Almoosa Health Co.

Investment Update

Remains on track with its expansion campaign to double capacity to 1,430 beds. We revise our TP amid margin performance and net finance charge changes

While AlMoosa has been trading for only two quarters since its IPO, the Eastern Region healthcare provider displayed strong performances from its recent reportings. Its most recent Q2-25 results delivered a bottom of SAR 51.8mn, up from a loss of SAR -1.3mn Y/Y and 1.3% Q/Q, or 3.8% Q/Q, when adjusting for a set of one offs in Q1-25. Top line at SAR 349mn was remarkably solid at a 22.6% increase Y/Y and 8.0% Q/Q as AlMoosa experienced healthy operational performances as well as an increase in clinic capacity in its acute care facility. Notably, the firm's deleveraging has brought down finance charges by 75% Y/Y in H1-25 to reach SAR -10.6mn, while AlMoosa also began investing in income generating investments (Sukuks, Murabaha, and Mutual funds). Its recent margin performances, surprising our and market estimates at the EBIT level by an average of 200bps in FY24 from pre-IPO coverage estimates, also carried onto FY25. We revised our estimates for the Eastern Region healthcare provider doubling its capacity, to now stand at an FY24-30E revenue and net income CAGR of 21.9%/39.8%. We raise our TP to SAR 173.6 per share, while maintaining a "Neutral" recommendation on the stock currently trading at a FY25E PE of 29.5x.

Solid operational performance and lower finance costs deliver SAR 51.8mn to AlMoosa's bottom line in Q2-25: AlMoosa reported a quarterly net income of SAR 51.77mn in Q2-25 (up from a loss of SAR -1.3mn Y/Y, and 1.3% Q/Q). Normalizing for a set one-offs in Q1-25, Almoosa would have posted an increase of 3.8% Q/Q. Quarterly top line reached its highest reported at SAR 349mn (up 22.6% Y/Y and 8.0% Q/Q) driven by operational performance for the group, as Q2-25 bears no Ramadan days as compared to the previous year, and as the company experienced little summer seasonality effects; outpatient visits up 13.2% Y/Y, inpatient admissions up 15.4% Y/Y, resulting in a 13.3% patient volume increase. Clinics expansions at the acute care facility at Almoosa Specialist Hospital (ASH) AlAhsa had clinics reach 309 clinics (up from 293 in Q1-25) and likely supported volumes during the period as well. Margins on the gross and EBIT level displayed strengths despite hirings taking place for its latest medical center opened in July. GPMs at 32.1% increased 570bps Y/Y and 150bps Q/Q while EBIT margins at 15.6% also increased 730bps Y/Y and 10bps Q/Q. Notably, finance charges of SAR -4.0mn in Q2-25 came remarkably lower than SAR 24.2mn during the same quarter last year to support AlMoosa's latest performance. AlMoosa maintained its revenue guidance at 20%-25% for FY25, as the firm also has minor capacity expansions yet to impact its financials in the coming quarters.

Capacity doubling plans still in place, EBIT margin surprise by 200bps from pre-IPO estimates, and changes in net finance charges amid deleveraging drive our revised FY24-30E revenue/net income CAGR of 21.9%/39.8%: Almoosa eyes to expand its presence in the Eastern Region through two more hospitals, and 4 more medical centers to add to its network. It aims to nearly double its beds capacity from 730 beds to 1,430 beds via its Al-Hofuf hospital at 300 beds, and its AlKhobar hospital at 400 beds; scheduled for FY27 & FY28, respectively. We are taking a precautionary view on potential delays on these major expansions by one quarter. While the company does not have a presence in Khobar as of yet, it will be venturing into city, prior to the hospital's opening, through a medical center scheduled to be opened by Q3-25. On a shorter term, management indicated that there is more potential for expansions its ASH AlAhsa, to extend its Emergency clinic, as well as more space to be potentially utilized for additional clinics. The hospital also has almost 30 more beds to be operational by early next year. Furthermore, the Rehab Hospital also possesses space for a potential 10% increase in capacity- which would require further designs and approvals. Our revised revenue and net income estimates for FY25E, FY26E, FY27E are at changes of -7%/+59%, -6%/+38%, and -9%/+34%, respectively, reflecting top line competitive pressures, net finance charges amid deleveraging and finance income, as well as recent margin resilience. Driving our revision in estimates is a revision in EBIT margin expectations, as the firm surprised our and market estimates by an average of 200 bps in FY24 from pre-IPO estimates. We consider its recent margin performance to arrive at a FY25E GPM and EBIT margin of 32.9% and 18.5%. We expect margins to dip by FY28 as two major hospital expansions undergo their ramp ups, pressuring margins to 30.9% and 18.5% on the gross and EBIT levels respectively. Our forecasts stand at a revenue and net income FY24-30 CAGR of 21.9% and 39.8% as the provider doubles its capacity to 1,430 beds by FY28E. We note that net income CAGR base from FY24 is low, as H1-25 net income already surpassed that of FY24 in its entirety.

