



Attractive price for the industry leader just coming off a c. 20% capacity expansion in FY25; recommendation revised to “Overweight” as it trades at a FY26E PE of 27x

HMG's recent expansion through FY24 to H1-25 supported a net income of SAR 591mn in Q2-25, up a staggering 6.5% Y/Y and 6.1% Q/Q. Revenue of SAR 3.38bn was HMGs highest quarter top line reported, as it grew 31.5% Y/Y and 7.2% Q/Q, driven by new facility ramp ups. Its recent expansion campaign, however, displayed pressures at the GPM level, where GPMs came down to 31.5% as three new facilities came live in H1-25. We do believe that HMG is near bottoms in terms of GPMs as most significant expansions are behind it. In light of its solid ramp up speeds, we expect GPMs to improve gradually till FY27E where it can reach FY23 levels near the 34% range, after some challenges through FY25-26E. After an almost 80% capacity expansion from FY23 levels till H1-25; two more expansions remain for FY27E and FY29E. One facility in Tabuk set for FY27E, and the other being the newly announced Jubail facility for FY29E. The expansions and ramp up of new facilities further extend our growth estimates to reach a FY24-29E top line and net income CAGR of 13.2%/17.0%, reaching a top and bottom line of SAR 20.8bn and SAR 5.1bn, by FY29E, respectively. We upwardly revise our TP to SAR 300 /share reflecting, at an “Overweight” recommendation for the sector leader offering healthy financials at a forward FY26E PE of 27x.

Highest quarterly revenue to date reached by Q2-25 as expansions performance shift gears, drive net income of SAR 591mn: HMG posted a net income of SAR 591mn in Q2-25, at a growth of 6.5% Y/Y and 6.1% Q/Q, in line with our estimate of SAR 564mn at a deviation of 4.8%. Results were top line driven as HMG reached its highest quarterly revenue reported at SAR 3.38bn, up a staggering 31.5% Y/Y and 7.2% Q/Q as recent facilities' performance ramp up. Expansions displayed speedy performances by Q2-25 as Southwest Jeddah, Sahafa Riyadh, and Women's Health all broke even; while the AlHamra Riyadh facility opened in H1-25 is also at EBITDA positive. Gross margins at 31.5% came down by 260bps Y/Y and 110bps Q/Q as they were weighted down by new facilities. Operating margins at 19.1% faced a similar effect, coming down 230bps Y/Y and 70bps Q/Q as OPEX also rose by 29.0% Y/Y and 4.6% Q/Q. Finance costs were also heightened at SAR 83.4mn (up 3.6x Y/Y and 6.1% Q/Q) as debt costs are no longer capitalized and as debt increased.

Completed an 80% capacity expansion by FY25 from FY23 levels; two more announced expansions in the horizon and facility ramp ups to drive future growth expected at a revenue & net income FY24-29 CAGR of 13.2%/17.0%: FY25 saw a c. 580 beds capacity addition (c. 20% capacity increase) through three new facilities that are expected to extend HMG's growth trajectory at an estimated FY24-29E revenue & net income CAGR of 13.2%/17.2%. Pressures are expected along the way, however, as HMG's TTM expansions by Q2-25 would be an almost 80% increase to its previous capacity levels; though we estimate that we are GPM near lows for HMG as expansions display speedy ramp ups, with FY26 being a pressure year as well as depreciation from new assets pile up. We do however, estimate HMG should be able to return to near FY23 levels at GPMs of 34.1% by FY27E. We expect that HMG's new economies of scale potentials at its new capacity size can take GPMs even higher than FY23 levels, where we forecast it could reach the 35% levels by FY29-30. FY27 does, however, see one minor expansion in Tabuk (140 beds), though that would only be an estimated 4% of HMG's capacity by then. HMG also recently announced a SAR 571mn CAPEX facility at 145 bed to be opened by FY29 in Al-Jubail, an industrial region in the Eastern District with a presence of professional workers.

