

TASI

Healthcare Equipment & Services

2Q26 Financials Review

The sector's 11.5% Y/Y revenue growth to SAR 9.22bn was accompanied by margin erosion on Y/Y basis, with Gross margin down 178bps Y/Y and leverage increasing as debt-funded capacity expansion outpaced earnings across most names. Performance diverged among players: SULAIMAN, MOUWASAT, CARE and SMC delivered profitability growth broadly in line with or ahead of revenue as utilization and payer recovery took hold, while ALMOOSA, DALLAH and FAKEEH all posted earnings decline due to margin pressure. SGH posted higher bottom-line however that was due to restatement of prior year numbers. We **maintain our HOLD call on SULAIMAN AB** and **put MEH AB 'UNDER REVIEW'** due to qualified auditor opinion on latest financials.

Stocks covered	Rating	Target Price
SULAIMAN AB	HOLD	240
MEH AB	UNDER REVIEW	UNDER REVIEW
MOUWASAT AB	Not rated	Not rated
DALLAH AB	Not rated	Not rated
CARE AB	Not rated	Not rated
ALHAMMAD AB	Not rated	Not rated
SMCHEALT AB	Not rated	Not rated
ALMOOSA AB	Not rated	Not rated
FAKEEHCA AB	Not rated	Not rated



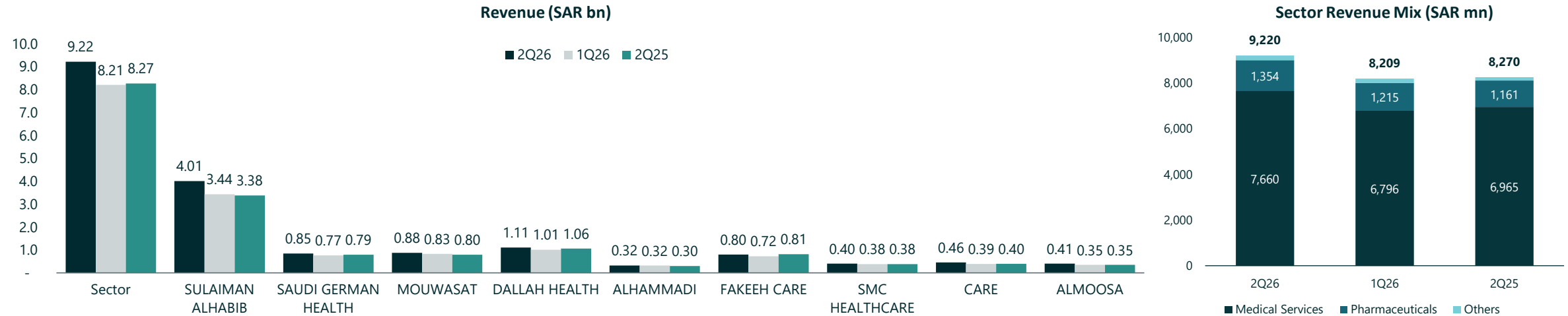
SECTOR AGGREGATE FINANCIALS

Double-digit sector revenue growth was largely offset by capacity-led pressure on margins and leverage

SAR mn	Quarterly					Rolling 4 quarters		
	2Q26	1Q26	2Q25	Q/Q	Y/Y	Jun-26	Jun-25	Y/Y
Total Revenue	9220	8208	8271	12.3%	11.5%	34,568	29,626	16.7%
Gross Profit	2889	2439	2739	18.4%	5.5%	10,689	10,008	6.8%
Operating expenses	1358	1236	1354	9.9%	0.3%	5028	4676	7.5%
Operating profit	1594	1236	1414	28.9%	12.7%	5833	5469	6.7%
EBITDA	2130	1778	1902	19.8%	12.0%	7882	7082	11.3%
Finance costs	256	241	223	6.0%	14.7%	949	783	21.3%
Net Income	1316	1018	1251	29.3%	5.2%	5091	5025	1.3%
Gross margin	31.3%	29.7%	33.1%	162 bps	-178 bps	30.9%	33.8%	-286 bps
Operating margin	17.3%	15.1%	17.1%	222 bps	19 bps	16.9%	18.5%	-159 bps
EBITDA margin	23.1%	21.7%	23.0%	145 bps	11 bps	22.8%	23.9%	-111 bps
Net margin	14.3%	12.4%	15.1%	187 bps	-85 bps	14.7%	17.0%	-223 bps
Interest coverage	6.2x	5.1x	6.3x	1.1x	-0.1x	6.1x	7.0x	-0.8x
Net debt/EBITDA	2.2x	2.4x	2.0x	-0.2x	0.2x	2.4x	2.1x	0.2x

