.6/share** and maintain a “**Overweight**” rating primarily on valuation grounds and medium to long term growth outlook.

**Insurance price escalation of 3% and improved inpatient volumes supported FY25 earnings growth:** During FY25, Mouwasat delivered a decent top-line performance, with revenues rising 11.9% Y/Y to SAR 3.1bn, below the guidance of 15-20%. The increase was driven by 3% price escalation in insurance contracts along with a significant 23% Y/Y increase in inpatients volumes to 107k patients during FY25. However, due to front-loaded hiring expenses associated with the newly commissioned Yanbu hospital (Feb-2026), gross margins declined by 70bps to 42.2% in FY2025. Despite these pressures, operating profitability improved by 21.5% Y/Y, driven by higher revenues and lower operating expenses. During the year, reported operating costs declined by 6.1%, mainly due to the reclassification of SAR 52mn in General & Administrative expenses to cost of operations. Adjusting for this reclassification, the underlying growth in operating expenses remained contained, further supported by a SAR 10mn impairment reversal compared to a SAR 78mn impairment loss recorded in FY24. As a result, net income increased by 27% Y/Y in 2025, with net margins expanding to 25.5%.

**Mouwasat plans to increase beds capacity by c.50% to 2,720 by FY30E:** In the Western Region, the company is developing a 200-bed hospital in Jeddah, while its 200-bed Yanbu facility was commissioned in Feb-26; both projects faced delays, with Jeddah pushed to 2Q26 (vs. Q4-25 earlier) and Yanbu delivered later than its original Q3-24 timeline. The company has also announced three new hospitals, including a 200-bed facility in Al Ahsa (targeted for Q4-29, SAR 700mn capex), a 200-bed hospital in Abha (Q4-29, SAR 700mn capex), and a 280-bed hospital in Al Narjis (SAR 900mn capex), which we have excluded from our estimates due to the absence of clear timelines; additionally, the previously planned Qadisiya hospital in Riyadh has also been excluded following management’s decision to hold the project for now. While these expansions support long-term growth, we remain cautious on Al Ahsa and Al Narjis given intensifying competition in these regions. Further pipeline developments include two approved polyclinics in Khobar and Jubail, although sector-wide challenges—particularly hiring constraints, competitive pressures, and slower ramp-ups—may weigh on patient acquisition and cost efficiencies.

<b>Recommendation</b>	<b>Overweight</b>
<b>Target Price (SAR)</b>	<b>90.6</b>
<b>Upside/(Downside)</b>	<b>26.7%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	2,879	3,223	3,615	3,995
Growth %	6.4%	11.9%	12.2%	10.5%
Gross Profit	1,289	1,361	1,458	1,622
Net Income	694	822	793	905
Growth %	5.5%	27.3%	-3.5%	14.1%
EPS	3.2	4.1	4.0	4.5
DPS	2.0	3.0	2.0	2.3

Source: Company, Aljazeera Capital research

### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	42.9%	42.2%	40.3%	40.6%
Net Margin	22.3%	25.5%	21.9%	22.7%
ROE	18.7%	22.4%	20.0%	20.6%
ROA	12.4%	14.4%	12.8%	13.5%
P/E (x)	26.4	18.4	18.1	15.9
P/B (x)	4.8	4.0	3.4	3.1
EV/EBITDA (x)	18.5	13.8	13.0	11.9
Dividend Yield	2.1%	2.6%	3.0%	2.8%

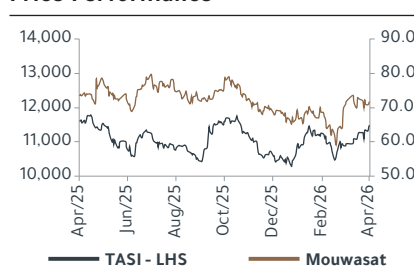
Source: Company, Aljazeera Capital research

### Key Market Data

Market Cap (bn)	14.3
YTD%	<b>7.7%</b>
52-week (High)/(Low)	80.7/58.6
Share Outstanding (mn)	200.0

Source: Company, Aljazeera Capital research

### Price Performance



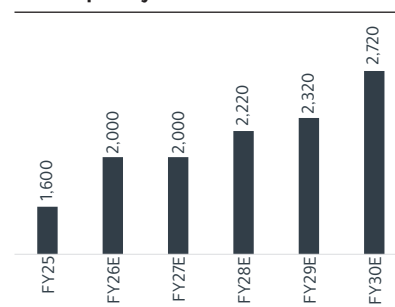
Source: Tadawul, Aljazeera Capital research

Consequently, we expect cost pressures from Yanbu and Jeddah hospitals to compress gross margins by ~190bps to 40.3% (vs. 42.2% in FY25). While management guides for ~15% Y/Y revenue growth in FY26, supported by higher inpatient volumes at legacy facilities and contributions from Yanbu and Jeddah, we view this as optimistic amid heightened competition in Jeddah and forecast a more conservative 12% growth to SAR 3,615mn; additionally, higher finance costs following these expansions are expected to weigh on earnings by ~3.5% in FY26. We expect margin pressure to persist through FY30E, driven by 100-bed capacity expansions across existing Qatif and Riyadh facilities in FY28 & FY29, alongside the commissioning of the Al Ahsa and Abha hospitals in FY30E. Thereafter, gross margins are expected to gradually recover, reaching ~43.1% by FY32e as utilization improves and newer assets mature.

**Longest Capex Cycle in the Sector with Peak Spending in FY28E:** Within our coverage universe, Mouwasat has the longest capex cycle with new facilities coming online even in FY30e. In the medium term, the capex spending is expected to peak at SAR 858mn in FY28E while reducing to SAR 158mn from FY30e onwards. With this, the net debt is expected to reach SAR 757mn in FY26e from current levels of SAR 450mn. In our estimates, we have incorporated the recently announced 200 beds Al Ahsa and Abha hospitals opening in Q1-30e. Mouwasat has also announced a 250-bed hospital (Al Narjis) with an estimated capex of SAR 900mn. However, given the lack of clarity on construction timelines, we have not incorporated this project in our estimates. However, once some visibility emerges, this project could further extend Mouwasat's capex cycle beyond FY30e.

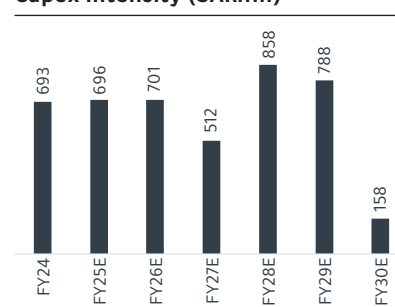
**AJC View and Valuation:** While Mouwasat is entering an investment-heavy expansion phase that may keep margins under pressure in near term, we view the company's pipeline of new facilities as a key driver of medium to long term growth. The commissioning of Yanbu, the upcoming Jeddah hospital, and other planned projects should meaningfully expand the company's capacity and strengthen its geographic presence across key regions of the Kingdom. Although competition intensity in markets such as Riyadh and Jeddah may moderate the pace of ramp-up, we believe Mouwasat's established brand, strong operating track record position it well to gradually absorb new capacity and sustain earnings growth. We arrive at a TP of **SAR 90.6 per share**, based on a 50% P/E (P/E of 23.0x on FY26e earnings) and 50% DCF blended valuation (WACC=9.9%, Terminal growth=2.5%), and upgrade our stance on the stock to **"Overweight"** from Neutral, primarily supported by its attractive valuation and solid medium-term growth outlook.

### Bed capacity



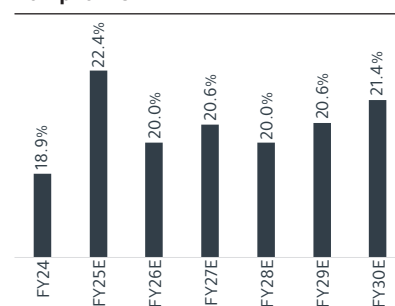
Source: Company, Aljazira Capital Research

### Capex intensity (SARmn)



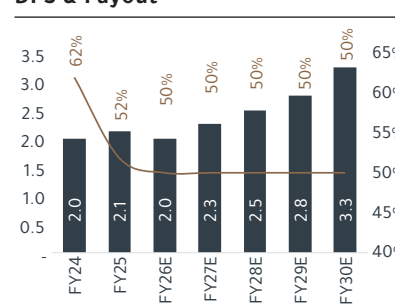
Source: Company, Aljazira Capital Research

### RoE profile



Source: Company, Aljazira Capital Research

### DPS & Payout



Source: Company, Aljazira Capital Research

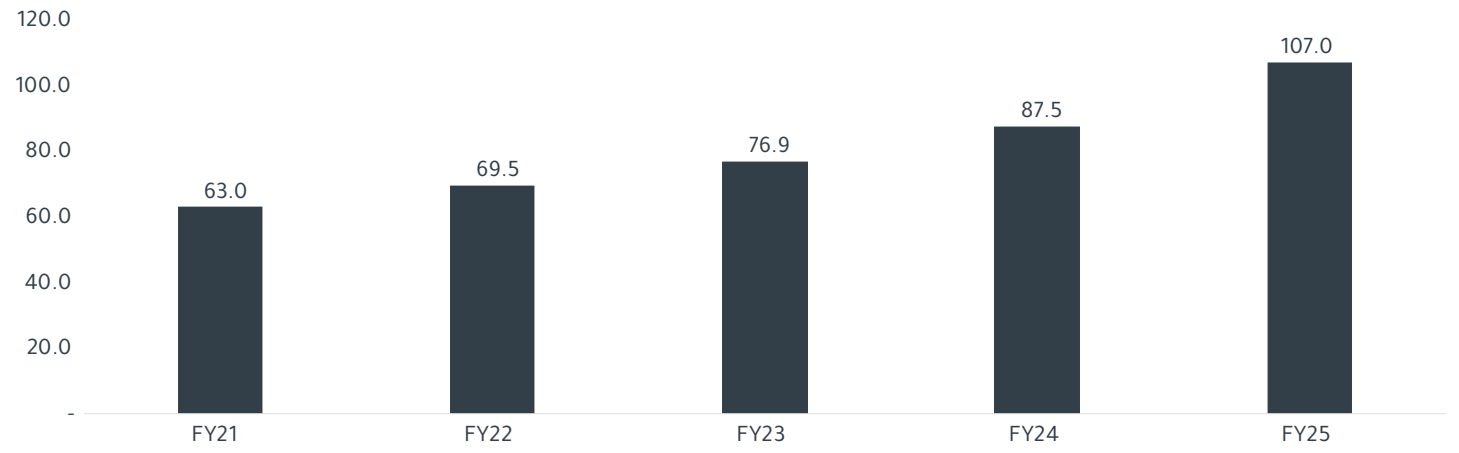
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	90.0	50%	45.0
P/E	91.2	50%	45.6
<b>Blended TP</b>			<b>90.6</b>

**Upside/(Downside) potential**

**26.7%**

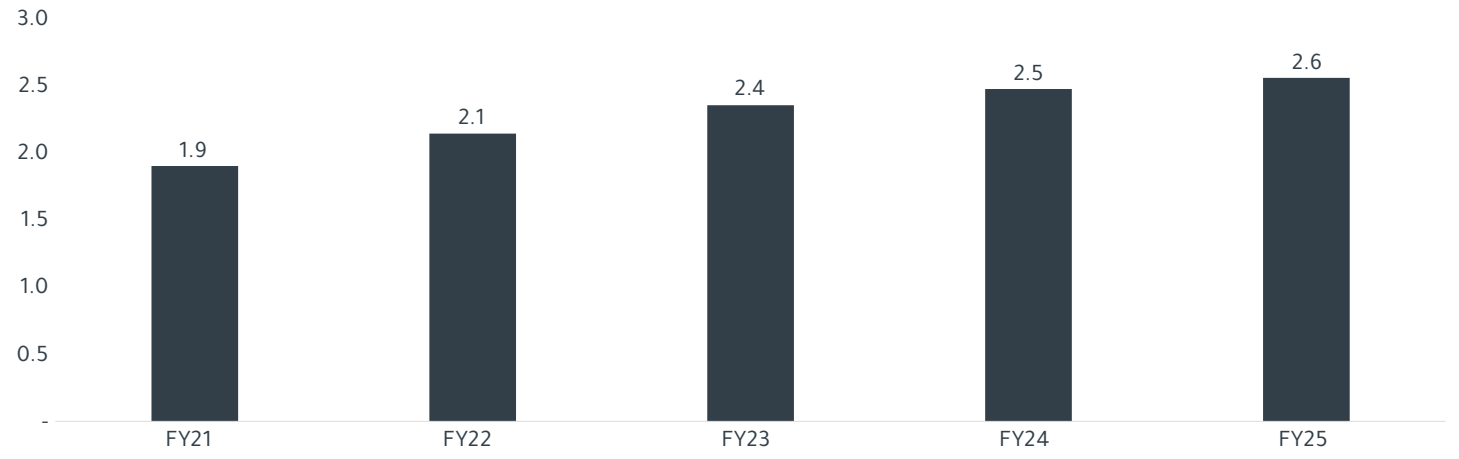
Source: Aljazira Capital Research

Fig 45. Inpatient admissions (in 000s)



Source: Company, AlJazeera Capital research

Fig 46. Outpatient visits (in mn)



Source: Company, AlJazeera Capital research

Fig 47. Mouwasat's existing facilities

Hospital name	Location	Beds
Hospital 1	Dammam	480
Hospital 2	Jubail	200
Hospital 3	Qatif	120
Hospital 4	Madinah	120
Hospital 5	New Madinah	220
Hospital 6	Riyadh	200
Hospital 7	Makkah	260

