Basma Adeem Medical Co. (SMILE CARE)

Initiation Report | August 2026

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Organic growth, new branches and acquisitions support attractive long-term earnings; assign an "Overweight" rating

Smile Care is one of the fastest-expanding dental chains in Saudi Arabia, and its performance is underpinned by three complementary growth engines (1) resilient organic growth from the existing Al-Yasmin and Al-Malga branches, (2) rapid footprint expansion through two new branches in 2026, and (3) significant M&A optionality supported by a strong balance sheet. Smile Care's established brand, strong online patient reputation, high-capacity clinics and expanding therapeutic offerings provide a solid foundation for organic growth, while the proposed acquisition of three Qassim-based clinics could accelerate its transition toward a broader consolidation strategy. We forecast revenue to grow at a 17.9% CAGR over FY25-30, reaching SAR 103.4mn, while net income to grow at a substantially faster 24.1% CAGR to SAR 21.5mn, driven by the maturation of new branches and operating leverage. The strong H1-26 performance, with revenue and net income increasing 50.4% and 87.1% Y/Y, respectively, provides further confidence in the company's growth trajectory. Although near-term margins are likely to constrict as Smile Care absorbs the upfront costs pursuant to the expansion, we expect profitability to inflect from FY28 as branch utilization improves. Importantly, our estimates do not incorporate any contribution from the proposed Al-Ajaji acquisition, leaving potential upside, should Smile Care execute additional acquisitions at attractive valuations. We therefore view the company as transitioning from a high-growth clinic operator into a scalable healthcare consolidator, with a strong balance sheet, visible organic growth and M&A optionality supporting sustained earnings growth over the medium term. We initiate coverage on Smile Care with a SAR 8.1/share TP, based on an equal-weighted DCF and P/E methodology; We assign an "Overweight" rating with an upside of 34.1% from last close.

Fragmented dental market provides supportive backdrop for long term growth: The Saudi dental market remains highly fragmented, creating an attractive opportunity for scaled operators such as Smile Care to consolidate smaller clinics. Industry estimates place the Saudi dental service market at USD 607.9mn in 2025, with the expectations to reach USD 2.35bn by 2033, implying an 18.6% CAGR over 2026-33. The Ministry of Health reported 3,253 dental clinics across its network in 2023, alongside more than 4mn curative and approximately 3mn preventive dental procedures. The fragmented nature of the market, combined with rising healthcare spending, increasing dental awareness and the recurring nature of dental treatments, provides a supportive backdrop for long-term industry growth. We believe this environment should favor scaled operators with established brands, operating capabilities and financial capacity to expand organically and through acquisitions.

Organic growth from existing Al-Yasmin and Al-Malga branches are the first key earnings driver: The company has demonstrated its ability to increase revenue through capacity additions, higher utilization and service diversification. At its flagship Al-Yasmin branch, Smile Care added 10 clinics during 2022-23, thus significantly expanding capacity and supporting a 17.0% organic revenue CAGR over Jun-23 to Jun-25. The company is also broadening its addressable market through complementary specialties, including dermatology at Al-Malga, allowing it to capture a wider range of healthcare spending from its existing patient base. We forecast existing-branch revenue to grow at an 8.0% CAGR over 2026-30, supported by higher utilization, continued patient acquisition and specialty expansion. Smile Care's strong brand and online reputation, including a 4.4/5 Google rating across more than 2,000 reviews at Al-Yasmin, should further support patient acquisition and help sustain organic growth as the company expands its footprint.

Recommendation	Overweight
Target Price (SAR)	8.1
Upside/(Downside)	34.1%

Source: Tadawul, AlJazira Capital Research *price as of 30th August 2026

Key Financials

(in SAR mn, unless specified)	FY24	FY25	FY26E	FY27E
Revenues	33.9	45.5	59.8	78.7
Growth %	27.9%	34.0%	31.5%	31.7%
Gross profit	11.1	13.3	16.5	21.5
Growth %	33.2%	19.9%	24.2%	29.8%
EBIT	7.0	8.1	9.7	12.5
Growth %	32.7%	15.9%	20.2%	28.6%
Net Income	6.3	7.3	9.7	12.2
Growth %	29.4%	15.9%	32.6%	26.3%
EPS	0.39	0.37	0.48	0.61
DPS	0.00	0.00	0.00	0.00

Source: Company, AlJazira Capital Research

Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	32.8%	29.3%	27.7%	27.3%
EBIT margin	20.6%	17.8%	16.3%	15.9%
Net margin	18.6%	16.1%	16.2%	15.5%
ROA	16.6%	11.0%	12.1%	13.1%
ROE	28.2%	15.9%	17.4%	18.0%
P/E (x)	NM	15.3	12.8	10.1
P/B (x)	NM	2.4	2.2	1.8
EV/EBITDA (x)	NM	6.2	5.7	3.9
DY	NM	0.0%	0.0%	0.0%

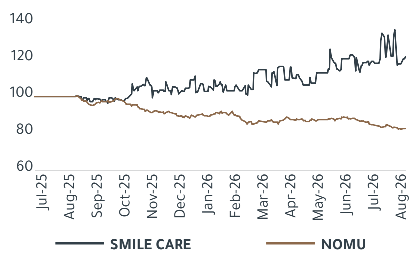
Source: Company, AlJazira Capital research *NM: Not Meaningful

Key Market Data	
Bloomberg ticker	SMILECAR:AB
Market Cap(mn)	120
YTD%	11.6%
52 week (High)/(Low)	7.0/4.9
Share Outstanding (mn)	20.0

Source: Company, AlJazira Capital research

Key Market Data	
Abdullah Saad Mohammed Al-Qudairy	19.8%
Mohammed Abdulaziz Saad Al-Buwardi	18.8%
Talal Mughailith Dakhil Allah Al-Nassar	13.7%
Mohammed Abdullah Ali Al-Sarhan	10.1%
Treasury	8.0%

Price Performance



Source: Tadawul, AlJazira Capital research

The second major growth engine is new branch expansion: Smile Care plans to open two branches in 2026 across Al-Narjis and KAFD, with operations expected to commence in 2H26. We assume the new branches, to reach break-even within six months and ramp towards full capacity over approximately four years, with patient volumes and doctor utilization gradually increasing as local brand awareness develops. We estimate these two branches to generate SAR 32mn of cumulative incremental revenue by 2030, equivalent to approximately 71.5% of FY25 revenue, highlighting the significant contribution these expansions could make to the company's medium-term growth. While upfront operating costs, including staffing, marketing and other pre-opening expenses, are expected to weigh on margins in the near term, improving utilization should generate meaningful operating leverage as the branches mature and move closer to optimal capacity.

