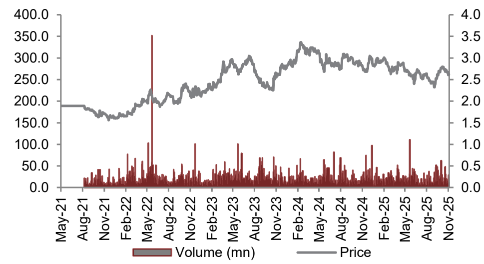
Dr. Sulaiman Al Habib Medical Services Group

Sector: Healthcare

BUY

16 November 2025

Target price (SAR)	**295.00**
Current price (SAR)	**261.60**
Return	**+12.8%**



Exchange	Saudi Arabia
Index weight (%)	2%

(mn)	SAR	USD
Market Cap	91,560	24,415
Enterprise value	98,778	26,328

Major shareholders	
Al Habib Sulaiman Ab	40.0%
Mohammed Abdulaziz	28.8%
Al Habib Hesham	2.0%
Others	29.2%

Valuation Summary (TTM)	
PER TTM (x)	38.7
P/Book (x)	11.9
EV/EBITDA (x)	31.1
Dividend Yield (%)	1.8
Free Float (%)	29%
Shares O/S (mn)	350
YTD Return (%)	-7%
Beta	1.0

Key ratios	2022	2023	2024
EPS (SAR)	4.72	5.85	6.62
BVPS (SAR)	16.80	18.53	20.50
DPS (SAR)	3.48	4.32	4.77
Payout ratio (%)	74%	74%	72%

Price performance (%)	1M	3M	12M
Dr Sulaiman Al Habib Medical	-5%	3%	-6%
Tadawul All Share Index	-4%	4%	-6%

52 week	High	Low	CTL*
Price (SAR)	308.00	227.70	14.9

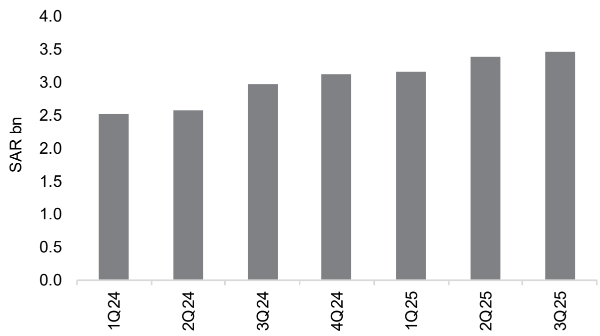
* CTL is % change in CMP to 52wk low

- **Topline growth powered by new capacity additions and comes in line with our estimates.**
- **Margins come under pressure, as growth pangs limit bottom-line growth, missing our estimates marginally.**
- **We continue to remain positive on Al Habib, as we consider the pressure on margins to be temporary and expect the same to recover as the new facilities utilization improve.**
- **We retain both our target price, at SAR 295 per share, and Buy rating on Al Habib.**

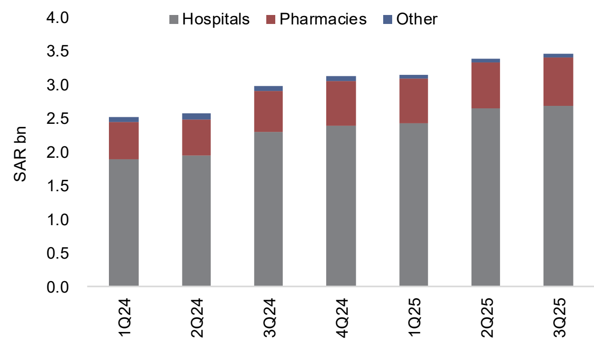
Dr. Sulaiman Al Habib Medical Services Group (Al Habib) reported strong top-line growth, with revenue rising 16.4% YoY to SAR 3.5 bn in 3Q25. This performance was driven by higher patient volumes, which boosted utilization of existing beds, along with contributions from newly added capacity. Between 1Q24 and 2Q25, the company inaugurated six hospitals with a cumulative capacity exceeding 1,500 beds. Reported revenue slightly surpassed our estimate by 0.9%. Growth was primarily supported by a robust 17.0% YoY increase in the hospital segment, while the pharmacy segment also posted solid growth of 18.0% YoY, benefiting from improved hospital performance. Gross profit rose 5.8% YoY to SAR 1.0 bn, though the gross margin declined to 30.3% in 3Q25 from 33.3% in 3Q24. Margin pressure stemmed from the higher fixed costs associated with recently opened hospitals. This margin compression was broadly in line with expectations, albeit slightly lower than our projected levels of 32.0%. Operating expenses increased 4.5% YoY, mainly due to higher administrative costs, while finance costs surged 68.9% following the commissioning of new facilities. Consequently, net income grew modestly by 1.1% YoY to SAR 602 mn, coming in 3.1% below our estimates due to lower-than-expected gross margins. Looking ahead, we expect revenue growth to remain strong, supported by the continued rollout of new facilities. However, margins are likely to stay under pressure relative to historical levels in the short term. Al Habib has also announced two new projects in Dammam and Riyadh, the former at a cost of SAR 988 mn with a capacity of 145 beds, and the latter with an investment of SAR 991 mn and a capacity of 160 beds. Construction is expected to begin in 4Q25, with operations commencing by 2Q29 for both projects. In addition, the company has leased land in Tabuk and Jubail and secured management contracts with Amaala Hospital and Red Sea Hospital, all of which are upcoming facilities. With most of these projects expected to commence operations in 2028 and 2029.