Recommendation	**Neutral**
Target Price (SAR)	**173.6**
Upside / (Downside)*	**2.6%**

Source: Tadawul *prices as of 19th of August 2025

Key Financials

in SAR mn, (unless specified)	FY24	FY25E	FY26E	FY27E
Revenues	1,202	1,447	1,680	1,982
Growth %	22.8%	20.4%	16.1%	18.0%
Gross Profit	372	476	567	641
EBIT	187	268	347	391
Net Income	94	254	320	337
Growth %	-3.8%	168.8%	26.2%	5.3%
EPS	2.13	5.73	7.23	7.62
DPS	1.0	1.0	1.1	1.2

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY24	FY25E	FY26E	FY27E
Gross Margin	30.9%	32.9%	33.8%	32.4%
OP Margin	15.6%	18.5%	20.7%	19.7%
Net Margin	7.9%	17.5%	19.1%	17.0%
EBITDA Margin	22.5%	24.8%	27.3%	27.6%
RoE	13.2%	12.0%	13.5%	12.7%
RoA	3.7%	7.7%	7.4%	6.5%
P/E (x)	-	29.5	23.4	22.2
P/B (x)	-	3.6	3.1	2.8
EV/EBITDA (x)	-	22.2	19.0	16.7
Dividend Yield	-	0.6%	0.6%	0.7%

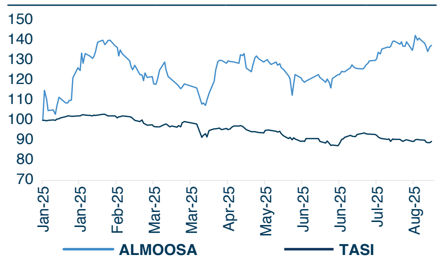
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (SAR bn)	7.5
YTD%	-
52 weeks (High)/(Low)	184.0/126.6
Share Outstanding (mn)	44.3

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, AlJazira Capital Research

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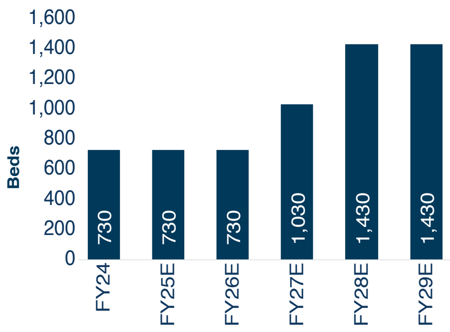
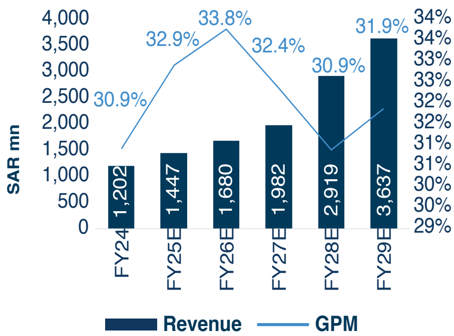
Capital structure shift reduces finance charges; more leveraging expected to fund the estimated SAR 2.8bn CAPEX till FY28 ahead for the firm: The firm unwinded its debt position from a D/E of 1.7x in FY24 to a current 0.31x, with a 55% reduction in its debts and an increase in equity during its IPO. The debt reduction resulted in a significant tone down in financing costs, which came at SAR 10.6mn in H1-25 at 75% less than what was charged Y/Y. Investments in income generating Sukuks, Murabahas, and Mutual Funds, as well as the mentioned decrease in finance charges, and recent margin performances supported a revision in FY25/FY26E earnings estimates from SAR 160mn/SAR 232mn to SAR 254mn/SAR 320mn. We estimate that the significant SAR 2.8bn expansion-driven FY25-28E CAPEX will require the firm to load more debt by end of year, and peaking at a leverage rate of 0.7x by FY27E as we expect CAPEX to peak near FY26-27E. We believe the firm would be able to pay dividend payouts between the ranges of 15%-17% till FY27, where we expect potential higher payouts by FY28, post its final announced major expansion, at an expected payout of 22% (2.0 DPS).