Source: Company, Argaam, AlJazeera Capital Research. Note: Based on 2024

### Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	2,879	3,223	3,615	3,995	4,316	4,713	5,309
<b>Y/Y</b>	<b>6.4%</b>	<b>11.9%</b>	<b>12.2%</b>	<b>10.5%</b>	<b>8.1%</b>	<b>9.2%</b>	<b>12.6%</b>
Cost	(1,643)	(1,861)	(2,157)	(2,373)	(2,567)	(2,765)	(3,107)
<b>Gross profit</b>	<b>1,289</b>	<b>1,361</b>	<b>1,458</b>	<b>1,622</b>	<b>1,749</b>	<b>1,949</b>	<b>2,202</b>
<b>GP margin</b>	<b>42.9%</b>	<b>42.2%</b>	<b>40.3%</b>	<b>40.6%</b>	<b>40.5%</b>	<b>41.3%</b>	<b>41.5%</b>
S&D expense	(49)	(55)	(61)	(65)	(72)	(74)	(78)
G&A expense	(393)	(446)	(492)	(543)	(596)	(650)	(733)
Provision on impairment	(78)	10	(14)	(12)	(13)	(14)	(16)
Other income	8	11	8	9	10	11	12
<b>Operating profit</b>	<b>777</b>	<b>880</b>	<b>899</b>	<b>1,011</b>	<b>1,079</b>	<b>1,221</b>	<b>1,387</b>
<b>Y/Y</b>	<b>2.6%</b>	<b>21.5%</b>	<b>2.2%</b>	<b>12.4%</b>	<b>6.7%</b>	<b>13.2%</b>	<b>13.6%</b>
<b>OP margin</b>	<b>25.2%</b>	<b>27.3%</b>	<b>24.9%</b>	<b>25.3%</b>	<b>25.0%</b>	<b>25.9%</b>	<b>26.1%</b>
Financial charges	(30)	(20)	(45)	(46)	(44)	(37)	(23)
Finance Income	8	22	5	1	2	2	1
Non-controlling interest	(24)	(30)	(31)	(22)	(23)	(27)	(31)
<b>Profit before zakat</b>	<b>730</b>	<b>853</b>	<b>829</b>	<b>945</b>	<b>1,013</b>	<b>1,159</b>	<b>1,335</b>
Zakat	(36)	(31)	(35)	(40)	(43)	(49)	(57)
<b>Net income</b>	<b>694</b>	<b>822</b>	<b>793</b>	<b>905</b>	<b>970</b>	<b>1,109</b>	<b>1,278</b>
<b>Y/Y</b>	<b>5.5%</b>	<b>27.3%</b>	<b>-3.5%</b>	<b>14.1%</b>	<b>7.2%</b>	<b>14.4%</b>	<b>15.2%</b>
<b>EPS</b>	<b>3.21</b>	<b>4.11</b>	<b>3.97</b>	<b>4.52</b>	<b>4.85</b>	<b>5.55</b>	<b>6.39</b>
<b>DPS</b>	<b>2.00</b>	<b>3.00</b>	<b>2.00</b>	<b>2.25</b>	<b>2.50</b>	<b>2.75</b>	<b>3.25</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & bank balance	427	497	204	468	260	170	461
Receivables	925	906	1,016	1,123	1,213	1,325	1,492
Other current assets	405	335	528	475	528	557	592
Property & Equipment	3,510	3,971	4,372	4,570	5,076	5,476	5,238
Other non-current assets	137	277	333	362	368	397	442
<b>Total assets</b>	<b>5,403</b>	<b>5,986</b>	<b>6,454</b>	<b>6,998</b>	<b>7,444</b>	<b>7,925</b>	<b>8,226</b>
<b>Liabilities &amp; owners' equity</b>							
Payables	277	319	369	406	440	474	532
Total current liabilities	604	681	691	733	771	785	812
Long-term loans	565	757	782	809	722	609	188
Total other non-current liabilities	243	309	294	275	263	247	251
Non-controlling interest	145	143	146	149	152	155	159
<b>Total equity &amp; liabilities</b>	<b>5,403</b>	<b>5,986</b>	<b>6,454</b>	<b>6,998</b>	<b>7,444</b>	<b>7,925</b>	<b>8,226</b>
<b>Cashflow statement</b>							
Operating activities	1,256	1,178	993	1,135	1,259	1,413	1,588
Investing activities	(468)	(676)	(756)	(548)	(872)	(827)	(213)
Financing activities	(411)	(431)	(530)	(323)	(595)	(675)	(1,084)
Change in cash	378	71	(293)	263	(208)	(89)	291
<b>Ending cash balance</b>	<b>427</b>	<b>498</b>	<b>204</b>	<b>468</b>	<b>260</b>	<b>170</b>	<b>461</b>
Depreciation & Amortization	228	234	291	314	353	388	395
<b>Ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	2.0	1.7	1.6	1.8	1.7	1.6	1.9
Quick ratio (x)	1.7	1.5	1.4	1.5	1.4	1.4	1.6
<b>Profitability ratios</b>							
Gross profit margin	42.9%	42.2%	40.3%	40.6%	40.5%	41.3%	41.5%
Operating margin	25.2%	27.3%	24.9%	25.3%	25.0%	25.9%	26.1%
EBITDA margin	33.3%	34.8%	33.2%	33.4%	33.4%	34.4%	33.8%
Net profit margin	22.3%	25.5%	21.9%	22.7%	22.5%	23.5%	24.1%
Return on assets	12.4%	14.4%	12.8%	13.5%	13.4%	14.4%	15.8%
Return on equity	18.7%	22.4%	20.0%	20.6%	20.0%	20.6%	21.4%
<b>Leverage ratio</b>							
Debt / equity (x)	0.2	0.3	0.2	0.2	0.2	0.1	0.1
<b>Valuation ratios</b>							
EV/EBITDA (x)	18.5	13.8	13.0	11.9	10.9	9.7	8.8
Dividend yield	2.1%	2.6%	3.0%	2.8%	3.1%	3.5%	3.8%
P/E ratio (x)	26.4	18.4	18.1	15.9	14.8	12.9	11.2
P/BV ratio (x)	4.8	4.0	3.4	3.1	2.8	2.5	2.3

Source: Company, Aljazeera Capital Research

### National Medical Care

**Attractive valuation, steady earnings growth, and resilient margins underpin upside potential; supporting our “Overweight” recommendation**

Care’s FY25 revenues growth of 23.7% Y/Y was led by surge in patient volumes (+37% Y/Y), full-year consolidation of Al-Salam hospital, capacity expansion and sharp improvements in utilization. The management expects occupancy to normalize (~90%) due to i) continued ramp-up at Al-Salam, and ii) improved throughput across legacy hospitals, although volumes may temporarily soften due to Eid-led seasonality. As a part of its growth roadmap, the 200 bed new hospital in Al Narjis-Riyadh in FY28e is expected to support earnings growth in medium to long term. Supported by continued improvement across key operational metrics, Care is expected to deliver revenue and net income CAGRs of 9.2% and 8.8%, respectively, over FY25-30e. However, we anticipate medium-term pressures on gross margins due to the commissioning of a new hospital in North Riyadh in FY28e. Until this facility comes online, we expect Care to maintain its current gross margins of 36.9% till FY27e followed by c.150bps contraction in FY28e reflecting the addition of new capacity. Subsequently, as new capacity ramps up, we forecast gross and operating margins to recover to 36.5% and 21.1%, respectively, by FY30e. Accordingly, we revise our TP to **SAR 162.0/share** and reiterate our rating to **“Overweight”**, with stock trading at 17.5x FY26e PE.

**Volume-led growth and network expansion drive operating leverage, while accounting adjustments of previous year weigh on reported earnings growth:** Care reported a strong FY25 performance, with revenues rising 24% Y/Y to SAR 1,600mn, slightly below our SAR 1,628mn estimate. Growth was driven by a 33% Y/Y increase in patient volumes, the full-year consolidation of Al-Salam hospital (SAR 121mn revenue contribution) and continued operational optimization across the networks. Capacity expansion also remained a key growth lever, with bed capacity rising to 1,178 beds following 30 beds additions at Al-Rawabi hospital during the year. As demand translated into higher patient throughput, utilization improved sharply to 83% (vs 68% in FY24), driven by stronger occupancy at legacy hospitals and the ongoing ramp-up of Al-Salam and ReLib. Owing to a 3-year contract with Prince Sultan Military Medical City (PSMMC) for long term care services, Care’s average length of stay also remains elevated at 9.5 days in FY25 vs 9.3 days in last year. This operational momentum translated into improved profitability with gross margins expanding 170bps Y/Y to 36.8%, reflecting operating leverage from higher patient volumes and improved utilization. Net margins moderated to 19.9% (vs. 22.8% in FY24), due to higher depreciation linked to Al Salam’s purchase-price allocation and the absence of SAR 72mn in non-recurring reversals. Adjusting for these one-offs, net income grew 43% Y/Y. Noteworthy to mention that despite seasonally stronger quarter, Care’s Q4-25 revenues declined by c.1.9% Q/Q owing to a 8% fall in GOSI referred surgeries during the quarter.

**Continuous improvement across all operational metrics along with the upcoming new hospital in North Riyadh to derive 8.8% CAGR in FY25-30e earnings:** Care expects occupancy to normalize around 90% supported by continued ramp-up at Al-Salam (20 additional beds by H1-26) and improving throughput across legacy hospitals, although Q1-26 volumes may soften due to Eid led seasonality. Additionally, a Class B+ multi-specialty greenfield hospital in Jeddah is currently under the planning phase, as a part of Care’s expansion drive. In parallel, the upcoming Al-Narjis hospital remains a key growth driver, with an additional SAR 500mn of planned capex for the first phase consisting of 200 beds. This positions Care for the next phase of capacity-led growth in Riyadh and is expected to support a 9.2% revenue CAGR over FY25-30e taking the revenues to c.SAR 2.5bn by FY30e. Given the absence of any major capacity additions in the near term, we expect Care to sustain gross margins at 36.9% level till FY27e. However, margins are likely to contract by 150bps in FY28e following the commissioning of Al Narjis hospital. As a result, operating margins are also expected to contract by 200bps in FY28e to 20.2%. Care’s upcoming bed additions are concentrated in Riyadh-Al Narjis district, where competition intensity is rising with several private healthcare providers having announced their projects in the same catchment area (including Mouwasat with ~280 beds, AlHammadi with ~200 beds). In line with peer developments, we remain cautiously optimistic on this upcoming hospital and assume this hospital to reach c.35% occupancy by FY30e. Accordingly, we have incorporated only the initial 200 beds phase in our forecast horizon, as we believe Phase II (additional 200 beds) could be delayed due to gradual ramp up of the first phase.

<b>Recommendation</b>	<b>Overweight</b>
<b>Target Price (SAR)</b>	<b>162.0</b>
<b>Upside/(Downside)</b>	<b>28.4%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

#### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	1,294	1,600	1,752	1,909
Growth %	19.6%	23.7%	9.4%	9.0%
Gross Profit	454	589	645	704
Net Income	298	318	344	380
Growth %	23.8%	6.8%	8.0%	10.5%
EPS	6.7	7.1	7.7	8.5
DPS	2.0	3.0	3.5	3.8

Source: Company, Aljazira Capital research

#### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	35.1%	36.8%	36.9%	36.9%
Net Margin	23.0%	19.9%	19.6%	19.9%
ROE	19.3%	18.3%	17.7%	17.7%
ROA	12.3%	12.6%	12.1%	12.0%
P/E (x)	25.1	19.9	17.5	15.8
P/B (x)	4.6	3.4	3.0	2.7
EV/EBITDA (x)	21.2	13.7	12.7	11.5
Dividend Yield	1.2%	2.1%	2.6%	2.8%

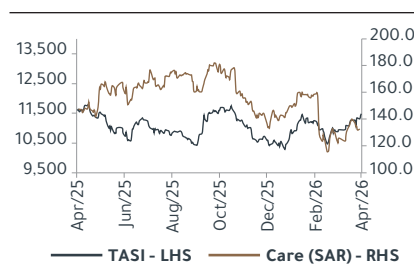
Source: Company, Aljazira Capital research

#### Key Market Data

Market Cap (bn)	6.0
YTD%	<b>-5.7%</b>
52-week (High)/(Low)	183.5/110.8
Share Outstanding (mn)	44.7

Source: Company, Aljazira Capital research

#### Price Performance



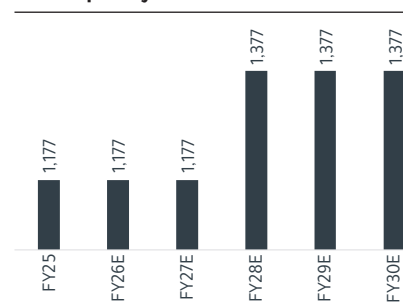
Source: Tadawul, Aljazira Capital research

In addition, hiring and staffing costs are expected to rise, driven by a large pipeline of healthcare capacity expansions across KSA. Despite these near-term headwinds, improving utilization and operating leverage should support gradual margin recovery, with operating margins expected to reach ~21.1% by FY30e. Consequently, net income is projected to grow at 8.8% CAGR over FY25-30e. It is worth noting that Care's 3-year contract with PSMC is scheduled to expire in Q3-27e. The contract contributes c.SAR 127mn annually to revenues while utilizing 170-180 beds at Care's legacy Rawabi and Malaz facilities. Non-renewal of this contract could free up acute-care capacity and potentially support gross margin expansion due to higher revenue/bed. Given the uncertainty surrounding its continuation, we have not assumed the non-renewal in our estimates and view this as a potential upside trigger in the later years.

**Care's expansion cycle remains one of the shortest in industry:** Care's expansion cycle remains one of the shortest within our healthcare universe with capex expected to rise from SAR 129mn in FY25 to SAR 282mn in FY26e and SAR 270mn in FY27e, primarily supporting capacity additions and early investments linked to the Al-Narjis hospital construction. As the initial phase of investments concludes, capex intensity is expected to normalize to ~SAR 78-83mn annually during FY28-30e, indicating a transition from heavy expansion spending toward maintenance capex and selective growth investments. This investment profile aligns with the company's phased bed expansion strategy and positions Care to capture incremental patient volumes while maintaining disciplined capital deployment. Further, continuous improvement in company's cash conversion cycle is also expected to support internal cash generation which can positioned Care for more M&A activities in the near to medium term. Although, company's cash conversion cycle increased to 139 days in FY25 from 88 days, we expect it to improve over our forecast horizon, as the elongation was driven by temporary delays in collections during FY25. This is corroborated by the fact that, out of the total receivables of SAR 885mn, Care has already collected SAR 150mn during Feb-26.

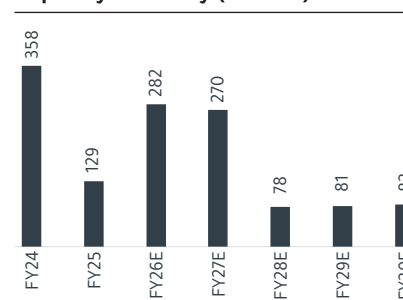
**AJC View and Valuation:** Care displays healthy pulse readings across its operational metrics from capacity increases (38% increase since Q4-23), patient growth (37% Y/Y), and continuous uptick in occupancy rates (83% in FY25 vs 68% in FY24). Ever since company has laid out its 5-year growth strategy in FY23, its gross margins have expanded to 36.8% in FY25 from 31.6% in FY22 along with a c.87% increase in net income. We continue to see positives over the medium term, supported by Care's focus on geographic expansion within Riyadh and the Western region, which are positioned as core growth platforms given long-term care demand potential. However, we remain cautiously optimistic regarding the upcoming North Riyadh asset. Accordingly, we expect revenues and net income to grow at CAGRs of 9.2% and 8.8% over FY25-30e, reaching SAR 2.5bn and SAR 0.48bn, respectively. The stock is currently trading at a c.17% discount to the sector's forward P/E of 21.6x. Given its visible earnings trajectory over the near to medium term and relatively contained execution risk, driven by a limited expansion pipeline, we view Care as one of the top picks in the sector with strong rerating potential. Therefore, we arrive at a TP of **SAR 162.0/share** (50% PE at 22x FY26e earnings; 50% DCF with 9.1% WACC and 2.5% terminal growth) and maintain an **"Overweight"** rating.