M&A strategy (potential Al-Ajaji merger) offers additional upside: Smile Care's potential M&A strategy represents an additional source of upside to our forecasts. The company has signed a non-binding MoU to acquire 100% of Fahad Abdullah Al-Ajaji Dental Complex, comprising three dental and dermatology branches in Qassim. The transaction remains subject to valuation, due diligence and regulatory approvals, and we have not incorporated any M&A contribution into our estimates. We believe the proposed acquisition nevertheless highlights Smile Care's potential to evolve into a dental healthcare consolidator, leveraging its existing operating infrastructure and financial capacity to acquire established clinics rather than relying solely on greenfield expansion.

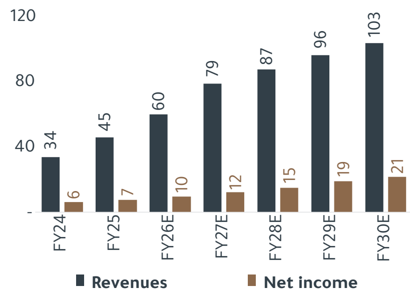
Future growth plans are supported by a strong balance sheet: The company's bank debt-free, cash-rich balance sheet provides ample firepower to pursue value-accretive acquisitions while continuing to fund organic expansions. We forecast the operating cash flow to increase from SAR 14.6mn in FY26E to SAR 27.8mn by FY30E, with cash expected to remain healthy at SAR 35mn in FY26E despite expansion capex, before rising to SAR 102.3mn by FY30E. In our view, the combination of zero bank debt, growing cash generation and rising liquidity provides Smile Care with sufficient capacity to execute acquisitions without materially increasing leverage. Successful execution of an acquisition-led strategy could accelerate geographic expansion, add established patient bases and strengthen Smile Care's position in a fragmented market, while recurring free cash flow should also support potential dividend distributions.

Our forecasts reflect strong medium-term earnings growth: We expect revenue to increase at a 17.9% CAGR over FY25-30, from SAR 45.5mn to SAR 103.4mn, while net income to grow substantially faster at 24.1% CAGR, reaching SAR 21.5mn, driven by branch expansion, organic growth and operating leverage. We expect operating margins to temporarily decline from 17.8% in FY25 to 15.9% in FY27 as expansion costs are absorbed and new branches operate below mature utilization levels, before recovering to 19.6% by FY30 as branch utilization improves and the larger network generates greater operating leverage. The strong 1H26 results, with revenue up 50.4% Y/Y and net income up 87.1% Y/Y, provide further confidence in the company's growth trajectory and suggest that the business is entering a period of accelerated earnings growth as both existing and newly opened branches contribute increasingly to group performance.

Valuation: We believe Smile Care offers a compelling multi-year growth story underpinned by three complementary growth engines: i) resilient organic growth from its existing network, ii) significant capacity additions through new branches, and iii) M&A optionality supported by a strong balance sheet. We value Smile Care using a 50:50 blend of DCF and P/E. Our DCF produces a fair value of SAR 8.2/share, while applying a 11.7x P/E multiple to FY30E discounted earnings produces SAR 8.0/share. This results in a blended target price of **SAR 8.1/share**, implying **34.1%** upside, and supports our "Overweight" rating. Importantly, our valuation excludes contribution from the proposed acquisition, providing potential upside from successful M&A execution.

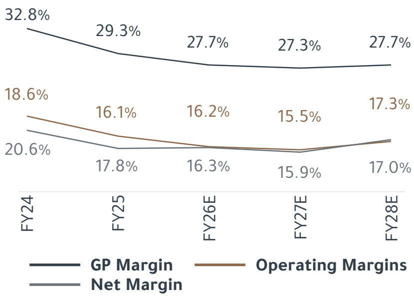
Key downside risks: Slower-than-expected ramp-up of new branches, execution challenges as the company rapidly expands its network, and margin dilution from higher pre-opening, staffing, marketing and rental costs are key downside risks. In addition, the proposed Al-Ajaji acquisition introduces M&A execution and valuation risks, particularly if Smile Care overpays, fails to realize expected synergies or faces difficulties integrating acquired operations. Together, these factors could delay profitability, pressure margins and result in earnings falling below our estimates.

Revenue and Net income (SAR mn)



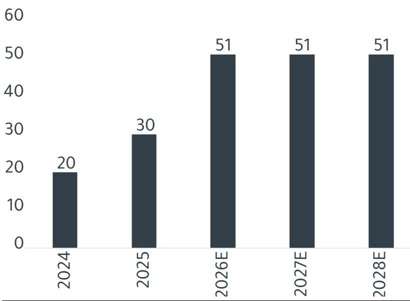
Source: Company, AlJazira Capital Research

Margin performance



Source: Company, AlJazira Capital Research

Number of dental clinics (ex-Alajaji)



Source: Company, AlJazira Capital research

Company Overview

Basma Adeem Medical Company ("Smile Care") is a Saudi healthcare operator specializing in dental and dermatology services, with a focus on providing comprehensive, specialist-led outpatient care. Established in 2012, the company initially built its platform around dental services before expanding into dermatology in 2024, broadening its addressable market beyond traditional dentistry.

The company provides comprehensive dental care, including both treatment and cosmetic services. These services include a wide range of options such as orthodontics, oral surgery, dental fillings, and endodontics. The company operates exclusively within the medical services business segment, which constitutes its sole source of revenue. It operates under two brands: Smile Care and Derm Care.

Fig 1.Timeline of events

Nov 2012	Feb 2025	July 2025	Aug 2025	Oct 2025	Jan 2026	April 2026
Company established with one clinic in Riyadh	Began trading on NOMU	Issuance of a license from the Ministry of Health to open its second branch of dental clinics, located in Al-Malga	Lease contract for a clinic in King Abdullah Financial District,	issuance of a Ministry of Health license to open a dermatology department at its branch located in the Al-Malga neighborhood	Lease of Smile Care's fourth location for Smile Care Clinic in Riyadh, in the Al-Narjis neighborhood	MOU with Al-Ajaji dental complex, to acquire three branches in Qassim region

Source: Company, AlJazira Capital research

Smile Care currently operates clinics in Al-Yasmin and Al-Malga in Riyadh, with the company positioning both locations as comprehensive dental and specialty-care facilities. Its offering spans multiple dental specialties as well as dermatology and laser treatments, allowing it to capture a broader range of patient needs within its existing infrastructure.