Fig 1: Doubling beds capacity to 1,430 by FY28 in the Eastern Region



Source: Company presentations, Aljazira Capital Research

Fig 2: GPMs to be challenged by expansions



Source: Company Financials, Aljazira Capital Research

AJC view and valuation: AlMoosa is one of the latest additions to the Saudi Arabian healthcare sector, trading for only two quarters, yet displayed surprises in its recent performances. As its expansion plans still stand, the provider seeks to double their capacity while maintaining their foothold in the Eastern Region of the Kingdom. Its recent margin displays, despite its clinic expansions and hiring for a new medical facility in AlAhsa pose a signal of cost resilience for the firm. Changes in net financing charges also prompted a revision in estimates to now reach a revenue and net income CAGR of 21.9% and 39.8% through FY24-30E. We revise our TP on the firm to **SAR 173.6 per share**, using a blended valuation via PE (24x on FY28 earnings discounted valuation) and DCF (WACC at 9.1%). We maintain our "**Neutral**" recommendation on the stock trading at a FY25E PE of 29.5x.

Valuation Summary (SAR /share):

	Target Price	Weight	Weighted TP
DCF	175.6	50%	87.8
PE (24x on FY28E, discounted valuation)	171.6	50%	85.8
Target Price (SAR/Share):			**173.6**
Upside/Downside:			**2.6%**

Source: AlJazira Capital Research *Prices as of 19th-Aug-2025

Upside risks to valuation:

- **Quicker and more significant contribution from Medical Centers**
- **More demand on its legacy facilites**

Downside risks to valuation:

- **Project delays**
- **Competitive pressures from other regional players**
- **Higher than expected talent retention and attraction costs**