SECTOR REVENUE

Capacity driven revenue growth amid increasing competition

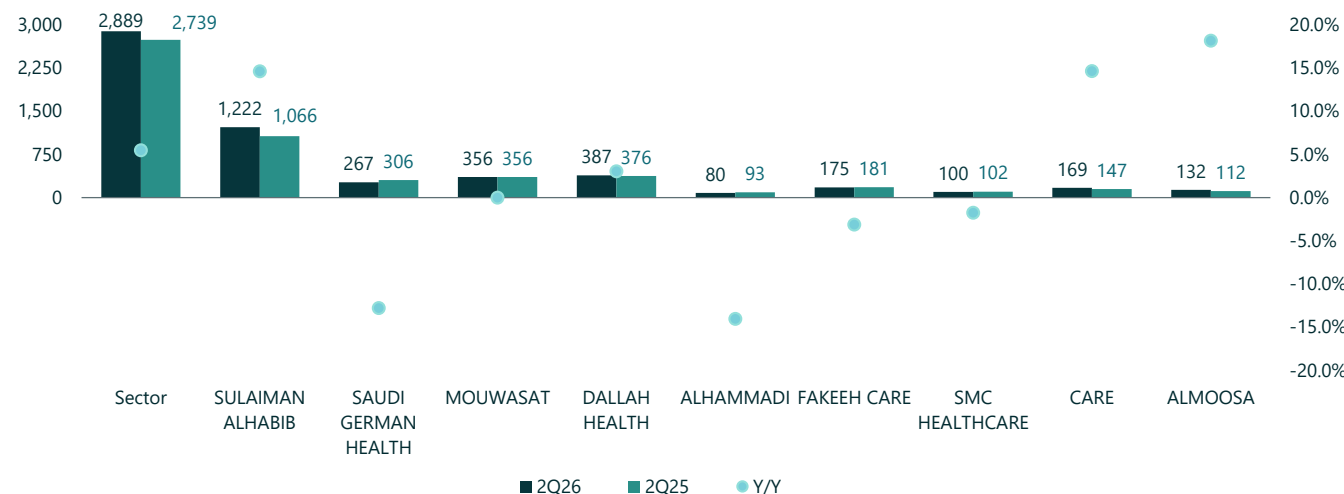


- Eight out of nine healthcare players grew revenue Y/Y during 2Q26. **SULAIMAN's revenue rose +18.4% Y/Y** led by growing patient volume and occupancy gains across its ramping hospital capacities, while **ALMOOSA grew 16.2% Y/Y** on outpatient volumes growth driven by its community clinic model. **CARE's revenue was up +14.7% Y/Y** on a cyclical GOSI and insurance recovery during 2Q26 after a weak 1Q26, while **SGH was up 6.9% Y/Y** as its deliberate MOH-to-insurance mix shift weighed on near-term volumes. **ALHAMMADI (+7.9%), MOUWASAT (+10.1%) and SMC (+5.6%)** all grew more moderately on steady patient demand and rising pharma sales (with sector pharma sales up 16.7% Y/Y driven by post Ramadan volumetric rebound which was further supported by strict SFDA mandate of no price increase in essential drugs). **FAKEEH was the sector's sole decliner -1.6% Y/Y** directly attributable to intensifying local competition in its mature Jeddah hospitals rather than weaker demand. **DALLAH's +4.3% Y/Y growth** was the slowest among growers, as flat legacy Central Region volumes offset stronger contributions from the acquired Khobar and Al-Ahsa hospitals.
- SULAIMAN's growth remained broad-based, with hospitals, pharmacies and its solutions business all expanding together, while SGH's mix shift was deliberate, moving from MOH toward insurance-funded tertiary care even as it hit near-term outpatient and pharmacy growth. ALHAMMADI's growth is increasingly pharmacy led, which can structurally dilute gross margin even as absolute profit rises, on top of two 2Q26 one-offs it expects to unwind by 2H26. DALLAH's payer mix remains insurance-heavy at ~75% of revenue, with outpatient still the larger segment at roughly two-thirds of the total. CARE's mix improved on a genuine cyclical recovery, with GOSI revenue up 28% Y/Y and 44% Q/Q and GOSI plus insurance together making up 67% of quarterly revenue. ALMOOSA remains the most insurance-concentrated payer base at ~85% of revenue, with outpatient volumes up 27% Y/Y validating its community-clinic model, and SMC's mix remained medical-services led even as its smaller pharmacy and food segments grew faster off a low base.
- The Jeddah pressure weighed on SULAIMAN and SGH, with FAKEEH citing the same local competitive intensity behind its slower mature-hospital growth. The Eastern Province outperformed, with ALMOOSA framing regional capacity additions as replacing ageing private infrastructure rather than adding excess supply, a dynamic also sustaining DALLAH's Khobar and Al-Ahsa outperformance. DALLAH's Central Region was the sector's clearest underperformer. ALHAMMADI highlighted a broader regulatory backdrop shared across the sector, including DRG rollout and government co-payment hikes from September 2026, while CARE and SMC witnessed relatively less competition this quarter, with growth driven more by payer recovery and steady segment execution than by geography.

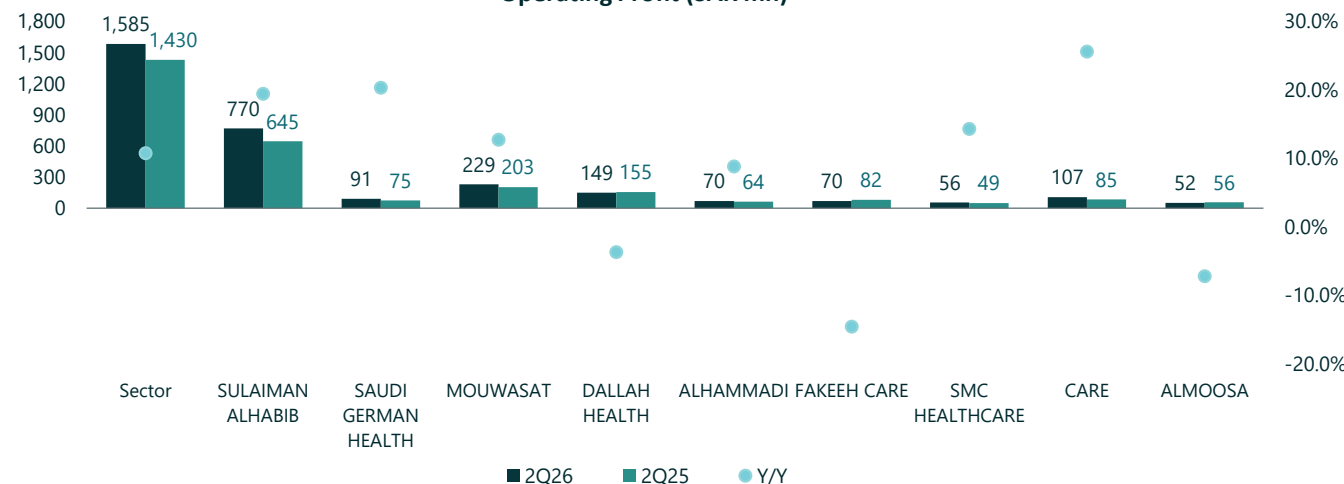
OPERATING PROFITABILITY AND MARGINS

Margins face near-term pressure as expansion, integration and payer-mix shifts play out

Gross Profit (SAR mn)



Operating Profit (SAR mn)



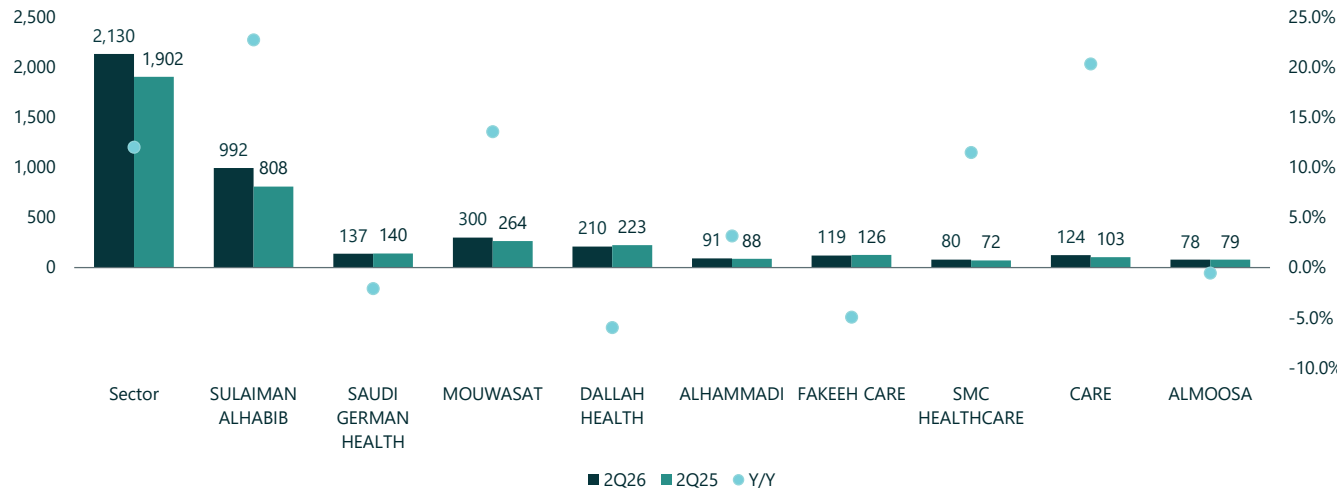
- Sector gross profit growth was **mainly led by SULAIMAN**, whose gross profit increased 14.6% Y/Y on revenue growth, even as margin came under pressure on capacity expansion. **CARE and ALMOOSA also saw notable growth in gross profit at 14.6% Y/Y and 18.2% Y/Y respectively**, with CARE seeing growth due to its GOSI and insurance revenue recovery while ALMOOSA's gross profit grew alongside revenue growth in medical services driven by outpatient volumes. **All other players either saw modest growth or decline in gross profit**, as margin pressure mounted. **SGH and ALHAMMADI saw the sharpest declines**; as their comparatively slower revenue growth got outmatched by margin pressure and gross profit declined 12.8% and 14% Y/Y respectively. SGH gross margins came under pressure due to change in payer mix towards insurance while ALHAMMADI saw pressure on margin due to revenue deduction after settlement with insurance companies and one-off charges relating to NAFEEES and MOH fees. **FAKEEH and SMC saw modest declines**, with gross profit down 3% and 2% Y/Y respectively, with FAKEEH seeing revenue pressure in Jeddah following into gross profit while SMC also seeing contraction in margin. **MOUWASAT, despite seeing revenue growth, had its gross profit flat Y/Y** as launch of the Yanbu Industrial City hospital weighed on margin. **DALLAH saw modest growth** in gross profit as revenue growth trickled down amid stable gross margin.