Recommendation	Overweight
Target Price (SAR)	300
Upside / (Downside)*	19.5%

Source: Tadawul *prices as of 21st September 2025

Key Financials

in SAR mn, (unless specified)	FY24	FY25E	FY26E	FY27E
Revenues	11,200	14,017	15,820	17,554
Growth %	17.8%	25.1%	12.9%	11.0%
Gross Profit	3,744	4,515	5,276	5,988
EBIT	2,356	2,816	3,469	4,044
Net Income	2,315	2,563	3,248	3,884
Growth %	13.2%	10.7%	26.7%	19.6%
EPS	6.62	7.32	9.28	11.10
DPS	4.77	5.49	6.96	8.32

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY24	FY25E	FY26E	FY27E
Gross Margin	33.4%	32.2%	33.4%	34.1%
OP Margin	21.0%	20.1%	21.9%	23.0%
Net Margin	20.7%	18.3%	20.5%	22.1%
EBITDA Margin	24.8%	26.6%	28.2%	29.0%
RoE	33.9%	34.2%	39.6%	42.7%
P/E (x)	42.4	34.3	27.1	22.6
P/B (x)	13.7	11.3	10.2	9.2
EV/EBITDA (x)	37.1	25.0	20.7	17.9
Dividend Yield	1.7%	2.2%	2.8%	3.3%

Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (SAR bn)	89.0
YTD%	-10.5%
52 weeks (High)/(Low)	308.0/227.7
Share Outstanding (mn)	350.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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Healthy financial position ahead of an estimated SAR 4.5bn expansion-driven CAPEX through the remainder of FY25 till FY28: Expansion commitments have risen D/E levels for the group to reach 1.1x, up from 0.8x in FY23; though we see HMG's current above-industry net D/E of 0.68x being not a sign of concern as the firm had an operating income to interest coverage of 7.8x at the median of the sector. We expect its interest coverage, however, to come up to 8.6x by FY25's end H2 performance increases coverage. Furthermore, despite Habib's recent expansions still ramping up, the group's revenue/assets still remained above sector median as their net income margin of 17.6% also remained above its sector median of 15.0%. Their working capital control, summarized by notably low receivable days of 42 days still remains 106 days quicker than its peers, and 45 days ahead of the second quickest collector in the sector. While its industry leading metrics support the firm as it weathers the storm of expansionary pressures- Habib is forecasted to return to its track record metrics post expansionary phases; where D/E is forecasted to reach FY20 levels by FY28E to reach near 0.5x, from the current 1.1x (FY24). We expect dividend payouts to remain at current levels at mid 70% before improving slightly post FY27.

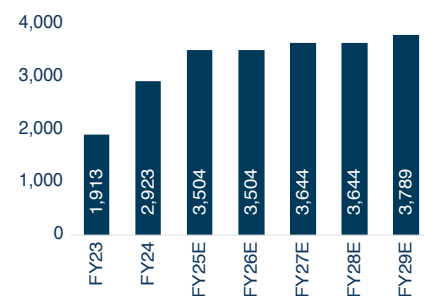
AJC view and valuation: HMG saw an 80% capacity expansion from FY23 capacity levels by FY25 to host the most amount of beds as compared to its sector peers. We believe that in an increasingly more competitive sector and more presence, HMG is the most, from our coverage, to be able to weather the competition as well as lead it- as seen from FY24 ramp ups of its recent facilities as well as the effect AISahafa hospital had on other providers operating the region, and as HMG has 40%-50% of market share in Riyadh. We expect its recent track records of notably speedy ramp up phases to be a long term sign of demand over the provider's services. A track record of healthy industry leading profitability and financial health, as well as its brand equity, expansionary campaigns, and forecasted double digit net income growth earmarks the premium provider. We view that FY25 to be the bottom for GPMs (at 32.2%) before ramping up to 34.1% by FY27E, supporting a bottom line CAGR of 17.0% from FY24-29E. We revise our target to a TP of **SAR 300 per share** via way of a blended 50% PE (33x on FY28E discounted) and 50% DCF valuation (WACC = 7.8% & terminal growth = 3.0%) on the back of recent performances and the new expansion, arriving at an "Overweight" recommendation for the industry leader trading at an FY26E PE of 26.8x.