Fig 2.Expansion details (CAPEX, clinics, timeline)

	Al Yasmin branch	Al Malga branch	KAFD branch	Al Narjis branch
Clinics (Dental & Derma)	20	20	10	20
Capex		6.2	5.1	5
Completion		Q4-25	H2-26	Q4-26

Source: Company, AlJazira Capital Research

Fig 3.Riyadh Clinics in pictures

Source: Company, AlJazira Capital Research

Investment Thesis

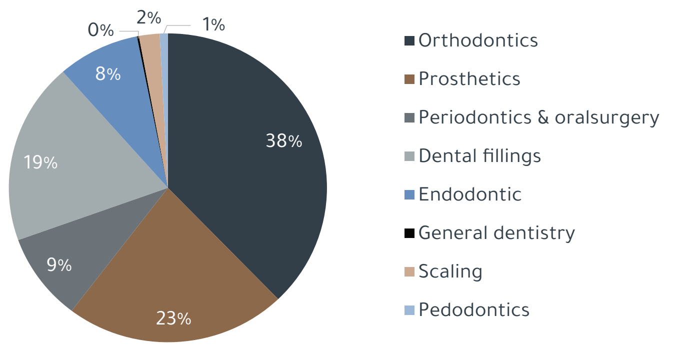
The Saudi dental market remains fragmented, creating an opportunity for scaled operators to consolidate attractive clinics:

The MOH is strengthening preventive dentistry through dedicated preventive clinics, while expanding access through telemedicine and extended clinic hours. These initiatives, together with greater emphasis on early detection, oral-health awareness and preventive care, underscore the government's focus on improving dental outcomes and expanding access to care, while also supporting long-term growth in the Kingdom's overall dental services market. Research estimates the Saudi dental service organization market at USD 607.9mn in 2025, reaching USD 2.35bn by 2033, implying 18.6% CAGR for 2026-33. Saudi Arabia's Ministry of Health reported 3,253 dental clinics within the MOH system in 2023: 1,639 in primary healthcare centers, 162 in primary dental complexes, 456 in hospitals and 996 in specialized dental centers. MOH also reported more than 4mn curative dental procedures and about 3mn preventive procedures. This supports the conclusion that dental care is a large, recurring healthcare need rather than purely a cosmetic/discretionary market.

Strong brand and scale create a competitive advantage:

We believe Smile Care's competitive advantage increasingly lies in the combination of brand equity, operating scale, high-capacity clinics and financial firepower. Its strong online reputation—with the flagship Al-Yasmin branch maintaining a 4.4/5 Google rating across more than 2,000 reviews—provides evidence of established patient trust and brand recognition. This should support patient acquisition as the company expands into new locations, while the growing review base can enhance digital visibility and potentially lower customer acquisition costs. Importantly, Smile Care's advantage is not dependent on brand alone. Its ability to increase capacity within existing branches, introduce complementary specialties such as dermatology, and leverage a strong balance sheet to pursue acquisitions creates a broader platform advantage. We believe this combination positions the company well to benefit from the fragmentation of the Saudi dental market and potentially develop into a scaled dental healthcare consolidator.

Fig 4.Comprehensive dental services offering (revenue share)



Source: Argaam, AlJazira Capital Research

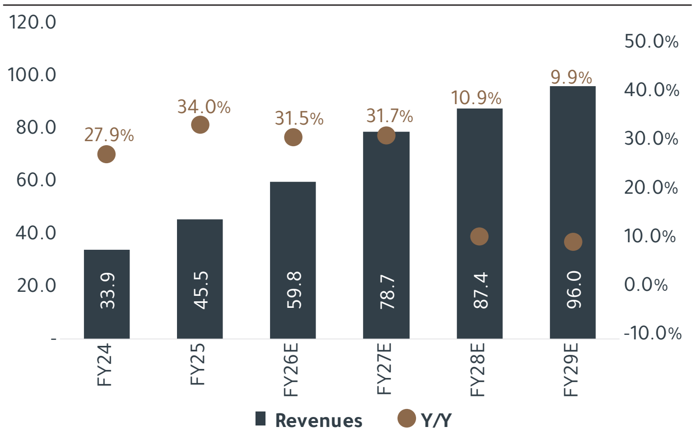
Fig 5.Strong geographic presence in North Riyadh

Source: Argaam, AlJazira Capital Research

Organic growth provides a resilient foundation for Smile Care's earnings growth:

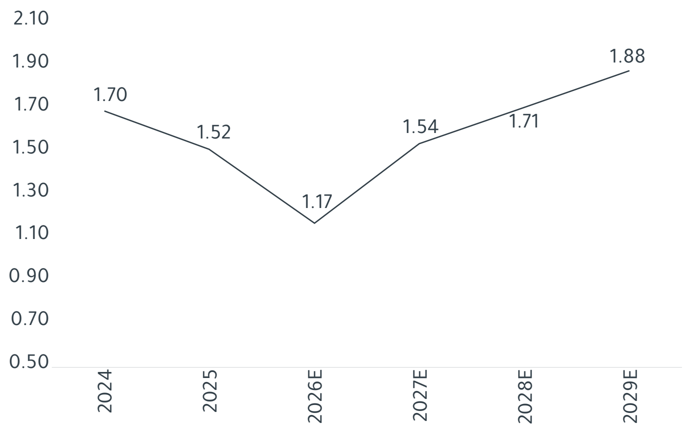
We view organic growth from Smile Care's existing Al-Yasmin and Al-Malga branches as the first key driver of earnings growth. The company has demonstrated its ability to expand the revenue base of existing facilities by increasing clinical capacity and broadening its service offering. At the flagship Al-Yasmin branch, Smile Care added 10 clinics during 2022-23, effectively doubling capacity to approximately 20 clinics and enabling the branch to accommodate higher patient volumes. This capacity expansion, combined with continued growth in patient demand, supported a 17.0% organic revenue CAGR over Jun-23 to Jun-25. Importantly, Smile Care's growth strategy has increasingly moved beyond simply adding dental capacity. The company has been expanding its addressable patient base through the introduction of complementary medical specialties, most notably dermatology. In October 2025, Smile Care received Ministry of Health approval to launch a dermatology department at its Al-Malga branch under the Derm Care brand, with operations commencing in Q4-25. This creates an additional avenue for same-branch revenue growth while allowing Smile Care to leverage its existing infrastructure, brand and patient base. Looking ahead, we expect the existing branch network to remain a meaningful contributor to growth, albeit at a more normalized pace following the strong capacity-led expansion of recent years. We forecast existing-branch revenue to grow at a 8.0% CAGR over 2026-30, supported by higher utilization of the expanded clinic base, continued patient acquisition, gradual maturation of recently added capacity and the contribution from newer therapeutic areas.