- Sector operating profit **grew 12.2% Y/Y**, again **led by SULAIMAN**, whose 19.5% Y/Y increase alone accounted for half the sector's operating profitability, with **MOUWASAT (+12.8% Y/Y) and CARE (+25.6% Y/Y)** where MOUWASAT's profitability was supported by better opex controls at ~17% of revenue vs 19.3% during SPLY and an increase in other income Y/Y which partially supported operating profits. CARE's operating profit was largely supported by gross profit growth and lower opex at 14% of revenue vs ~16% a year earlier. Several names showed a sharp divergence between gross profit and operating profit this quarter where **ALMOOSA's operating profit fell 7.2% Y/Y** despite gross profit growth, as a sharp rise in opex (at ~18.6% of revenue vs 16.3% a year earlier), coupled with an ECL of SAR 8.4mn. **ALHAMMADI showed the opposite pattern, with operating profit up 8.8% Y/Y** despite gross profit falling 14.0% Y/Y, aided by an ECL reversal on trade receivables that offset the quarter's insurance-settlement and a gain on property disposal during the quarter. **SGH's operating profit increased 20.4% Y/Y** despite a 13.5% Y/Y drop in gross profit driven by an already low base of 2Q25 for comparison which was lowered by an ECL of SAR 50mn (**Excluding ECL charge of 2Q25 the operating profitability has dropped by ~18% Y/Y**). Moreover, **DALLAH's operating profit fell 3.7% Y/Y** despite a marginal increase in gross profit, as SG&A rose to 21.4% of revenue from 20% a year ago. FAKEEH saw a similar cost pressure, with operating profit down 14.6% Y/Y as SG&A held near ~13% of revenue, while SMC's operating profit still grew 14.3% Y/Y despite a modest gross profit decline of -1.8% Y/Y owing to tighter opex control at 11.1% of revenue vs 14% last year.

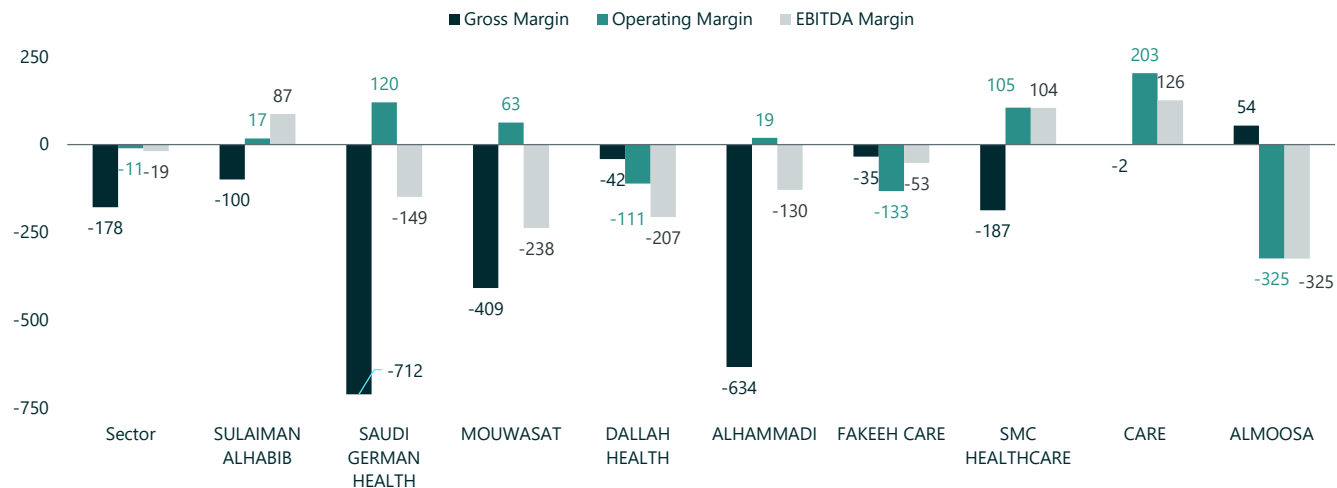
OPERATING PROFITABILITY AND MARGINS

Margins face near-term pressure as expansion, integration and payer-mix shifts play out

EBITDA (SAR mn)



Y/Y Margin change (bps)



