

## Healthcare

**Buy: 12M TP @ 40**  
**Upside of +18.1%**

### Valuation Summary (TTM)

Price (SAR)	33.9
PER TTM (x)	18.5
P/Book (x)	2.7
P/Sales (x)	4.5
EV/Sales (x)	4.6
EV/EBITDA (x)	15.2
Dividend Yield (%)	4.1
Free Float (%)	70%
Shares O/S (mn)	160
YTD Return (%)	-12%
Beta	0.9

(mn)	SAR	USD	
Market Cap	5,418	1,444	
Enterprise Value	5,613	1,496	
Price performance (%)	1M	3M	12M
Al Hammadi Holding	-9%	-12%	-25%
Tadawul All Share Index	-1%	-5%	-10%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	12,888	10,031	13,099
Avg Daily Volume (,000)	307	276	339
52 week	High	Low	CTL*
Price (SAR)	47.15	33.20	2.0

\* CTL is % change in CMP to 52wk low

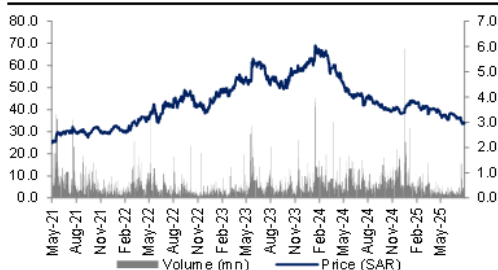
### Major shareholders

Al Hammadi Saleh Bin	13.2%
Al Hammadi Abdulaziz	11.8%
Al Hammadi Mohammed	4.9%
Others	70.2%

### Other details

Exchange	Saudi Arabia
Sector	Healthcare-Services
Index weight (%)	0.2%

Key ratios	2022	2023	2024
EPS (SAR)	1.61	1.90	2.12
BVPS (SAR)	10.69	11.53	12.26
DPS (SAR)	1.25	1.40	1.40
Payout ratio (%)	78%	74%	66%



## Al Hammadi Holding – Credit loss limits performance

Al Hammadi Holding reported a 13.2% YoY increase in 2Q25 revenue to SAR298mn, broadly in line with our forecast of SAR300mn. Growth was driven by a strong 24.7% YoY rise in pharmaceutical product sales, while medical services rose 10.7% YoY. Following a flat 2024 and a modest 1Q25, growth in the medical services segment recovered due to improved contractual terms with several clients. Gross profit increased 8.5% YoY to SAR93mn, supported by revenue growth, although the gross margin declined to 31.2% in 2Q25 from 32.5% in 2Q24. The rising contribution of the pharmaceutical segment to total revenue contributed to this margin contraction. Operating expenses surged 79.3% YoY, driven by higher SG&A costs and increased provisions for credit losses. Finance costs rose 1.9% YoY, though leverage remained comfortable at 16.4% (debt-to-capital). Net income declined 47.4% YoY to SAR62mn. The decrease was mainly due to an SAR11mn provision for credit losses in 2Q25, compared with a SAR2mn reversal in the prior quarter and a SAR55mn gain from the disposal of property and equipment in 2Q24. Net income also fell short of our SAR71mn forecast due to these provisions; excluding them, performance would have been broadly in line with expectations.

**Investment thesis and valuations:** Al Hammadi is a mid-sized healthcare provider operating 500 beds and 220 clinics through its facilities in Al Suwaidi and Al Nuzha, both located in Riyadh. Its performance since 2024 has been relatively modest, reflecting its strategic decision to reposition its facilities as premium. In 2Q25, the company recorded a modest recovery in topline performance, particularly within medical services. Although bottom-line results missed expectations due to elevated expected credit loss (ECL) charges, underlying performance was on expected line. We remain positive on the company's growth outlook, with capacity expected to double over the next three years. A 200-bed facility in Olaya is scheduled to commence operations in 2026, while another 200 beds will be added through its new Al Narjis facility by 2028. In addition, Al Hammadi has 100 non-operational beds at Al Suwaidi that can be activated as demand rises. The stock currently trades at 19x 2025e EPS, and we continue to see upside potential. Following 1H25 results, we have revised our target price to **SAR40/share**, implying a **Buy** rating.