Fig 6.Revenue and growth (SAR mn)



Source: Argaam, AlJazira Capital Research

Fig 7.Revenue per clinic (SAR mn)

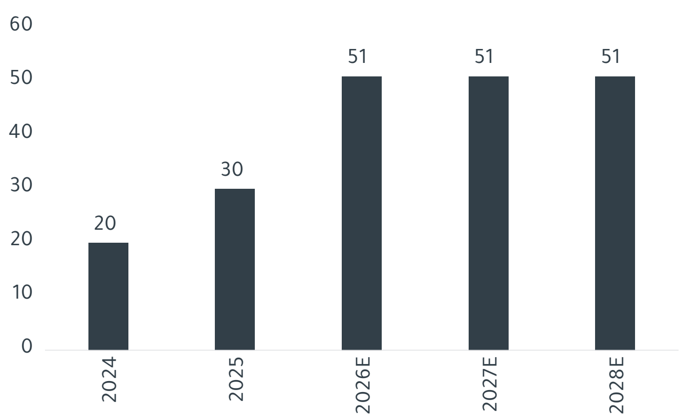


Source: Argaam, AlJazira Capital Research

New branch rollout to provide a meaningful second leg of growth:

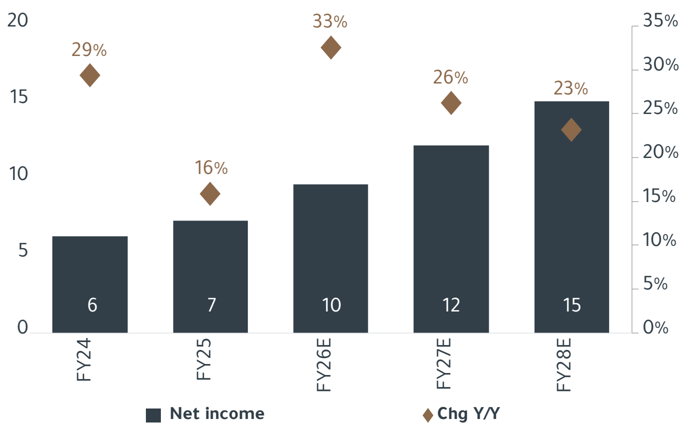
Smile Care is set to accelerate its footprint expansion in 2026, with two new branches planned across Riyadh. The company is scheduled to open two branches in Riyadh, Al-Narjis and KAFD, with 13 and 5 dental clinics, respectively. Total capital expenditure for these two developments is estimated at ~SAR 10mn. We expect both branches to commence operations in H2-26, providing a meaningful incremental contribution to the group's top line from 2027 onwards. We assume a six-month break-even period for new branches, followed by a gradual ramp-up toward full capacity over approximately four years. This reflects the typical maturation profile of a dental platform, where patient volumes and doctor utilization build progressively as the branch establishes its local catchment area and referral base. Accordingly, our forecasts incorporate a relatively conservative initial revenue contribution, followed by stronger growth as utilization improves. On our estimates, the two new branches are expected to generate cumulative incremental revenue of SAR 32.5mn by 2030, equivalent to approximately 71.5% of Smile Care's 2025 revenue. The expansion therefore represents a significant source of medium-term growth and, in our view, provides a visible earnings runway beyond the company's existing branch network. Importantly, the new branch strategy is capital-light relative to the potential revenue opportunity, particularly given Smile Care's substantial cash position. Successful execution would allow the company to increase its geographic presence, diversify its revenue base and create additional platforms from which to introduce higher-value specialties. We see branch ramp-up and utilization as key variables to monitor, with faster-than-expected patient acquisition potentially providing upside to our revenue and earnings forecasts.

Fig 8.Number of Dental clinics (ex-Alajaji)



Source: Argaam, AlJazira Capital Research

Fig 9.Net income and net income change (SAR mn)



Source: Argaam, AlJazira Capital Research

M&A could accelerate Smile Care's expansion and strengthen Its consolidation strategy:

Smile Care has taken a meaningful step toward accelerating its expansion strategy through the signing of a non-binding MoU to acquire 100% of Fahad Abdullah Al-Ajaji Dental Complex Company, a dental and dermatology operator with three branches in the Qassim region. The transaction, which remains subject to financial valuation, due diligence, regulatory approvals and the signing of a definitive agreement, would provide Smile Care with an established operating footprint rather than requiring the company to build the clinics organically. Notably, the proposed consideration structure combines cash, newly issued shares and performance-linked deferred payments, which could help limit the immediate cash outflow and align part of the acquisition consideration with the future performance of the acquired business. While the transaction value and financial contribution remain undisclosed, we view the potential acquisition positively as it would expand Smile Care's geographic presence, add dental and dermatology capacity and provide a platform for further growth in the Qassim market. More importantly, the development reinforces our view that Smile Care is evolving from a predominantly organic growth model toward a broader consolidation strategy, with its strong balance sheet providing the financial flexibility to pursue acquisitions in Saudi Arabia's fragmented dental market. we await the final transaction valuation and target financials before incorporating any material M&A contribution into our estimates. Based on our preliminary estimates, assuming three branches (2 in Buraydah and 1 in Al-Bukayriyah) and clinic range of 7-10 clinics per branch, and a per clinic revenue of SAR 0.75mn, Al-Ajaji's proposed merger/acquisition could generate approximately SAR 17-21mn of incremental revenue, equivalent to 29-35% of our 2026E revenue forecast, and add around SAR 2.9-3.6mn to net income, representing a 30-37% uplift to our 2026E net income estimate.

Insurance panel inclusion a key growth catalyst:

Smile Care is currently not included on the panels of major insurance companies, requiring patients to pay upfront and subsequently seek reimbursement from their insurers. We view successful onboarding onto insurance panels as a meaningful revenue catalyst, as it would materially expand the clinic's addressable patient pool and improve accessibility for insured patients.

Given the current shortage of A-class dental clinics, we believe Smile Care is well positioned to benefit from potential panel inclusion. We estimate that gaining access to major insurers could unlock sizeable incremental revenue, supported by increased patient volumes and reduced upfront payment friction. In our view, successful insurer onboarding represents a key medium-term catalyst for the company.

Strong revenue growth translates into sharp earnings upside in 1H-26:

