

Earnings came in below expectations, with gross margins declining to their lowest since 3Q-FY18

Dr. Sulaiman Al Habib Medical Group reported a weak Q1-26, with net profit declining 9.6% Y/Y (-22.7% Q/Q) to SAR 503mn, significantly below estimates. While revenues grew 8.8% Y/Y, sequential decline reflects competition and Ramadan seasonality, with topline also missing expectations. Profitability was pressured by sharp gross margin contraction—driven by ramp-up costs of new hospitals—alongside higher finance costs, partially offset by lower OPEX. Overall, results highlight ongoing margin pressures and competitive intensity, supporting a Neutral stance at current valuations.

- **Sulaiman Al Habib posted a net profit** of SAR 503mn in Q1-26, reflecting a significant 9.6% decline on a Y/Y basis, while also declining by 22.7% sequentially. The Y/Y topline growth during the quarter was offset by the gross margin compression. Overall performance remained below expectations, falling short of AJBC's estimate of SAR 626mn by 19.6% and the consensus forecast of SAR 643.5mn by 21.8%. Despite significant underperformance on topline and gross margins, result was somewhat supported by the lower operating expenses as compared to last year. Additionally, bottom line was further impacted by the higher finance cost.
- **Revenues** grew by 8.8% Y/Y (-7.1% Q/Q) to SAR 3,436mn in Q1-26 (-6.35% deviation to AJBC estimate of SAR 3,669mn). Within the segments, Pharmacies segment posted highest topline growth of 12.08% Y/Y, followed by the Solutions segment growth of 11.53%, and Hospitals growth of 7.84%. Noteworthy to mention here that company has reported the highest sequential drop in the topline in the last two and a half years owing to increased competition and amplified impact of Ramadan seasonality.
- **Gross profit** declined by 7.03% Y/Y to SAR 956mn in Q1-26 (-13.1% deviation to AJBC estimate of SAR 1,101mn). Gross margin contracted by 474 bps Y/Y (-88bps Q/Q) to 27.8% (-217bps deviation to AJBC estimate of 30.0%). The contraction in gross margins was primarily driven by fixed costs associated with the recently opened hospitals in 2025. This is the lowest gross margins reported by the company since 3Q-FY18.
- **Operating profit** declined by 6.1% Y/Y and 13.8% Q/Q to SAR 588mn in Q1-26 (-14.3% deviation to AJBC estimate of SAR 686mn). Operating margin stood at 17.1% in Q1-26, down 271bps Y/Y (-133bps Q/Q) and 159bps below AJBC estimate of 18.7%. OPEX-to-sales normalizes by 203bps Y/Y to 10.7%, due to likely decline in the Selling & Distribution expenses during the quarter.

AJBC view and valuation: Sulaiman Al Habib's Q1-26 profitability came under pressure, with earnings declining 9.6% Y/Y amid single digit topline growth and margin compression. This underperformance of company's during the quarter reflects the underlying competition and ramp up pressures in the healthcare sector. At current valuation levels, we believe most near to medium term growth positives are already priced in. Accordingly, we reiterate our **"Neutral"** rating on the stock with the TP of **SAR 270.7/share**.

Results Summary

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	3,158	3,701	3,436	8.80%	-7.18%	-6.35%
Gross profit	1,028	1,063	956	-7.03%	-10.05%	-13.15%
Gross margin	32.56%	28.71%	27.82%	-	-	-
EBIT	626	682	588	-6.10%	-13.88%	-14.33%
Net profit	557	651	503	-9.64%	-22.71%	-19.66%
EPS	1.59	1.86	1.44	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	270.7
Upside / (Downside)*	11.6%

Source: Tadawul *prices as of 30th of April 2026

Key Financials

Financials (in SAR mn, unless specified)	FY23	FY24	FY25
Revenue	9,508	11,200	13,707
Growth %	14.4%	17.8%	22.4%
Gross Profit	3,270	3,744	4,207
EBIT	2,096	2,356	2,619
Net Profit	2,046	2,315	2,401
Growth %	23.9%	13.2%	3.7%
EPS	5.85	6.62	6.86
DPS	4.32	4.77	4.83

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	34.3%	33.4%	30.6%
EBIT Margin	22.0%	21.0%	19.1%
Net Margin	21.5%	20.6%	17.5%
P/E (x)	48.6	42.4	41.3
P/B (x)	15.3	13.7	12.6
EV/EBITDA (x)	42.3	37.2	30.3
Div Yield (%)	1.5%	1.7%	1.7%

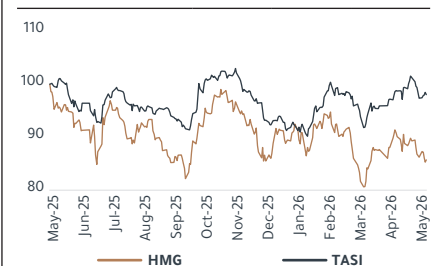
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	84.8
YTD%	-5.68%
52 week (High)/(Low)	289.0/215.0
Share Outstanding (mn)	350

Source: Company reports, Aljazira Capital Research

Price Performance



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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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