Saudi Healthcare 1H26 Update – A mixed year so far…

Saudi healthcare companies under our coverage witnessed a strong recovery in 2Q26, with most companies reporting revenue growth ahead of our forecasts. Improved utilization of newly commissioned facilities, favorable seasonality, and improved contractual terms were the key drivers of the positive performance. We expect the sector's strong pipeline of new capacity to support growth momentum, with revenue across our coverage universe forecast to grow at an average CAGR of over 10% during 2025-30e. Margins, however, remained under pressure for most companies during the quarter, as high fixed costs and relatively low utilization of newly commenced operations continued to weigh on profitability. While this was broadly in line with our expectations, we expect margins to improve gradually over the medium to long term as utilization ramps up, although the pace of improvement is likely to remain moderate given the aggressive capacity expansion plans across the sector. Despite the pressure at the operating level, reported net income growth remained strong, with the aggregate profits across our coverage universe increasing by an average of 13.0% YoY. The earnings growth was, however, partly driven by lower credit-loss provisions/write-backs and one-off gains, while underlying operating performance was largely subdued, but broadly in line with expectations.

Al Habib delivered a strong 2Q26 performance, exceeding our expectations at both the top and bottom line. Improved utilization of recently commissioned facilities, coupled with an overall improvement in patient flow, supported the strong revenue performance. Operating margins improved by c.200bps QoQ, driving a strong operating performance, although higher finance costs moderated the impact at the net income level. Overall, net income was 10% above our forecast. We expect revenue growth to remain healthy, supported by the continued ramp-up of existing facilities and upcoming capacity additions. During 2H26, a hospital in Amaala is expected to commence operations, while two new facilities in Jubail and Dammam are scheduled to come on stream in 2029. We expect margins to improve gradually, although they are likely to remain below historical levels in the medium term as the company continues to ramp up its new capacity. We maintain our target price of SAR 285/share and rating at Buy.

Mouwasat reported a steady improvement in its 2Q26 topline, which came in marginally ahead of our forecast. The commencement of operations at its Yanbu facility, along with improved contractual terms with some clients, supported revenue growth. However, operating margins remained under pressure, declining by c.180bps YoY, broadly in line with our expectations. We expect revenue growth to remain strong, driven by the ramp-up of the Yanbu facility and the expected commencement of its new Jeddah facility in 2H26. The company's longer-term growth pipeline remains robust, with new facilities in Qatif and expansion in Riyadh expected to become operational by end-2028 and 2029, respectively. Net income was more than 10% ahead of our forecast, although the beat was primarily driven by higher other income, while underlying operating performance remained broadly in line. We maintain our target price at SAR 80 per share on Mouwasat and upgrade our rating to Strong Buy.

National Medical Care Co. (Care) reported a sharp recovery in 2Q26, with revenue increasing 17.6% QoQ and exceeding our forecast by more than 15%. The rebound in demand from GOSI, coupled with strong growth in the insurance segment, were the key drivers of the topline performance. Gross margins also improved significantly to 37.1% in 2Q26 from 31.6% in 1Q26, reflecting better operating leverage. Lower credit-loss provisions YoY further supported profitability, resulting in c.180bps YoY improvement in operating margins and net income coming substantially ahead of our forecast. We expect revenue growth to remain strong in the near term, supported by improving utilization of existing facilities and the deployment of spare capacity. Medium-term growth should be driven by the new Al Narjis facility, which is expected to become operational by 2028. In addition, management has outlined plans for five to eight new facilities through expansion and acquisitions by 2032. We maintain our target price of SAR 145 per share, implying a Buy rating.

Al Hammadi's operating performance came under pressure in 2Q26, with revenue missing our forecast by more than 6%, primarily due to weaker hospital revenue. Profitability also deteriorated, with gross margins contracting by more than 600bps YoY. The bottom line was supported by a write-back of credit-loss provisions and one-off gains; excluding these items, operating performance would have been weaker and broadly consistent with the topline miss. Looking ahead, we forecast revenue growth to recover as the Olaya facility is expected to commence operations shortly. Medium- to long-term growth should be supported by the new facilities in Narjis and Mansiyah, which are expected to become operational by 2028 and 2030, respectively. However, we expect margins to remain below those of peers in the near term, limiting the recovery in net income. The pace at which management ramps up its Olaya facility and improves its customer mix will remain key to the company's operating performance. Following the 2Q26 results, we reduce our target price to SAR 27.5/share and maintain our Hold rating.

