

Healthcare

BUY: 12M TP @ 295

Upside of +12.2%

Valuation Summary (TTM)

Price (SAR)	263.0
PER TTM (x)	39.0
P/Book (x)	12.3
P/Sales (x)	7.3
EV/Sales (x)	7.9
EV/EBITDA (x)	34.1
Dividend Yield (%)	1.8
Free Float (%)	29%
Shares O/S (mn)	350
YTD Return (%)	-6%
Beta	1.0

(mn)	SAR	USD	
Market Cap	92,050	24,530	
Enterprise Value	99,418	26,494	
Price performance (%)	1M	3M	12M
Dr Sulaiman Al Habib Medical	-2%	-6%	-7%
Tadawul All Share Index	-3%	-4%	-6%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	28,684	47,570	52,610
Avg Daily Volume (,000)	118	182	194
52 week	High	Low	CTL*
Price (SAR)	313.40	240.00	9.6

* CTL is % change in CMP to 52wk low

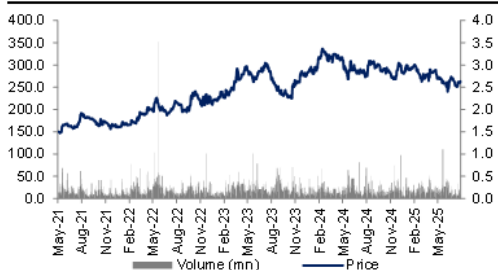
Major shareholders

Al Habib Sulaiman Ab	40.0%
Mohammed Abdulaziz	28.8%
Al Habib Hesham Sula	2.0%
Others	29.2%

Other details

Exchange	Saudi Arabia
Sector	Healthcare-Services
Index weight (%)	2.6%

Key ratios	2022	2023	2024
EPS (SAR)	4.72	5.85	6.62
BVPS (SAR)	16.80	18.53	20.50
DPS (SAR)	3.48	4.32	4.77
Payout ratio (%)	74%	74%	72%



Al Habib – Inline performance

Dr. Sulaiman Al Habib Medical Services Group (Al Habib) reported a strong top-line performance, with revenue increasing by 31.5% YoY to SAR 3.4 bn in 2Q25. This growth was driven by higher patient volumes, which boosted utilization of existing beds, along with contributions from newly added beds. The reported revenue exceeded our estimate of SAR 3.2 bn due to stronger-than-expected patient flow. Revenue growth was primarily supported by a robust 35.5% YoY increase in the hospital segment. The pharmacy segment also posted solid growth of 28.0% YoY, benefiting from improved hospital performance. Gross profit rose by 21.4% YoY to SAR 1.1 bn, reflecting strong top-line momentum. However, gross margin declined to 31.5% in 2Q25 from 34.1% in 2Q24, pressured by the coming on stream of new facilities and ongoing market competition. This margin compression aligns with our expectations, and we anticipate the same to remain below historical averages over the next two years before gradually recovering. Operating expenses increased by 29.0% YoY, driven by higher SG&A costs. Finance costs more than tripled, mainly due to the commissioning of new facilities. As a result, net income grew by a modest 6.5% YoY to SAR 591 mn. While the top-line exceeded expectations, the gains were largely offset by lower margins, increased operating expenses, and higher financing costs. Nevertheless, net income was in line with our forecast of SAR 589 mn. Looking ahead, we expect Al Habib to maintain strong revenue growth, supported by the rollout and maturation of new facilities. However, margins are likely to remain under pressure in the short to medium term before reverting to historical levels. Recently, the company announced a new 145-bed project in Jubail, with an estimated total cost of SAR 571 mn. Construction is scheduled to begin in 4Q25, with operations expected to commence in 2Q29. The project is expected to be financed through a combination of debt and internal funds. We view the project positively, given Al Habib's strong execution track record. However, the company's leverage, currently at 1.1x (debt-to-equity), remains elevated compared to peers and is likely to stay high over the medium term.

Investment thesis and valuations: Al Habib benefits from its position as one of the largest private hospital operators in the Kingdom, with a strong track record of consistent growth and profitability. We estimate that over 580 beds will become operational in 2025e, which may exert short-term pressure on margins, as new facilities typically require time to reach breakeven. Nevertheless, we remain optimistic about Al Habib's medium- to long-term growth prospects. We maintain our target price at **SAR 295 per share** and upgrade our rating to **Buy**.