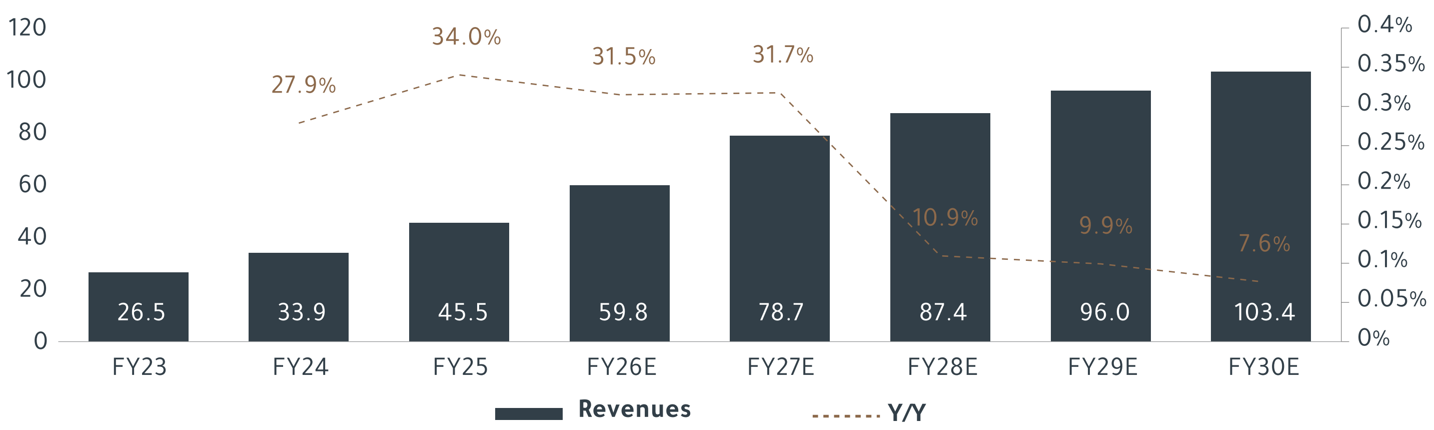
Smile Care delivered a strong Jun-26 performance, with sales increasing 50.4% Y/Y to SAR 28.3mn, growth was driven by increased operating capacity, the addition of clinics and doctors, the ramp-up of the Al-Malga branch, and higher patient volumes across both new and existing patients. Despite the robust top-line performance, gross profit increased at a slower pace to SAR 7.8mn, as gross margin declined to 27.6% from 30.3% in Dec-25, suggesting some pressure on the cost base. Operating expenses increased 29.4% Y/Y and 14.1% Q/Q to SAR 3.2mn, much slower than revenue growth, resulting in an operating income of SAR 4.6mn and an operating margin of 16.3%. Below the operating line, investments and other income rose to SAR 0.77mn, while financing costs declined to SAR 0.34mn. Consequently, net income increased 87.1% Y/Y to SAR 4.8mn, with net margin improving to 16.9% from 13.6% in Jun-25. Growth came despite the company incurring additional operating expenses related to the upcoming KAFD and Al-Narjis branches. Management noted that the strength of revenue growth more than offset these expansion-related costs.

Financial Analysis

Strong top-Line growth to drive a gradual earnings recovery:

We forecast Smile Care's revenue to increase at a 17.9% CAGR over 2025-30, rising from SAR 45.5mn in FY25 to SAR 103.4mn by FY30, driven by a combination of organic growth from the existing branch network, the ramp-up of newly opened branches and continued capacity expansion. We expect revenue growth to accelerate to 31.5%/31.7% in FY26/FY27, reflecting the contribution from new branches, before moderating to 10.9% in FY28 and 9.9% in FY29 as the expanded network matures. Despite strong top-line growth, we expect near-term profitability to remain constrained by the upfront operating costs associated with the new branch openings, with operating margin declining from 17.8% in FY25 to 16.3% in FY26 and 15.9% in FY27. Thereafter, we anticipate meaningful operating leverage, as new branches move toward maturity, with operating margin recovering to 19.6% by FY30. Consequently, we forecast net income to grow at a 24.1% CAGR over FY25-30, reaching SAR 21.5mn by FY30, compared with SAR 7.3mn in FY25. The stronger earnings trajectory is expected to become increasingly visible from FY28, when branch utilization improves and the benefits of the enlarged revenue base begin to outweigh the initial cost burden of expansion. Overall, our estimates imply a ~2.3x increase in revenue and ~2.9x increase in net income between FY25 and FY30, highlighting the significant earnings operating leverage embedded in Smile Care's expansion strategy.

Fig 10. Revenue growth (SAR mn)

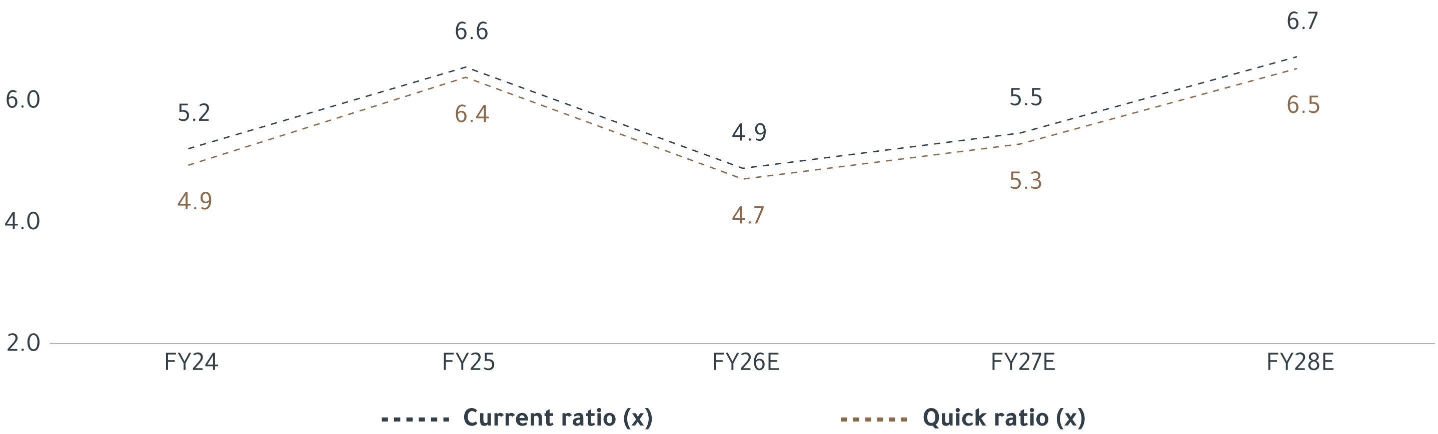


Source: Company, AlJazira Capital Research

Liquidity remains a key balance-sheet strength:

Smile Care's current and quick ratios have strengthened materially, reaching 6.6x and 6.4x, respectively, in FY25, providing ample liquidity to fund its expansion programme. We expect liquidity to normalize as cash is deployed into new branches, with the current ratio declining to 5.5x in FY27E, before rebuilding to 9.6x by FY30E as earnings and cash generation improve. Importantly, the company enters its expansion phase from a position of balance-sheet strength, limiting the need for external funding and providing flexibility for potential M&A.