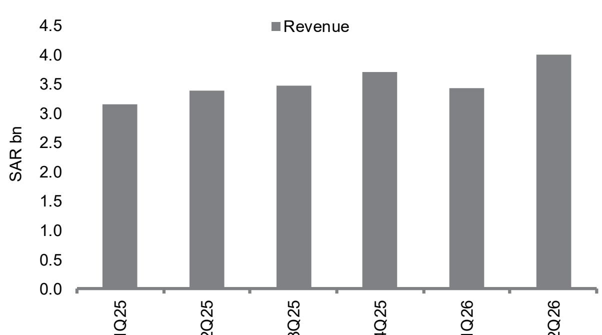
Valuation Summary

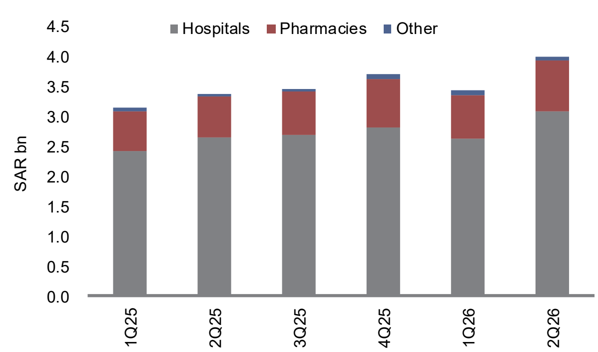
Companies	M.Cap	TP	CMP	Upside	Rating	P/E		EV/EBITDA	
						2026e	2027e	2026e	2027e
Al Habib	83,230	285.0	238	19.8%	Buy	33.9x	29.7x	33.9x	29.7x
Mouwasat	12,880	80.0	64	24.2%	Strong Buy	15.9x	14.3x	11.8x	10.3x
Care	5,629	145.0	126	15.5%	Buy	18.7x	18.1x	13.2x	11.8x
Hammadi	4,032	27.5	25	9.1%	Hold	16.5x	14.6x	13.6x	12.4x

Revenue growth recovers in the current quarter, as most companies across our coverage reported material improvement

In 2Q26, healthcare companies under our coverage reported average revenue growth of 16% YoY, primarily driven by the ramp-up in utilization of newly commissioned facilities and improved utilization across existing healthcare capacity, supported by a cyclical recovery in market conditions. Growth was led by Al Habib (+18% YoY), Care (+15% YoY), Mouwasat (+10% YoY), and Al Hammadi (+8% YoY).

Improved utilization and demand scenario aids in revenue growth of Al Habib in 2Q26