### Bed capacity



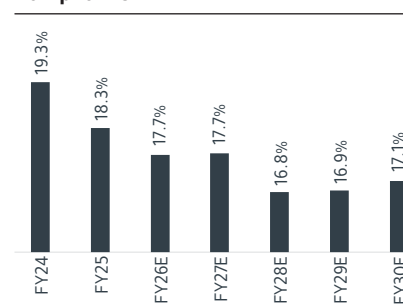
Source: Company, Aljazira Capital Research

### Capacity Intensity (SARmn)



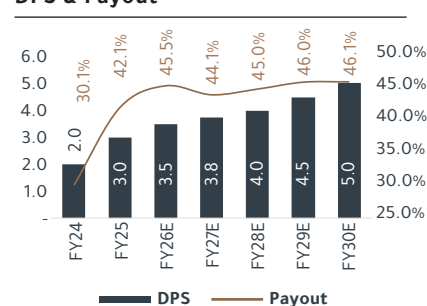
Source: Company, Aljazira Capital Research

### RoE profile



Source: Company, Aljazira Capital Research

### DPS & Payout



Source: Company, Aljazira Capital Research

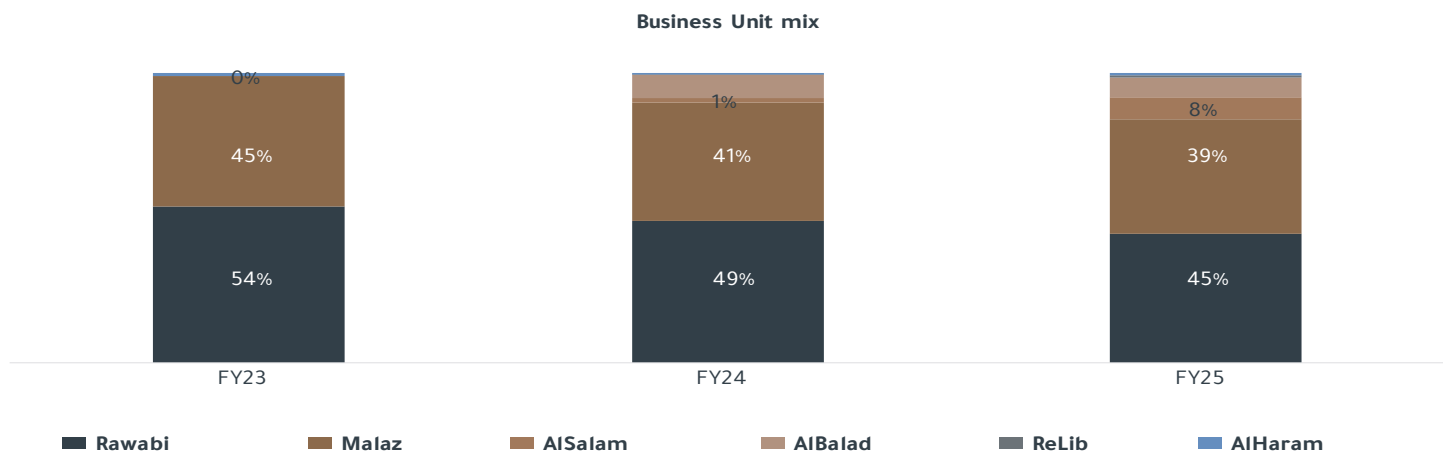
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	155.6	50%	77.8
P/E	169.3	50%	84.7
<b>Blended TP</b>			<b>162.0</b>

### Upside/(Downside) potential

**28.4%**

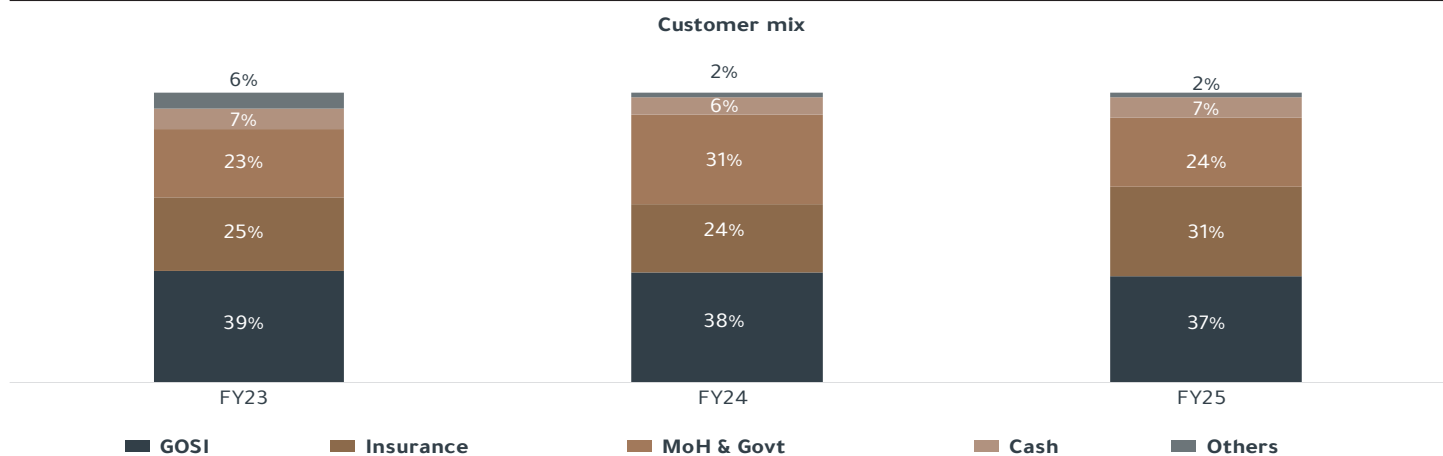
Source: Aljazira Capital Research

Fig 48. Rawabi branch dominates the business unit mix



Source: Company, Aljazira Capital Research

Fig 49. Care has a higher skew to GOSI customer type



Source: Company, Aljazira Capital Research

Fig 50. National Medical Care's existing facilities

Hospital name	Location	Beds
Riyadh Care Hospital	Riyadh	360
Care National Hospital	Riyadh	459
Chronic Specialized Medical Care Hospital	Jeddah	175
Medical care for the Haram	Makkah	54
Sehat Al Salam Medical Hospital	Riyadh	100

Source: Company, Argaam, Aljazira Capital Research.

## Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	1,294	1,600	1,752	1,909	2,174	2,343	2,481
Y/Y	19.6%	23.7%	9.4%	9.0%	13.9%	7.7%	5.9%
Cost	(840)	(1,011)	(1,106)	(1,206)	(1,406)	(1,507)	(1,576)
<b>Gross profit</b>	<b>454</b>	<b>589</b>	<b>645</b>	<b>704</b>	<b>769</b>	<b>836</b>	<b>905</b>
<b>GP margin</b>	<b>35.1%</b>	<b>36.8%</b>	<b>36.9%</b>	<b>36.9%</b>	<b>35.4%</b>	<b>35.7%</b>	<b>36.5%</b>
S&D expense	(11)	(20)	(22)	(24)	(28)	(30)	(31)
G&A expense	(162)	(198)	(224)	(245)	(296)	(325)	(344)
Other expense/income	16	(16)	(14)	(10)	(6)	(4)	(5)
<b>Operating profit</b>	<b>297</b>	<b>355</b>	<b>386</b>	<b>424</b>	<b>439</b>	<b>476</b>	<b>525</b>
Y/Y	20.3%	19.4%	8.7%	10.0%	3.4%	8.7%	10.1%
<b>OP margin</b>	<b>22.9%</b>	<b>22.2%</b>	<b>22.0%</b>	<b>22.2%</b>	<b>20.2%</b>	<b>20.3%</b>	<b>21.1%</b>
Net Finance and other cost	(3)	(8)	(6)	(5)	(0)	5	10
Income before zakat	294	346	379	419	438	482	535
Zakat	5	(28)	(35)	(39)	(41)	(45)	(50)
<b>Net income</b>	<b>298</b>	<b>318</b>	<b>344</b>	<b>380</b>	<b>398</b>	<b>437</b>	<b>485</b>
Y/Y	23.8%	6.8%	8.0%	10.5%	4.6%	9.9%	11.0%
<b>EPS</b>	<b>6.65</b>	<b>7.13</b>	<b>7.70</b>	<b>8.51</b>	<b>8.89</b>	<b>9.77</b>	<b>10.85</b>
<b>DPS</b>	<b>2.00</b>	<b>3.00</b>	<b>3.50</b>	<b>3.75</b>	<b>4.00</b>	<b>4.50</b>	<b>5.00</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & bank balance	567	531	531	556	797	1,059	1,354
Other current assets	58	64	68	72	76	81	86
Receivables	605	885	911	931	988	1,052	1,101
Property & Equipment	1,108	1,144	1,327	1,484	1,430	1,379	1,327
Other non-current assets	165	146	146	146	146	146	146
<b>Total assets</b>	<b>2,502</b>	<b>2,771</b>	<b>2,984</b>	<b>3,190</b>	<b>3,439</b>	<b>3,717</b>	<b>4,014</b>
<b>Liabilities &amp; owners' equity</b>							
Trade and Other Payables	248	238	257	277	319	338	349
Other current liabilities	101	107	103	99	97	97	101
Long-term loans	244	291	320	292	263	279	297
Total other non-current liabilities	280	286	263	269	288	296	299
Total owners' equity	1,630	1,849	2,037	2,250	2,468	2,704	2,965
<b>Total equity &amp; liabilities</b>	<b>2,502</b>	<b>2,771</b>	<b>2,984</b>	<b>3,190</b>	<b>3,439</b>	<b>3,717</b>	<b>4,014</b>
<b>Cashflow statement</b>							
Operating activities	245	154	443	490	512	524	582
Investing activities	(193)	121	(282)	(270)	(78)	(81)	(83)
Financing activities	(97)	(59)	(160)	(195)	(193)	(182)	(204)
Change in cash	(45)	216	1	25	241	261	295
<b>Ending cash balance</b>	<b>264</b>	<b>480</b>	<b>481</b>	<b>506</b>	<b>747</b>	<b>1,008</b>	<b>1,303</b>
Depreciation & Amortization	56	85	90	100	121	122	126
<b>Ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	7.2	8.0	8.3	8.5	8.3	8.5	8.9
Quick ratio (x)	3.4	4.1	4.0	4.0	4.3	4.9	5.5
<b>Profitability ratios</b>							
Gross profit margin	35.1%	36.8%	36.9%	36.9%	35.4%	35.7%	36.5%
Operating margin	22.9%	22.2%	22.0%	22.2%	20.2%	20.3%	21.1%
EBITDA margin	27.3%	29.1%	27.1%	27.5%	25.7%	25.6%	26.2%
Net profit margin	23.0%	19.9%	19.6%	19.9%	18.3%	18.6%	19.5%
Return on assets	12.3%	12.6%	12.1%	12.0%	12.3%	12.0%	12.2%
Return on equity	19.3%	18.3%	17.7%	17.7%	16.8%	16.9%	17.1%
<b>Leverage ratio</b>							
Debt / equity (x)	0.19	0.19	0.17	0.14	0.11	0.11	0.11
<b>Valuation ratios</b>							
EV/EBITDA (x)	21.24	13.69	12.66	11.48	10.75	10.05	9.25
Dividend yield	1.2%	2.1%	2.6%	2.8%	3.0%	3.3%	3.7%
P/E ratio (x)	25.11	19.93	17.49	15.82	15.13	13.77	12.41
P/BV ratio (x)	4.60	3.44	2.96	2.68	2.45	2.23	2.04

Source: Company, Aljazeera Capital Research

### AlHammadi

**Muted earnings visibility amid expansion risks and competitive pressures warrant a “Neutral” stance:**

Hammadi’s FY25 earnings declined by 28.6%, primarily due to a c.370bps contraction in gross margins and the absence of last year’s one-off gain of SAR 55.3mn, while revenue grew by 7% supported by an average ~10% increase in insurance pricing, with patient volumes remaining relatively subdued. Over FY25-30e, we expect revenue CAGR of ~9%, driven by guided price increases (~7% in FY26e and ~5% in FY27e), a gradual recovery in volumes, and a planned c.66% expansion in bed capacity to 1,000 beds by FY29e through two new hospitals in Riyadh; however, we remain cautious on margins recovery and ramp-up execution amid intensifying competition. Accordingly, we assign a “Neutral” rating, reflecting limited earnings growth visibility and elevated execution risks, with a TP of SAR 32.0/share.

**FY25 results weighed down by c.370 bps contraction in gross margins and increase in Net operating expenses due to absence of last year one off gain of SAR 55.3mn:** During FY25, Hammadi’s net Income declined 28.6% Y/Y, to SAR 242mn, due to a c.370 bps contraction in gross margins and a 5.4x increase in the operating costs. For the fourth consecutive year, company’s gross margins contracted due to rollout of new offerings and increased hiring. In addition, the absence of a one-off gain of SAR 55.3mn recorded in the prior year further weighed on the earnings. On the positive side, company’s topline grew 7.0% Y/Y, albeit below expectations, primarily due to a continued decline in patient volumes. To recall, the management had guided for a price increase of 10% in FY25; however, the reported revenue growth of 7.0% suggests that volume contraction persisted during the year. In the operating costs, Admin & Marketing costs grew 21% Y/Y, mainly driven by a new branding and marketing campaign undertaken during the year and ongoing new offerings. In a notable positive development, Hammadi’s share of profit from Sudair Pharma rose sharply to SAR 24.5mn, compared to SAR 6.7mn in the prior year, representing a 2.3x Y/Y increase.

**Price increase till FY27 and new specialized services ahead of DRG implementation along with upcoming Olaya Hospital to derive medium term earnings growth:** Hammadi’s strategic transition towards positioning itself as a premium Class A+/VIP healthcare provider is primarily driven by the anticipated implementation of DRG-based pricing, which management expects to take effect by FY27e. In preparation, the company has already secured average price increases of around 10% in FY25, with further guided hikes of 7% in FY26e and 5% in FY27e, reinforcing pricing-led topline growth in the medium term. However, Hammadi’s premiumization strategy is inherently linked to service complexity under the DRG framework, where higher reimbursement multiples are expected to be contingent on the breadth and sophistication of clinical offerings. As such, the group continues to invest in specialized service lines and plans to establish centers of excellence across both existing and upcoming facilities, including the Olaya hospital. These initiatives, while supportive of long-term positioning and earnings growth continue to dent gross margins with 4Q25 margins tanking to 26.7%. Elevated recruitment costs for specialized talent, ongoing competition for skilled medical staff, and operational ramp-ups from capacity expansion are expected to keep gross margins under pressure, with FY26 gross margins are expected to further decline to 26.7% from 29.4% recorded in FY25. Owing to these reasons, we do not anticipate Hammadi’s gross margins to revert to even FY25’s level by FY32, due to intensifying competition within Riyadh’s premium healthcare segment. The competition intensity has risen as multiple operators are expanding their capacities and targeting the same high-value patient base. The opening of large-scale premium facilities has already begun to pressure utilization and pricing dynamics across providers. Hammadi has experienced some of these headwinds through lower Ministry of Health referral volumes amid discounting by competitors. In addition, competition for specialized medical talent continues to elevate hiring and retention costs. Our forecasted revenue CAGR of c.9% over FY25-30e is largely driven by capacity expansion (Olaya & Munsiyah hospitals) and price increases on insurance contracts, despite we are staying cautious on the patient volume growth, ramp-up timelines of new facilities, and the pharmaceutical segment’s performance. With this, Cost pressures from ramp-ups and lower MoH service referrals are expected to gradually compress net margins to ~17.4% by FY29e from 19.6% in FY25. However, as new facilities mature, company’s net margins are expected to recover to 20.0% by FY32.

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>32.0</b>
<b>Upside/(Downside)</b>	<b>20.1%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

#### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	1,154	1,235	1,325	1,516
Growth %	-1.9%	7.0%	7.3%	14.5%
Gross Profit	382	363	354	404
Net Income	339	242	232	264
Growth %	11.7%	-28.6%	-4.1%	13.8%
EPS	2.1	1.5	1.4	1.7
DPS	1.4	1.1	1.0	1.2

Source: Company, Aljazeera Capital research

#### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	33.1%	29.4%	26.7%	26.7%
Net Margin	29.4%	19.6%	17.5%	17.4%
ROE	17.8%	12.1%	11.4%	12.5%
ROA	12.9%	8.9%	7.8%	7.9%
P/E (x)	18.1	25.5	18.9	16.6
P/B (x)	3.1	3.1	2.1	2.0
EV/EBITDA (x)	13.1	18.1	12.0	10.4
Dividend Yield	3.6%	2.9%	3.6%	4.4%

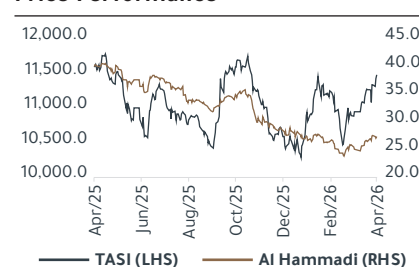
Source: Company, Aljazeera Capital research

#### Key Market Data

Market Cap (bn)	4.4
YTD%	-2.0%
52-week (High)/(Low)	42.2/23.4
Share Outstanding (mn)	160.0

Source: Company, Aljazeera Capital research

#### Price Performance



Source: Tadawul, Aljazeera Capital research

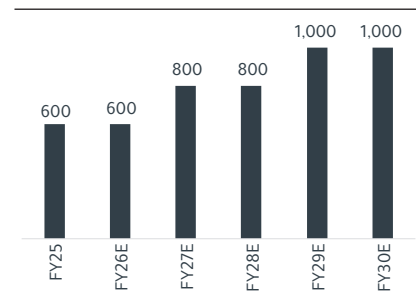
### Two new facilities remain under development, with timelines pushed out and execution visibility moderating:

Over the five-year horizon, Hammadi had initially planned to inaugurate three new facilities in Riyadh, each with a capacity of 200 inpatient rooms and 120 clinics. However, timelines have shifted, with the Olaya hospital now expected to open in early FY27e (vs. FY26e previously), while the Narjis project has been delayed due to pending government approvals and remains at a pre-construction stage; accordingly, we have not incorporated Narjis into our estimates at this stage. The most recently announced Al Munsiyah facility is still expected to be commissioned in FY29e. Factoring in the revised timelines, these expansions are expected to take total capacity toward ~1,000 inpatient rooms over the medium term, implying a c.66% increase from current levels, with estimated cumulative capex of SAR 936mn over FY26-30e. While the expansion pipeline provides long-term growth optionality, we expect a gradual ramp-up, reflecting execution risks and intensifying competitive pressures in Riyadh.

