Al Hammadi Holding

Results Flash Note Q2-26

Q2-26 earnings beat driven by non-operating gains; Core margins remain under pressure

AlHammadi's earnings grew 16.0% Y/Y to SAR 72mn, significantly exceeding our and consensus estimates. Earnings beat was driven by favorable non-operating items, including the SAR 9.2mn ECL provision reversal, SAR 7.0mn one-off gain on land expropriation, and a 108.1% rise in the share of profit from associates. Excluding the one-off land disposal gain, earnings would have grown modestly by 4.7% Y/Y. Revenues grew 7.9% Y/Y, in line with our estimates, supported by resilient Medical Services revenues and strong growth in the Pharma segment. Despite the healthy top-line performance, gross margins contracted 634bps Y/Y as higher operating costs outpaced revenue growth, although lower operating expenses helped sustain operating profitability. AlHammadi's ongoing capacity expansion provides meaningful medium-term growth runway, we expect near-term earnings to remain constrained by pre-operating costs, gradual ramp-up of new facilities and intense competition in Riyadh.

- **AlHammadi reported net income** of SAR 72mn in Q2-26, up 16.0% Y/Y and 27.8% Q/Q. The result was significantly above AJBC and consensus estimate of SAR 59mn and SAR 62mn, respectively. Earnings beat was driven by several favorable non-operating tailwinds. The quarter reflected a favorable swing in ECL provisions, with the company recording a SAR 9.2mn reversal (vs a SAR 10.9mn charge in Q2-25) driven by improved customer collections. In addition, it also included a SAR 7.0mn one-off gain on the compulsory expropriation of land and a 108.1% Y/Y rise in the share of profit from associates to SAR 14.7mn. Excluding the one-off gain, net profit would have increased by 4.7% Y/Y.
- **Revenues** grew 7.9% Y/Y (0.8% Q/Q) to SAR 322mn, in-line with AJBC estimate of SAR 321mn, by +0.2%. Growth was led by the Pharma segment with revenues rising 24.4% Y/Y to SAR 72mn, driven by stronger retail sales. Consequently, the segment's revenue mix expanded to 22% from 19% in Q2-25. Meanwhile the Medical Services segment, which remains the core business and accounts for 78% of the revenues, reported a 3.9% Y/Y surge to SAR 250mn, reflecting a continued resilience in demand.
- **Gross profit** declined 14.0% Y/Y and 20.9% Q/Q to SAR 80mn, with the gross margin contracting 634bps Y/Y to 24.8% (v/s AJBC estimate of 31.1%), as the 17.8% rise in COGS significantly outpaced the 7.9% revenue growth. The cost inflation more than offset the benefit of higher revenues, thus driving the margin pressure. Consequently, AlHammadi was unable to translate top-line growth into gross profit expansion, making gross margin compression one of the key operational drags on the quarter's performance.
- **Operating profit** rose 8.8% Y/Y (32.3% Q/Q) to SAR 70mn, with operating margins improving marginally by 19bps Y/Y to 21.6%, despite a 634bps correction in the gross margins. The resilience in operating profitability was driven by a sharp 653bps reduction in OPEX-sales, partially offsetting the impact of higher operating costs reflected at the gross profit level.

AJBC view and valuation: AlHammadi delivered a healthy top-line performance in Q2-26, supported by resilient Medical Services revenues and strong growth in the Pharma segment. While earnings exceeded both AJBC and consensus estimates, the beat was driven by favorable non-operating items, including the ECL reversal, higher associate income and the one-off gain on land expropriation. Meanwhile, elevated operating costs weighed on gross margins, although lower operating expenses supported operating profitability. Looking ahead, we expect AlHammadi's ongoing capacity expansion to drive medium-term growth; however, near-term earnings may remain constrained by pre-operating costs, ramp-up inefficiencies and intense competition in Riyadh. Trading at 2026e P/E of 17.8x, we maintain our "**Neutral**" rating and **SAR 32.0/share**.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	298	319	322	7.9%	0.8%	0.3%
Gross profit	93	101	80	-14.0%	-20.9%	-19.8%
Gross margin	31.2%	31.7%	24.8%	-	-	-
EBIT	64	53	70	8.8%	32.3%	17.1%
Net profit	62	56	72	16.0%	27.8%	21.0%
EPS	0.39	0.35	0.45	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Neutral
Target Price (SAR)	32.0
Upside / (Downside)*	15.3%

Source: Tadawul *prices as of 03rd Aug, 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	1,177	1,154	1,235
Growth %	4.8%	-1.9%	7.0%
Gross Profit	433	382	363
Opt. Profit	346	366	258
Net Profit	303	339	242
Growth %	17.9%	11.7%	-28.6%
EPS	1.9	2.1	1.5
DPS	1.4	1.4	1.1

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	36.8%	33.1%	29.4%
Opt. Margin	29.4%	31.7%	20.9%
Net Margin	25.8%	29.4%	19.6%
P/E (x)	31.3	18.1	25.5
P/B (x)	5.2	3.1	3.1
EV/EBITDA (x)	21.8	13.1	18.1
Div Yield (%)	2.4%	3.6%	2.9%

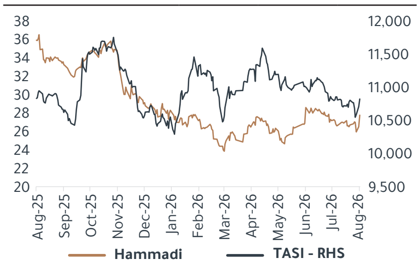
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	4.3
YTD%	-0.8%
52 week (High)/(Low)	36.5/23.4
Share Outstanding (mn)	160.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH DIVISION

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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