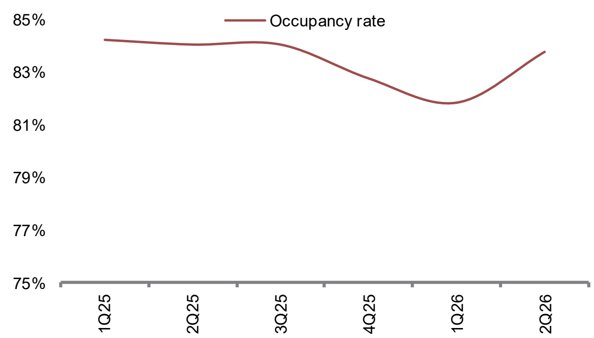


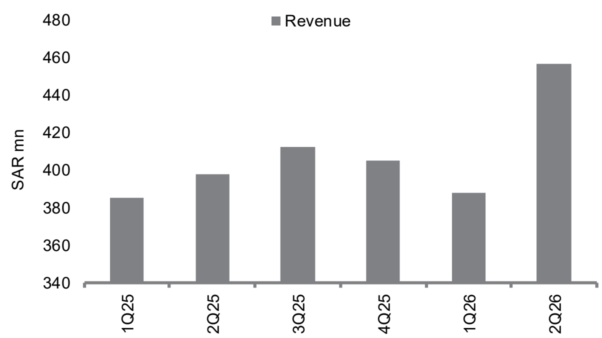


Source: Company filings and US Research

Al Habib's revenue came in 10.4% above our forecast, supported by strong growth across all segments. Hospital revenue increased 17.1% YoY, which in turn drove a 21.6% YoY growth in pharmacy revenue. The solutions and other segment also delivered robust growth of 46.7% YoY. The strong performance was largely driven by the more than doubling of the company's capacity between 2024 and 2025, coupled with the continued ramp-up in utilization of these facilities. We expect topline growth to remain strong, as utilization, at 60% in 2025, remains below historical levels, providing further room for growth. In addition, the introduction of three new hospitals during 2026-29, including a managed facility in Amaala, expected to become operational in 2H26, should further support revenue growth.

Care utilization improves sequentially aiding growth in revenue

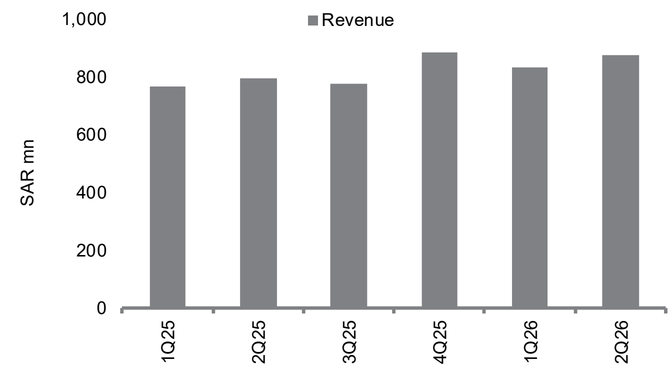




Source: Company filings and US Research

Care's revenue came in 15.7% above our forecast, supported by higher-than-expected performance across its operations, driven by a rebound in GOSI referrals and improved growth in the insurance segment. Inpatient admissions increased by over 17% YoY, led by strong performance at Al Balad, Al Salam, and Rawabi. Outpatient volumes also grew strongly, increasing 20.1% YoY, with most facilities reporting improvements, led by Malaz, Haram, and Al Salam. We expect Care's revenue growth to remain steady in the coming quarters, although the company is already operating at a high utilization rate of over 80%, limiting near-term upside from further utilization gains. Medium- to long-term growth should remain healthy, with the medium-term outlook supported by the Al Narjis facility, a 400-bed premium hospital in Northern Riyadh expected to commence operations by 2028. Over the longer term, growth is likely to be supported by management's ambitious plan to add five to eight facilities by 2032 through a combination of greenfield expansions and acquisitions.

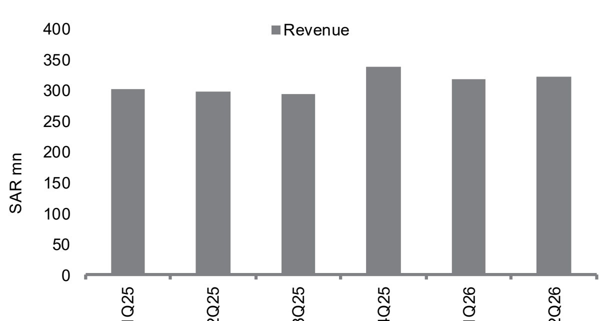
New facility keeps Mouwasat revenue momentum steady