**Higher Leverage During Expansion; ROE Recovery to Lag:** Hammadi's estimated capex of ~SAR 936mn over FY26-30e—driven by its ongoing expansion pipeline—will likely be funded through a mix of internal cash flows and debt, leading us to forecast the debt-to-equity ratio to increase to ~0.35x by FY28E (vs. ~0.10x currently). The company is also expected to utilize part of its earnings-generating time deposits in FY25 to meet near-term funding requirements. As a result, ROE is expected to remain subdued during the investment phase, with a gradual recovery from ~11.4% in FY26E to ~14.7% by FY30E, approaching FY24 levels as new capacities ramp up and operational efficiencies improve. Despite the elevated capex cycle, we expect Hammadi to maintain its dividend payout ratio at ~70-75%, supported by stable operating cash flows, although this could moderate the pace of deleveraging in the near term.

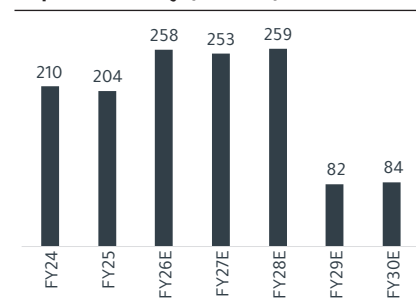
**AJC View and Valuation:** While Hammadi's expansion plan is expected to increase its bed capacity by c.66% by FY29E (vs. earlier expectations of doubling, following delays in the Al Narjis project), it continues to offer a meaningful medium-term growth opportunity; however, we remain mindful of execution risks amid intensifying competition in Riyadh. With most of its hospitals—except Al Suwaidi—located in highly competitive catchment areas, the ramp-up of new facilities and patient volume growth may remain gradual. Additionally, the phased rollout of expansions and potential delays could result in a more back-ended earnings contribution profile, while near-term margins may remain under pressure due to pre-operating costs and ramp-up inefficiencies. That said, the company's earnings visibility and ongoing capacity additions provide a basis for gradual valuation normalization. Hammadi is currently trading at a forward P/E of 18.9x, implying a more moderate discount of c.10% to the sector average of 21.0x. Accordingly, we downgrade our stance to **"Neutral"** from Overweight, with a target price of **SAR 32.0/share**, implying an upside potential of c.16% from current levels. Our blended valuation is based on 50% P/E (applying a 21.0x multiple to FY26E earnings) and 50% DCF (WACC: 9.5%, terminal growth: 2.5%).

### Bed capacity



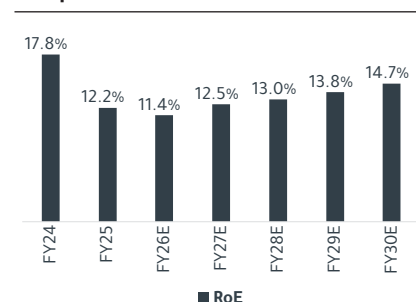
Source: Company, Aljazeera Capital Research

### Capex intensity (SARmn)



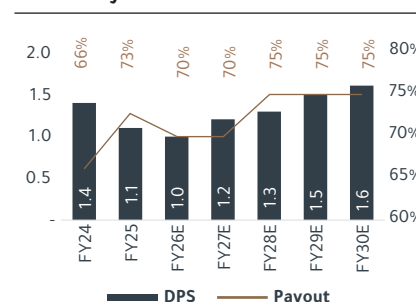
Source: Company, Aljazeera Capital Research

### RoE profile



Source: Company, Aljazeera Capital Research

### DPS & Payout



Source: Company, Aljazeera Capital Research

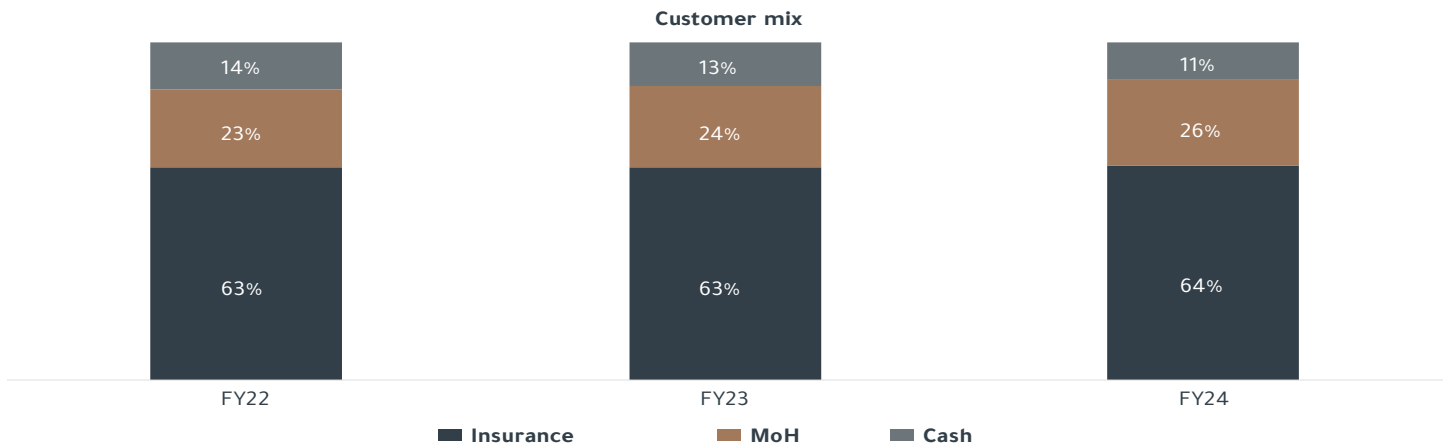
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	33.6	50%	16.8
P/E	30.4	50%	15.2
<b>Blended TP</b>			<b>32.0</b>

### Upside/(Downside) potential

20.1%

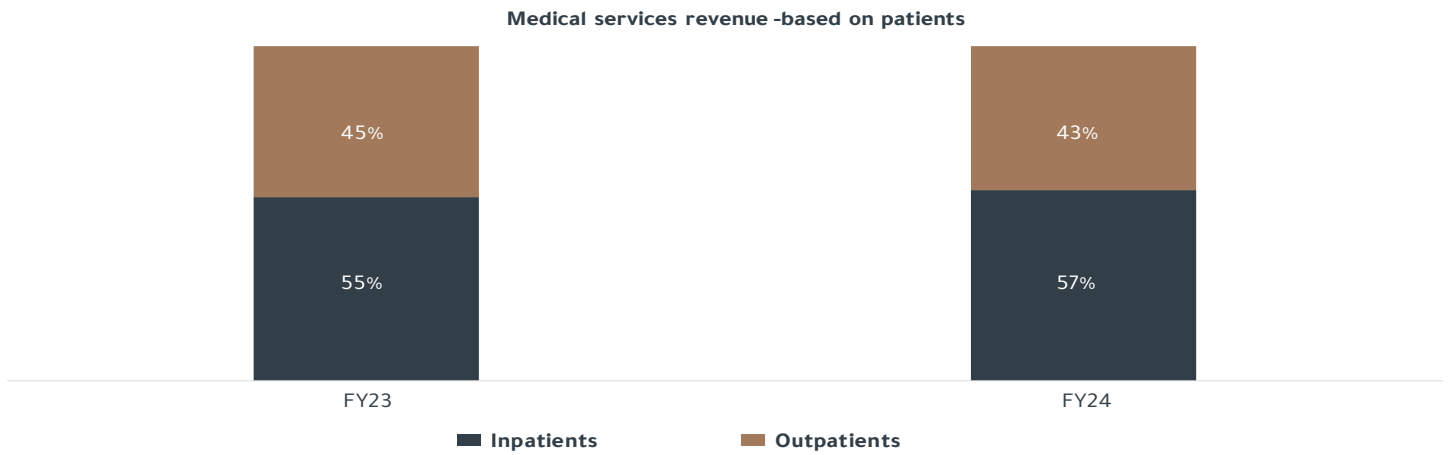
Source: Aljazeera Capital Research

**Fig 51. Insurance & MoH cumulatively contributes 90% of revenues**



Source: Company, Aljazira Capital Research

**Fig 52. Inpatients dominates Hammadi's medical services**



Source: Company, Aljazira Capital Research

**Fig 53. AlHammadi's existing facilities**

Hospital name	Location	Beds
Nuzha Hospital	Riyadh	300
Al-Suwaidi Hospital	Riyadh	200
Olaya Hospital	Riyadh	100

Source: Company, Argaam, Aljazira Capital Research. Note: Based on 2024

### Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	1,154	1,235	1,325	1,516	1,607	1,790	1,891
Y/Y	-1.9%	7.0%	7.3%	14.5%	6.0%	11.4%	5.6%
Cost	(771)	(872)	(970)	(1,112)	(1,168)	(1,317)	(1,382)
<b>Gross profit</b>	<b>382</b>	<b>363</b>	<b>354</b>	<b>404</b>	<b>439</b>	<b>473</b>	<b>509</b>
<b>GP margin</b>	<b>33.1%</b>	<b>29.4%</b>	<b>26.7%</b>	<b>26.7%</b>	<b>27.3%</b>	<b>26.4%</b>	<b>26.9%</b>
S&D expense	(4)	(12)	(12)	(14)	(15)	(17)	(18)
G&A expense	(89)	(101)	(112)	(120)	(128)	(135)	(143)
Impairment losses on trade receivable	(9)	(21)	(13)	(15)	(16)	(18)	(19)
Other expense/income	30	29	26	30	32	31	33
Gain/loss from disposal of property	55	0	0	0	0	0	0
<b>Operating profit</b>	<b>366</b>	<b>258</b>	<b>243</b>	<b>285</b>	<b>312</b>	<b>335</b>	<b>363</b>
Y/Y	5.8%	-29.3%	-6.0%	17.1%	9.7%	7.1%	8.5%
<b>OP margin</b>	<b>39.4%</b>	<b>29.1%</b>	<b>26.8%</b>	<b>26.7%</b>	<b>27.4%</b>	<b>26.2%</b>	<b>26.7%</b>
Financing Expense	(24)	(24)	(32)	(49)	(58)	(53)	(47)
Fin Income	6	4	12	19	19	20	21
<b>Income before zakat</b>	<b>355</b>	<b>258</b>	<b>248</b>	<b>280</b>	<b>302</b>	<b>330</b>	<b>366</b>
Zakat	(16)	(16)	(16)	(16)	(17)	(19)	(21)
<b>Net income</b>	<b>339</b>	<b>242</b>	<b>232</b>	<b>264</b>	<b>284</b>	<b>311</b>	<b>345</b>
Y/Y	11.7%	-28.6%	-4.1%	13.8%	7.7%	9.5%	10.8%
<b>EPS (SAR)</b>	<b>2.12</b>	<b>1.51</b>	<b>1.45</b>	<b>1.65</b>	<b>1.78</b>	<b>1.95</b>	<b>2.16</b>
<b>DPS (SAR)</b>	<b>1.40</b>	<b>1.10</b>	<b>1.00</b>	<b>1.20</b>	<b>1.30</b>	<b>1.50</b>	<b>1.60</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & equivalent	245	128	402	463	483	503	521
Receivables	442	547	512	564	575	630	655
Other current assets	92	160	162	182	181	190	189
Property plant & equipment	1,588	1,716	1,891	2,034	2,175	2,112	2,048
Other non-current assets	283	185	221	212	207	203	197
<b>Total assets</b>	<b>2,651</b>	<b>2,735</b>	<b>3,187</b>	<b>3,455</b>	<b>3,622</b>	<b>3,638</b>	<b>3,610</b>
<b>Liabilities &amp; owners' equity</b>							
Payables	66	84	99	113	119	134	141
Other current liabilities	158	197	206	288	260	269	234
Long-term loans	165	156	481	585	720	656	579
Total other non-current liabilities	299	293	324	319	297	282	270
Paid-up capital	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Total owners' equity	1,961	2,005	2,077	2,149	2,225	2,297	2,385
<b>Total equity &amp; liabilities</b>	<b>2,651</b>	<b>2,735</b>	<b>3,187</b>	<b>3,455</b>	<b>3,622</b>	<b>3,638</b>	<b>3,610</b>
<b>Cashflow statement</b>							
Operating activities	464	214	418	381	452	478	554
Investing activities	(83)	(94)	(300)	(295)	(314)	(142)	(154)
Financing activities	(261)	(237)	156	(26)	(117)	(316)	(382)
Change in cash	120	(117)	274	61	21	20	18
<b>Ending cash balance</b>	<b>245</b>	<b>128</b>	<b>402</b>	<b>463</b>	<b>483</b>	<b>503</b>	<b>521</b>
Depreciation & Amortization	97	89	133	160	178	210	224
<b>Ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	3.5	3.0	3.5	3.0	3.3	3.3	3.6
Quick ratio (x)	3.2	2.7	3.3	2.8	3.0	3.0	3.4
<b>Profitability ratios</b>							
Gross profit margin	33.1%	29.4%	26.7%	26.7%	27.3%	26.4%	26.9%
Operating margin	31.7%	20.9%	18.3%	18.8%	19.4%	18.7%	19.2%
EBITDA margin	40.1%	27.8%	28.4%	29.3%	30.5%	30.4%	31.0%
Net profit margin	29.4%	19.6%	17.5%	17.4%	17.7%	17.4%	18.2%
Return on assets	12.9%	9.0%	7.8%	7.9%	8.0%	8.6%	9.5%
Return on equity	17.8%	12.2%	11.4%	12.5%	13.0%	13.8%	14.7%
<b>Leverage ratio</b>							
Debt / equity (x)	0.09	0.09	0.24	0.32	0.35	0.31	0.25
<b>Valuation ratios</b>							
EV/EBITDA (x)	13.1	18.1	12.0	10.4	9.6	8.5	7.6
Dividend yield	3.6%	2.9%	3.6%	4.4%	4.7%	5.5%	5.8%
P/E ratio (x)	18.1	25.5	18.9	16.6	15.4	14.1	12.7
P/BV ratio (x)	3.1	3.1	2.1	2.0	2.0	1.9	1.8

Source: Company, Aljazeera Capital Research

### Fakeeh Care

**Expansion sustains growth visibility; margin recovery remains back-ended, supporting our “Neutral” stance**

Fakeeh delivered a decent FY25 topline performance, with revenues growing 10.7% Y/Y to SAR 3.1bn, supported by stable utilization and efficient throughput at mature facilities alongside strong ramp-up at newer assets. Looking ahead, continued capacity additions, service-mix enhancement and potential inorganic opportunities are expected to support management’s expectation of near double-digit revenue growth in FY26e. However, the company remains in an intensive expansion cycle marked by a front-loaded capex cycle – expected to peak at SAR1.3bn in FY27e – which could temporarily elevate debt levels to ~SAR 2.3bn by FY29e before moderating as new facilities mature and cash flows improve. Near-term margin expansion is likely to stay constrained due to ramp-up costs from recently commissioned facilities and the continued maturation of DSFH Riyadh, with breakeven anticipated only by FY27e. Although capacity expansion should sustain revenue momentum in the long run, margins are expected to remain broadly stable in the near term, with gradual operational efficiencies supporting working capital normalization and ROE expansion from 8.4% to ~10.9% by FY30e. In this context, we forecast a FY25-30e revenue CAGR of 14.8% with only modest margin improvement, leading us to revise our TP to **SAR 34.3/share** and reiterate our “Neutral” rating.