Fig 11. Liquidity ratios

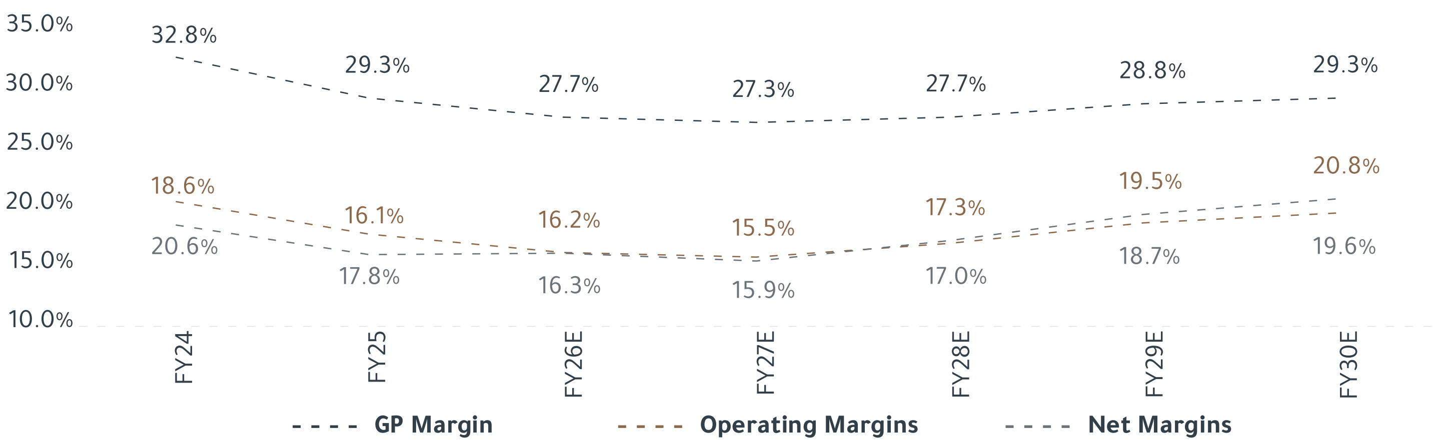


Source: Company, AlJazira Capital Research

Near-term profitability dilution should be viewed as an investment phase rather than a structural margin reset:

Operating margin declined from 20.6% in FY24 to 17.8% in FY25 and is forecast to trough at 15.9% in FY27E as new branches absorb staffing, rental, marketing and other operating costs ahead of maturity. Gross margin is similarly expected to bottom at 27.3% in FY27E. We see the subsequent recovery as the key earnings inflection, with operating margin reaching 19.6% by FY30E as utilization improves and the expanded branch network generates operating leverage. In our view, the margin trajectory is therefore more important than the FY26-27E compression in isolation.

Fig 12.Margin trajectory

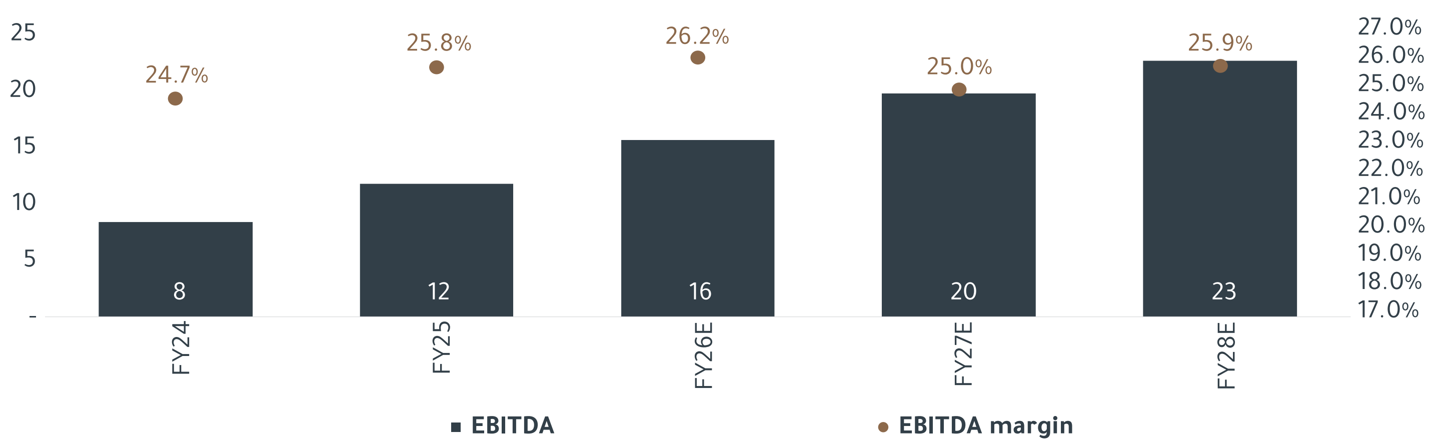


Source: Company, AlJazira Capital Research

Underlying quality of earnings remains supported by strong EBITDA economics:

EBITDA margin increased from 22.6% in FY23 to 25.8% in FY25 and, despite some moderation during the expansion phase, is forecast to reach 28.7% by FY30E. The widening gap between EBITDA and operating margins largely reflects the depreciation burden associated with Smile Care's investment in new clinics and capacity. This suggests that the underlying unit economics remain attractive, with incremental branches expected to become increasingly accretive as utilization ramps. The recovery in EBITDA margins also provides a degree of downside protection to earnings as the company moves beyond the initial expansion phase.

Fig 13.EBITDA and margin (SAR mn)

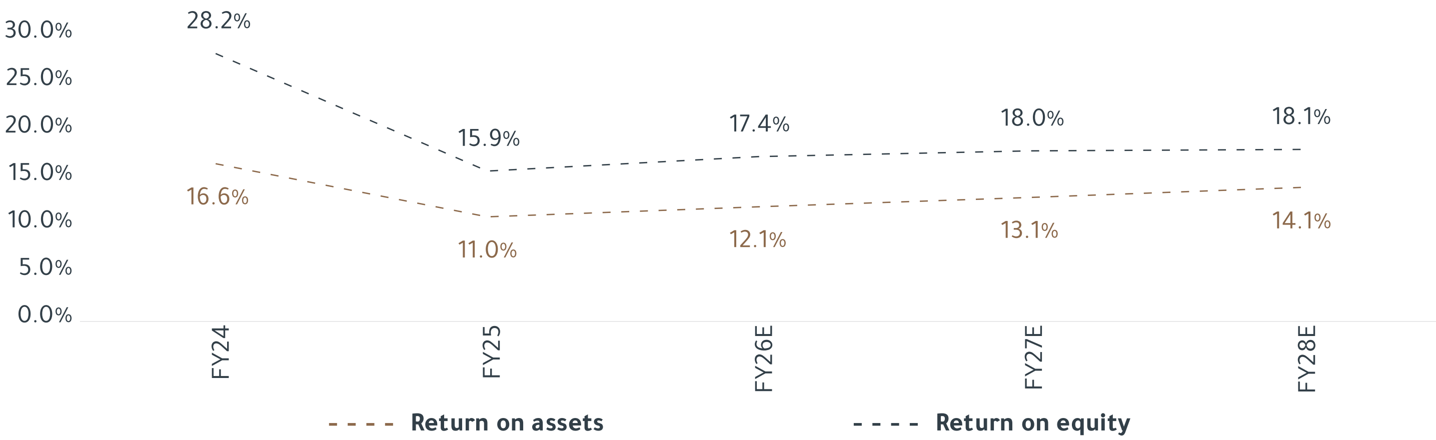


Source: Company, AlJazira Capital Research

Returns are temporarily compressed by the expansion-led increase in the asset and equity base:

ROA declined from 16.6% in FY24 to 11.0% in FY25, while ROE fell from 28.2% to 15.9%, reflecting the company's transition from a concentrated asset base toward a larger clinic network. We expect returns to recover as new branches mature, with ROA reaching 14.7% and ROE 17.4% by FY30E. The key takeaway is that Smile Care is sacrificing some near-term capital efficiency to build a significantly larger earnings base; hence, the sustainability of the recovery in ROE and ROA will be an important indicator of whether expansion is creating shareholder value.