Valuation: Al Habib's 3Q25 performance was characterized by strong top-line growth, while net income increased at a relatively slower pace due to margin pressure from newly opened hospitals. Although this was anticipated, net income came in marginally below expectations. Nevertheless, we remain confident in the company's ability and proven track record of achieving breakeven for new projects faster than its peers. With one phase of its expansion completed, Al Habib has now outlined the next stage of capacity buildup, providing solid growth visibility over the medium term. Overall, we maintain our target price for Al Habib at SAR 295 per share and reiterate our Buy rating.

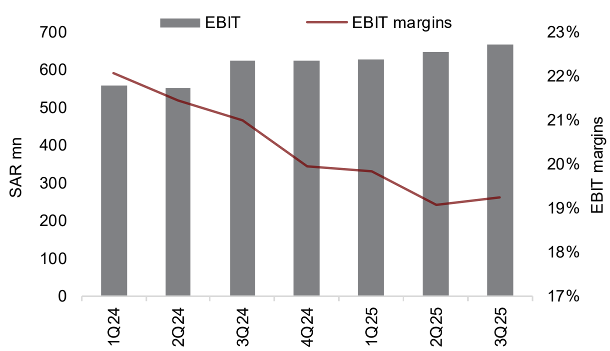
Revenue grows on increased patient flow



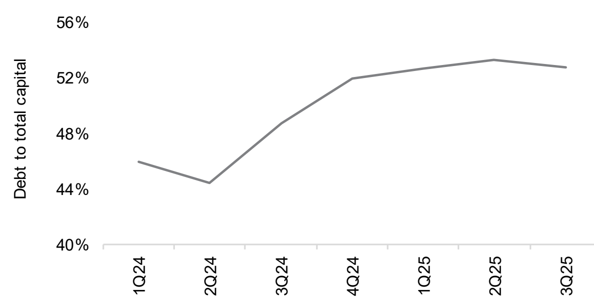
Topline growth driven by hospitals and pharmacies



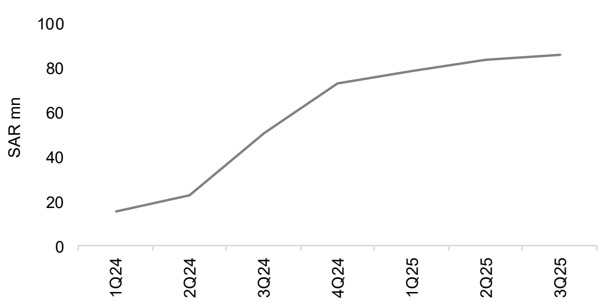
Margins under pressure limiting profit growth

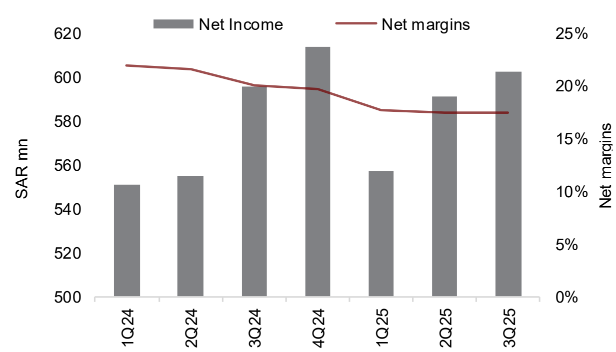


Leverage increases and likely to remain high



Finance cost increases as new hospitals comes into operation; this along with lower EBIT limits net income





Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	7,250	8,311	9,508	11,200	13,544	14,991	17,186	19,405
Cost of sales	(4,920)	(5,563)	(6,238)	(7,456)	(9,332)	(10,254)	(11,669)	(13,273)
Gross profit	**2,330**	**2,748**	**3,270**	**3,744**	**4,212**	**4,737**	**5,517**	**6,132**
Operating expenses	(864)	(1,048)	(1,174)	(1,388)	(1,610)	(1,755)	(1,929)	(2,114)
Operating profit	**1,466**	**1,700**	**2,096**	**2,356**	**2,603**	**2,982**	**3,588**	**4,018**
Other income	73	146	144	219	206	210	214	219
Net finance income	(38)	(49)	(70)	(163)	(337)	(337)	(338)	(339)
Earnings before tax	**1,501**	**1,797**	**2,170**	**2,413**	**2,472**	**2,856**	**3,464**	**3,898**
Tax	(114)	(108)	(69)	(43)	(44)	(51)	(62)	(70)
Net income pre minority interest	**1,387**	**1,689**	**2,101**	**2,370**	**2,427**	**2,804**	**3,402**	**3,828**
Minority interest	(11)	(38)	(55)	(55)	(78)	(90)	(109)	(122)
Net income post minority interest	**1,377**	**1,651**	**2,046**	**2,315**	**2,350**	**2,714**	**3,293**	**3,705**

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	6,653	7,937	11,163	14,773	15,716	16,808	18,129	18,676
Other non-current assets	41	487	498	465	480	496	511	527
Total non-current assets	**6,694**	**8,424**	**11,660**	**15,239**	**16,196**	**17,303**	**18,640**	**19,204**
Trade receivables	899	742	703	1,110	1,343	1,486	1,704	1,924
Inventories	407	490	543	847	1,060	1,165	1,325	1,508
Cash and cash equivalents	2,644	2,747	2,620	2,891	3,279	3,392	3,612	4,833
Other current assets	183	181	271	471	570	631	723	817
Total current assets	**4,133**	**4,160**	**4,138**	**5,319**	**6,252**	**6,674**	**7,364**	**9,081**
Total assets	**10,827**	**12,584**	**15,798**	**20,558**	**22,448**	**23,977**	**26,005**	**28,285**
Share Capital	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Total reserves	1,839	2,379	2,985	3,675	4,474	5,397	6,516	7,776
Minority interest	188	227	281	438	515	605	714	836
Total equity	**5,527**	**6,106**	**6,766**	**7,613**	**8,489**	**9,502**	**10,730**	**12,113**
Lease liabilities current portion	39	44	42	74	78	83	92	100
Short-term loans	318	168	96	96	96	95	95	95
Trade payables	805	961	1,280	1,840	2,303	2,530	2,880	3,275
Other current liabilities	886	1,417	1,881	2,151	2,693	2,959	3,367	3,830
Total current liabilities	**2,048**	**2,590**	**3,299**	**4,162**	**5,169**	**5,668**	**6,434**	**7,301**
Non-current lease liabilities	253	277	235	333	348	372	413	450
Loans and borrowings	2,511	3,093	4,865	7,711	7,688	7,666	7,643	7,621
Other non-current liabilities	489	518	633	739	754	769	785	800
Total non-current liabilities	**3,253**	**3,888**	**5,733**	**8,783**	**8,790**	**8,807**	**8,841**	**8,871**
Total Liabilities	**5,300**	**6,478**	**9,032**	**12,945**	**13,959**	**14,475**	**15,275**	**16,172**
Equity and liabilities	**10,827**	**12,584**	**15,798**	**20,558**	**22,448**	**23,977**	**26,005**	**28,285**

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	2,183	2,844	3,244	2,970	3,302	3,411	4,119	4,644
Cash from investments	(1,248)	(1,939)	(3,487)	(3,775)	(1,354)	(1,499)	(1,719)	(970)
Cash from financing	(631)	(801)	116	1,075	(1,559)	(1,799)	(2,181)	(2,453)
Net changes in cash	305	103	(127)	270	388	113	220	1,221
Closing balance (C/b)	**2,644**	**2,747**	**2,620**	**2,891**	**3,279**	**3,392**	**3,612**	**4,833**

