Al Hammadi Holding

Results Flash Note Q2-25

Increased patient volumes seen at AlHammadi met with heightened ECL provisions and COGS to deliver muted bottom line for Q2-25

AlHammadi delivered a net income of SAR 62mn during Q2-25, down 47.4% Y/Y and 16.2% Q/Q. Adjusting for the SAR 55.3mn land sale gain booked in Q2-24, AlHammadi would have posted a nearly flat Y/Y decline at 1%. Its reported net income came lower than our expected SAR 76.7mn, driven by a heightened ECL provision of SAR 10.9mn booked as a result of delayed collections. We remain cautiously optimistic however on the coming quarters, as the provision is likely business-cyclical, and as price increases and H2 performance may mitigate some of the cost increases. We maintain our "Overweight" recommendation at a TP of SAR 46.7/share on the stock trading at an attractive FY25E PE of 18x for the provider seeking to double its capacity.

- AlHammadi posted a Q2-25 net income of SAR 62mn, down 47.4% Y/Y and 16.2% Q/Q. Adjusting for the one-off gain on the sale of its AlRayan land in Q2-24, AlHammadi would have posted a Y/Y decline of 1%. Results missed our estimates of SAR 76.7mn by -19.2%, exasperated by heightened ECL provisions booked during the quarter. While revenues were up 13.2% Y/Y and relatively flat Q/Q at a decline of 1.2%, cost of revenue increases pressured GPMs to reach 31.2%, further limiting delivery to bottom line.
- Revenues at SAR 298.2mn (up 13.2% Y/Y and down 1.2% Q/Q) were supported by increased inpatient and outpatient volumes, Y/Y, as well as price increases. Inpatient volumes were up 10.4% Y/Y while Outpatient volumes rose by 1.8% Y/Y. The increases in volumes came in despite AlHammadi's strategic price adjustments its services; notably, average revenue per outpatient increased 12% Y/Y during H1-25, which made up 53% of revenues during the period. On a sequential basis, however, inpatient and outpatient volumes decreased by 5.3% & 4.6% Q/Q, respectively, likely due to summer holidays. Flat like sequential revenue performance from MoH patients limited top line Q/Q growth as well. Nonetheless, top line remained stable Q/Q. Revenues were broadly in line with our estimated SAR 311mn at a -4.1% deviation.
- Gross profit at SAR 93mn was up 8.5% Y/Y and down 3.6% Q/Q, missing our estimates of SAR 102.2mn by a -9% deviation. The increase of cost of goods sold by 15.5% Y/Y to reach SAR 205mn came as a result of salary increases as a part of AlHammadi's talent retention strategies, as well as investing in residency and training programs ahead of the DRG program- which likely favors such educational initiatives. These changes pressured GPM's to reach 31.2%, edging lower by 130bps Y/Y and 80bps Q/Q, and below our estimated 32.8% by 160bps. We believe, however, that more price increases pending, and higher volumes usually seen in H2, could mitigate some of these cost changes.
- Operating profits for the quarter reached SAR 64mn, down 51% Y/Y (due to a SAR 55mn one off gain last year) and 16.7% Q/Q. This missed our estimate of SAR 78.7mn by a deviation of -18.8%, due to lower gross margins, but also largely due to a heightened ECL provision of SAR 10.9mn booked during the quarter. The provision came as a result of delayed receivables collection. SGA's seemed controlled at SAR 24.6mn at 8.2% of revenues (flat Y/Y and down 30bps Q/Q) as the firm undergoes operational cost optimizations. EBIT margins reached 21.4%, down 710bps Y/Y adj. for the land sale, and 400bps Q/Q; both comparative quarters saw ECL provisions at net positives of SAR 2.0mn and SAR 0.3mn, respectively, due to reversals.

AJC view and valuation: AlHammadi's Q2-25 set of results seem stable when considering the one off gain booked in comparable periods. We are cautiously optimistic on coming quarters as impairment charges are likely business-cyclical, and as further price increases and H2 performance may mitigate cost pressures. Patient growth despite price increases this quarter are also a notable feat for AlHammadi. We remain cautiously optimistic on the stock doubling its capacity to 1,200 beds with an expansion campaign beginning in FY26E in Olaya Riyadh. Our estimates stand at a FY24-230E revenue & net income CAGR of 12.6%/7.6% (net income CAGR at 10.9% adj. for FY24E land sale). We maintain our "**Overweight**" rating on the stock, at a TP of **SAR 46.7/Share** for the firm trading at an attractive current FY25E PE of 18x.

SAR mn	Q2-24	Q1-25	Q2-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	263	302	298	13.2%	-1.2%	-4.1%
Gross Profit	86	97	93	8.5%	-3.6%	-9.0%
Gross Margin	32.5%	32.0%	31.2%	-	-	-
EBIT	130	77	64	-51%	-16.7%	-18.8%
Net Profit	118*	74	62	-47.4%	-16.2%	-19.2%
EPS	0.74	0.46	0.39	-	-	-

Source: Company Reports, AlJazira Capital

Recommendation	Overweight
Target Price (SAR)	46.7
Upside / (Downside)*	37.6%

Source: Tadawul *prices as of 17st of August 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	1,122	1,177	1,154	1,238
Growth %	17.9%	4.8%	-1.9%	7.3%
Gross profit	420	433	382	414
Oper. Income	292	343	366	327
Net Income	257	303	339*	298
Growth %	160.3%	17.9%	11.7%	-11.9%
EPS	1.61	1.90	2.12	1.86
DPS	1.25	1.40	1.40	1.40

Source: Company reports, Aljazira Capital Research *FY24 included SAR 55.3mn in land sale gains

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	37.4%	36.8%	33.1%	33.4%
OP Margin	26.0%	29.1%	31.7%	26.4%
Net Margin	22.9%	25.8%	29.4%	24.1%
ROA	10.8%	12.0%	12.9%	10.8%
ROE	15.3%	17.1%	17.8%	16.4%
P/E (x)	24.9	31.3	18.1	18.2
P/B (x)	3.8	5.2	3.1	2.7
Dividend Yield	3.1%	2.4%	3.6%	4.1%

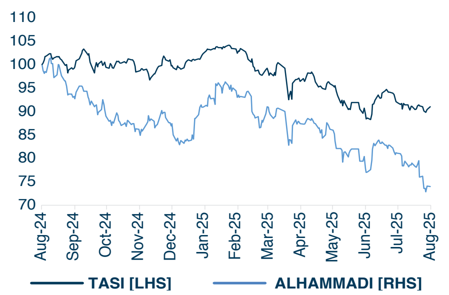
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap(bn)	5.4
YTD%	-11.6%
52 week (High)/(Low)	47.15/33.2
Share Outstanding (mn)	160

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

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RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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