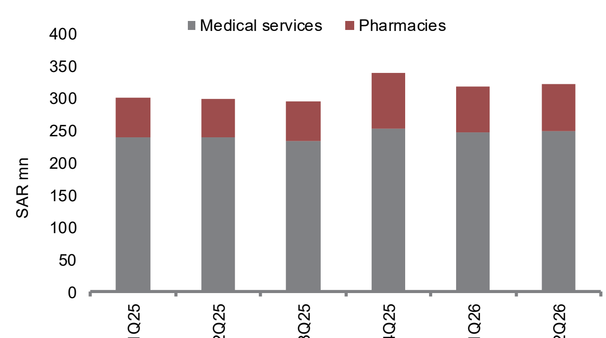


Source: Company filings and US Research

Mouwasat's topline came in marginally ahead of our forecast, at 3.1% above estimates, supported by 10.8% YoY growth in hospital revenue, while pharmaceutical revenue grew at a more modest 5.6% YoY. Strong growth in inpatient revenue, driven by the ramp-up in utilization at its new Yanbu facility and the resulting increase in admissions, was the key contributor to the performance. An improvement in the contractual terms with certain clients also supported topline growth. Looking ahead, we expect revenue growth to accelerate in the coming quarters, supported by the continued ramp-up of the Yanbu facility and the upcoming Jeddah hospital, which is expected to commence operations in 2H26.

Al Hammadi revenue reports improvement, but comes below our forecast on underperformance by medical services





Source: Company filings and US Research

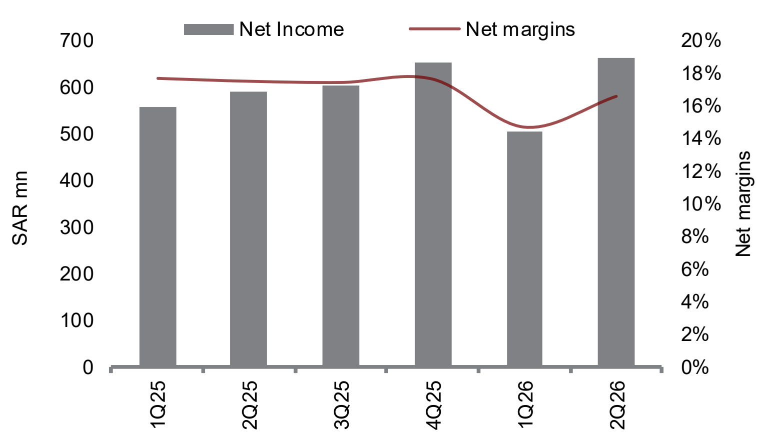
Al Hammadi, on the other hand, continued to underperform, with topline coming in 6.5% below our forecast as its hospital operations remained under pressure. Revenue growth was largely driven by the pharmaceutical segment, which increased 24.4% YoY, while hospital revenue grew by a more modest 3.9% YoY. We expect revenue growth to recover in 2H26, supported by the commencement of operations at its refurbished Olaya facility. Over the longer term, growth should be driven by the new Narjis and Al Mansiyah facilities, along with improved utilization of spare capacity at Al Suwaidi.

Margins mostly under pressure, though provision reversals and one-offs aid net income growth

Margins across our coverage universe remained largely under pressure, though net income across the covered companies increased by an average of 13.0% YoY, primarily driven by improved revenue, reversals/lower credit-loss provisions and one-off gains.

Al Habib’s margins witnessed a recovery in 2Q26, supported by topline growth and improved utilization of its newly commissioned facilities. Operating margins improved to 19.2% in 2Q26, compared with 17.1% in 1Q26 and 19.1% in 2Q25. Net income increased 12.1% YoY, although growth was partly moderated by higher finance costs following the commissioning of new facilities. Overall, net income came in 10.4% above our forecast, broadly in line with the topline beat.