Fig 14.Return on Assets and Return on Equity



Source: Company, AlJazira Capital Research

Balance sheet strength enables the company to pursue acquisitions:

Smile Care's bank debt-free and cash-rich balance sheet provides significant financial flexibility to pursue value-accretive M&A opportunities while continuing to fund organic expansion and shareholder distributions. Operating cash flow is expected to increase from SAR 14.6mn in FY26E to SAR 27.8mn by FY30E, supporting strong internal cash generation. Despite elevated expansion capex in FY26, the company is expected to maintain a healthy cash & short term investments balance of SAR 35.0mn, rising to SAR 102.3mn by FY30E. This growing cash position, combined with the absence of bank debt, should provide ample capacity to pursue acquisitions without materially increasing leverage, while the recurring free cash flow should also create room for dividend payments.

Comparative Analysis

Smile Care combines the strongest earnings growth among its peers with healthy returns and a conservative balance sheet. Its 25% earnings CAGR during 2022-25 is the highest in the peer group, while ROA and ROE of 14.0% and 21.4%, respectively, demonstrate strong capital efficiency. Importantly, Smile Care trades at 15.3x P/E, well below Balsam Medical's 34.6x despite its significantly stronger growth profile. With zero financial leverage, the company also retains balance-sheet capacity to support further expansion.

Fig 15.Return on Assets and Return on Equity

PARTICULARS	SMILE CARE	BALSM MEDICAL	MIRAL
Earnings Growth (FY22-25 CAGR)	25%	-18%	18%
Total Debt/Total Assets %	0.00	0.00	0.00
Dividend Yield %	0.00	0.00	4.82
P/E	15.33	34.64	11.29
Return on Average Assets %	14.03	5.71	20.04
Return on Average Equity %	21.36	6.58	26.81
Gross Margin %	29.30	38.24	36.63
Net Margin Before Unusual Items %	16.07	9.66	22.15

Source: Argaam, AlJazira Capital Research

- **Earnings growth:** Smile Care has the strongest earnings CAGR at 25% (2022-25), ahead of Miral at 18% and Balsam Medical at -18%. This highlights its superior growth trajectory.
- **ROE:** Smile Care generates a strong 21.4% ROE, demonstrating efficient use of shareholders' capital. While below Miral's 26.8%, it is substantially ahead of Balsam's 6.6%.
- **ROA:** Smile Care's 14.0% ROA is also strong, more than double Balsam's 5.7%, indicating efficient deployment of its asset base.
- **P/E:** At 15.3x, Smile Care trades at a significant discount to Balsam Medical's 34.6x, despite having substantially stronger earnings growth. This makes its valuation look relatively attractive on a growth-adjusted basis.
- **No leverage:** Smile Care has zero debt-to-assets, supporting a financially conservative balance sheet and providing capacity to fund future expansion.

Valuation

We believe Smile Care offers a compelling multi-year growth story underpinned by three complementary growth engines: resilient organic growth from its existing network, significant capacity additions through new branches, and M&A optionality supported by a strong balance sheet. The near-term earnings profile is likely to be temporarily diluted by the cost of expansion, but we expect the maturation of new branches to drive meaningful operating leverage from FY28 onwards. We forecast net income to grow at a 24.1% CAGR over FY25-30, substantially ahead of revenue growth. Importantly, the company's evolution toward a potential dental healthcare consolidator provides upside that is not captured in our current estimates, as we have yet to incorporate M&A contribution. We therefore see Smile Care as a business transitioning from a high-growth clinic operator toward a scalable healthcare platform, with the potential for sustained double-digit revenue growth and substantially faster earnings growth over the medium term.

We value Smile Care using a blended DCF and P/E approach, assigning equal weight to both methodologies. Our DCF-based valuation yields a SAR 8.2/share target price (WACC = 12%, terminal growth rate = 2.5%). On a relative valuation basis, we apply a 11.7x P/E multiple (35% discount to 18x for healthcare sector) to our FY30 EPS estimate of SAR 1.07, which is discounted to SAR 0.68/share in present value terms, generating a SAR 8.0/share target price. Applying a 50:50 weighting to the DCF and P/E methodologies produces a blended target price of **SAR 8.1/share**; We assign an "**Overweight**" rating with an upside of **34.1%** from last close.

Fig 16. Blended Valuations

All figures in SAR, unless specified	Fair value	Weights	Weighted average
DCF	8.2	50%	4.1
P/E (11.7x FY30E - discounted)	8.0	50%	4.0
Weighted average price target			**8.1**
Up/Downside (%)			**34.1%**

Source: Company, AlJazira Capital research, closing price as of 30th August 2026

Key Downside risks

- **Slower-than-expected new branch ramp-up:** Our estimates assume new branches reach break-even within six months and approach full capacity over approximately four years. A slower build-up in patient volumes, doctor utilization or local brand awareness could delay profitability and reduce our revenue estimates. This is particularly relevant given the significant number of new clinics being added simultaneously.
- **Execution risk from rapid expansion:** Smile Care is moving from a relatively concentrated operating model toward a substantially larger branch network. Managing recruitment, doctor productivity, clinical quality, procurement, marketing and administrative functions across multiple locations could become increasingly complex. Any execution challenges could result in higher-than-expected operating costs or delays in branch openings.
- **Margin dilution from expansion:** The expansion programme is likely to weigh on margins before new branches reach mature utilization. Our estimates already assume operating margin declines from 17.8% in FY25 to 15.9% in FY27 before recovering. Higher-than-expected pre-opening, staffing, marketing or rental costs could extend the margin trough and delay the expected earnings inflection.
- **M&A execution and valuation risk:** The proposed Al-Ajaji acquisition remains subject to due diligence, valuation and regulatory approvals. While we view M&A as an important source of optionality, Smile Care could destroy shareholder value if it overpays for targets or fails to achieve expected synergies. Integration of acquired doctors, brands, systems and operating cultures could also prove more challenging than anticipated.