**Topline growth of 10.7% failed to translate through the bottom line, as gross margins contracted 230bps to 22.8% along with c.14.5% increase in operating costs:** Fakeeh delivered a decent FY25 topline performance, with revenues rising 11% Y/Y to SAR 3,090mn. The topline was primarily driven by the higher patients’ inflows across the Fakeeh’s facilities (+8% Y/Y) along with 9% Y/Y rise in surgeries performed. Despite a larger bed base post DSFH Medina commissioning in Q2-25, the aggregate utilization rate maintained at 81% in FY25 vs 82% prior year. Mature capacities (Jeddah) delivered stable revenue growth (7% Y/Y) supported by higher utilization and efficient throughput. While the new facilities (Riyadh & Madinah) revenues scaled rapidly by 52% Y/Y driven by 35% growth at DSFH Riyadh and DSFH Madinah’s partial year contributions since Q2-25. However, as a result of DSFH Madinah commissioning, Fakeeh’s gross margins contracted by 200bps Y/Y to 22.8% in FY25. Excluding DSFH Madinah, gross margin remained stable at 25%, indicating intact underlying profitability across the mature platform and DSFH Riyadh (breakeven in net profitability yet to be achieved). Along with this, operating costs grew by 14.4% Y/Y in FY25 owing to new capacity expansions and staffing cost inflation. All of these translated into a muted earnings growth of 1% Y/Y during FY25 to SAR 290mn.

**Organic expansions and overall increase in utilization levels to drive FY25-30e topline CAGR of c.15%, while early-stage facilities to pressurize near-term margin trajectory:**

Fakeeh’s near-term growth outlook is anchored via capacity and network expansion strategy, with three new Medical Centers scheduled to come online in FY26e alongside incremental bed additions at DSFH Riyadh and the launch of new service lines such as IVF and surgical/neurological capabilities in Jeddah. Further, the management’s decision to evaluate potential acquisition of Al Fagih Hospital could provide immediate scale in a new geographic market and accelerate revenue ramp-up in the medium term versus greenfield expansion (i.e. negotiations continued). Combination of these initiatives support management’s expectation of double-digit revenue growth in FY26e, driven by i) expanding capacity through 3 new Medical Centers in Jeddah (i.e., DSFMC Alawali, DSFMC North Obhur, DSFMC Al Zahra), ii) service mix enhancement and iii) potential inorganic contribution. However, near-term profitability may remain capped as ramp-up costs from three new Medical Centers (+100 clinics) and the ongoing ramp up of DSFH Riyadh weigh on operating leverage, with net profit breakeven for Riyadh expected only by FY27e.

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>34.3</b>
<b>Upside/(Downside)</b>	<b>-3.4%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	2,791	3,090	3,367	3,797
Growth %	20.0%	10.7%	9.0%	12.8%
Gross Profit	699	704	731	864
Net Income	288	290	261	322
Growth %	2.8%	1.0%	-10.2%	23.7%
EPS	1.3	1.3	1.1	1.4
DPS	0.3	0.3	0.3	0.3

Source: Company, Aljazira Capital research

### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	25.0%	22.8%	21.7%	22.8%
Net Margin	10.3%	9.4%	7.7%	8.5%
ROE	12.6%	8.4%	7.1%	8.4%
ROA	6.0%	5.2%	4.1%	4.5%
P/E (x)	54.7	33.7	31.2	25.2
P/B (x)	4.7	2.7	2.2	2.1
EV/EBITDA (x)	30.6	20.7	19.3	16.2
Dividend Yield	0.4%	0.7%	0.9%	0.9%

Source: Company, Aljazira Capital research

### Key Market Data

Market Cap (bn)	8.1
YTD%	<b>2.6%</b>
52-week (High)/(Low)	54.8/27.2
Share Outstanding (mn)	230.0

Source: Company, Aljazira Capital research

### Price Performance



Source: Tadawul, Aljazira Capital research

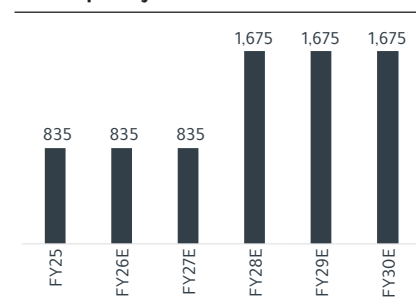
In addition, the ramp-up of DSFH Madinah is expected to continue exerting pressure on gross margins, as only 33% of its 200 bed capacity is currently operational, resulting in elevated staffing costs in the near-term. Accordingly, we expect Fakeeh to report gross margins of 21.7% in FY26e with a gradual improvement to 22.8% in FY27e. However, as the total capacity doubles to 1,675 beds in FY28e, we anticipate a margin contraction of c.200bps to 20.7%. From FY28e, we expect a gradual recovery in the gross margins, reaching 23.1% by FY30e. Collectively, these dynamics translate into an earnings CAGR of c.12% over FY25-30e.

**Capex to peak at SAR 1.2bn in FY27e to fund expansion; Debt to rise to ~SAR 2.2bn in FY28 before deleveraging by FY30e:** Fakeeh's expansion strategy is reflected in a sharp near-term capex cycle, with investments expected to rise from SAR 513mn in FY25 to a peak of SAR 1.2bn by FY27e, after an expected capex of SAR 697mn in FY26e. These investments largely relate to new network expansion, ramp-up of DSFH Riyadh, three new medical centers and new service line development, positioning the company for the next phase of capacity-led growth. As the major expansion phase concludes, capex intensity is expected to moderate significantly to ~SAR 155-159mn annually over FY29-30e, indicating a transition toward maintenance capex and selective growth initiatives. Consequently, this is expected to drive a temporary rise in leverage, with total debt rising from SAR 697mn in FY25 to SAR 1.43bn in FY26e and peaking at SAR 2.2bn by FY28e. Thereafter, improving operating cash flows from the newly commissioned facilities should result in gradual deleveraging, reflecting stronger cash generation as utilization improves and ramp-up costs normalize.

**Working capital days to remain stable, while ROE expands from 8.4% to 10.9% by FY30e:** Fakeeh's working capital cycle is expected to remain broadly stable at ~90 days by FY30e (vs. 89 days in FY25e), reflecting sustained discipline in receivables management as newer facilities mature, consistent with the steady improvement since FY22 (~110 days). Despite the ongoing expansion cycle, ROE is projected to increase from 8.4% to 10.9% by FY30e, supported by higher utilization, operating leverage, and normalization of ramp-up costs.

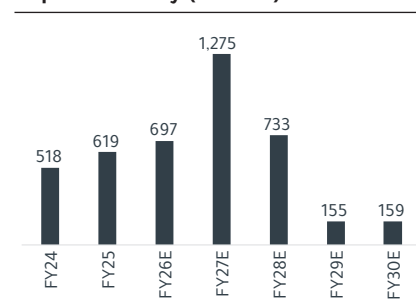
**AJC View and Valuation:** Fakeeh benefits from strong brand positioning, underpinned by its track record in handling complex medical cases and its long-established presence in the Western region. Encouragingly, robust operational performance at both the group level and the newly integrated Riyadh facility reflects its execution capabilities and ability to attract patient volumes. That said, its financial returns continue to trail sector peers, with lowest ROE at 8.4% versus the industry average of 19.6%, alongside relatively weaker gross, operating, and net margins. We believe ongoing expansion drive – which aims to double the capacity from 835 beds – could weigh on financial performance over medium term as new facilities started to come online by FY28e. Meanwhile, new Medical centers & DSFH Madinah would continue to pressure gross margins in FY26 as well. Factoring in slower-than-expected ramp-up of delayed projects amid rising competition and cost pressures, we estimate FY25-30e revenue and net income CAGRs of 14.8% and 11.5%, respectively, and revise our TP to **SAR 34.3/share**. Our valuation is based on an equal weighting of PE (25.0x FY27e discounted earnings) and DCF (terminal growth of 2.5% and WACC of 9.9%). We view Fakeeh's long-term growth visibility as largely balanced by near-term pressure on profitability and return metrics, leading us to maintain a **"Neutral"** stance.

### Bed capacity



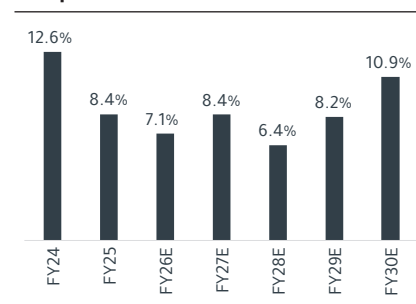
Source: Company, Aljazira Capital Research

### Capex intensity (SARmn)



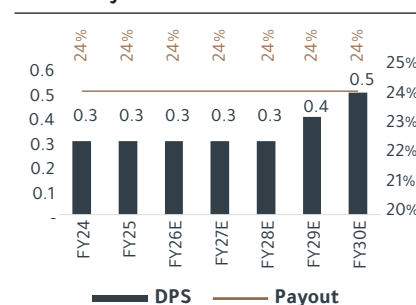
Source: Company, Aljazira Capital Research

### RoE profile



Source: Company, Aljazira Capital Research

### DPS & Payout



Source: Company, Aljazira Capital Research

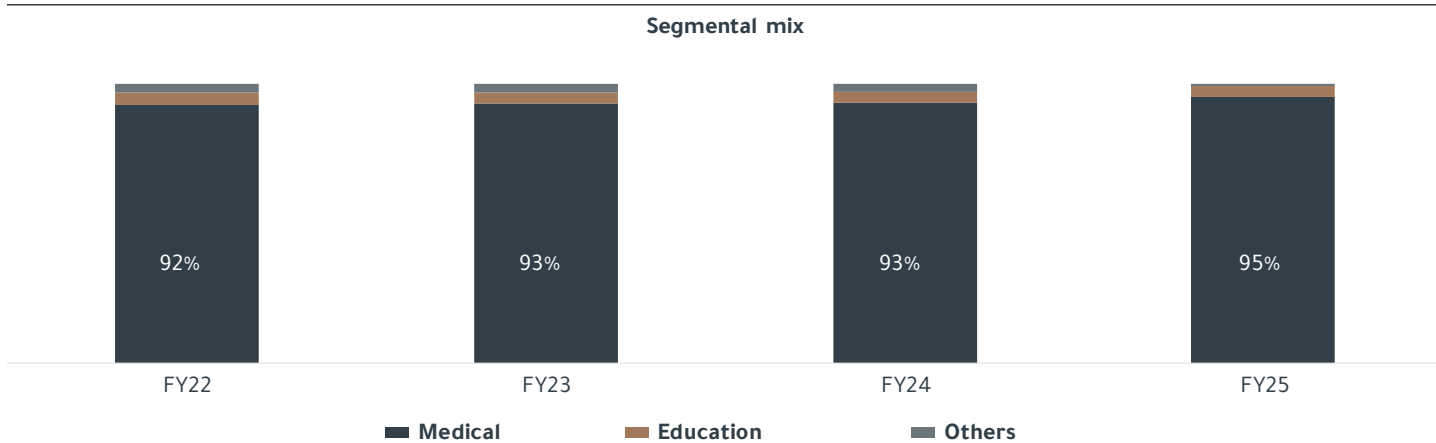
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	38.5	50%	19.2
P/E	30.2	50%	15.1
<b>Blended TP</b>			<b>34.3</b>

**Upside/(Downside) potential**

**-3.4%**

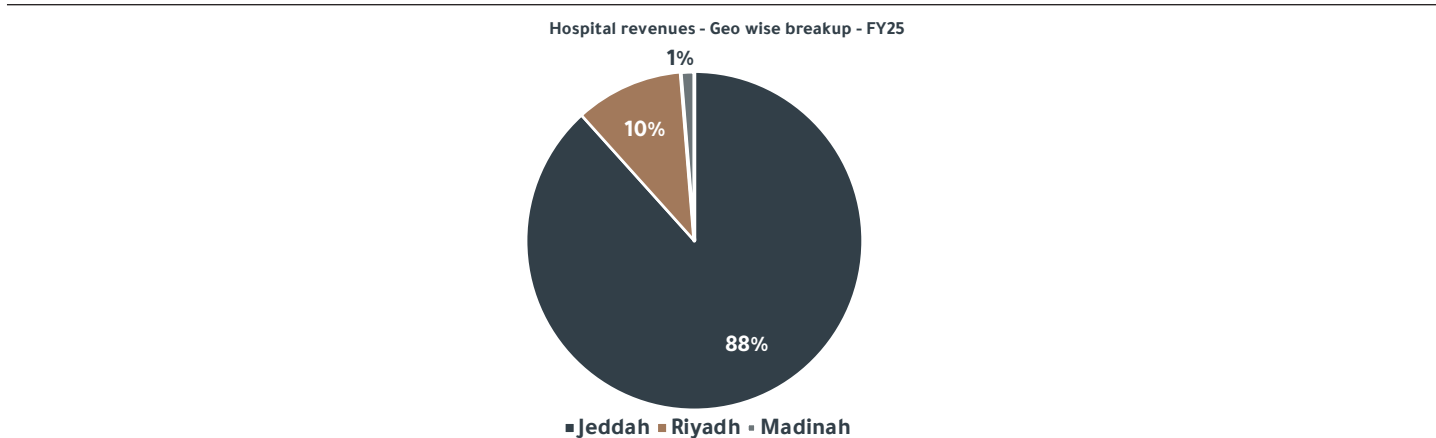
Source: Aljazira Capital Research

Fig 54. Medical business segment dominates



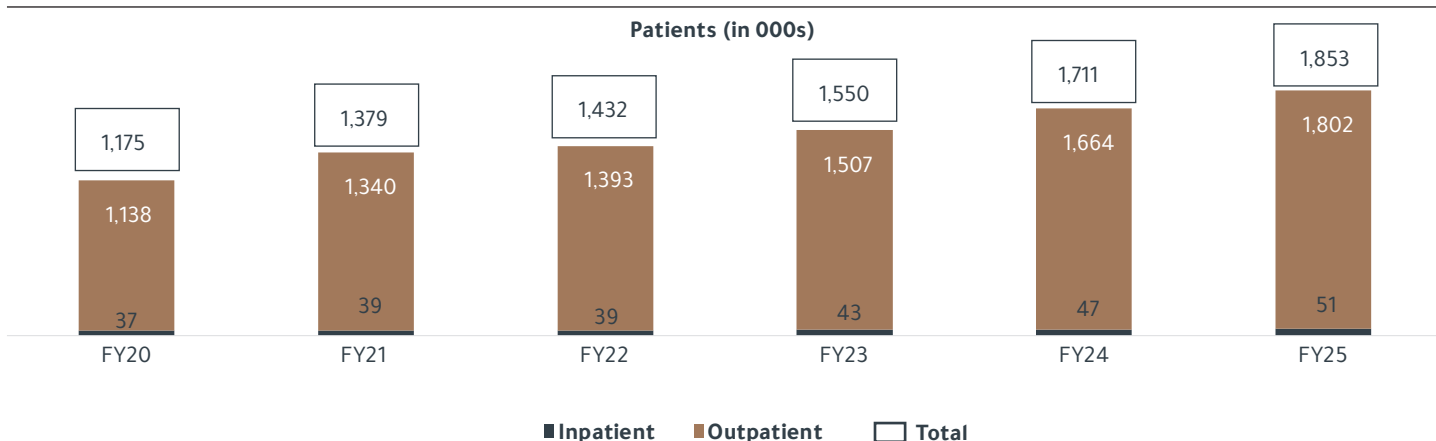
Source: Company, Aljazira Capital Research

Fig 55. Jeddah is the highest revenue earning hospital



Source: Company, Aljazira Capital Research

Fig 56. Fakeeh's patients trend



Source: Company, Argaam, Aljazira Capital Research

Fig 57. Fakeeh Care's existing facilities

Hospital name	Location	Beds
Jeddah Hospital	Jeddah	400
Riyadh Hospital	Riyadh	185
Neom Hospital	Neom	50
Madinah Hospital	Madinah	200