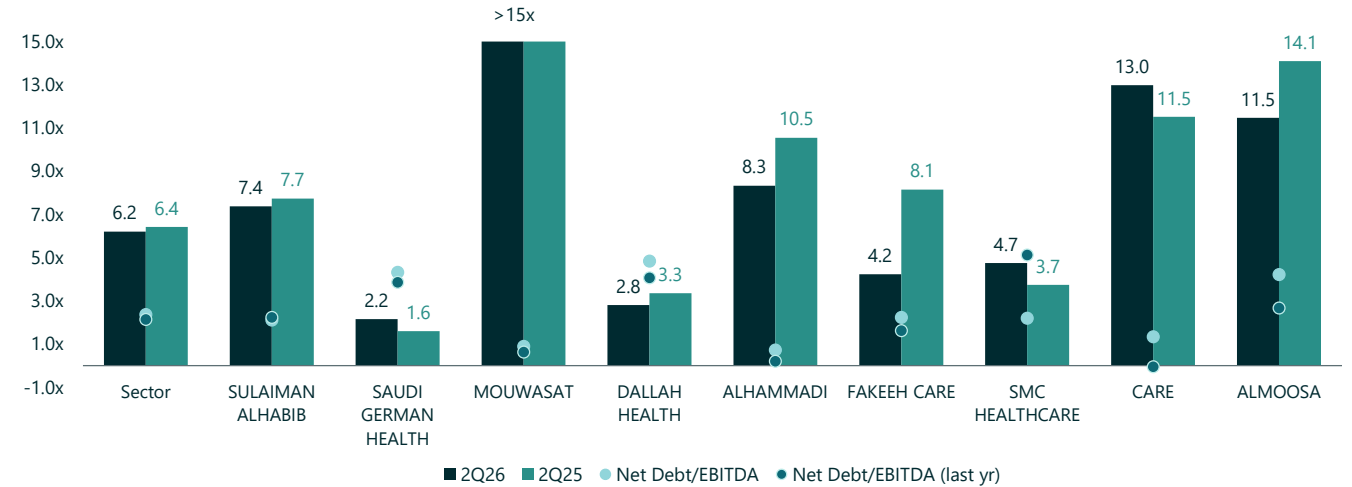
- Sector **EBITDA increased 12.0% Y/Y**, broadly in line with operating profit growth across most companies amid relatively stable depreciation charges. However, EBITDA performance diverged among some key players due to changes in depreciation expense. MOUWASAT's EBITDA rose 13.5% Y/Y, supported by higher depreciation following the commissioning of its Yanbu Hospital. In contrast, SGH's EBITDA declined 2.1% Y/Y despite 20.4% Y/Y growth in operating profit, as operating profit growth was supported by depreciation expense declining by ~28% Y/Y due to the restatement of PPE.
- Ramp-up costs pressured ALMOOSA and FAKEEH, whose EBITDA margins eased even as gross margins mostly held. Whereas, Payer-mix transition hit SGH the most, with gross, operating and EBITDA margins down 712bps, 120bps and 149bps Y/Y, with ALHAMMADI witnessing a 515 bps Q/Q jump in operating margin driven by a one-off ECL related reversal. DALLAH's gross margin dip -42bps Y/Y, driven by the still-maturing Khobar hospital. Additionally, SULAIMAN's gross margin eased slightly -100bps Y/Y, but operating and EBITDA margins expanded +17.5 bps and +87bps on rising utilization, exhibiting high operating leverage shared with CARE and SMC, both posting solid margin gains this quarter.
- Sector gross margin fell to 31.3% in 2Q26 (from 33.1% a year earlier), while operating and EBITDA margins held, slipping by a meagre 14bps and 22bps as ramping hospital capacity absorbed fixed costs. SGH was hit hardest, with gross margin down to 31.5% from 38.6% last year, on its payer-mix transition, though operating margin fell only 120bps against a weak base depressed by a SAR 50mn ECL charge in 2Q25 with PBT falling ~63% for 1H26 due the absence of one-off gain on property disposal booked during 1H25 of ~SAR 114mn. ALHAMMADI's gross margin dropped to 24.8% from 31.2% on its shift toward lower-margin pharma sales, though a one-off ECL reversal surged operating margin, up 515bps Q/Q. DALLAH's gross margin eased a marginal 42bps on its still-maturing Khobar hospital. SULAIMAN, by contrast, saw gross margin dip just 100bps to 30.5% while operating and EBITDA margins expanded 17.5bps and 87bps owing to faster hospital ramp up.

SECTOR LEVERAGE AND BOTTOMLINE PROFITABILITY

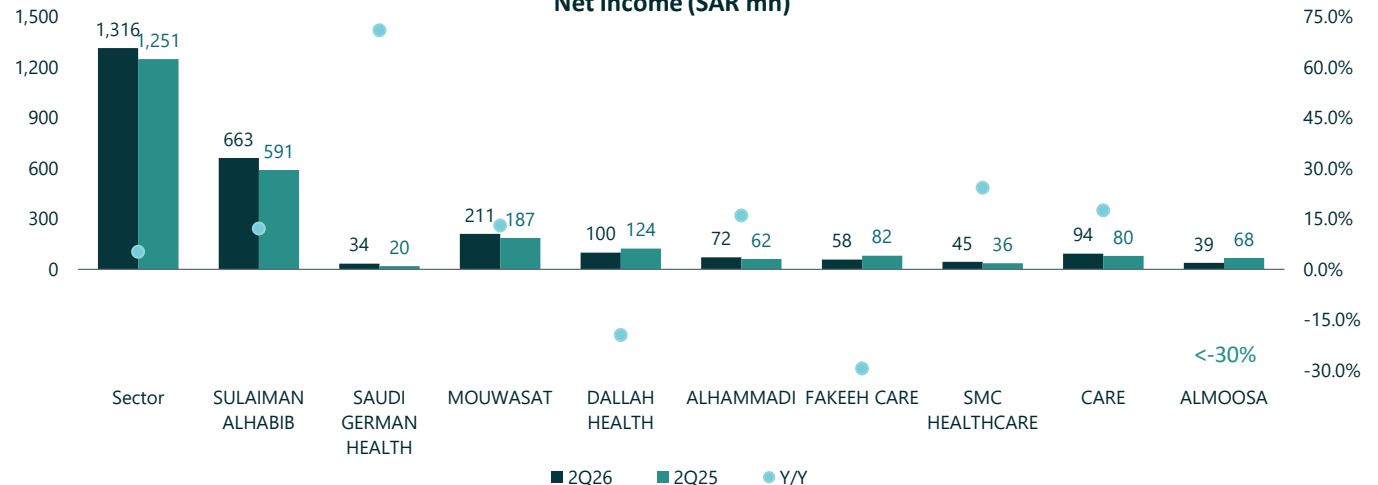
Leverage is diverging between capex-light organic growth and externally funded expansion

- Capacity expansion is being funded through different models across the sector. FAKEEH's SAR 1.6bn Al-Fagih acquisition was fully debt funded, leaving net debt/EBITDA at 2.22x and interest coverage at a moderate 4.21x, prompting a shift toward capital-light partnerships going forward. ALMOOSA is deliberately re-levering after retiring debt post-IPO, now at 4.01x net debt/EBITDA with interest coverage still a healthy 9.5x. DALLAH's net debt/EBITDA jumped to 4.83x, the highest among the listed names, due to its Khobar and Al-Ahsa acquisitions, with interest coverage at the lower end in the sector at 2.8x, though proceeds from the Al-Fagih Hospital disposal are now being applied almost entirely to debt reduction. ALHAMMADI remains the most conservative balance sheet in coverage at just 0.73x net debt/EBITDA and 8.3x interest coverage, with long-term debt avoided altogether and its only loan fully repaid in recent quarter.
- Against the sector's 2.4x average net debt to EBITDA, up from 2.1x during SPLY, the spread is wide. DALLAH (4.8x) and SGH (4.3x) sit at the highly levered end, with SGH's interest coverage the lowest at just 2.2x. MOUWASAT and ALHAMMADI retain ample balance-sheet capacity at 0.9x and 0.7x net debt/EBITDA respectively, with MOUWASAT's interest coverage standing out at 36.0x, by far the strongest in the sector. CARE's leverage is rising off a low base at 1.3x as it funds the Al Narjis build, but interest coverage remains comfortable at 13.0x. ALMOOSA's return metrics show the near-term cost of an aggressive build, with ROCE and ROE both compressed by non-earning assets still under commissioning, even as its 11.5x interest coverage shows debt service is not yet a strain, a dynamic that should ease further as those assets come online.
- Sector net income grew just 5.2% Y/Y in 2Q26 to SAR 1.32bn. However, this conceals a sharp 29.3% Q/Q rebound from a seasonally weak 1Q26, with nearly every player posting a strong sequential recovery. Rising finance costs were a broad-based drag on the Y/Y comparison, capping net income growth despite a better operating performance on a Q/Q basis. SULAIMAN's net income rose 12.1% Y/Y despite finance costs climbing 25.3% Y/Y on its expansion-related debt, while FAKEEH (+64.7% Y/Y) and ALHAMMADI (+37.8% Y/Y) saw the steepest finance-cost increases in the sector, contributing to FAKEEH's 22.0% Y/Y net income decline even as ALHAMMADI's net income still grew 16.0% Y/Y on the ECL reversal discussed earlier. MOUWASAT (+13.1% Y/Y finance costs) and DALLAH (+15.1% Y/Y) also carried a heavier financing burden, with DALLAH's net income falling 19.5% Y/Y as acquisition-related debt costs compounded margin pressure from the still-maturing Khobar hospital. By contrast, SGH and SMC were the only names to see finance costs fall Y/Y (-14.6% and -10.1% respectively) on improved collections and debt reduction. Lower finance costs helped underpin SMC's stronger 24.2% Y/Y net income growth, while also contributed to SGH's income growth (although it was largely driven by restatement of prior year financials and booking an ECL provision in 2Q25). ALMOOSA's saw the sharpest net income decline, which was driven mainly by non-cash mark-to-market swings on derivatives in addition to higher financing costs, which rose by 14.1% Y/Y in line with its ongoing capacity build.