Blended Valuation

	Fair Value	Weights	Weighted Avg
DCF value	268	50%	134
PE (33x on FY2E discounted)	331	50%	166
TP (SAR/Share)			300
Current Price			251.0
Upside/downside			19.5%

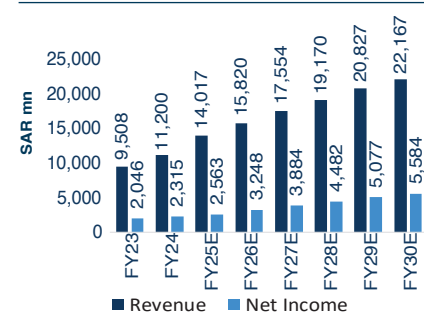
Source: AlJazira Capital, Prices as of 21st September 2025

Fig 1: FY24-FY25 marks aggressive wave of expansions for HMG, growing capacity by c. 80% over FY23 levels



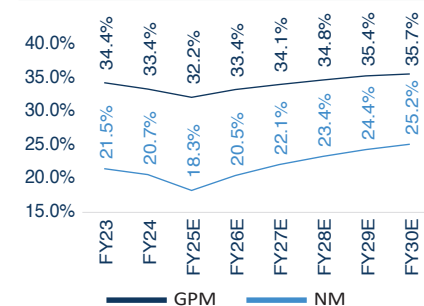
Source: Company presentations, AlJazira Capital Research

