May 2026

Middle East Healthcare Company (Saudi German Health)

Results Flash Note Q1-26

Earnings miss expectations, with margin pressure and absence of one-offs weighing on profitability

Saudi German Health reported a weak Q1-26, with net profit declining sharply by 83.9% Y/Y (-31.9% Q/Q) to SAR 26mn, missing both internal and consensus estimates. While revenues posted modest 4.3% Y/Y growth, profitability was significantly impacted by gross margin compression—driven by new physician hires, lower contribution from high-margin MoH business, and higher depreciation—alongside the absence of last year's one-off land sale gain of SAR 114mn. Operating performance also lagged expectations despite some normalization in opex, reflecting ongoing cost pressures and competitive intensity, supporting a Neutral stance given limited near- to medium-term upside

- **Saudi German Health posted a net profit** of SAR 26mn in Q1-26, reflecting a significant 83.9% decline on a Y/Y basis, while also declining by 31.9% sequentially. The modest 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 30.3mn by 15.2% and the consensus forecast of SAR 29.5mn by 12.7%. Apart from company's underperformance on gross profit level, the majority of Y/Y decline in earnings also came from last year's one-off gain of SAR 114mn on land sale. Adjusting for this one-off gain, 1Q-26 earnings would have been declined by 44.2% on Y/Y basis.
- **Revenues** grew by 4.3% Y/Y (-5.3% Q/Q) to SAR 765mn in Q1-26 (-1.2% deviation to AJBC estimate of SAR 775mn). Within the segments, Outpatients segment posted highest topline growth of 5.5% Y/Y, followed by the In-Patient services segment growth of 3.6%, whereas Pharmacies segment has shown decline in the revenues by 3.2%.
- **Gross profit** declined by 9.1% Y/Y to SAR 254mn in Q1-26 (-12.4% deviation to AJBC estimate of SAR 290mn). Gross margin contracted by 494 bps Y/Y (-102bps Q/Q) to 33.2% (-425bps deviation to AJBC estimate of 37.5%). The contraction in gross margins were primarily driven by new physicians' hires, lower contribution from high-margin MoH business, and higher depreciation expense associated with capacity expansions. Consequently, gross margins on In-patients and Outpatients segments contracted to 37.2% (Last Year: 42.1%) and 30.9% (Last year: 38.1%) respectively.
- **Operating profit** declined by 21.1% Y/Y and 7.9% Q/Q to SAR 80mn in Q1-26 (-20.6% deviation to AJBC estimate of SAR 101mn). Operating margin stood at 10.5% in Q1-26, down 338bps Y/Y (-29bps Q/Q) and 256bps below AJBC estimate of 13.0%. OPEX-to-sales normalizes by 156bps Y/Y to 22.8%, due to 3.6% decline in the Selling & Distribution expenses during the quarter.

AJBC view and valuation: Saudi German's underperformance during the quarter reflects the underlying competition dynamics and cost pressures arising from new hirings which still lags in terms of revenue monetization. Despite this, the stock trades at a 2026E P/E of 28.8x versus the sector average of c.21.0x, implying a c.37% premium, which we believe is not fully justified given the current earnings trajectory. Considering this weak near to midterm earnings outlook and limited valuation headroom, we reiterate our "**Neutral**" rating on the stock with the TP of **SAR 41.5/share**.

Results Summary

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	734	809	765	4.32%	-5.38%	-1.26%
Gross profit	280	277	254	-9.18%	-8.21%	-12.47%
Gross margin	38.17%	34.25%	33.23%	-	-	-
EBIT	102	87	80	-21.18%	-7.96%	-20.65%
Net profit	160	38	26	-83.95%	-31.99%	-15.18%
EPS	**1.74**	**0.41**	**0.28**	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Neutral
Target Price (SAR)	41.5
Upside / (Downside)*	10.7%

Source: Tadawul *prices as of 3rd of May 2026

Key Financials

Financials (in SAR mn, unless specified)	FY23	FY24	FY25
Revenue	2,653	2,883	3,103
Growth %	23.3%	8.7%	7.6%
Gross Profit	1,014	1,114	1,160
EBIT	324	441	373
Net Profit	17	282	302
Growth %	-77.3%	1555.1%	7.0%
EPS	0.19	3.06	3.28
DPS	0.00	0.50	0.50

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	38.2%	38.6%	37.4%
EBIT Margin	12.2%	15.3%	12.0%
Net Margin	0.6%	9.8%	9.7%
P/E (x)	450.0	22.4	15.7
P/B (x)	5.8	3.9	2.5
EV/EBITDA (x)	20.2	13.6	12.0
Div Yield (%)	0.0%	0.7%	1.0%

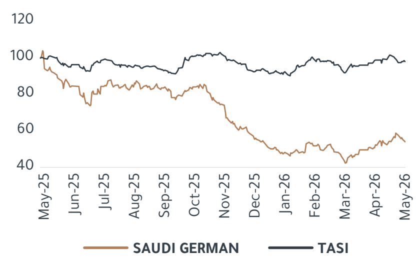
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	3.4
YTD%	15.11%
52 week (High)/(Low)	71.8/28.6
Share Outstanding (mn)	92

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadwaul, Aljazira Capital Research

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RESEARCH DIVISION

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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.

Disclaimer