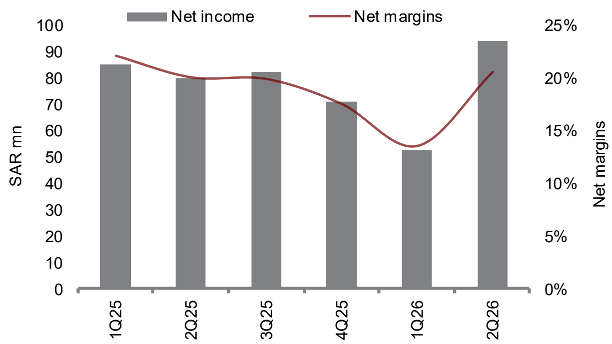
Al Habib's margins improve sequentially



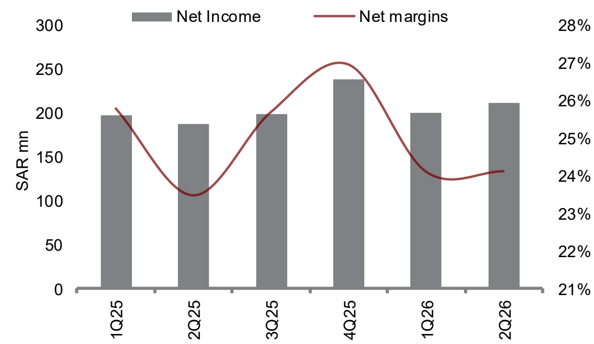
Source: Company filings and US Research

Care's profitability also recovered in 2Q26, supported by improved operating leverage. Operating margins increased to 23.1% from 21.3% in 2Q25 and 16.3% in 1Q26. Gross margins in the current quarter recovered to 2Q25 levels, while a 78.5% YoY decline in credit-loss provisions further supported profitability. Net income increased 17.6% YoY to SAR 94mn, significantly ahead of our SAR 64mn forecast. The beat was driven by a combination of stronger-than-expected revenue, improved margins, and lower credit-loss provisions.

Recovery in margins and lower credit loss provision helps Care post strong net income



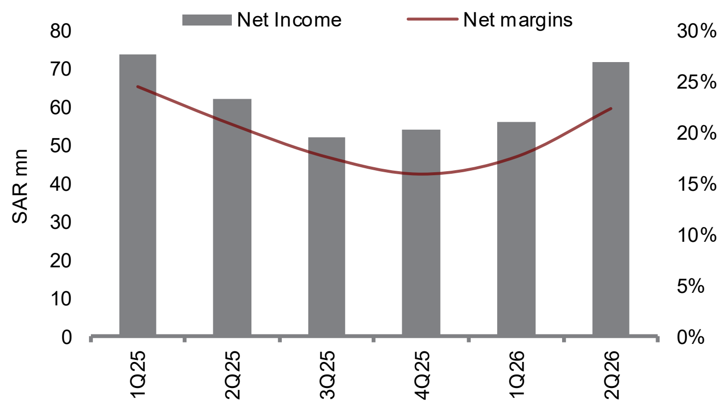
Higher revenue and other income help Mouwasat post growth in net income



Source: Company filings and US Research

Mouwasat's margins remained under pressure, with operating margins declining to 23.6% in 2Q26 from 25.5% in 2Q25 and 24.4% in 1Q26. The decline was primarily attributable to the commencement of operations at its new Yanbu facility and the associated increase in initial fixed costs. We expect margins to remain under pressure in the medium term, with a gradual recovery likely as utilization of the new facility improves. The company also benefited from a significant increase in other income, which rose to SAR 22mn in 2Q26 from SAR 1mn in 2Q25. As a result, net income increased 13.1% YoY and came in 9.8% above our forecast. Excluding the higher other income, net income would have been broadly in line with our expectations.

One-offs and provision reversal aids Al Hammadi bottomline



Source: Company filings and US Research

Al Hammadi's margins, on the other hand, remained under pressure, with operating margins declining to 18.2% in 2Q26 from 19.3% in 2Q25. This was despite a SAR 9mn reversal of credit-loss provisions in 2Q26, compared with a SAR 11mn provision in 2Q25. The margin contraction was primarily driven by an unfavorable customer mix, which weighed on gross margins. The company also recorded a one-off gain of SAR 7mn from the disposal of property and equipment, relating to the compulsory expropriation of a parcel of land in northeast Riyadh. The provision reversal and one-off gain supported a 16.0% YoY increase in net income to SAR 72mn, which was 11.6% above our forecast. Excluding these items, underlying operating performance would have been slightly below our estimate, in line with the topline miss.

We expect the sector's revenue growth to remain broadly steady, supported by continued expansion across the companies under our coverage. Margins, however, are likely to remain subdued in the near term, as competitive intensity remains high and newly commissioned facilities carry elevated operating costs during the initial ramp-up phase. As utilization improves, we expect the resulting operating leverage to support a gradual recovery in profitability. Overall, we forecast net income growth at a CAGR of c.10% over the 2025-2030e period.