Fig 2: Ramp ups and future expansions to drive growth for the premium player



Source: Company presentations, AlJazira Capital Research

Fig 3: FY25 expected to be the bottom for expansionary pressures



Source: Company presentations, AlJazira Capital Research


Key Financial Data

Amount in SARmn, unless otherwise specified	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Income statement								
Revenues	9,508	11,200	14,017	15,820	17,554	19,170	20,827	22,167
Y/Y	14.4%	17.8%	25.1%	12.9%	11.0%	9.2%	8.6%	6.4%
Gross profit	3,270	3,744	4,515	5,276	5,988	6,675	7,373	7,914
Gross profit margin	34.39%	33.43%	32.21%	33.35%	34.11%	34.82%	35.40%	35.70%
OPEX	(1,174)	(1,388)	(1,698.4)	(1,807.7)	(1,944.0)	(2,036.5)	(2,159.6)	(2,194.4)
Operating profit	2,096	2,356	2,816	3,469	4,044	4,639	5,214	5,720
Y/Y	23.2%	12.4%	19.5%	23.2%	16.6%	14.7%	12.4%	9.7%
Operating margin	22.04%	21.04%	20.09%	21.92%	23.04%	24.20%	25.03%	25.80%
Financial charges	(70.1)	(162.8)	(329.3)	(270.4)	(192.8)	(173.1)	(151.9)	(131.0)
Other income/income from associates	144.4	219.4	198.7	204.1	217.9	224.4	245.9	249.5
Profit before zakat & minority interest	2,170	2,413	2,686	3,402	4,070	4,690	5,308	5,838
Zakat	(68.5)	(42.9)	(61.6)	(88.5)	(105.8)	(121.9)	(138.0)	(151.8)
Net income after minority interest	2,046	2,315	2,563	3,248	3,884	4,482	5,077	5,584
Y/Y	23.9%	13.2%	10.7%	26.7%	19.6%	15.4%	13.3%	10.0%
EPS	5.85	6.62	7.32	9.28	11.10	12.80	14.50	15.96
DPS	4.32	4.77	5.49	6.96	8.32	9.60	11.60	12.76
Balance sheet								
Assets								
Cash & bank balance	2,620	2,891	2,428	2,473	3,237	4,481	5,713	6,941
Other current assets	814	1,318	1,265	1,317	1,303	1,255	1,352	1,432
Receivables	703	1,110	1,351	1,460	1,548	1,612	1,694	1,803
Property & Equipment	11,163	14,773	16,317	17,048	17,317	17,159	16,764	16,357
Other non-current assets	498	465	465	465	465	465	465	465
Total assets	15,798	20,558	21,826	22,763	23,870	24,973	25,988	26,998
Liabilities & owners' equity								
Total current liabilities	2,019	2,322	2,851	3,102	3,339	3,532	3,728	3,857
Payables	1,280	1,840	2,384	2,674	2,965	3,237	3,504	3,732
Long-term loans	4,810	7,662	7,066	6,485	5,911	5,242	4,581	3,927
Total other non-current liabilities	922	1,122	1,229	1,328	1,433	1,531	1,637	1,726
Non-controlling interest	281	438	498	564	642	728	820	922
Total owners' equity	6,485	7,175	7,798	8,610	9,581	10,701	11,717	12,833
Total equity & liabilities	15,798	20,558	21,826	22,763	23,870	24,973	25,988	26,998
Cashflow statement								
Operating activities	3,244	2,970	4,531	4,770	5,553	6,186	6,657	7,072
Investing activities	(3,487)	(3,775)	(2,453)	(1,718)	(1,316)	(930)	(725)	(747)
Financing activities	116	1,075	(2,541)	(3,008)	(3,473)	(4,011)	(4,700)	(5,098)
CAPEX	(3,593)	(4,063)	(2,453)	(1,718)	(1,316)	(930)	(725)	(747)
Ending cash balance	2,620	2,891	2,428	2,473	3,237	4,481	5,713	6,941
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	1.3	1.3	1.0	0.9	1.0	1.1	1.2	1.3
Quick ratio (x)	1.1	1.1	0.8	0.7	0.8	0.9	1.1	1.2
Profitability ratios								
Gross profit margin	34.4%	33.4%	32.2%	33.4%	34.1%	34.82%	35.40%	35.70%
Operating margin	22.0%	21.0%	20.1%	21.9%	23.0%	24.20%	25.03%	25.80%
EBITDA margin	25.3%	24.8%	26.6%	28.2%	29.0%	29.87%	30.41%	31.01%
Net profit margin	21.5%	20.7%	18.3%	20.5%	22.1%	23.38%	24.37%	25.19%
Return on assets	14.4%	12.74%	12.09%	14.57%	16.66%	18.35%	19.92%	21.08%
Return on equity	33.1%	33.90%	34.2%	39.6%	42.7%	44.19%	45.29%	45.49%
Leverage ratio								
Debt / equity(x)	0.8	1.1	1.0	0.8	0.7	0.5	0.4	0.4
Market/valuation ratios								
EV/sales (x)	10.7	9.2	6.6	5.8	5.2	4.7	4.2	3.9
EV/EBITDA (x)	42.2	37.1	25.0	20.7	17.9	15.6	13.8	12.4
EPS (SAR)	5.85	6.62	7.32	9.28	11.10	12.80	14.50	15.96
Market price (SAR)*	284.00	280.40	251.00	251.00	251.00	251.00	251.00	251.00
Market-Cap (SAR mn)	99,400	98,140	87,850	87,850	87,850	87,850	87,850	87,850
Dividend yield	1.5%	1.7%	2.2%	2.8%	3.3%	3.8%	4.6%	5.1%
P/E ratio (x)	48.6	42.4	34.3	27.1	22.6	19.6	17.3	15.7
P/B ratio (x)	15.3	13.7	11.3	10.2	9.2	8.2	7.5	6.8

Sources: AlJazira Capital, Company Financials, Prices as of 21st September 2025



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TERMINOLOGY

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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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