Key Upside risks

- **Faster-than-expected branch utilization:** The most immediate upside to our estimates would come from new branches reaching break-even and mature utilization faster than our assumptions. A faster patient ramp could materially increase revenue while accelerating operating leverage.
- **Stronger organic growth:** Our 8.0% 2026-30 existing-branch revenue CAGR is relatively moderate compared with the company's historical performance. Continued capacity utilization at Al-Yasmin and Al-Malga, higher patient volumes and successful specialty expansion could result in stronger same-store growth than we currently assume.
- **Successful M&A execution:** Completion of the Al-Ajaji transaction on attractive terms would provide an immediate increase in capacity and geographic presence. More importantly, successful integration could establish a template for additional acquisitions and accelerate Smile Care's transition into a dental healthcare consolidator.
- **Further acquisitions beyond Al-Ajaji:** Our current valuation does not incorporate contribution from M&A. If Smile Care uses its cash position to acquire additional clinics at attractive valuations, this could create significant upside to our revenue and EPS forecasts. The opportunity is particularly compelling if acquired clinics can be integrated onto Smile Care's platform and achieve higher utilization or margins.

Key Financial Data

Amount in SAR mn, unless otherwise specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	26.5	33.9	45.5	59.8	78.7	87.4	96.0	103.4
Y/Y		**27.9%**	**34.0%**	**31.5%**	**31.7%**	**10.9%**	**9.9%**	**7.6%**
Cost of Sales	(18.2)	(22.8)	(32.1)	(43.2)	(57.3)	(63.1)	(68.3)	(73.0)
Gross profit	**8.3**	**11.1**	**13.3**	**17**	**21**	**24**	**28**	**30**
Gross margin	31.5%	32.8%	29.3%	27.7%	27.3%	27.7%	28.8%	29.3%
Operating expenses	(3.1)	(4.1)	(5.3)	(6.8)	(9.0)	(9.3)	(9.7)	(10.1)
Operating profit	**5.3**	**7.0**	**8.1**	**9.7**	**12.5**	**14.9**	**18.0**	**20.2**
Operating margin	19.8%	20.6%	17.8%	16.3%	15.9%	17.0%	18.7%	19.6%
Y/Y		**32.7%**	**15.9%**	**20.2%**	**28.6%**	**19.2%**	**20.8%**	**12.5%**
Financial charges	(0.4)	(0.3)	(0.8)	(0.8)	(1.0)	(0.8)	(0.7)	(0.7)
Profit before zakat	**5.1**	**6.8**	**8.2**	**10.3**	**13.0**	**16.0**	**19.9**	**22.9**
Zakat	(0.2)	(0.5)	(0.9)	(0.6)	(0.8)	(1.0)	(1.2)	(1.4)
Net income	**4.9**	**6.3**	**7.3**	**9.7**	**12.2**	**15.1**	**18.7**	**21.5**
Y/Y		**29.4%**	**15.9%**	**32.6%**	**26.3%**	**23.3%**	**24.1%**	**14.8%**
EPS (SAR)	**0.59**	**0.39**	**0.37**	**0.48**	**0.61**	**0.75**	**0.94**	**1.07**
DPS (SAR)	-	-	-	-	-	-	-	-
Balance sheet								
Assets								
Cash & ST investments	8.1	20.0	39.3	35.0	47.4	62.5	81.3	102.3
Inventory	0.6	1.1	1.2	1.4	1.8	2.0	2.1	2.3
Other current assets	0.9	1.0	2.4	2.8	3.5	3.9	4.3	4.6
Long term assets		15.7	23.4	40.7	40.6	38.5	35.8	37.2
Total assets	**17.0**	**37.9**	**66.2**	**79.9**	**93.4**	**106.9**	**123.5**	**146.4**
Liabilities & owners' equity								
Payable	1.2	1.1	1.7	2.1	2.7	2.9	3.2	3.4
Total current liabilities	3.5	4.3	6.5	8.0	9.7	10.2	10.6	11.4
Total non-current liabilities	3.6	11.3	13.6	16.1	15.7	13.7	11.1	11.8
Total owners' equity	9.8	22.3	46.1	55.8	68.0	83.1	101.8	123.3
Total equity & liabilities	**17.0**	**37.9**	**66.2**	**79.9**	**93.4**	**106.9**	**123.5**	**146.4**
Cashflow statement								
Operating activities	5.2	8.0	11.4	14.6	18.5	21.0	24.7	27.8
Investing activities	(1.1)	(1.3)	(6.6)	(14.4)	(3.4)	(3.8)	(4.3)	(4.9)
Financing activities	(1.1)	5.3	14.5	(4.7)	(2.7)	(2.1)	(1.6)	(2.0)
Change in cash	3.0	11.9	19.3	(4.6)	12.4	15.1	18.8	21.0
Ending cash balance	**8.1**	**20.0**	**39.3**	**35.0**	**47.4**	**62.5**	**81.3**	**102.3**
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	2.7	5.2	6.6	4.9	5.5	6.7	8.2	9.6
Quick ratio (x)	2.6	4.9	6.4	4.7	5.3	6.5	8.0	9.4
Profitability ratios								
GP Margin	31.5%	32.8%	29.3%	27.7%	27.3%	27.7%	28.8%	29.3%
Operating Margins	19.8%	20.6%	17.8%	16.3%	15.9%	17.0%	18.7%	19.6%
EBITDA margin	22.6%	24.7%	25.8%	26.2%	25.0%	25.9%	27.4%	28.7%
Net Margins	18.4%	18.6%	16.1%	16.2%	15.5%	17.3%	19.5%	20.8%
Return on assets	28.7%	16.6%	11.0%	12.1%	13.1%	14.1%	15.2%	14.7%
Return on equity	49.7%	28.2%	15.9%	17.4%	18.0%	18.1%	18.4%	17.4%
Market/valuation ratios								
EV	NM	NM	73	89	77	61	43	22
EBITDA	6	8	12	16	20	23	26	30
EV/sales (x)	NM	NM	1.6	1.5	1.0	0.7	0.4	0.2
EV/EBITDA (x)	NM	NM	6.2	5.7	3.9	2.7	1.6	0.7
EPS (SAR)	0.6	0.4	0.4	0.5	0.6	0.8	0.9	1.1
BVPS (SAR)	1.2	1.4	2.3	2.8	3.4	4.2	5.1	6.2
Market price (SAR)	NM	NM	5.6	6.2	6.2	6.2	6.2	6.2
Market-Cap (SAR mn)	NM	NM	112	120	120	120	120	120
Dividend yield	NM	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E ratio (x)	NM	NM	15.3	12.81	10.1	8.2	6.6	5.8
P/BV ratio (x)	NM	NM	2.4	2.2	1.8	1.5	1.2	1.0

Source: Company, AlJazira Capital Research

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RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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.

Disclaimer