Dr. Sulaiman Al Habib Medical Services Group	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Key Financials (SAR mn)								
Revenue	9,508	11,200	13,707	15,125	16,594	18,199	20,518	21,764
Gross profit	3,270	3,744	4,207	4,522	5,045	5,442	6,238	6,725
Operating profit	2,096	2,356	2,619	2,840	3,277	3,585	4,304	4,735
Net income	2,046	2,315	2,401	2,458	2,806	3,108	3,788	4,206
Total assets	15,798	20,558	23,205	26,197	29,333	30,586	32,239	33,635
Debt	5,238	8,215	9,348	10,959	12,669	12,268	11,885	11,466
Cash	2,620	2,891	2,282	2,272	2,109	2,748	3,523	4,278
M-Cap	91,025	91,700	83,230	83,230	83,230	83,230	83,230	83,230
EV	93,923	97,462	90,824	92,555	94,554	93,653	92,665	91,680
Key Ratios								
Per Share (SAR)								
EPS	5.8	6.6	6.9	7.0	8.0	8.9	10.8	12.0
BVPS	18.5	20.5	22.6	24.7	27.0	29.7	32.9	36.4
DPS	4.3	4.8	4.8	4.9	5.6	6.3	7.6	8.5
Valuations								
P/E	44.5	39.6	34.7	33.9	29.7	26.8	22.0	19.8
EV/EBITDA	39.0	35.1	27.6	26.3	23.8	21.7	18.3	16.7
Div. yield	1.7%	1.8%	2.0%	2.1%	2.4%	2.6%	3.2%	3.6%
Liquidity								
Cash Ratio	0.8	0.7	0.5	0.4	0.4	0.4	0.5	0.6
Current ratio	1.3	1.3	1.2	1.1	1.0	1.1	1.2	1.3
Quick ratio	1.1	1.1	0.9	0.9	0.8	0.9	0.9	1.0
Return ratio								
ROA	13.3%	11.5%	10.7%	9.8%	10.0%	10.6%	12.3%	13.1%
ROE	31.5%	32.3%	30.4%	28.5%	29.7%	29.9%	32.9%	33.0%
ROCE	17.5%	14.9%	14.7%	14.0%	14.3%	15.2%	17.6%	18.6%
Profitability ratio								
EBITDA margins	25.3%	24.8%	24.0%	23.3%	24.0%	23.7%	24.6%	25.3%
Operating margins	22.0%	21.0%	19.1%	18.8%	19.8%	19.7%	21.0%	21.8%
Net margins	21.5%	20.7%	17.5%	16.3%	16.9%	17.1%	18.5%	19.3%
Leverage								
Debt/Capital	43.6%	51.9%	52.6%	54.2%	55.3%	52.1%	48.6%	45.0%
Debt/Total assets	33.2%	40.0%	40.3%	41.8%	43.2%	40.1%	36.9%	34.1%
Debt/Equity	77.4%	107.9%	110.9%	118.3%	123.9%	108.7%	94.5%	81.8%