Income Statement (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	5,862	7,250	8,311	9,508	11,200	13,406	15,065	17,260	19,481
Cost of sales	(3,997)	(4,920)	(5,563)	(6,238)	(7,456)	(9,116)	(10,169)	(11,564)	(13,150)
Gross profit	1,864	2,330	2,748	3,270	3,744	4,290	4,896	5,696	6,331
Operating expenses	(750)	(864)	(1,048)	(1,174)	(1,388)	(1,649)	(1,859)	(2,106)	(2,383)
Operating profit	1,115	1,466	1,700	2,096	2,356	2,641	3,037	3,590	3,948
Other income	61	73	146	144	219	224	228	233	237
Net finance income	(48)	(38)	(49)	(70)	(163)	(328)	(329)	(330)	(331)
Earnings before tax	1,128	1,501	1,797	2,170	2,413	2,536	2,937	3,493	3,855
Tax	(93)	(114)	(108)	(69)	(43)	(51)	(59)	(70)	(77)
Net income pre minority interest	1,035	1,387	1,689	2,101	2,370	2,486	2,878	3,423	3,778
Minority interest	20	(11)	(38)	(55)	(55)	(75)	(86)	(103)	(113)
Net income post minority interest	1,055	1,377	1,651	2,046	2,315	2,411	2,792	3,320	3,664

Balance Sheet (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	5,648	6,653	7,937	11,163	14,773	15,698	16,803	18,132	18,683
Other non-current assets	40	41	487	498	465	487	509	531	554
Total non-current assets	5,688	6,694	8,424	11,660	15,239	16,185	17,312	18,663	19,237
Trade receivables	844	899	742	703	1,110	1,329	1,493	1,711	1,931
Inventories	380	407	490	543	847	1,035	1,155	1,314	1,494
Cash and cash equivalents	2,339	2,644	2,747	2,620	2,891	3,233	3,380	3,580	4,760
Other current assets	230	183	181	271	471	564	634	727	820
Total current assets	3,793	4,133	4,160	4,138	5,319	6,161	6,662	7,332	9,005
Total assets	9,481	10,827	12,584	15,798	20,558	22,346	23,974	25,995	28,241
Share Capital	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Total reserves	1,412	1,839	2,379	2,985	3,675	4,495	5,444	6,573	7,819
Minority interest	177	188	227	281	438	512	598	701	814
Total equity	5,089	5,527	6,106	6,766	7,613	8,507	9,542	10,774	12,133
Lease liabilities current portion	38	39	44	42	74	77	83	93	101
Short-term loans	330	318	168	96	96	96	95	95	95
Trade payables	628	805	961	1,280	1,840	2,250	2,509	2,854	3,245
Other current liabilities	697	886	1,417	1,881	2,151	2,630	2,934	3,337	3,794
Total current liabilities	1,694	2,048	2,590	3,299	4,162	5,053	5,622	6,378	7,235
Non-current lease liabilities	233	253	277	235	333	344	374	415	452
Loans and borrowings	2,104	2,511	3,093	4,865	7,711	7,688	7,666	7,643	7,621
Other non-current liabilities	362	489	518	633	739	754	769	785	800
Total non-current liabilities	2,699	3,253	3,888	5,733	8,783	8,786	8,809	8,842	8,873
Total Liabilities	4,393	5,300	6,478	9,032	12,945	13,839	14,432	15,221	16,108
Equity and liabilities	9,481	10,827	12,584	15,798	20,558	22,346	23,974	25,995	28,241

Cash Flows (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	2,234	2,183	2,844	3,244	2,970	3,282	3,504	4,126	4,579
Cash from investments	(812)	(1,248)	(1,939)	(3,487)	(3,775)	(1,341)	(1,506)	(1,726)	(974)
Cash from financing	(280)	(631)	(801)	116	1,075	(1,599)	(1,850)	(2,199)	(2,426)
Net changes in cash	1,143	305	103	(127)	270	342	147	201	1,179
Closing balance (C/b)	2,339	2,644	2,747	2,620	2,891	3,233	3,380	3,580	4,760