Interest coverage and Net Debt/EBITDA



Net Income (SAR mn)



RECEIVABLES AND WORKING CAPITAL

GOSI/MOH receivables weigh on working capital while insurance collections offer an offset

- Sector receivable days rose to 105.5 in 2Q26 from 103.0 a year ago, a modest 2.5-day increase. CARE saw the highest deterioration, up to 229.0 days from 163.3, followed by DALLAH reaching 123.8 days from 84.4 days in 2Q25 and ALHAMMADI 161.0 from 143.5, reflecting all the companies with higher GOSI or MOH exposure this quarter. MOUWASAT was up to 133.8 days from 113.3 in SPLY and ALMOOSA 170.4 from 167.9 also stretched, though more modestly. On the other hand, SGH improved the most, down to 213.0 days from 234.0, alongside FAKEEH with 121.2 days from 137.6 and SMC 103.6 from 117.0, while SULAIMAN remained the strongest in coverage at 43.5 days from 48.7 receivable days during SPLY.
- The cash conversion cycle tells a similar but more extreme story. SULAIMAN's cycle remained close to zero at 3.9 days, reflecting its well-documented receivables discipline, while CARE's cycle jumped to 189.0 days from 102.5, the largest deterioration in the sector, and DALLAH's cycle rose to 118.5 days from 74.6 as receivables growth outpaced payables. ALHAMMADI 174.0 from 148.9 and MOUWASAT 111.2 from 105.1 also extended, while SGH again improved the most on cash conversion cycle, down to 177.3 days from 195.1, alongside FAKEEH and SMC, both trimming their cycles on Y/Y basis.
- The cash cycle and receivable days align more closely with payer mix and collections discipline. CARE's own disclosures point to GOSI and insurance billings outpacing collections after the quarter's recovery, with a 2025 GOSI settlement still pending. DALLAH cited slower receivables collection directly as a driver of its higher short-term borrowings, and ALHAMMADI's government receivables are running nearly two months behind on disbursement. SGH's improvement reflects a genuine structural shift in billing turnaround, and SULAIMAN's near-zero cycle continues to reflect payment-timing agreements with insurers dating back to 2019.



PROJECT TIMELINES

Company	Project / Facility	Type	Current Status / Update	Expected Timeline
SULAIMAN	Recently launched hospitals	Hospital expansion	Six hospitals commissioned since Mar'24; still ramping (50-55% occupied vs 70-75% mature)	Ongoing ramp-up
	New hospital pipeline (Tabuk)	Hospital expansion	No new owned hospital enters network between Jun'25 and Tabuk	4Q27
	Al Munsiyah / Jubail / Dammam	Hospital expansion	Three projects on track; management expects on/ahead of schedule	2029
	Red Sea O&M contract	O&M contract	Staffing/management only; ~90% fixed fee; no capex or depreciation added	3Q26 start
	AMAALA O&M contract	O&M contract	Same structure as Red Sea; phased implementation	H2 2026
	Primary healthcare centres	Primary care expansion	12 centres operating currently	~3 more in 2026 (to 15 total)
	Operational bed expansion	Capacity expansion	Beds unchanged from prior quarter at call date	+100-150 beds targeted 4Q26
	South Jeddah hospital	Recently launched hospital	Profitable monthly but ramping slower than Women's Health/North Jeddah	Ongoing ramp-up
SGH	North Jeddah hospital	Recently launched hospital	Progressing broadly in line with comparable Riyadh projects	Ongoing ramp-up
	New Jeddah hospital (11-floor)	Hospital expansion	Planned response to intensifying Jeddah competition	Targeted before Mar'27 (Saudia contract renewal)
FAKEEH	Al-Sukh hospital	Recently launched hospital	Still ramping; near-term drag on group profitability	Ongoing ramp-up
	Al-Faqir Hospital (Riyadh)	Acquisition	~350 beds; 100% debt-funded (SAR1.6bn); already EBITDA positive; ~20% Y/Y admissions growth	Completed 20-Jul-26
	NEOM	New business line	Still ramping off small base	Ongoing ramp-up
	Al-Awali medical center	New business line	Revenue +86% Y/Y (+SAR238mn); turned gross-profit positive in 2Q26	Ongoing ramp-up
	Massar Hospital (Mecca)	Pipeline / capital-light	Planned under partnership (asset-light) model post Al-Fagih leverage constraint	Planned
SMC	Three medical centers (Zahra model)	Pipeline / capital-light	Capital-light partnership structure to preserve balance-sheet headroom	Planned
	SEH consortium	Managed contract	Awarded as managing partner (Jun 17); agreement signed; service availability 1Q27	Revenue from 2Q27
	SMC3 (North Ring Road)	Hospital (new build)	Traffic-impact study approved; earthworks underway; structural contractor to be named	Structural work from Sep'26; completion 4Q28
	SMC4 (Khuzam)	Hospital (new build)	Site relocated to larger plot; concept design/hoarding complete	Excavation starting imminently
	SMC5 (Al-Malqa)	Hospital (new build)	Land acquisition still targeted	Land by end-2026; launch 2029
ALHAMMADI	Al-Malqa clinic cluster	Clinic network	35 planned clinics; <10 operating; contributed immaterial 1H26 revenue	Ramp-up through 2026-27
	Narjis hospital expansion	Hospital expansion	Awaiting final floor clearance (targeting 6 floors); construction not yet started	Construction start ~Oct'27; ~3 yrs to operate
	NERD project	Real estate (re-evaluation)	On hold; strategy under review; may sell land instead of building hospital	Under review
	Wareed REIT/listing	Corporate action	File submitted to CMA	CMA approval 4Q26; IPO 3Q27 or early 2028
	Sports Medicine department	New service line	Specialized high-margin clinical offering	Launching 4Q26
ALMOOSA	Bolt-on M&A (home care/physio/labs)	M&A	2-3 deals targeted, SAR10-20mn each; majority stake capped ~40% equity/profit share	Before year-end 2026
	Sulmaniyah Medical Center (Al-Ahsa)	Medical center (66 clinics)	Structure 100% complete; final licensing/commissioning phase (short delay from supply chain)	Q3 2026
	Jubail Medical Center	Medical center (72 clinics)	Final construction/design phase	Q4 2026
	Abqaiq Medical Center	Medical center (~30 clinics)	In development	Early 2027
	Dammam Medical Center	Medical center (~50 clinics)	In development	Q4 2027
DALLAH	Al-Hofuf Specialist Hospital	Hospital (300 beds / 245 clinics)	Superstructure 100% complete (ahead of plan); overall ~50% complete	2027
	Al-Khobar Specialist Hospital	Hospital (400 beds / 360 clinics)	Structure >43% complete (ahead of plan)	Early 2028
	Dallah Al-Aridh Hospital (N. Riyadh)	Hospital (new build)	Construction ongoing; cost-to-complete raised to SAR200mn (from SAR160mn)	Operations from 1Q27
	Khobar 50-bed licence	Capacity expansion	Newly effective; relieves high occupancy; upside to guidance	Effective now
	Nakheel Oasis Real Estate Fund	Non-hospital real estate	Clinics, offices, hotel apartments, residential, retail components	Ongoing
CARE	Al-Fagih Hospital exit	Divestment	Sale completed; SAR467mn of SAR498mn collected; proceeds directed to deleveraging	Closed Jul-26
	Mina Hospital (400-bed) management	Hajj-season contract	One-off engagement; net cost SAR15.3mn after SAR0.5mn revenue	Completed (Hajj 2026)
	Al Narjis Hospital (Riyadh) Phase 1	Hospital (new build)	Capex SAR900mn for Phase 1	Spend complete by end-2027
	Jeddah hospital	Hospital (new build)	Designer appointed; in design phase; capex TBD	First phase operational ~2029-2030
	Al Salam +20 beds	Capacity expansion	Beds physically added; awaiting final MoH licence	Pending licence
MOUWASAT	Cath Lab (Jiwar)	Service line addition	Installed; expands cardiology services	Completed
	ERP / HIS / RCM transformation	IT infrastructure	Full back-end systems overhaul underway	Fully live by end-2027
	AlAhsa Hospital	Hospital (new build; 200 beds)	SAR700mn; board-approved; self-financed + local bank Shariah loans; construction from 1Q26	Financial impact from 4Q29
	Qatif Hospital expansion	Hospital expansion (+100 beds)	SAR350mn; via 51%-owned Eastern Medical Services subsidiary; construction from 4Q25	Financial impact from 4Q28
	Riyadh Hospital expansion	Hospital expansion (+100 beds)	SAR330mn; adjacent new building; construction from 1Q26	Financial impact from 2Q29
	Jeddah Hospital	Hospital (new build; 300 beds/70 ICU/80 clinics)	Expansions: Qatif Hospital in 2Q and Riyadh Hospital expansion in 4Q	Financial impact from 2Q28 and 4Q28
	Yanbu Hospital	Recently launched hospital	Operating with initial 75 beds; expected to achieve profitability ahead of standard 18-month timeline	Ramping up
	Jubail Expansion	Hospital expansion	Planned addition of 100 beds, 20 clinics, and 20 ICU beds	Planning phase
	Abha Hospital	Hospital (new build)	Planned 200-bed facility	Operational target 4Q29