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	3.9	4.7	5.8	6.6	6.7	7.8	9.4	10.6
BVPS	15.3	16.8	18.5	20.5	22.8	25.4	28.6	32.2
DPS	2.8	3.5	4.3	4.8	4.4	5.1	6.2	7.0
FCF/share	2.7	2.6	(0.7)	(2.3)	5.6	5.5	6.9	10.5
Valuations								
M.Cap (SAR mn)	53,222	70,145	91,025	91,700	91,560	91,560	91,560	91,560
EV (SAR mn)	53,886	71,206	93,923	97,462	97,005	96,990	96,905	95,830
EBITDA (SAR mn)	1,781	2,010	2,408	2,777	3,032	3,420	4,034	4,487
P/E	38.7	42.5	44.5	39.6	39.0	33.7	27.8	24.7
EV/EBITDA	30.3	35.4	39.0	35.1	32.0	28.4	24.0	21.4
EV/Sales	7.4	8.6	9.9	8.7	7.2	6.5	5.6	4.9
P/BV	10.0	11.9	14.0	12.8	11.5	10.3	9.1	8.1
P/S	7.3	8.4	9.6	8.2	6.8	6.1	5.3	4.7
Div. yield	1.8%	1.7%	1.7%	1.8%	1.7%	2.0%	2.4%	2.7%
Liquidity								
Cash Ratio	1.3	1.1	0.8	0.7	0.6	0.6	0.6	0.7
Current ratio	2.0	1.6	1.3	1.3	1.2	1.2	1.1	1.2
Quick ratio	1.8	1.4	1.1	1.1	1.0	1.0	0.9	1.0
Return ratio								
ROA	12.8%	13.4%	13.3%	11.5%	10.8%	11.7%	13.1%	13.5%
ROE	25.8%	28.1%	31.5%	32.3%	29.5%	30.5%	32.9%	32.9%
ROCE	17.0%	17.6%	17.5%	14.9%	15.6%	16.8%	18.9%	19.7%
Cash cycle								
Trade receivables	8.1	11.2	13.5	10.1	10.1	10.1	10.1	10.1
Inventory	12.1	11.3	11.5	8.8	8.8	8.8	8.8	8.8
Payable turnover	6.1	5.8	4.9	4.1	4.1	4.1	4.1	4.1
Receivables days	45	32	27	36	36	36	36	36
Inventory days	30	32	31	41	41	41	41	41
Payable days	59	62	74	89	89	89	89	89
Cash Cycle	16	2	(16)	(12)	(12)	(12)	(12)	(12)
Profitability ratio								
EBITDA margins	24.6%	24.2%	25.3%	24.8%	22.4%	22.8%	23.5%	23.1%
Operating margins	20.2%	20.5%	22.0%	21.0%	19.2%	19.9%	20.9%	20.7%
PBT margins	20.7%	21.6%	22.8%	21.5%	18.3%	19.0%	20.2%	20.1%
Net margins	19.0%	19.9%	21.5%	20.7%	17.3%	18.1%	19.2%	19.1%
Leverage								
Total debt (SAR mn)	3,120	3,582	5,238	8,215	8,209	8,217	8,243	8,266
Net debt (SAR mn)	476	835	2,618	5,324	4,930	4,825	4,631	3,433
Debt/Total assets	28.8%	28.5%	33.2%	40.0%	36.6%	34.3%	31.7%	29.2%
Debt/Equity	56.5%	58.7%	77.4%	107.9%	96.7%	86.5%	76.8%	68.2%

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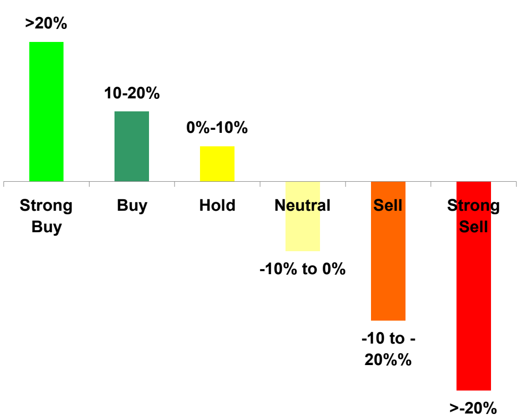
Rating Criteria and Definitions

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

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