Source: Company, Argaam, Aljazira Capital research

## Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	2,791	3,090	3,367	3,797	4,681	5,610	6,158
Y/Y	20.0%	10.7%	9.0%	12.8%	23.3%	19.8%	9.8%
Cost	(2,092)	(2,386)	(2,637)	(2,933)	(3,709)	(4,389)	(4,733)
<b>Gross profit</b>	<b>699</b>	<b>704</b>	<b>731</b>	<b>864</b>	<b>972</b>	<b>1,220</b>	<b>1,425</b>
<b>GP margin</b>	<b>25.0%</b>	<b>22.8%</b>	<b>21.7%</b>	<b>22.8%</b>	<b>20.8%</b>	<b>21.8%</b>	<b>23.1%</b>
S&D expense	(59)	(81)	(90)	(99)	(122)	(135)	(145)
G&A expense	(279)	(305)	(364)	(402)	(520)	(594)	(619)
Expected Credit Loss	(13)	(24)	(24)	(23)	(28)	(32)	(34)
Other income	11	15	15	19	22	25	27
<b>Operating profit</b>	<b>359</b>	<b>308</b>	<b>268</b>	<b>358</b>	<b>324</b>	<b>484</b>	<b>654</b>
Y/Y	7.5%	-14.2%	-13.0%	33.8%	-9.5%	49.3%	35.0%
<b>OP margin</b>	<b>12.9%</b>	<b>10.0%</b>	<b>8.0%</b>	<b>9.4%</b>	<b>6.9%</b>	<b>8.6%</b>	<b>10.6%</b>
Financial charges	(96)	(49)	(51)	(45)	(72)	(119)	(112)
Finance income	24	21	26	4	6	20	15
<b>Income before zakat</b>	<b>287</b>	<b>281</b>	<b>243</b>	<b>318</b>	<b>259</b>	<b>386</b>	<b>557</b>
Zakat	(23)	(32)	(25)	(26)	(21)	(31)	(45)
<b>Net Income</b>	<b>288</b>	<b>290</b>	<b>261</b>	<b>322</b>	<b>256</b>	<b>350</b>	<b>500</b>
Y/Y	2.8%	1.0%	-10.2%	23.7%	-20.5%	36.4%	42.9%
<b>EPS (SAR)</b>	<b>1.24</b>	<b>1.25</b>	<b>1.12</b>	<b>1.39</b>	<b>1.11</b>	<b>1.51</b>	<b>2.15</b>
<b>DPS (SAR)</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.40</b>	<b>0.50</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & equivalent	534	439	753	108	123	419	318
Receivables	896	975	1,010	1,128	1,378	1,636	1,779
Other current assets	418	410	442	494	612	741	810
Total current assets	1,848	1,825	2,206	1,730	2,114	2,796	2,907
Property plant & equipment	2,096	2,499	3,072	4,186	4,682	4,605	4,537
Right of use assets	505	492	452	487	548	589	636
<b>Total assets</b>	<b>5,322</b>	<b>5,829</b>	<b>6,748</b>	<b>7,431</b>	<b>8,389</b>	<b>9,061</b>	<b>9,183</b>
<b>Liabilities &amp; owners' equity</b>							
Short term debt	215	298	500	601	769	807	646
Trade payables	373	362	354	389	480	575	631
Other current liabilities	351	459	439	490	590	689	751
Total current liabilities	938	1,119	1,293	1,480	1,838	2,071	2,028
Lease liabilities - non-current	481	481	509	561	628	659	697
Long term loans	322	334	929	1,115	1,427	1,499	1,199
Other non-current liabilities	261	313	286	323	375	449	480
Total non-current liabilities	1,063	1,128	1,725	1,999	2,430	2,607	2,376
Share capital	232	232	232	232	232	232	232
Reserves	2,713	2,940	3,089	3,311	3,479	3,742	4,138
<b>Total owners' equity</b>	<b>3,319</b>	<b>3,581</b>	<b>3,730</b>	<b>3,952</b>	<b>4,121</b>	<b>4,383</b>	<b>4,779</b>
<b>Total equity &amp; liabilities</b>	<b>5,321</b>	<b>5,829</b>	<b>6,748</b>	<b>7,431</b>	<b>8,389</b>	<b>9,061</b>	<b>9,183</b>
<b>Cashflow statement</b>							
Operating activities	436	454	292	490	433	554	769
Investing activities	(703)	(615)	(734)	(1,410)	(904)	(310)	(335)
Financing activities	587	67	756	274	487	52	(535)
Change in cash	319	(95)	314	(646)	15	296	(101)
<b>Ending cash balance</b>	<b>534</b>	<b>439</b>	<b>753</b>	<b>108</b>	<b>123</b>	<b>419</b>	<b>318</b>
Depreciation & Amortization	163	182	198	253	331	322	326
<b>Liquidity ratios</b>							
Current ratio (x)	2.0	1.6	1.7	1.2	1.1	1.4	1.4
Quick ratio (x)	1.4	1.2	1.1	1.1	1.1	1.1	1.3
<b>Ratios</b>							
<b>Profitability Ratios</b>							
Gross profit margin	25.0%	22.8%	21.7%	22.8%	20.8%	21.8%	23.1%
Operating margin	12.87%	9.97%	8.0%	9.4%	6.9%	8.6%	10.6%
EBITDA margin	18.4%	15.6%	13.5%	15.8%	13.7%	14.0%	15.5%
Net profit margin	10.30%	9.39%	7.74%	8.49%	5.5%	6.2%	8.1%
Return on assets	6.0%	5.2%	4.1%	4.5%	3.2%	4.0%	5.5%
Return on equity	12.6%	8.4%	7.1%	8.4%	6.4%	8.2%	10.9%
<b>Leverage ratio</b>							
Debt / equity (x)	0.16	0.18	0.38	0.43	0.53	0.53	0.39
<b>Valuation ratios</b>							
EV/EBITDA (x)	30.6	20.7	19.3	16.2	15.9	12.7	10.1
P/E ratio (x)	54.7	33.7	31.2	25.2	31.7	23.2	16.2
P/BV ratio (x)	4.7	2.7	2.2	2.1	2.0	1.9	1.7
DY (%)	0.4%	0.7%	0.9%	0.9%	0.9%	1.1%	1.4%

Source: Company, Aljazira Capital Research

### AlMoosa

**Expansion-led growth underpins a strong earnings trajectory despite near-term margin and capex pressures; “Overweight”**

AlMoosa delivered a strong FY25 performance, with revenues rising 17.8% Y/Y to SAR 1.4bn, driven by broad-based growth across business segments, particularly Rehabilitation (+52.6% Y/Y), followed by Pharmaceuticals (+23.1% Y/Y) and Medical Services (+11.1% Y/Y), alongside a 20.2% Y/Y increase in patient volumes. Expansion of its clinic network to 365 clinics through the launch of new medical centers in Al-Ahsa and Al-Khobar further enhanced accessibility and supported volume growth. Looking ahead, the company’s scheduled expansion pipeline across the Eastern Province is set to materially strengthen its outpatient footprint and acute care capacity, supporting a projected revenue CAGR of c.21.4% over FY25-30E to reach SAR 3.7bn. However, near-term profitability is likely to remain constrained during this expansionary phase due to ramp-up costs and elevated operating expenses, with margins expected to trough before gradually normalizing from FY29E onward. Gross and operating margins are forecast to recover to 30.5% and 18.3%, respectively, by FY30E as utilization improves and operating leverage strengthens across the expanded asset base. Accordingly, we revise our TP to **SAR 165.9/share** and upgrade our rating to **“Overweight”**, reflecting the company’s strong medium-to-long-term growth visibility.

**Solid topline growth of 17.8% Y/Y along with gross margins improvement by 80 bps delivered a c.112% Y/Y growth in Earnings (excluding remeasurement impact of derivative contract):** AlMoosa delivered solid FY25 performance, with revenues rising 17.8% Y/Y to SAR 1,416mn on the back of a total patient volumes growing by 20.2% Y/Y to 1.3mn patients. The growth was broad-based with Rehabilitation growing the fastest (52.6% Y/Y) followed by Pharmaceuticals (23.1% Y/Y) and Medical services (11.1% Y/Y). Operationally the company expanded its clinic count to 365 clinics with the opening of two new medical centers: Nakheel Medical Center in Al Ahsa and Aziziya Medical Center in Al Khobar. This expansion improved patient accessibility and enhanced the overall care experience with Nakheel medical center achieving breakeven on net profitability basis in the 4QFY25. However, despite overall 80bps improvement in gross margins on annual basis, AlMoosa’s gross margins contracted by c.200bps to 31% in Q4-25, primarily due to the opening of two medical centers. Operating costs also remained elevated and increased 20% Y/Y. Ultimately strong topline performance aided by a c.72% decline in finance cost & remeasurement gain on derivative contract translated into a 3.8x Y/Y increase in net income to SAR 237mn.

**Scheduled expansion pipeline across the Eastern Province to expand outpatient network and acute care capacity, but margins to be pressured over this expansionary period:** AlMoosa’s growth trajectory is supported by expansion pipeline across the Eastern Province, with multiple projects scheduled to come online over FY26-28e. Following the successful launch of Al-Ahsa and Al-Khobar medical centers, the company plans to add several facilities including Sulmaniyah Medical Center (66 clinics) and Jubail Medical Center in 2026, alongside two specialist hospitals in Al-Hofuf (200 beds) and Al-Khobar (400 beds) over FY27-28e. These additions will materially expand Almoosa’s outpatient network and acute care capacity, strengthening its presence in the Eastern region and supporting sustained patient volume growth. Thus, we expect the revenues to grow at a ~21.4% CAGR over FY25-30e, driven by the ramp-up of recently launched medical centers, & rehabilitation center along with the gradual commissioning of upcoming projects and continued demand for specialized and outpatient services. We expect the company’s gross margins to remain under pressure in FY26e due to ramp-up costs associated with new facilities, as two additional medical centers are scheduled to

<b>Recommendation</b>	<b>Overweight</b>
<b>Target Price (SAR)</b>	<b>165.9</b>
<b>Upside/(Downside)</b>	<b>19.3%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

#### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	1,202	1,416	1,614	1,991
Growth %	22.8%	17.8%	13.9%	23.4%
Gross Profit	372	449	512	601
Net Income	49	237	244	263
Growth %	-49.7%	379.3%	3.2%	7.6%
EPS	1.1	5.3	5.5	5.9
DPS	1.0	1.6	1.1	1.2

Source: Company, Aljazira Capital research

#### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	30.9%	31.7%	31.8%	30.2%
Net Margin	4.1%	16.7%	15.1%	13.2%
ROE	7.9%	12.3%	11.5%	11.3%
ROA	1.9%	7.1%	5.2%	4.7%
P/E (x)	NA	31.7	26.0	24.1
P/B (x)	NA	3.9	3.0	2.7
EV/EBITDA (x)	NA	27.3	19.4	16.9
Dividend Yield	NA	0.8%	0.8%	0.8%

Source: Company, Aljazira Capital research

#### Key Market Data

Market Cap (bn)	6.3
YTD%	<b>-18.4%</b>
52-week (High)/(Low)	212.0/126.6
Share Outstanding (mn)	44.1

Source: Company, Aljazira Capital research

#### Price Performance



Source: Tadawul, Aljazira Capital research

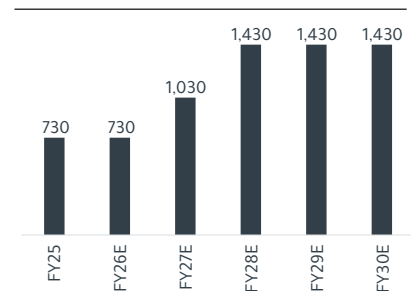
be commissioned during the year. Accordingly, we anticipate FY26e gross margins to remain broadly stable at FY25 levels of 31.8%. However, margins are likely to decline to 28.7% over FY27-28e, as two new hospitals come online - Al Hofuf in Q2-27e and Al Khobar in Q1-28e. With the addition of these two new hospitals, company's beds capacity would increase by c.96% in FY28e. However, over medium to long term, margins should gradually recover as utilization improves, referral networks strengthen across the ecosystem and higher-margin specialty services gain scale, enabling better operating leverage across the expanded asset base. Thus, we forecast the gross and operating margins to expand to 30.5% and 18.3% by FY30e after tanking to 28.7% and 15.8% in FY28e. This will translate into our estimated EBITDA margins of 22.7% to 24.0% from FY25-30e vs company's guidance of 25.0-30.0% margins range in the next five years. It's pertinent to mention here that historically company's gross margins contracted by almost c.440 bps in 2021 when its Al Ahsa specialist hospital beds capacity increased by c.87% to 430 beds through North tower expansion.

### Capex spending to peak in FY26 to SAR 1.2bn with debt levels to peak in FY27 at SAR 2.4bn:

AlMoosa is expected to spend a total capex of SAR 835mn on Al Hofuf 300 beds hospital till FY27 whereas capex spending for Al Khobar is estimated at SAR 1,750mn for 400 beds facility. On a per bed basis, Al Khobar capex remains significantly higher than Al Hofuf. With this, company's debt levels are expected to peak to SAR 2.4bn in FY27e before gradually reducing to SAR 1,688mn levels in FY30e as internal cash generation increases as a result of expanded capacity and ongoing ramp up of the existing facilities.

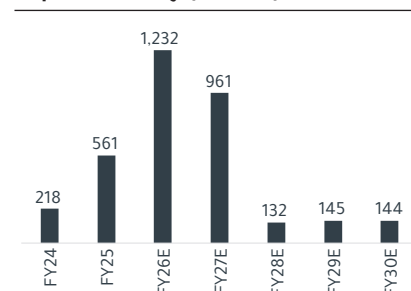
**AJC View and Valuation:** AlMoosa continues to demonstrate strong execution on its expansion strategy as it aims to materially scale its outpatient network and acute care capacity across the Eastern Province. The planned capacity additions are expected to drive revenues to SAR 3.7bn by FY30e, implying a robust 21.4% CAGR over FY25-30e, supported by sustained patient volume growth, ramp-up of newly launched facilities and rising demand for specialized care. While near-term profitability may remain under pressure due to ramp-up costs and peak capex-driven leverage, improving utilization levels, strengthening referral networks and a higher contribution from specialty services should gradually enhance operating leverage over the medium to long term. The stock is currently trading at a forward P/E of 26.0x compared to the sector average of 19.6x, with an ROE profile of c.12%. Considering AlMoosa's strong medium-to-long-term earnings growth potential (highest earnings FY25-30e CAGR of 18.8% in our coverage universe), we upgrade our recommendation from Neutral to **"Overweight"** with a revised TP of **SAR 165.9/share**. Our blended TP is based on 50% weight to P/E valuation (30x FY26e) and 50% weight to DCF (8.9% WACC and 2.5% terminal growth).