GUIDANCE ON REGULATORY AND OTHER INDUSTRY-WIDE TRENDS

Company	Regulatory / Policy Item / Trend	Type	Current Status / Update	Expected Timeline
SULAIMAN	DRG shadow billing rollout	Reimbursement reform	Regulator missed 1-Jul deadline to publish base-rate data; entire sector affected	Delay likely; mgmt sees 1.5-2 yrs of shadow billing before 2028 target
DALLAH	DRG shadow billing rollout	Reimbursement reform	Entire market expected to begin shadow billing this quarter; official 2028 date still in place	Shadow billing from 3Q26; implementation 2028
CARE	DRG shadow billing rollout	Reimbursement reform	No official delay confirmed, but guidelines promised end-1Q26/early-2Q26 not yet issued	Possible delay (unconfirmed)
SGH	DRG shadow-billing readiness	Reimbursement reform	100% of cases now under shadow billing; case-mix index risen to 2.4 from 1.6	Ongoing
SMC	DRG readiness / coding training	Reimbursement reform	Launched accredited medical-coding training program with Saudi Commission for Health Specialties	Ongoing
ALHAMMADI	DRG billing rollout	Reimbursement reform	Flagged as imminent structural change to hospital reimbursement dynamics	Within 18 months
ALHAMMADI	Wise Spending Council co-payments	Payer/government policy	Co-pay up to SAR300 for VIP/PIF-linked govt employees; dental cap cut SAR10,000 to SAR2,000	Effective Sep-2026
ALHAMMADI	Insurer gatekeeping (Tawuniya/Bupa)	Payer policy	Insurers routing patients to owned primary clinics via premium discounts; anti-competition/data-privacy concerns raised with MoH	Ongoing
ALHAMMADI	Sector consolidation view	Industry structure	Management expects provider M&A/consolidation in Riyadh as margins compress under new gatekeeping rules	Before 2028
CARE	GOSI inclusion in DRG multiplier	Reimbursement reform	No official guidance by management	Unresolved
DALLAH	Value-Based Healthcare / bundled payments	Payer reform	Co-design phase with Council of Health Insurance on bundled payment model progressing	In progress
MOUWASAT	Insurer Reconciliations & Provisions	Payer policy / Receivables	Reconciliations with key insurers (Bupa and Tawuniya) finalized through FY25; refund liabilities and rejection provisions remain conservative	Finalized through FY25
MOUWASAT	Receivables & MOH Collections	Payer / Working capital	Transitory 2Q26 receivables spike (~SAR 300mn from May technical claim delay and delayed MOH payments) fully collected in July; days normalized	Resolved Jul-2026
MOUWASAT	Procurement & CapEx Inflation	Macro / Procurement	CapEx outlays remain insulated from recent commodity price increases due to pre-secured machinery purchase orders and construction contracts	Ongoing

TASI

Dr. Sulaiman Al Habib Medical Services Group (SULAIMAN AB)

2Q26 Financials Review

Bloomberg	SULAIMAN AB
Rating	HOLD
Market Price	228
12-month Target Price	240
Upside / Downside	5.2%
Mkt Cap (SAR mn)	79,800
52 week High/Low	281.2/210.1



Dr. Sulaiman Al Habib Medical Services Group (SULAIMAN ALHABIB) (HOLD, TP: SAR 240) 2Q26 Financials Review

Broad-based revenue growth supports earnings despite ramp-up and financing pressures

SULAIMAN's net income rose 12.1% Y/Y to SAR 662.7mn (EPS SAR 1.89) on 18.4% Y/Y revenue growth to SAR 4.01bn. Gross margin dipped ~100bps Y/Y to 30.5% due to newer-hospital ramp-up costs, but rising network utilization lifted operating and EBITDA margins by 17.5bps and 87bps Y/Y, respectively. Bottom-line profitability remained resilient, with net income still growing in double digits despite finance costs rising 25.3% Y/Y on debt tied to the expansion.