Mouwasat Medical Services Co.	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Key Financials (SAR mn)								
Revenue	2,706	2,879	3,223	3,531	3,933	4,233	4,491	4,685
Gross profit	1,313	1,237	1,361	1,445	1,626	1,768	1,895	2,017
Operating profit	748	716	869	861	984	1,066	1,126	1,202
Net income	658	646	822	812	899	982	1,060	1,153
Total assets	4,965	5,403	5,986	6,489	7,057	7,515	7,724	7,957
Debt	788	762	989	980	970	833	417	-
Cash	49	427	497	459	330	555	697	876
M-Cap	22,408	18,000	12,880	12,880	12,880	12,880	12,880	12,880
EV	23,197	18,395	13,515	13,397	13,100	12,773	12,254	11,700
Key Ratios								
Per Share (SAR)								
EPS	3.3	3.2	4.1	4.1	4.5	4.9	5.3	5.8
BVPS	16.4	17.8	18.9	20.8	23.1	25.5	28.2	31.1
DPS	1.8	2.0	2.1	2.1	2.2	2.5	2.7	2.9
Valuations								
P/E	34.1	27.9	15.7	15.9	14.3	13.1	12.2	11.2
EV/EBITDA	23.9	19.3	12.1	11.8	10.3	9.4	8.6	7.8
Div. yield	1.6%	2.2%	3.3%	3.3%	3.5%	3.8%	4.1%	4.5%
Liquidity								
Cash Ratio	0.1	0.5	0.5	0.5	0.3	0.4	0.5	0.8
Current ratio	1.9	2.0	1.7	2.0	2.2	1.9	2.0	2.8
Quick ratio	1.7	1.7	1.5	1.7	2.0	1.7	1.7	2.5
Return ratio								
ROA	13.2%	12.0%	13.7%	12.5%	12.7%	13.1%	13.7%	14.5%
ROE	20.1%	18.1%	21.8%	19.5%	19.5%	19.2%	18.8%	18.6%
ROCE	17.7%	16.0%	17.7%	16.2%	17.0%	17.2%	17.8%	18.4%
Profitability ratio								
EBITDA margins	35.9%	33.1%	34.6%	32.3%	32.3%	32.2%	31.6%	31.9%
Operating margins	27.7%	24.9%	27.0%	24.4%	25.0%	25.2%	25.1%	25.7%
Net margins	24.3%	22.4%	25.5%	23.0%	22.9%	23.2%	23.6%	24.6%
Leverage								
Debt/Capital	18.7%	17.0%	20.2%	18.4%	16.8%	13.5%	6.6%	0.0%
Debt/Total assets	15.9%	14.1%	16.5%	15.1%	13.7%	11.1%	5.4%	0.0%
Debt/Equity	23.0%	20.5%	25.2%	22.6%	20.1%	15.6%	7.0%	0.0%

National Medical Care Co.	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Key Financials (SAR mn)								
Revenue	1,082	1,294	1,600	1,678	1,784	1,957	2,132	2,273
Gross profit	370	451	589	600	630	687	765	831
Operating profit	243	245	353	345	354	388	441	480
Net income	241	295	318	301	312	346	397	435
Total assets	2,214	2,499	2,771	2,876	2,985	3,137	3,334	3,435
Debt	330	488	516	439	362	285	208	13
Cash	309	264	480	400	467	531	632	652
M-Cap	5,064	6,414	5,629	5,629	5,629	5,629	5,629	5,629
EV	4,701	6,335	5,614	5,617	5,473	5,332	5,154	4,939
Key Ratios								
Per Share (SAR)								
EPS	5.4	6.6	7.1	6.7	7.0	7.7	8.8	9.7
BVPS	32.4	36.3	41.2	44.9	48.7	53.2	58.8	65.0
DPS	2.0	2.0	3.0	3.0	3.2	3.2	3.3	3.5
Valuations								
P/E	21.0	21.8	17.7	18.7	18.1	16.3	14.2	12.9
EV/EBITDA	15.8	19.3	12.1	13.2	11.8	10.7	9.3	8.3
Div. yield	1.8%	1.4%	2.4%	2.4%	2.5%	2.5%	2.6%	2.8%
Liquidity								
Cash Ratio	0.9	0.8	1.4	1.2	1.3	1.4	1.2	1.7
Current ratio	3.7	3.5	4.3	4.2	4.4	4.5	3.7	5.5
Quick ratio	3.5	3.4	4.1	4.0	4.2	4.3	3.6	5.2
Return ratio								
ROA	10.9%	11.8%	11.5%	10.5%	10.4%	11.0%	11.9%	12.7%
ROE	16.6%	18.1%	17.2%	14.9%	14.3%	14.5%	15.0%	14.9%
ROCE	13.6%	11.6%	14.9%	14.0%	13.9%	14.5%	15.5%	16.4%
Profitability ratio								
EBITDA margins	27.5%	25.4%	29.0%	25.3%	26.0%	25.6%	26.0%	26.2%
Operating margins	22.4%	18.9%	22.1%	20.5%	19.8%	19.8%	20.7%	21.1%
Net margins	22.3%	22.8%	19.9%	17.9%	17.5%	17.7%	18.6%	19.2%
Leverage								
Debt/Capital	18.5%	23.1%	21.8%	17.9%	14.2%	10.7%	7.3%	0.5%
Debt/Total assets	14.9%	19.5%	18.6%	15.3%	12.1%	9.1%	6.2%	0.4%
Debt/Equity	22.7%	30.0%	27.9%	21.8%	16.6%	12.0%	7.9%	0.5%