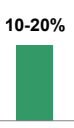

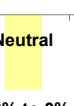


Ratios	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)									
EPS	3.0	3.9	4.7	5.8	6.6	6.9	8.0	9.5	10.5
BVPS	14.0	15.3	16.8	18.5	20.5	22.8	25.6	28.8	32.3
DPS	2.1	2.8	3.5	4.3	4.8	4.5	5.3	6.3	6.9
FCF/share	4.1	2.7	2.6	(0.7)	(2.3)	5.5	5.7	6.9	10.3
Revenue/share	16.7	20.7	23.7	27.2	32.0	38.3	43.0	49.3	55.7
Valuations									
M.Cap (SAR mn)	53,222	53,222	70,145	91,025	91,700	92,050	92,050	92,050	92,050
EV (SAR mn)	53,764	53,886	71,206	93,923	97,462	97,534	97,488	97,416	96,373
P/E	50.4	38.7	42.5	44.5	39.6	38.2	33.0	27.7	25.1
EV/EBITDA	37.5	30.3	35.4	39.0	35.1	31.8	28.1	24.1	21.8
EV/Sales	9.2	7.4	8.6	9.9	8.7	7.3	6.5	5.6	4.9
P/BV	10.8	10.0	11.9	14.0	12.8	11.5	10.3	9.1	8.1
P/S	9.1	7.3	8.4	9.6	8.2	6.9	6.1	5.3	4.7
Div. yield	1.4%	1.8%	1.7%	1.7%	1.8%	1.7%	2.0%	2.4%	2.6%
FCF yield	2.7%	1.8%	1.3%	-0.3%	-0.9%	2.1%	2.2%	2.6%	3.9%
Liquidity									
Cash Ratio	1.4	1.3	1.1	0.8	0.7	0.6	0.6	0.6	0.7
Current ratio	2.2	2.0	1.6	1.3	1.3	1.2	1.2	1.1	1.2
Quick ratio	2.0	1.8	1.4	1.1	1.1	1.0	1.0	0.9	1.0
Return ratio									
ROA	10.9%	12.8%	13.4%	13.3%	11.5%	11.1%	12.0%	13.2%	13.4%
ROE	21.5%	25.8%	28.1%	31.5%	32.3%	30.2%	31.2%	33.0%	32.4%
ROCE	14.3%	17.0%	17.6%	17.5%	14.9%	15.8%	17.1%	18.9%	19.4%
Cash cycle									
Trade receivables	6.9	8.1	11.2	13.5	10.1	10.1	10.1	10.1	10.1
Inventory	10.5	12.1	11.3	11.5	8.8	8.8	8.8	8.8	8.8
Payable turnover	6.4	6.1	5.8	4.9	4.1	4.1	4.1	4.1	4.1
Receivables days	52	45	32	27	36	36	36	36	36
Inventory days	34	30	32	31	41	41	41	41	41
Payable days	57	59	62	74	89	89	89	89	89
Cash Cycle	29	16	2	(16)	(12)	(12)	(12)	(12)	(12)
Profitability ratio									
Gross margins	31.8%	32.1%	33.1%	34.4%	33.4%	32.0%	32.5%	33.0%	32.5%
EBITDA margins	24.4%	24.6%	24.2%	25.3%	24.8%	22.9%	23.1%	23.4%	22.7%
Operating margins	19.0%	20.2%	20.5%	22.0%	21.0%	19.7%	20.2%	20.8%	20.3%
PBT margins	19.2%	20.7%	21.6%	22.8%	21.5%	18.9%	19.5%	20.2%	19.8%
Net margins	18.0%	19.0%	19.9%	21.5%	20.7%	18.0%	18.5%	19.2%	18.8%
Effective tax rate	8.2%	7.6%	6.0%	3.2%	1.8%	2.0%	2.0%	2.0%	2.0%
Leverage									
Total debt (SAR mn)	2,705	3,120	3,582	5,238	8,215	8,205	8,219	8,246	8,268
Net debt (SAR mn)	366	476	835	2,618	5,324	4,972	4,839	4,665	3,509
Debt/Capital	34.7%	36.1%	37.0%	43.6%	51.9%	49.1%	46.3%	43.4%	40.5%
Debt/Total assets	28.5%	28.8%	28.5%	33.2%	40.0%	36.7%	34.3%	31.7%	29.3%
Debt/Equity	53.2%	56.5%	58.7%	77.4%	107.9%	96.4%	86.1%	76.5%	68.1%
Debt/EBITDA	1.9	1.8	1.8	2.2	3.0	2.7	2.4	2.0	1.9
Net debt/EBITDA	0.3	0.3	0.4	1.1	1.9	1.6	1.4	1.2	0.8

Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joyce@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	Strong Buy 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%
 Buy	Buy 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%
 Hold	Hold 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%
 Neutral	Neutral 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%
 Sell	Sell 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%
 Strong Sell	Strong Sell 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%
Not rated	Not rated This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.