- Revenue grew 18.4% Y/Y to SAR 4.01bn, rebounding 16.6% Q/Q from a Ramadan and conflict-affected 1Q26 (SAR 3.44bn). Hospitals/healthcare facilities revenue rose 17.1% Y/Y to SAR 3.10bn on higher patient volumes and occupancy, pharmacies revenue rose 21.6% Y/Y to SAR 844mn on greater hospital footfall, and Solutions/Others grew fastest at 46.7% Y/Y to SAR 66mn off a smaller base. Strong performance across all three months of the quarter indicates that growth was broad-based and supported by underlying demand, rather than a one-off release of pent-up demand from 1Q26.
- The group's six hospitals commissioned since Mar'24 continue to ramp, running at 50-55% occupancy versus 70-75% at mature sites, and accounted for 75% of 1H26's revenue growth. South Jeddah hospital (commissioned in 2024) is ramping slower than north Jeddah (commissioned in 2025) on location and demographic factors, and amid rising local competition, though it is now profitable on a monthly basis. No new owned hospital enters the network before Tabuk in 4Q27, giving the current ramp-up capacities over two years to mature.
- EBITDA grew 22.7% Y/Y to SAR 992mn (margin: 24.8%, +87bps Y/Y), as opex-to-sales improved 120bps Y/Y to 11.3%, more than offsetting the gross margin decline and exhibiting high operating leverage as fixed costs are absorbed and prior capacity additions begin to ramp up. Gross margin, while down ~100bps Y/Y, improved sequentially to 30.5% in 2Q26 from 27.8% in 1Q26, as newer hospitals continue to ramp up, driving gross profit higher by 14.6% Y/Y to SAR 1.2bn. Operating profit grew faster than gross profit to SAR 770mn, reflecting the benefit of operating leverage.
- Net income growth of 12.1% Y/Y lagged operating profit growth as finance costs nearly doubled since 3Q24 to SAR 104.5mn (+25.3% Y/Y) on debt tied to the expanded network. Net debt/EBITDA still improved to 2.10x from 2.23x Y/Y and debt-to-equity eased to 1.1x from 1.12x.
- Looking ahead, *SULAIMAN's near-term growth pipeline remains asset-light and margin-accretive, with the Red Sea and AMAALA O&M contracts requiring no capex, while the next owned-hospital additions, Tabuk (4Q27), Al Munsiyah (2Q29), and Jubail and Dammam (end-2029), provide a longer-term expansion runway and allow the recent hospital capacities to mature. Management expects margin pressure to ease from 2Q27 as newer facilities ramp up and utilization improves. Primary-care clinics are also emerging as a longer-term growth driver. While hospital gross margins remain under pressure due to new-hospital ramp-up costs, further occupancy gains should support recovery. Near term earnings pressure will stem from the renewed interest rate increases amid global inflationary pressures, although we expect revenue growth to continue driving bottom-line expansion. Maintain HOLD.*

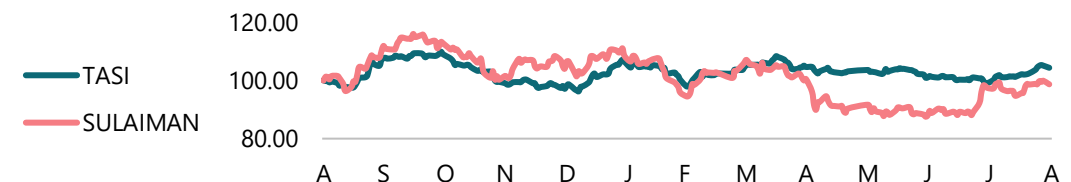
Rating and Risks

We are HOLD rated on SULAIMAN and our 12-month price target is SAR 240. Upside risks include faster-than-expected utilization ramp-up at newly commissioned hospitals and stronger-than-expected patient volumes. Downside risks include slower hospital ramp-up, continued margin pressure from new facilities, higher financing costs and margin pressure from the implementation of DRG.

SAR mn	2Q26	1Q26	2Q25	Q/Q	Y/Y
Hospitals / Healthcare Facilities	3096	2624	2645	18.0%	17.1%
Pharmacies	844	736	694	14.7%	21.6%
HMG Solutions / Others	66	76	45	-13.2%	46.7%
Total Revenue	4006	3436	3384	16.6%	18.4%
Gross Profit	1222	956	1066	27.8%	14.6%
Operating expenses	452	368	421	22.6%	7.2%
Operating profit	770	588	645	31.1%	19.5%
EBITDA	992	801	808	23.9%	22.7%
Finance costs	104	104	83	0.4%	25.3%
Net Income	663	503	591	31.7%	12.1%
EPS	1.89	1.44	1.69	31.7%	12.1%
Gross margin	30.5%	27.8%	31.5%	268 bps	-100 bps
Operating margin	19.2%	17.1%	19.1%	212 bps	17 bps
EBITDA margin	24.8%	23.3%	23.9%	145 bps	87 bps
Net margin	16.5%	14.6%	17.5%	189 bps	-92 bps

Forecasts	2025A	2026E	2027E	2028E
Revenue (SAR mn)	13,707	14,420	15,637	18,283
EBITDA (SAR mn)	3,291	3,591	4,076	4,862
Profit after tax (SAR mn)	2,401	2,363	2,690	3,322
EPS (SAR)	6.86	6.75	7.69	9.49
DPS (SAR)	4.83	4.73	4.61	5.69
PER (x)	33.6	34.1	30.0	24.3
Dividend Yield	2.1%	2.1%	2.0%	2.5%
Return On Equity	29.6%	26.6%	26.8%	29.1%

Price Chart



Dr. Sulaiman Al Habib Medical Services Group: Summary Financials

Forecasts	2025A	2026E	2027E	2028E	Statement of Cashflows	2025A	2026E	2027E	2028E
Revenue	13,707	14,420	15,637	18,283	EBITDA	3,291	3,591	4,076	4,862
Gross Profit	4,207	4,445	4,935	5,770	Change in working capital	41	-290	105	293
Operating profit	2,619	2,706	3,105	3,668	CAPEX	3,201	1,900	2,842	2,860
EBITDA	3,291	3,591	4,076	4,862	FCFF	329	1,339	1,397	2,627
Finance costs	-339	-459	-578	-513	Cashflow to lenders	-738	-584	-1,814	2,020
Profit after tax	2,401	2,363	2,649	3,288	Cashflow to equity holders	1,676	1,695	2,026	2,630
EPS (SAR)	6.86	6.75	7.57	9.39	Increase in cash and cash equivalents	-609	227	1,185	-2,023
DPS	4.83	4.73	4.61	5.69					
PER (x)	33.9	34.5	30.3	24.5					
Dividend Yield (x)	2.10%	2.00%	2.00%	2.40%					
Balance Sheet	2025A	2026E	2027E	2028E	Ratios	2025A	2026E	2027E	2028E
Total current assets	5,427	5,592	4,017	4,687	Gross margin	30.7%	30.8%	31.6%	31.6%
Total Fixed Assets	17,778	19,042	21,188	23,184	Operating margin	19.1%	18.8%	19.9%	20.1%
Total Assets	23,205	24,634	25,204	27,872	EBITDA margin	24.0%	24.9%	26.1%	26.6%
Short-term loans	96	121	110	116	Net margin	17.5%	16.4%	16.9%	18.0%
Total current liabilities	4,719	4,389	4,703	5,455	Interest coverage (x)	7.7	6.0	5.8	7.7
Long Term loans	8,735	9,686	8,770	9,237	Net debt/EBITDA	2.1	2.2	2.1	1.8
Total non-current liabilities	10,058	11,022	10,103	10,567	Debt to Assets	0.4	0.4	0.4	0.4
Total liabilities	14,776	15,410	14,806	16,022					
Total Equity	8,429	9,227	10,405	11,860					
Total liabilities and equity	23,205	24,634	25,204	27,872					