### Bed capacity



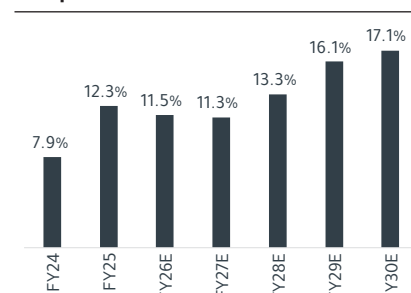
Source: Company, Aljazira Capital Research

### Capex intensity (SARmn)



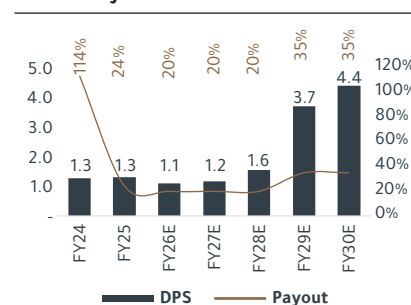
Source: Company, Aljazira Capital Research

### RoE profile



Source: Company, Aljazira Capital Research

### DPS & Payout



Source: Company, Aljazira Capital Research

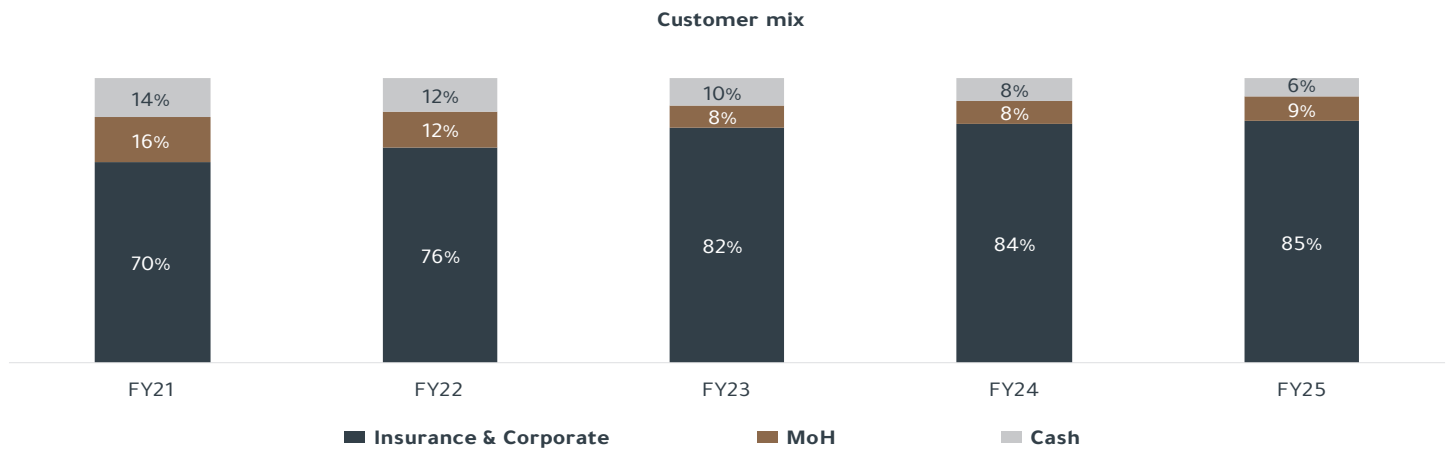
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	166.4	50%	83.2
P/E	165.3	50%	82.7
<b>Blended TP</b>			<b>165.9</b>

### Upside/(Downside) potential

**19.3%**

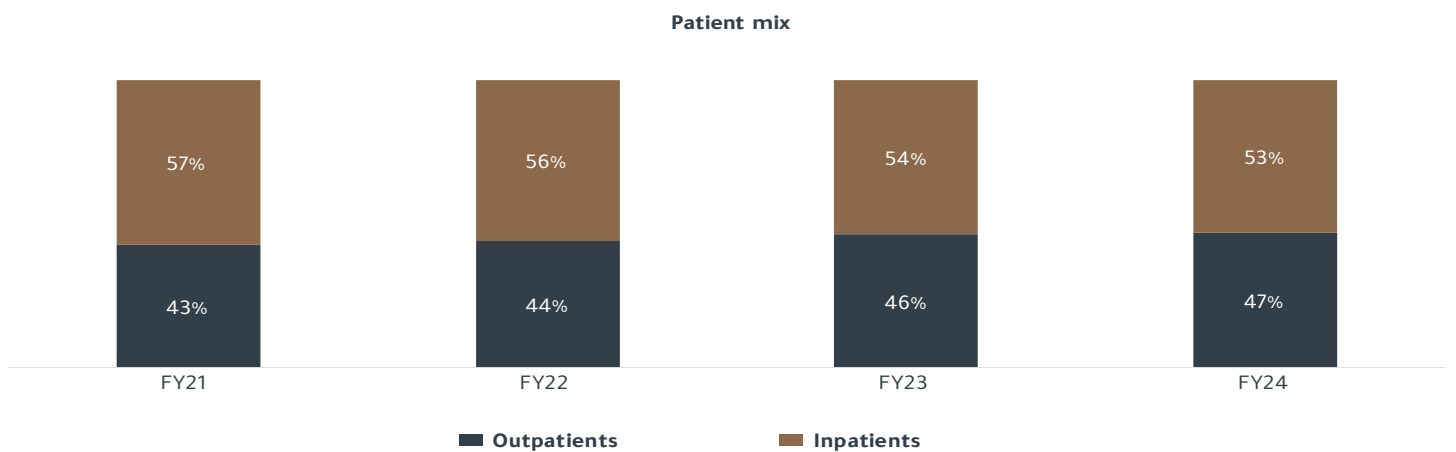
Source: Aljazira Capital Research

Fig 58. Insurance & Corporate dominate the segmental mix



Source: Company, Aljazira Capital research

Fig 59. Share of outpatients is increasing for AlMoosa



Source: Company, Aljazira Capital research

Fig 60. AlMoosa's existing facilities

Hospital name	Location	Beds
AlAhsa Hospital	AlAhsa	430
Rehab Hospital	AlAhsa	300

Source: Company, Argaam, Aljazira Capital research

### Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	1,202	1,416	1,614	1,991	2,885	3,530	3,736
Y/Y	<b>22.8%</b>	<b>17.8%</b>	<b>13.9%</b>	<b>23.4%</b>	<b>44.9%</b>	<b>22.3%</b>	<b>5.9%</b>
Cost	(831)	(968)	(1,101)	(1,390)	(2,057)	(2,493)	(2,597)
<b>Gross profit</b>	<b>372</b>	<b>449</b>	<b>512</b>	<b>601</b>	<b>828</b>	<b>1,037</b>	<b>1,139</b>
<b>GP margin</b>	<b>30.9%</b>	<b>31.7%</b>	<b>31.8%</b>	<b>30.2%</b>	<b>28.7%</b>	<b>29.4%</b>	<b>30.5%</b>
S&D expense	(25)	(30)	(33)	(37)	(42)	(46)	(49)
G&A expense	(174)	(209)	(218)	(257)	(344)	(400)	(420)
Impairment	(4)	(7)	(4)	(5)	(7)	(9)	(9)
Other expense/income	18	16	15	18	20	21	22
<b>Operating profit</b>	<b>142</b>	<b>256</b>	<b>272</b>	<b>320</b>	<b>455</b>	<b>603</b>	<b>682</b>
Y/Y	<b>9.1%</b>	<b>80.1%</b>	<b>6.4%</b>	<b>17.7%</b>	<b>42.0%</b>	<b>32.6%</b>	<b>13.2%</b>
<b>OP margin</b>	<b>11.8%</b>	<b>18.0%</b>	<b>16.9%</b>	<b>16.1%</b>	<b>15.8%</b>	<b>17.1%</b>	<b>18.3%</b>
Finance Income	-	9	3	1	-	-	-
Financing Expense	(85)	(24)	(17)	(44)	(88)	(106)	(90)
<b>Income before zakat</b>	<b>58</b>	<b>241</b>	<b>260</b>	<b>280</b>	<b>369</b>	<b>500</b>	<b>596</b>
Zakat	(8)	(4)	(16)	(17)	(22)	(30)	(36)
<b>Net income</b>	<b>49</b>	<b>237</b>	<b>244</b>	<b>263</b>	<b>347</b>	<b>470</b>	<b>560</b>
Y/Y	<b>-49.7%</b>	<b>379.3%</b>	<b>3.2%</b>	<b>7.6%</b>	<b>32.1%</b>	<b>35.3%</b>	<b>19.2%</b>
<b>EPS (SAR)</b>	<b>1.11</b>	<b>5.34</b>	<b>5.51</b>	<b>5.93</b>	<b>7.84</b>	<b>10.60</b>	<b>12.64</b>
<b>DPS (SAR)</b>	<b>1.00</b>	<b>1.60</b>	<b>1.10</b>	<b>1.19</b>	<b>1.57</b>	<b>3.71</b>	<b>4.43</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & equivalent	38	38	350	413	439	360	441
Receivables	484	616	627	762	1,089	1,313	1,369
Other current assets	102	146	162	178	229	281	302
Property plant & equipment	1,894	2,365	3,440	4,167	4,115	4,069	4,017
Other non-current assets	34	149	116	128	128	136	140
<b>Total assets</b>	<b>2,554</b>	<b>3,313</b>	<b>4,694</b>	<b>5,649</b>	<b>6,000</b>	<b>6,160</b>	<b>6,270</b>
<b>Liabilities &amp; owners' equity</b>							
Short-term loans	65	20	64	85	80	70	59
Long-term loans	1,149	667	1,700	2,255	2,116	1,839	1,561
Payables	254	266	305	382	549	662	706
Total other current liabilities	(319)	(286)	(369)	(467)	(629)	(732)	(765)
Total other non-current liabilities	214	258	176	178	174	173	171
<b>Total owners' equity</b>	<b>626</b>	<b>1,924</b>	<b>2,119</b>	<b>2,329</b>	<b>2,607</b>	<b>2,913</b>	<b>3,277</b>
<b>Total equity &amp; liabilities</b>	<b>2,554</b>	<b>3,313</b>	<b>4,694</b>	<b>5,649</b>	<b>6,000</b>	<b>6,160</b>	<b>6,270</b>
<b>Cashflow statement</b>							
Operating activities	142	181	398	382	394	573	761
Investing activities	(218)	(617)	(1,138)	(857)	(112)	(145)	(144)
Financing activities	101	436	1,052	539	(256)	(506)	(536)
Change in cash	25	0	312	63	26	(79)	81
<b>Ending cash balance</b>	<b>40</b>	<b>38</b>	<b>350</b>	<b>413</b>	<b>439</b>	<b>360</b>	<b>441</b>
Depreciation & Amortization	83	96	132	176	210	214	220
<b>Ratios</b>							
<b>Profitability ratios</b>							
Gross profit margin	30.9%	31.7%	31.8%	30.2%	28.7%	29.4%	30.5%
Operating margin	11.8%	18.0%	16.9%	16.1%	15.8%	17.1%	18.3%
EBITDA margin	18.7%	22.7%	25.0%	24.9%	23.0%	23.1%	24.1%
Net profit margin	4.1%	16.7%	15.1%	13.2%	12.0%	13.3%	15.0%
Return on assets	1.9%	7.1%	5.2%	4.7%	5.8%	7.6%	8.9%
Return on equity	7.9%	12.3%	11.5%	11.3%	13.3%	16.1%	17.1%
<b>Leverage ratio</b>							
Debt / equity (x)	2.14	0.70	0.87	1.05	0.88	0.68	0.52
<b>Valuation ratios</b>							
EV/EBITDA (x)	-	27.3	19.4	16.9	12.3	9.8	8.4
Dividend yield	-	0.8%	0.8%	0.8%	1.1%	2.6%	3.1%
P/E ratio (x)	-	31.7	26.0	24.1	18.3	13.5	11.3
P/B ratio (x)	-	3.9	3.0	2.7	2.4	2.2	1.9

Source: Company, Aljazira Capital Research

### Middle East Healthcare

**Earnings to weaken materially in the near term on margin and cost pressures, with recovery back-ended – “Neutral”**

MEH's FY25 revenues of SAR 3.1bn grew 7.6% Y/Y, supported by decent inpatient and outpatient volumes, incremental capacity additions and a one-off MoH contract; however, underlying profitability remained weak due to cost pressures from aggressive physicians hiring, investments in subspecialty services and heightened competition, resulting in gross margin compression and weaker operating earnings. With bulk of expansion cycle largely completed and capacity scaling to ~1.5k beds, management's focus is now shifting to operational optimization and utilization ramp-up, which we view as key driver of medium to long term earnings recovery. We see meaningful utilization headroom at Dammam and Makkah facilities, supporting our expectation of a 7.4% revenue CAGR over FY25-30e to SAR 4.4bn. In the near term, earnings visibility remains weak, with FY26e profitability to decline sharply by c.59% due to ~180bps gross margin contraction, elevated finance costs amid peak debt levels and the absence of FY25 one-off gains, alongside lagged revenue contribution from recent hirings and ongoing inefficiencies related to the Jeddah brownfield expansion. Nevertheless, we expect margin recovery to commence from FY27e as utilization improves and operating leverage strengthens, with gross and operating margins normalizing to 37.1% and 13.0%, respectively, by FY30e. Despite improving medium-term fundamentals, we believe recent share price rerating has priced in the anticipated turnaround, limiting near-term upside. Thus, we maintain “Neutral” rating, with a revised TP of SAR 41.5/share.

**FY25 performance remained dismal due to a c.130 bps contraction in gross margins and a 17% Y/Y increase in Net Operating expenses:** MEH's revenues rose 7.6% Y/Y in FY25 to reach SAR 3,103mn. The growth was driven by i) higher inpatient (7% Y/Y), and outpatient volumes (4.3% Y/Y), & ii) capacity expansion and iii) MoH Hajj season contract valued at SAR 47mn. On operating level, company's net operating expenses increased by 17% Y/Y owing to company's focus on offering new subspecialty services. This has contributed to a 15% Y/Y decline in operating profit. However, due to a SAR 113mn one off gain on the sale of employee residence building during 1QFY25, Saudi German was able to close the year with 7.1% Y/Y growth. Adjusting for this one off gain, MEH's net income would have been declined by c.33% Y/Y otherwise. The surge in the inpatient and outpatient volumes underscores strong patient demand across the network. During FY25, Operational beds increased to 1.5k from 1.4k alongside ~600-clinic network, strengthening scale and service breadth. The blended occupancy moderated to 67% following the addition of new beds from recent expansions vs last year occupancy of 71%. The operational costs were elevated due to heightened competitive landscape in Jeddah and increased physician hiring on account of its strategic investment in subspecialty services. As a result, gross margin declined c.130bps to 37.4% and operating margin contracted 326bps to 12.0%. During the year, company's net income also impacted due to bookings of SAR 11mn in share of loss from associates. To recall, MEH holds a 23.3% stake in Sobhi Abdul Jalil Batterjee hospital which was opened during Sep-25. Management expects this hospital to continue to contribute in losses to the tune of SAR 30-40mn for some time due to higher fixed costs in initial years of hospital. Separately, along with the results, company has also announced share buyback to the tune of 4.6mn shares representing 5% of the total shares issued. This buyback is expected to be executed gradually rather than in bulk and potentially be financed through both internal cash generation or debt.

**Gross margins to remain under pressure in FY26 as new hirings under different specialties would start contributing in revenues with some lag:** MEH is guiding for a relatively measured FY26, with no major expansions scheduled before a larger capacity cycle in 2027 and planned capex of c.SAR 400mn in FY26e. Management expects revenue growth of 10-12% in FY26e, primarily volume-led, with incremental contribution from new service lines such as retail pharmacy. We remain cautiously positive about this revenue guideline as new hirings contribution to revenue would come at a slower pace in FY26e. Therefore, we expect company's revenues to grow by c.10% in FY26e. Meanwhile it also commenced SAR 400mn brownfield expansion at Jeddah—its flagship hospital—which will

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>41.5</b>
<b>Upside/(Downside)</b>	<b>7.8%</b>

Source: Tadawul \*prices as of 20<sup>th</sup> of April 2026

#### Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	2,883	3,103	3,429	3,701
Growth %	8.7%	7.6%	10.5%	7.9%
Gross Profit	1,114	1,160	1,221	1,333
Net Income	282	302	123	200
Growth %	1555.1%	7.0%	-59.2%	62.0%
EPS	3.1	3.3	1.3	2.2
DPS	0.5	0.5	-	-

Source: Company, Aljazeera Capital research

#### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	38.6%	37.4%	35.6%	36.0%
Net Margin	9.8%	9.7%	3.6%	5.4%
ROE	18.6%	16.8%	6.3%	9.4%
ROA	5.5%	5.7%	2.2%	3.4%
P/E (x)	22.4	15.7	27.6	17.0
P/B (x)	3.9	2.5	1.7	1.6
EV/EBITDA (x)	13.6	12.0	11.3	9.9
Dividend Yield	0.7%	1.0%	0.0%	0.0%

Source: Company, Aljazeera Capital research

#### Key Market Data

Market Cap (bn)	3.4
YTD%	13.4%
52-week (High)/(Low)	72.2/28.7
Share Outstanding (mn)	92.0

Source: Company, Aljazeera Capital research

#### Price Performance



Source: Tadawul, Aljazeera Capital research

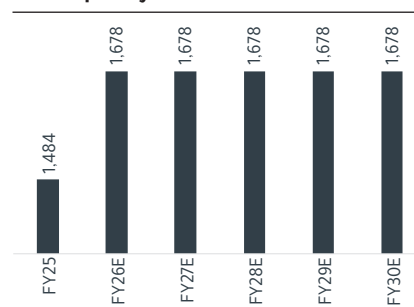
add 194 beds and 22 outpatient clinics through a new medical tower, with completion targeted by H2-26. We believe that the full-year gross margin could contract by ~180bps to 35.6%, reflecting the impact of the Jeddah expansion and new physicians hiring in FY25, while operating margins could decline 227bps to 9.5%, with H2 outperforming H1 as ramp-up gathers pace. Over FY26-30e, we model revenues to grow from SAR 3.1bn in FY25 to SAR 4.4bn by FY30e, implying 7.4% CAGR, with gross margins normalizing to 37.1% and operating margins stabilizing to 13.0% as utilization improves. Consequently, we estimate the bottom line to grow at 7.1% CAGR over FY25-30e. In parallel, MEH also expanded its collaboration with Mayo Clinic Care to include Dammam and Jeddah alongside Riyadh, positioning it as largest Mayo Clinic network member in the GCC. The said partnership would be based on knowledge transfer on the back of contemporary research and evidence.

**Post-expansion investment normalizes while debt gradually declines from SAR 2.7bn peak to SAR 1.9bn by FY30e:** Despite industry's one of the shortened capex cycles, MEH's debt levels would peak in FY26e at SAR 2.7bn and are expected to remain elevated for some years due to liquidity pressure on company. Owing to same reasons, we have assumed company's Sukuk to be refinanced at lower rates in 2027 against its scheduled maturity in Q1-28. We expect company's investment cycle would start to moderate following recent expansions at Jeddah legacy hospital with earmarked capex projected of ~SAR 400mn in FY26e. From FY27e onwards, Capex could normalize at c. SAR 217mn annually over FY27-30e, indicating a transition toward maintenance capex and selective capacity optimization.

**Elevated working capital cycle with gradual ROE recovery post expansion phase:** MEH's working capital cycle is expected to remain structurally elevated at ~190-192 days over FY25-30E, reflecting the inherently longer receivables cycle associated with insurance and MOH-driven billing, which together account for c.82% of Saudi German's revenues. Despite these persistently high working capital requirements, ROE is expected to remain subdued in the near term—declining to ~6.3% in FY26E (from 16.8% in FY25)—before gradually recovering to 9.4% in FY27E, 11.0% in FY28E, and 13.1% in FY29E, ultimately reaching ~14.0% by FY30E. This recovery is expected to be driven by the maturation of newly commissioned facilities, improving utilization levels, and operating leverage gains following the recent expansion cycle.

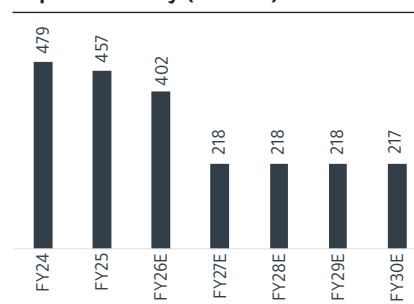
**AJC View and Valuation:** MEH's earnings are expected to decline sharply by c.59% in FY26e, primarily driven by a ~180bps contraction in gross margins, elevated finance costs amid peak debt levels, and the absence of the SAR 113mn one-off gain recorded in FY25. While revenue growth is likely to remain modestly volume-led, near-term profitability will remain under pressure due to lagged monetization of recent physician hirings, operational inefficiencies associated with ongoing expansions, particularly at the Jeddah flagship facility. We expect margins and earnings to begin normalizing from FY27e onwards as utilization improves and the investment cycle moderates. However, given the weak near-term earnings outlook and limited valuation headroom following recent share price appreciation, we downgrade our stance from "Overweight" to "Neutral" and revise our TP to **SAR 41.5 /share**. (50% PE at 21.0x FY26e; 50% DCF with 8.4% WACC and 2.5% terminal growth).

### Bed capacity



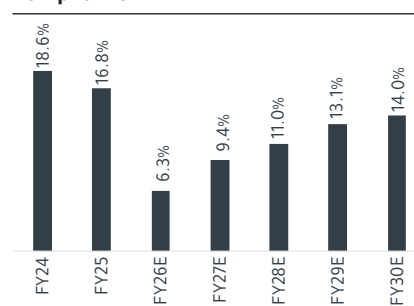
Source: Company, Aljazeera Capital Research

### Capex intensity (SARmn)



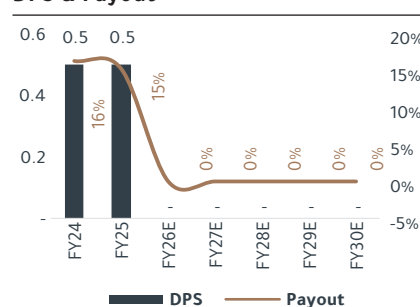
Source: Company, Aljazeera Capital Research

### RoE profile



Source: Company, Aljazeera Capital Research

### DPS & Payout



Source: Company, Aljazeera Capital Research

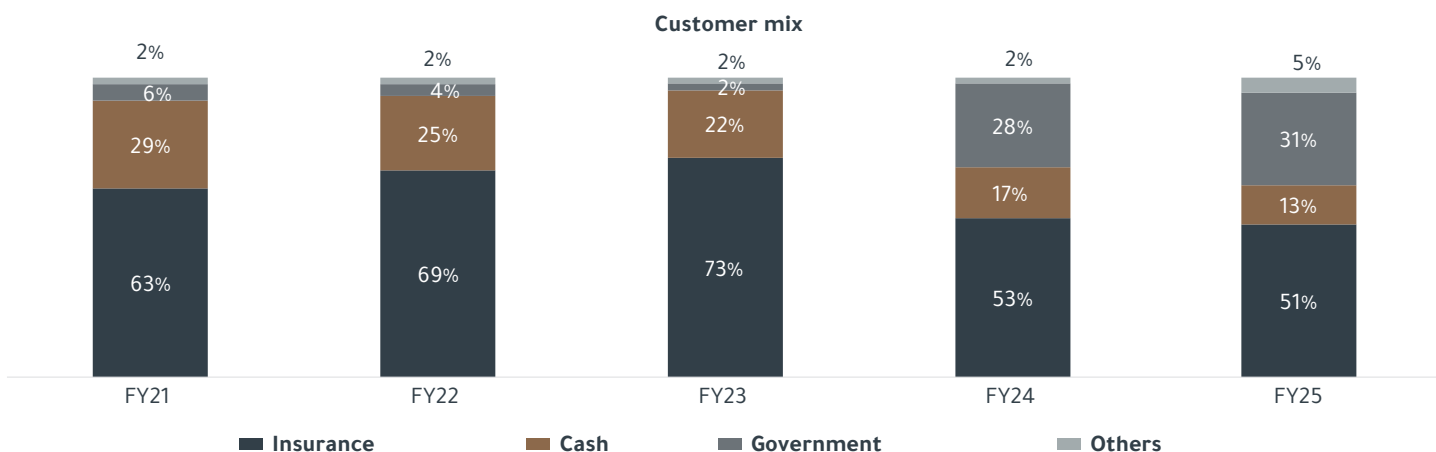
Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	43.1	50%	21.5
P/E	39.9	50%	20.0
<b>Blended TP</b>			<b>41.5</b>

**Upside/(Downside) potential**

**7.8%**

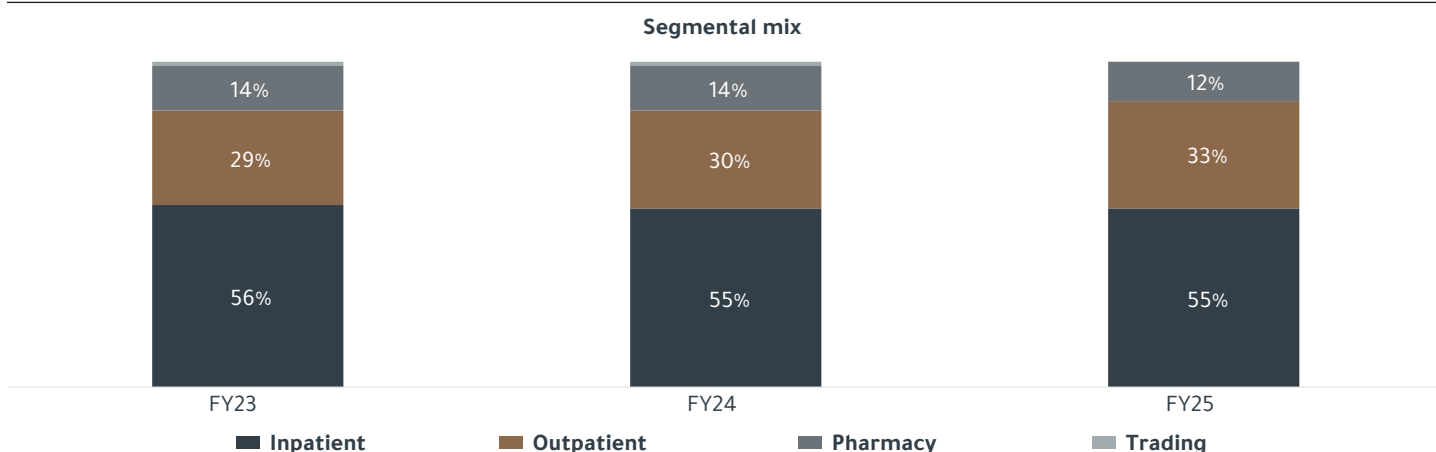
Source: Aljazeera Capital Research

Fig 61. Insurance-based customers dominate the mix; Share of Government-based customers increasing



Source: Company, Aljazira Capital research

Fig 62. Share of outpatient revenues is rising, while the share of Pharmacy is ceding



Source: Company, Aljazira Capital research

Fig 63. Middle East Healthcare's existing facilities

Hospital name	Location	Beds
Jeddah Hospital	Jeddah	204
Aseer Hospital	Aseer	291
Riyadh Hospital	Riyadh	329
Madinah Hospital	Madinah	197
Hail Hospital	Hail	90
Dammam Hospital	Dammam	240
Makkah Hospital	Makkah	255

Source: Company, Aljazira Capital research. Note: Beds based on AJC estimates

### Key Financial Data

Amount in SARmn	2024	2025	2026E	2027E	2028E	2029E	2030E
<b>Income statement</b>							
Revenues	2,883	3,103	3,429	3,701	3,937	4,172	4,423
<b>Y/Y</b>	<b>8.7%</b>	<b>7.6%</b>	<b>10.5%</b>	<b>7.9%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>6.0%</b>
Cost	(1,769)	(1,943)	(2,209)	(2,368)	(2,505)	(2,639)	(2,783)
<b>Gross profit</b>	<b>1,114</b>	<b>1,160</b>	<b>1,221</b>	<b>1,333</b>	<b>1,432</b>	<b>1,533</b>	<b>1,641</b>
<b>GP margin</b>	<b>38.6%</b>	<b>37.4%</b>	<b>35.6%</b>	<b>36.0%</b>	<b>36.4%</b>	<b>36.7%</b>	<b>37.1%</b>
S&D expense	(73)	(100)	(112)	(121)	(128)	(136)	(144)
G&A expense	(600)	(672)	(741)	(788)	(831)	(870)	(911)
Share from associates		(14)	(41)	(37)	(33)	(9)	(9)
<b>Operating profit</b>	<b>441</b>	<b>373</b>	<b>326</b>	<b>387</b>	<b>440</b>	<b>518</b>	<b>577</b>
<b>Y/Y</b>	<b>36.1%</b>	<b>-15.3%</b>	<b>-12.6%</b>	<b>18.6%</b>	<b>13.8%</b>	<b>17.7%</b>	<b>11.3%</b>
<b>OP margin</b>	<b>15.3%</b>	<b>12.0%</b>	<b>9.5%</b>	<b>10.5%</b>	<b>11.2%</b>	<b>12.4%</b>	<b>13.0%</b>
Other income	91	153	27	30	31	33	35
Financial charges	(222)	(201)	(217)	(197)	(189)	(174)	(148)
Non-controlling interest	2	8	2	2	2	2	2
<b>Profit before zakat</b>	<b>284</b>	<b>309</b>	<b>126</b>	<b>202</b>	<b>261</b>	<b>347</b>	<b>427</b>
Zakat	(26)	(16)	(11)	(18)	(23)	(30)	(37)
<b>Net income</b>	<b>282</b>	<b>302</b>	<b>123</b>	<b>200</b>	<b>259</b>	<b>346</b>	<b>425</b>
<b>Y/Y</b>	<b>1555.1%</b>	<b>7.0%</b>	<b>-59.2%</b>	<b>62.0%</b>	<b>29.6%</b>	<b>33.5%</b>	<b>22.9%</b>
<b>EPS (SAR)</b>	<b>3.06</b>	<b>3.28</b>	<b>1.34</b>	<b>2.17</b>	<b>2.81</b>	<b>3.75</b>	<b>4.61</b>
<b>DPS (SAR)</b>	<b>0.50</b>	<b>0.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & bank balance	52	26	9	31	79	141	127
Receivables	1,946	2,016	2,199	2,383	2,546	2,710	2,885
Other current assets	175	214	208	196	204	212	219
Property & Equipment	2,767	2,973	3,117	3,063	3,001	2,947	2,884
Other non-current assets	185	237	255	269	278	281	277
<b>Total assets</b>	<b>5,125</b>	<b>5,466</b>	<b>5,795</b>	<b>5,950</b>	<b>6,116</b>	<b>6,298</b>	<b>6,400</b>
<b>Liabilities &amp; owners' equity</b>							
Payables	322	285	329	359	387	415	445
Non-current debt	640	836	362	510	419	334	274
Total current liabilities	300	341	273	257	239	255	272
Long-term loans	753	603	1,341	1,132	1,113	979	655
Sukuk	989	983	983	983	983	983	983
Total other non-current liabilities	447	495	494	496	503	512	525
Non-controlling interest	48	55	56	57	58	58	59
Total owners' equity	1,626	1,872	1,958	2,157	2,416	2,762	3,186
<b>Total equity &amp; liabilities</b>	<b>5,125</b>	<b>5,470</b>	<b>5,795</b>	<b>5,950</b>	<b>6,116</b>	<b>6,298</b>	<b>6,400</b>
<b>Cashflow statement</b>							
Operating activities	766	545	190	328	390	509	593
Investing activities	(509)	(338)	(402)	(218)	(218)	(218)	(217)
Financing activities	(249)	(229)	192	(88)	(124)	(228)	(390)
Change in cash	8	(23)	(21)	22	48	63	(14)
<b>Ending cash balance</b>	<b>52</b>	<b>29</b>	<b>9</b>	<b>31</b>	<b>79</b>	<b>141</b>	<b>127</b>
Depreciation & Amortization	217	246	243	257	271	269	284
<b>Ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	1.7	1.5	2.5	2.3	2.7	3.1	3.3
Quick ratio (x)	1.7	1.5	2.4	2.2	2.6	3.0	3.2
<b>Profitability ratios</b>							
GP Margin	38.6%	37.4%	35.6%	36.0%	36.4%	36.7%	37.1%
Operating Margins	15.3%	12.0%	9.5%	10.5%	11.2%	12.4%	13.0%
EBITDA Margin	22.8%	20.0%	16.6%	17.4%	18.1%	18.9%	19.5%
Net Margin	9.8%	9.7%	3.6%	5.4%	6.6%	8.3%	9.6%
Return on assets	5.5%	5.7%	2.2%	3.4%	4.3%	5.6%	6.7%
Return on equity	18.6%	16.8%	6.3%	9.4%	11.0%	13.1%	14.0%
<b>Leverage ratio</b>							
Debt / equity (x)	1.4	1.3	1.3	1.2	1.0	0.8	0.6
<b>Valuation ratios</b>							
EV/EBITDA (x)	13.6	12.0	11.3	9.9	8.8	7.6	6.6
Dividend yield	0.7%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E ratio (x)	22.4	15.7	27.6	17.0	13.1	9.8	8.0
P/BV ratio (x)	3.9	2.5	1.7	1.6	1.4	1.2	1.1

Source: Company, Aljazeera Capital Research

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RESEARCH  
DIVISION

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TERMINOLOGY

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2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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