Source: AlJazira Capital Research

Key Financial Data

Amount in SARmn, unless otherwise specified	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E
Income statement								
Revenues	979	1,202	1,447	1,680	1,982	2,919	3,637	3,944
Y/Y	**20.0%**	**22.8%**	**20.4%**	**16.1%**	**18.0%**	**47.3%**	**24.6%**	**8.4%**
Cost	(672)	(831)	(971)	(1,113)	(1,341)	(2,018)	(2,478)	(2,644)
Gross profit	**307**	**372**	**476**	**567**	**641**	**902**	**1,159**	**1,300**
GPM	**31.4%**	**30.9%**	**32.9%**	**33.8%**	**32.4%**	**30.9%**	**31.9%**	**33.0%**
S&D	(13)	(25)	(29)	(32)	(36)	(52)	(63)	(66)
SG&A Expenses	(176)	(174)	(192)	(202)	(229)	(323)	(400)	(430)
Impairment	(4)	(4)	(4)	(4)	(7)	(12)	(15)	(16)
Other operating Income/(expense)	14	18	16	18	22	26	27	29
Operating profit	**130**	**187**	**268**	**347**	**391**	**541**	**709**	**818**
Y/Y	**83.4%**	**43.7%**	**43.4%**	**29.5%**	**12.5%**	**38.4%**	**31.2%**	**15.3%**
Operating margin	**13.3%**	**15.6%**	**18.5%**	**20.7%**	**19.7%**	**18.5%**	**19.5%**	**20.7%**
Finance Income	-	-	10	3	1	-	-	-
Financing Expense	(28)	(85)	(18)	(13)	(36)	(106)	(93)	(75)
Income before zakat	**102**	**103**	**259**	**337**	**355**	**434**	**616**	**743**
Zakat	(4)	(8)	(6)	(17)	(18)	(22)	(31)	(37)
Net income	**98**	**94**	**254**	**320**	**337**	**413**	**585**	**705**
Y/Y	**92.4%**	**-3.8%**	**168.8%**	**26.2%**	**5.3%**	**22.3%**	**41.9%**	**20.5%**
EPS (SAR)	2.22	2.13	5.73	7.23	7.62	9.31	13.21	15.92
DPS (SAR)	-	1.00	1.00	1.10	1.20	2.00	3.20	4.80
Balance sheet								
Assets								
Cash & equivalent	16	38	171	75	150	246	306	479
Receivables	447	484	552	632	743	1,086	1,343	1,451
Other current assets	86	102	203	176	189	248	310	341
Property plant & equipment	1,744	1,894	2,342	3,382	4,065	4,010	3,980	3,957
Other non-current assets	10	34	42	56	83	92	106	113
Total assets	**2,302**	**2,553**	**3,310**	**4,322**	**5,230**	**5,683**	**6,044**	**6,341**
Liabilities & owners' equity								
Short-term loans	65	65	31	63	87	80	65	50
Long-term loans	1,055	1,149	556	1,122	1,557	1,427	1,165	904
Payables	211	254	287	343	410	600	737	805
Total other current liabilities	212	244	202	283	371	448	499	509
Total other non-current liabilities	103	124	126	131	141	144	147	149
Reserves	655	368	1,665	1,938	2,221	2,543	2,988	3,481
Total owners' equity	**656**	**718**	**2,108**	**2,380**	**2,664**	**2,985**	**3,430**	**3,924**
Total equity & liabilities	**2,302**	**2,553**	**3,310**	**4,322**	**5,230**	**5,683**	**6,044**	**6,341**
Cashflow statement								
Operating activities	40	183	328	410	457	462	678	877
Investing activities	(454)	(262)	(624)	(1,096)	(811)	(106)	(156)	(170)
Financing activities	415	101	429	591	428	(260)	(462)	(534)
Ending cash balance	**16**	**38**	**171**	**75**	**150**	**246**	**306**	**479**
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	1.1	1.1	1.8	1.3	1.2	1.4	1.5	1.7
Quick ratio (x)	0.2	0.2	0.4	0.3	0.2	0.2	0.2	0.3
Profitability ratios								
Gross profit margin	31.4%	30.9%	32.9%	33.8%	32.4%	30.9%	31.9%	33.0%
Operating margin	13.3%	15.6%	18.5%	20.7%	19.7%	18.5%	19.5%	20.7%
EBITDA margin	20.0%	22.5%	24.8%	27.3%	27.6%	25.2%	25.0%	26.1%
Net profit margin	10.0%	7.9%	17.5%	19.1%	17.0%	14.1%	16.1%	17.9%
Return on assets	4.3%	3.7%	7.7%	7.4%	6.5%	7.3%	9.7%	11.1%
Return on equity	15.0%	13.2%	12.0%	13.5%	12.7%	13.8%	17.1%	18.0%
Leverage ratio								
Debt / equity (x)	1.85	1.86	0.30	0.54	0.67	0.55	0.39	0.26
Market/valuation ratios								
EV/sales (x)	1.2	1.1	5.5	5.2	4.6	3.0	2.3	2.0
EV/EBITDA (x)	6.1	4.8	22.2	19.0	16.7	12.1	9.4	7.8
EPS (SAR)	2.2	2.1	5.7	7.2	7.6	9.3	13.2	15.9
BVPS (SAR) - Adjusted	14.8	16.2	47.6	53.7	60.1	67.4	77.4	88.6
Market price (SAR)		-	169.10	169.10	169.10	169.10	169.10	169.10
Market-Cap (SAR mn)	-	-	7,491	7,491	7,491	7,491	7,491	7,491
Dividend yield	-	-	0.6%	0.6%	0.7%	1.2%	1.9%	2.8%
P/E ratio (x)	-	-	29.5	23.4	22.2	18.2	12.8	10.6
P/BV ratio (x)	-	-	3.6	3.1	2.8	2.5	2.2	1.9

Source: AlJazira Capital Research *Prices as of 19th-Aug-2025

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RESEARCH DIVISION

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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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