TASI

Middle East Healthcare Co. (MEH AB)

2Q26 Financials Review

Bloomberg	MEH AB
Rating	UNDER REVIEW
Market Price	29.80
12-month Target Price	n/a
Upside / Downside	n/a
Mkt Cap (SAR mn)	2742.79
52 week High/Low	59.20/28.66



Middle East Healthcare Co. (SAUDI GERMAN HEALTH) (UNDER REVIEW) 2Q26 Financials Review

Strategic shift from MOH to insurance revenue weighs on margins despite record revenue

SGH's net profit rose 73% Y/Y to SAR 34.3mn (EPS SAR 0.37), on 6.9% Y/Y revenue growth to SAR 845.5mn, as the group continued its strategic pivot toward higher-value insurance patients. Gross margin contracted ~712bps Y/Y to 31.5% as new physician hiring and the MOH-to-insurance transition pushed costs ahead of sales, but tighter Opex control (SG&A down to 21% of sales from 24%) and a prior-year adjustment ECL charge lifted operating profit 20.4% Y/Y.

- Revenue grew 6.9% Y/Y and ~10.5% Q/Q to SAR 845.5mn, extending 1H26 revenue to a record SAR 1.61bn (+6.7% Y/Y). In-patient services revenue rose 10.7% Y/Y to SAR 467mn and outpatient grew 2.5% Y/Y to SAR 267mn, while pharmacy sales declined 3.0% Y/Y to SAR 104mn. MOH business contracted Y/Y as its revenue declined by 12% and the mix shifted towards insurance as insurance rose to 55-56% of revenue vs. ~27% for MOH.
- Group bed occupancy improved to ~78% from 75% Y/Y (inpatient occupancy running ~96% group-wide), but performance diverged sharply by region. Dammam revenue grew ~20% Y/Y in 1H26 to SAR 224mn and has been the group's strongest market for six consecutive quarters, while Riyadh revenue declined 6.6% Y/Y, the only region to contract. Jeddah revenue was roughly flat (+SAR 2.6mn) amid intensifying local competition; no new bed additions are currently planned at Dammam or Makkah, leaving further near-term growth there dependent on pricing and case mix rather than capacity.
- Operating profit rose 20.4% Y/Y to SAR 90.9mn as a smaller ECL charge (SAR 3.4mn vs SAR 50.0mn in 2Q25) and improved SG&A leverage (21% of sales vs 24% Y/Y) partly offset the gross-margin decline, even as staff costs tied to new physician hires rose over 20% Y/Y. The ECL provision booked was a prior year adjustment due to irregularities discovered in the financials. Ignoring the ECL adjustment, operating profit would have been down by 18% Y/Y.
- Net debt eased to SAR 2.28bn from SAR 2.40bn at the start of the year as finance costs fell 10.9% Y/Y to SAR 42.2mn on faster insurance/MOH collections (billing turnaround down to ~15 days from 28-38 days), and 1H26 operating cash flow more than doubled Y/Y to SAR 355.9mn from SAR 135.9mn, exhibiting high cash-generation amid better recoveries.
- The positive that we observe is the improvement in collection and receivable days, as mix-shift from MOH towards insurance is likely to improve collections further, however the margin drag will continue. Capacity expansion remains focused on the new 11-floor Jeddah hospital tower, targeted to open before the March 2027 renewal of the Saudia Airlines contract, however Jeddah market remains highly competitive with recent additions and SGH's expansion is likely to further impact margins. Management has withheld 2026/27 guidance amid an ongoing strategy review, but expects margins to improve as restructuring and cost controls measures take place. The key risk has become the accounting irregularities, with management estimating a cumulative prior-period correction of ~SAR 427-428mn related to overstated property and equipment and under-provisioned MOH receivables. The newly appointed auditor has issued a qualified opinion on the financials and does not confirm the management's estimated total restatement or the impact going forward. As such, until the auditor is able to issue an unqualified opinion on financials and confirm the total extent of accounting irregularities, we withdraw our forecasts and put the stock UNDER REVIEW.*

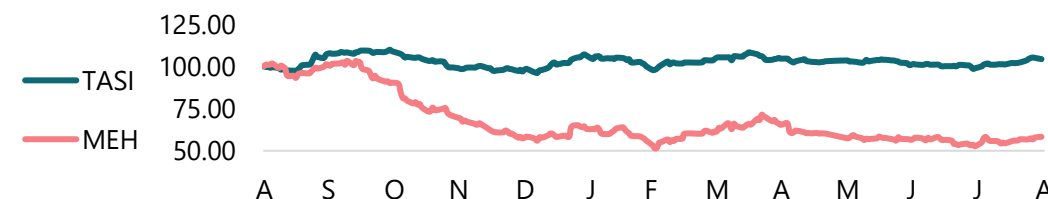
Rating and Risks

Our rating for SGH is UNDER REVIEW. Upside risks include quicker margin recovery from the insurance/MOH mix shift, and stronger-than-expected patient volume growth in Dammam and Makkah. Downside risks include, continued Jeddah competitive pressure ahead of the new expansion's 2027 opening, slower-than-expected Jeddah hospital ramp up, and margin impact due to DRG implementation.

SAR mn	2Q26	1Q26	2Q25	Q/Q	Y/Y
In Patient services	467	446	422	4.9%	10.7%
Outpatient services	267	222	261	20.2%	2.5%
Pharmacy sales	104	95	107	9.9%	-3.0%
Total Revenue	846	765	791	10.5%	6.9%
Gross Profit	267	254	306	4.8%	-12.8%
Operating expenses	182	180	237	1.0%	-23.6%
Operating profit	91	80	75	13.5%	20.4%
EBITDA	137	141	140	-2.7%	-2.1%
Finance costs	42	43	47	-2.0%	-10.9%
Net Income	34	26	20	33.7%	73.3%
EPS	0.37	0.28	0.22	33.7%	73.3%
Gross margin	31.5%	33.2%	38.6%	-171 bps	-713 bps
Operating margin	10.7%	10.5%	9.5%	29 bps	120 bps
EBITDA margin	16.2%	18.4%	17.7%	-220 bps	-149 bps
Net margin	4.1%	3.4%	2.5%	70 bps	156 bps

Forecasts	2025A	2026E	2027E	2028E
Revenue (SAR mn)	3,103			
EBITDA (SAR mn)	773			
Profit after tax (SAR mn)	302			
EPS (SAR)	3.28			
DPS (SAR)	0.50			
PER (x)	9.75			
Dividend Yield	1.6%			
Return On Equity	16.1%			
			Under review	

Price Chart



Rating Framework

Buy

Shares of the companies under coverage in this report are expected to outperform relative to the sector or the broader market.

Hold

Shares of the companies under coverage in this report are expected to perform in line with the sector or the broader market.

Sell

Shares of the companies under coverage in this report are expected to underperform relative to the sector or the broader market.

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