July 2026

Dr. Sulaiman Al Habib Medical Services Group

Results Flash Note Q2-26

الجزيرة كابيتال
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Robust earnings growth underpinned by stronger-than-expected margin recovery

Dr. Sulaiman Al Habib reported a strong Q2-26, with net profit increasing 12.1% Y/Y (+31.7% Q/Q) to SAR 663mn, exceeding both our estimates of SAR 630mn by 5.1% and the consensus forecast of SAR 611.9mn by 8.2%. However, the strong operating performance was partially offset by less favorable below-operating-line items, limiting the net profit growth. Revenue grew a robust 18.4% Y/Y, supported by healthy growth in patient volumes across both inpatient and outpatient services. While gross margin remained below historical levels due to the continued ramp-up of recently commissioned hospitals, it recovered sharply on a sequential basis, reflecting normalization following the seasonal impact of Ramadan and Eid Al-Fitr. The stronger-than-expected recovery in profitability, coupled with improving hospital utilization and the recent six months' 19.4% correction in the share price, underpins our upgrade to a "Overweight" rating.

- **Sulaiman Al Habib posted a net profit** of SAR 663mn in Q2-26, reflecting a healthy 12.1% growth on a Y/Y basis, while also increasing by 31.7% sequentially. Despite gross margins Y/Y contraction by 100 bps, earnings increased significantly primarily on the strong revenue growth of 18.4%. Overall performance remained above expectations, with net profit coming in 5.1% above AJBC estimate of SAR 630mn and 8.2% ahead of the consensus forecast of SAR 611.9mn. However, stronger than expected operating performance was partially offset by less favorable below-operating-line items, limiting the net profit growth.
- **Revenues** increased by 18.4% Y/Y (+16.6% Q/Q) to SAR 4,006mn in Q2-26, exceeding our estimate of SAR 3,852mn by 4.0%. Growth was primarily driven by the Hospital segment, which accounts for c.77% of total revenue and expanded by 17.1% Y/Y, followed by the Pharmacies segment (+21.6% Y/Y; c.21% revenue share) and the Solutions segment (+46.7% Y/Y). The robust topline growth was mainly attributable to higher patient throughput across both inpatient (IPD) and outpatient (OPD) services during the quarter.
- **Gross profit** increased by 14.6% Y/Y to SAR 1,222mn in Q2-26 (+11.3% deviation to AJBC estimate of SAR 1,098mn). Although, gross margin contracted by 100 bps Y/Y to 30.5% (+200bps deviation to AJBC estimate of 28.5%). However, on sequential basis, gross margins expanded sharply by 268 bps after falling to one of the lowest levels in Q1-26 to 27.8%. This sharp sequential recovery in gross margins primarily reflects the normalization of operations following the amplified seasonal impact of Ramadan and Eid Al-Fitr in the previous quarter. Despite this recovery, gross margins remain below the historical range of 33-34%, as hospitals opened over the past two years continue to be in the ramp-up phase.
- **Operating profit** increased by 19.5% Y/Y and 31.1% Q/Q to SAR 770mn in Q2-26 (+10.0% deviation to AJBC estimate of SAR 701mn). Operating margin stood at 19.2% in Q2-26, up 17bps Y/Y (+212bps Q/Q) and 103bps above AJBC estimate of 18.2%. OPEX-to-sales normalizes by 117bps Y/Y to 11.3% as recently opened hospitals utilization kept on increasing.

AJBC view and valuation: Dr. Sulaiman Al Habib delivered a strong set of Q2-26 results, with earnings surpassing both our estimates and consensus expectations, supported by robust revenue growth and a stronger-than-anticipated recovery in gross margins. We believe the improving margin trajectory, coupled with continued ramp-up in recently commissioned hospitals, provides further upside to earnings over the medium term. Furthermore, following the recent 19.4% correction in the share price over the past six months, the current valuation offers an attractive entry point. Accordingly, we upgrade our rating on the stock to "Overweight" with a target price **SAR 270.7/share**.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	3,384	3,436	4,006	18.4%	16.6%	4.0%
Gross Profit	1,066	956	1,222	14.6%	27.8%	11.3%
Gross Margin	31.5%	27.8%	30.5%	-	-	-
EBIT	645	588	770	19.5%	31.1%	10.0%
Net Profit	591	503	663	12.1%	31.7%	5.1%
EPS	**1.69**	**1.44**	**1.89**	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	Overweight
Target Price (SAR)	270.7
Upside / (Downside)*	27.5%

Source: Tadawul *prices as of 23rd July, 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	9,508	11,200	13,707
Growth %	14.4%	17.8%	22.4%
Gross Profit	3,270	3,744	4,207
EBIT	2,096	2,356	2,619
Net Profit	2,046	2,315	2,401
Growth %	23.9%	13.2%	3.7%
EPS	5.85	6.62	6.86
DPS	4.32	4.77	4.83

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	34.3%	33.4%	30.6%
EBIT Margin	22.0%	21.0%	19.1%
Net Margin	21.5%	20.6%	17.5%
P/E (x)	48.6	42.4	41.3
P/B (x)	15.3	13.7	12.6
EV/EBITDA (x)	42.3	37.2	30.3
Div Yield (%)	1.5%	1.7%	1.7%

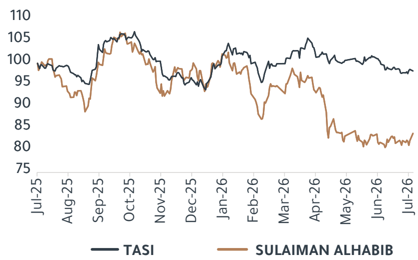
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	75.2
YTD%	-16.3%
52 week (High)/(Low)	281.2/210.1
Share Outstanding (mn)	350

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadwaul, Aljazira Capital Research

Senior Equity Analyst
Abdullah Umer
+966 54 796 3867
a.umer@aljaziracapital.com.sa

RESEARCH DIVISION

Director - Head of Sell-Side Research
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

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