Al Hammadi Holding	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Key Financials (SAR mn)								
Revenue	1,177	1,154	1,235	1,377	1,472	1,679	1,862	2,066
Gross profit	433	382	363	389	421	467	526	592
Operating profit	316	280	229	234	273	309	358	414
Net income	303	339	242	244	276	310	356	408
Total assets	2,594	2,651	2,735	2,968	3,167	3,322	3,480	3,659
Debt	429	410	384	517	616	635	651	670
Cash	125	245	128	145	156	150	155	158
M-Cap	4,032	4,032	4,032	4,032	4,032	4,032	4,032	4,032
EV	4,336	4,197	4,289	4,405	4,491	4,516	4,528	4,544
Key Ratios								
Per Share (SAR)								
EPS	1.9	2.1	1.5	1.5	1.7	1.9	2.2	2.5
BVPS	11.5	12.3	12.5	13.0	13.5	14.1	14.7	15.5
DPS	1.4	1.4	1.1	1.1	1.2	1.4	1.6	1.8
Valuations								
P/E	13.3	11.9	16.7	16.5	14.6	13.0	11.3	9.9
EV/EBITDA	10.4	11.1	13.5	13.6	12.4	11.0	9.8	8.8
Div. yield	5.6%	5.6%	4.4%	4.4%	4.8%	5.4%	6.2%	7.1%
Liquidity								
Cash Ratio	0.5	1.1	0.5	0.5	0.5	0.4	0.4	0.4
Current ratio	2.9	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Quick ratio	2.7	3.2	2.7	2.7	2.7	2.7	2.7	2.7
Return ratio								
ROA	11.7%	12.8%	8.8%	8.2%	8.7%	9.3%	10.2%	11.1%
ROE	16.4%	17.3%	12.1%	11.8%	12.8%	13.8%	15.1%	16.5%
ROCE	13.9%	11.8%	9.6%	9.0%	9.8%	10.7%	11.9%	13.2%
Profitability ratio								
EBITDA margins	35.4%	32.7%	25.8%	23.5%	24.7%	24.5%	24.8%	25.1%
Operating margins	26.9%	24.3%	18.6%	17.0%	18.5%	18.4%	19.2%	20.1%
Net margins	25.8%	29.4%	19.6%	17.7%	18.7%	18.5%	19.1%	19.7%
Leverage								
Debt/Capital	18.9%	17.3%	16.1%	20.0%	22.2%	22.0%	21.7%	21.3%
Debt/Total assets	16.5%	15.5%	14.1%	17.4%	19.5%	19.1%	18.7%	18.3%
Debt/Equity	23.3%	20.9%	19.2%	25.0%	28.6%	28.2%	27.6%	27.0%

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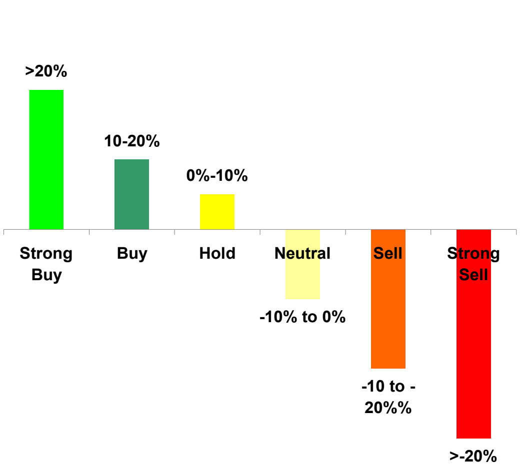
Rating Criteria and Definitions

Rating



Rating Definitions

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	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	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	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	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	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	This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer