



Recent expansion activity drives record high quarterly results at the cost of gross margin pressures

HMG recorded a Q3-25 net income of SAR 602.3mn, at its highest quarterly net income reported, growing by 1.1% Y/Y and 1.9% Q/Q. Net income was broadly in line with our forecasted SAR 634.1mn at a -5% deviation. Results were driven by quarterly record high revenues, as recent expansions through FY24 till H1-25 supported revenues to reach SAR 3.46bn (up 16.4% Y/Y and 2.3% Q/Q). The active expansion campaign, however, came at the cost of GPMs as facilities ramp up, which limited delivery to bottom line. Despite the GPM pressures, OPEX-to-revenues were notably resilient at 11.1%. We look forward, however, to a seasonally active Q4 to offset some of the costs of the recent expansions. We maintain our **“Overweight”** recommendation at a TP of 300.0/Share on the premium provider, trading at an estimated FY26 forward PE of 29x.

- HMG reported its highest quarterly net income at SAR 602.3mn, at a growth of 1.1% Y/Y and 1.9% Q/Q. Results were broadly inline with our estimates at a -5% deviation from our forecasted SAR 634.1mn. Results were top line driven, as HMG comes off a six facility expansion from FY24 to date. The cost of newly commissioned facilities limited top line delivery to net income, as gross profit margins were reported at their lowest since FY20 while new expansions ramp up.
- Recent expansions drove HMG to report its highest quarterly top line at SAR 3.46bn (at a growth of 16.4% Y/Y and 2.3% Q/Q). This came inline with our estimate of SAR 3.57bn at a deviation of -3%. Top line was supported by three expansions in FY24, and three more facilities that came live in H1-25 (Al-Hamra Riyad, AlKharj Hospital, and Al-Muhammadiyah Jeddah).
- Gross profits reached SAR 1.05bn, at a growth of 5.8% Y/Y, yet declining 1.5% Q/Q. Gross profits missed our estimates of SAR 1.13bn at a deviation of -6.9%. Gross profit margins bore the costs of the recent expansions, as they were reported at 30.3% (down 300bps Y/Y and 120bps Q/Q). This exasperated our net income deviation, as GPM's were 130bps below our forecasted 31.6%.
- Operating profits were reported at SAR 665.7mn (up 6.6% Y/Y and 3.2% Q/Q), also at their highest quarterly reporting. This came inline with our estimated SAR 696.7mn, at a deviation of -4.4%. OPEX-to-revenues displayed resilience at 11.1%, down 130bps Y/Y and Q/Q. This supported EBIT margins to remain at 19.2% at a 180bps decline Y/Y, and a slight expansion of 10bps Q/Q. Non operating items at a net SAR -62.4mn were up 120% Y/Y and 18% Q/Q, and inline with our estimate of SAR -62.6mn. Costs were likely driven by increased finance costs as expansions came online.

AJC view and valuation: HMG posted a healthy set of results in Q3-25, displaying record high quarterly figures as expansions take their effect. While GPMs were challenged during the quarter, we expect ramp ups to mark these levels as 'lows' in the coming periods. We look forward to the activity in Q4-25 to offset some of the costs associated with the new facilities. HMG remains a premium provider in the Saudi Arabian healthcare universe, with quality financials, leading on revenue size, collection periods, and ROAE (normalized) in H1-25. HMG also leads on having the highest beds capacity among its peers at c. 3,500 beds, while maintaining a notable brand equity within the Kingdom. We forecast HMG to be trading at a FY26E forward PE of 29x for the premium provider with more expansions announced ahead. We maintain our TP on the firm at **SAR 300.0/Share** at a **“Overweight”** recommendation.

Results Summary

SAR mn	Q3-24	Q2-25	Q3-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	2,977	3,384	3,463	16.4%	2.3%	-3.0%
Gross Profit	992	1,066	1,050	5.8%	-1.5%	-6.9%
Gross Margin	33.3%	31.5%	30.3%	-	-	-
EBIT	624	645	666	6.6%	3.2%	-4.4%
Net Profit	595.5	591.0	602.3	1.1%	1.9%	-5.0%
EPS	1.70	1.69	1.72	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation Overweight

Target Price (SAR) 300.0

Upside / (Downside)* 9.8%

Source: Tadawul *prices as of 26th of October 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	8,311	9,508	11,200	13,843
Growth %	14.6%	14.4%	17.8%	23.6%
Gross profit	2,748	3,270	3,744	4,515
Growth %	17.9%	19.0%	14.5%	20.6%
Oper. Income	1,700	2,096	2,356	2,816
Growth %	16.0%	23.2%	12.4%	19.5%
Net Income	1,651	2,046	2,315	2,563
Growth %	19.9%	23.9%	13.2%	10.7%
EPS	4.72	5.85	6.62	7.32
DPS	3.48	4.32	4.77	5.49

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	33.1%	34.4%	33.4%	32.2%
Oper. Margin	20.5%	22.0%	21.0%	20.1%
Net Margin	19.9%	21.5%	20.7%	18.3%
ROA	14.1%	14.4%	12.7%	12.1%
ROE	29.4%	33.1%	33.9%	34.2%
P/E (x)	46.8	48.6	42.4	37.3
P/B (x)	13.1	15.3	13.7	12.3
Dividend Yield	1.6%	1.5%	1.7%	2.0%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	95.8
YTD%	-2.6%
52 week (High)/(Low)	227.7/308.0
Share Outstanding (mn)	350

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH
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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
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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