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	952	1,122	1,177	1,154	1,223	1,376	1,518	1,764
Cost of sales	(588)	(703)	(744)	(771)	(834)	(937)	(1,034)	(1,202)
<b>Gross profit</b>	<b>364</b>	<b>420</b>	<b>433</b>	<b>382</b>	<b>389</b>	<b>438</b>	<b>484</b>	<b>562</b>
Operating expenses	(239)	(157)	(117)	(102)	(116)	(123)	(130)	(139)
<b>Operating profit</b>	<b>125</b>	<b>263</b>	<b>316</b>	<b>280</b>	<b>273</b>	<b>315</b>	<b>353</b>	<b>423</b>
Other income	(1)	33	31	98	55	56	56	57
Net finance income	(16)	(22)	(26)	(24)	(25)	(29)	(31)	(31)
<b>Earnings before tax</b>	<b>109</b>	<b>274</b>	<b>321</b>	<b>355</b>	<b>304</b>	<b>342</b>	<b>379</b>	<b>449</b>
Tax	(19)	(17)	(18)	(16)	(17)	(19)	(21)	(25)
<b>Net income</b>	<b>90</b>	<b>257</b>	<b>303</b>	<b>339</b>	<b>287</b>	<b>323</b>	<b>357</b>	<b>424</b>

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	1,547	1,606	1,659	1,710	1,704	1,714	2,029	2,051
Other non-current assets	152	249	152	162	287	411	236	262
<b>Total non-current assets</b>	<b>1,699</b>	<b>1,855</b>	<b>1,811</b>	<b>1,872</b>	<b>1,990</b>	<b>2,125</b>	<b>2,266</b>	<b>2,313</b>
Trade receivables	364	481	561	434	460	518	571	664
Inventories	54	56	57	61	66	74	82	95
Cash and cash equivalents	121	61	125	245	252	257	219	223
Other current assets	24	29	41	38	41	46	50	59
<b>Total current assets</b>	<b>562</b>	<b>627</b>	<b>784</b>	<b>779</b>	<b>819</b>	<b>895</b>	<b>922</b>	<b>1,041</b>
<b>Total assets</b>	<b>2,262</b>	<b>2,482</b>	<b>2,594</b>	<b>2,651</b>	<b>2,809</b>	<b>3,020</b>	<b>3,188</b>	<b>3,354</b>
Share Capital	1,200	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Total reserves	459	111	245	361	424	521	628	755
<b>Total equity</b>	<b>1,659</b>	<b>1,711</b>	<b>1,845</b>	<b>1,961</b>	<b>2,024</b>	<b>2,121</b>	<b>2,228</b>	<b>2,355</b>
Lease liabilities current portion	8	14	14	16	16	16	16	16
Short-term loans	37	38	28	27	27	27	27	27
Trade payables	61	87	75	66	72	81	89	104
Other current liabilities	122	120	157	116	125	141	155	180
<b>Total current liabilities</b>	<b>227</b>	<b>260</b>	<b>274</b>	<b>225</b>	<b>240</b>	<b>264</b>	<b>287</b>	<b>327</b>
Non-current lease liabilities	1	115	107	104	111	127	142	168
Loans and borrowings	308	318	280	263	337	410	433	407
Other non-current liabilities	66	79	88	97	97	97	97	97
<b>Total non-current liabilities</b>	<b>375</b>	<b>511</b>	<b>475</b>	<b>465</b>	<b>545</b>	<b>635</b>	<b>673</b>	<b>672</b>
<b>Total Liabilities</b>	<b>602</b>	<b>771</b>	<b>750</b>	<b>690</b>	<b>785</b>	<b>899</b>	<b>960</b>	<b>999</b>
<b>Equity and liabilities</b>	<b>2,262</b>	<b>2,482</b>	<b>2,594</b>	<b>2,651</b>	<b>2,809</b>	<b>3,020</b>	<b>3,188</b>	<b>3,354</b>

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	435	253	351	464	332	340	379	430
Cash from investments	(133)	(113)	(55)	(83)	(161)	(169)	(176)	(88)
Cash from financing	(194)	(201)	(232)	(261)	(165)	(167)	(241)	(338)
Net changes in cash	107	(60)	65	120	6	5	(38)	4
<b>Closing balance (C/b)</b>	<b>121</b>	<b>61</b>	<b>125</b>	<b>245</b>	<b>252</b>	<b>257</b>	<b>219</b>	<b>223</b>







Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<b><u>Per Share (SAR)</u></b>								
EPS	0.6	1.6	1.9	2.1	1.8	2.0	2.2	2.7
BVPS	10.4	10.7	11.5	12.3	12.7	13.3	13.9	14.7
DPS	0.5	1.3	1.4	1.4	1.4	1.4	1.6	1.9
FCF/share	1.9	0.9	1.9	2.4	1.1	1.1	1.3	2.1
Revenue/share	5.9	7.0	7.4	7.2	7.6	8.6	9.5	11.0
<b><u>Valuations</u></b>								
M.Cap (SAR mn)	5,418	5,418	5,418	5,418	5,418	5,418	5,418	5,418
EV (SAR mn)	5,651	5,842	5,721	5,582	5,656	5,741	5,817	5,812
P/E	60.1	21.1	17.9	16.0	18.9	16.8	15.2	12.8
EV/EBITDA	24.1	16.1	13.7	14.8	15.6	14.2	13.1	11.0
EV/Sales	5.9	5.2	4.9	4.8	4.6	4.2	3.8	3.3
P/BV	3.3	3.2	2.9	2.8	2.7	2.6	2.4	2.3
P/S	5.7	4.8	4.6	4.7	4.4	3.9	3.6	3.1
Div. yield	1.3%	3.7%	4.1%	4.1%	4.1%	4.2%	4.6%	5.5%
FCF yield	5.6%	2.6%	5.5%	7.0%	3.2%	3.2%	3.7%	6.3%
<b><u>Liquidity</u></b>								
Cash Ratio	0.5	0.2	0.5	1.1	1.1	1.0	0.8	0.7
Current ratio	2.5	2.4	2.9	3.5	3.4	3.4	3.2	3.2
Quick ratio	2.2	2.2	2.7	3.2	3.1	3.1	2.9	2.9
<b><u>Return ratio</u></b>								
ROA	4.0%	10.4%	11.7%	12.8%	10.2%	10.7%	11.2%	12.6%
ROE	5.4%	15.0%	16.4%	17.3%	14.2%	15.2%	16.0%	18.0%
ROCE	6.2%	12.0%	13.9%	11.8%	10.9%	11.7%	12.4%	14.2%
<b><u>Cash cycle</u></b>								
Trade receivables	2.6	2.3	2.1	2.7	2.7	2.7	2.7	2.7
Inventory	11.0	12.5	13.1	12.6	12.6	12.6	12.6	12.6
Payable turnover	9.6	8.1	9.9	11.6	11.6	11.6	11.6	11.6
Receivables days	138	154	172	136	136	136	136	136
Inventory days	33	29	27	29	29	29	29	29
Payable days	37	45	36	31	31	31	31	31
Cash Cycle	133	139	163	133	133	133	133	133
<b><u>Profitability ratio</u></b>								
Gross margins	38.2%	37.4%	36.8%	33.1%	31.8%	31.9%	31.9%	31.9%
EBITDA margins	24.7%	32.4%	35.4%	32.7%	29.6%	29.4%	29.2%	30.0%
Operating margins	13.2%	23.4%	26.9%	24.3%	22.3%	22.9%	23.3%	24.0%
PBT margins	11.4%	24.4%	27.3%	30.7%	24.8%	24.8%	24.9%	25.5%
Net margins	9.5%	22.9%	25.8%	29.4%	23.5%	23.5%	23.6%	24.0%
Effective tax rate	17.2%	6.1%	5.5%	4.5%	5.6%	5.6%	5.6%	5.6%
<b><u>Leverage</u></b>								
Total debt (SAR mn)	354	485	429	410	491	580	618	617
Net debt (SAR mn)	233	425	304	165	239	323	399	394
Debt/Capital	17.6%	22.1%	18.9%	17.3%	19.5%	21.5%	21.7%	20.8%
Debt/Total assets	15.6%	19.5%	16.5%	15.5%	17.5%	19.2%	19.4%	18.4%
Debt/Equity	21.3%	28.4%	23.3%	20.9%	24.2%	27.3%	27.7%	26.2%
Debt/EBITDA	1.5	1.3	1.0	1.1	1.4	1.4	1.4	1.2
Net debt/EBITDA	1.0	1.2	0.7	0.4	0.7	0.8	0.9	0.7

## Key contacts

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## Rating Criteria and Definitions

Rating	Rating Definitions
 <b>Strong Buy</b>	<b>Strong Buy</b> This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
 <b>Buy</b>	<b>Buy</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
 <b>Hold</b>	<b>Hold</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
 <b>Neutral</b>	<b>Neutral</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
 <b>Sell</b>	<b>Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
 <b>Strong Sell</b>	<b>Strong Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
<b>Not rated</b>	<b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe

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