Equity Research Report
SULAIMAN AB Equity
08 Nov 2026

Target Price: SAR265.0/share
Current Price: SAR215.80/share
Upside: 22.7% (+Div. Yield: 2.9%)
Rating: Overweight

Dr. Sulaiman Al Habib Medical Services Group

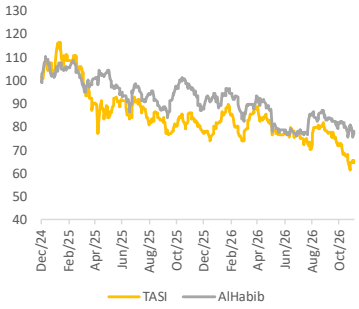
Cut TP amid revised outlook; Remain Overweight

- Healthy topline visibility driven by ongoing ramp-up and aided by greenfield projects. We lift our revenue expectations to a CAGR of ~12% over 2025-30e from 10.6% earlier.
- Revised profitability profile and finance costs outlook warranted earnings cut, reflecting a bottom-line CAGR of 12.3% over 2025-30e, down from 14.2% earlier.
- We revise our TP to SAR265/share using equal weights of DCF and P/E valuations but reiterate an "Overweight" rating with an upside of 22.7%.

Stock data	
TASI ticker	4013
Mcap (SARmn)	75,530
Avg. Trd. Val (3m) (SARmn)	30.5
Free float	29.1%
QFI holding	6.8%
TASI FF weight	2.07%

Source: Bloomberg, Tadawul

TASI vs Al Habib indexed to 100



Source: Bloomberg

3Q26 results: Al Habib delivered another solid quarter, with results coming in line with expectations across the board. Revenue grew by 18.4% y/y to SAR4.1bn, driven by higher patient volumes and occupancy rates across the hospital network, supported by the continued ramp-up of recent capacity additions. Gross profit grew 19.5% y/y to ~SAR1.3bn, slightly outpacing revenue growth due to a 27bps expansion in GPM to 30.6%. Operating profits expanded by ~20% y/y to SAR799mn, ahead of the gross performance amid cost efficiencies. As a result, the company reported an OPM of 19.5%, the highest since 1Q25. Net income reached SAR682mn, up 13.2% y/y. While earnings benefited from healthy revenue growth and improving operating leverage, net margin declined by 77bps y/y to 16.6%, reflecting higher finance costs. Overall, the results reinforce the company's ability to execute on its growth strategy while steadily extracting efficiencies from its expanding asset base.

Continued ramp-up supports short-term revenue growth… Al Habib's occupancy rate across operated capacity reached ~65% in 9M26 versus ~50% in 9M25, reflecting the ongoing ramp-up of recently commissioned facilities. As utilization and profitability improve across existing hospitals, management expects to bring an additional 700 beds into operation in the near term. Notably, most recently opened hospitals (except Al-Kharj) have exceeded initial expectations, heading to reach bottom-line breakeven within 14-16 months versus the originally anticipated 22-24 months period, with North Jeddah standing out as a particularly strong performer. Consequently, we remain confident in Al Habib's ability to continue expanding its revenue base through both higher utilization and unlocking built capacities over the short run.

Figure 1: Key financial metrics

SARmn	2025	2026e	2027e	2028e	2029e
Revenue	**13,707**	**15,994**	**18,243**	**20,059**	**21,554**
Revenue growth	*22%*	*17%*	*14%*	*10%*	*7%*
Gross profit	**4,207**	**4,796**	**5,612**	**6,259**	**6,773**
Gross margin	*30.7%*	*30.0%*	*30.8%*	*31.2%*	*31.4%*
Operating profit	2,619	3,025	3,632	4,111	4,454
Operating margin	*19.1%*	*18.9%*	*19.9%*	*20.5%*	*20.7%*
Net profit	**2,401**	**2,613**	**3,089**	**3,506**	**3,769**
Net profit growth	*4%*	*9%*	*18%*	*13%*	*8%*
Net profit margin	*18.2%*	*17.2%*	*17.9%*	*18.5%*	*18.5%*
EPS (SAR)	6.9	7.5	8.8	10.0	10.8
DPS (SAR)	4.8	5.2	6.2	7.0	8.1
P/E	31x	29x	24x	22x	20x
EV/EBITDA	24x	21x	18x	16x	15x

Source: Company data, GIB Capital.

Ahmed Almutawah
+966-11-834 8498
ahmed.almutawah@gibcapital.com

…aided by additional greenfield projects in the medium term: Apart from the expected commencement of Tabuk hospital in 2027e, an additional three greenfield hospitals are expected to commence operations during 2029e, increasing inpatient capacity by ~17% from current levels (excluding critical care and ER beds) across attractive markets in Riyadh, Dammam, and Jubail. Combined with utilization gains at existing facilities, these additions should support a healthcare services revenue CAGR of 11% over 2025-30e. Meanwhile, we expect pharma segment revenues to grow faster, supported by greater scalability, while HMG Solutions gradually gains traction after the Red Sea Hospital launch, albeit with a modest ~2% contribution to group revenue over 2026-30e.

Accordingly, we forecast consolidated revenue of ~SAR16.0bn (+16.7% y/y) in 2026e, supported by continued momentum and a seasonally stronger 4Q. We then expect growth to moderate to an average of 10.5% during 2027-29e, as Tabuk hospital's contribution is likely to be relatively limited in scale and scope. Growth should reaccelerate beyond 2029e as larger greenfield projects come online, supporting an overall revenue CAGR of ~12% over 2025-30e.

Expect profitability to remain structurally constrained over the medium term, with expected expansion beyond 2030e: We forecast earnings to grow at a 12.3% CAGR over 2025-30e, broadly in line with revenue trajectory, as margin expansion is expected to remain limited for the following reasons. First, while GPM is projected to bottom out at 30% in 2026e and recover in 2027-28e, further capacity additions in 2029e are likely to renew pressure, resulting in an average GPM of ~31% during 2026-30e, still well below pre-expansion levels of 34.4%. Second, operating leverage is expected to remain muted as the group continues to ramp up new facilities, requiring higher staffing levels (e.g., doctor count increased 20% y/y in 3Q26), capping operating margin expansion. Finally, finance costs are likely to remain elevated, averaging SAR268mn annually (net of finance income) versus SAR122mn in 2025, as leverage remains elevated (management guides for a stable D/E ratio of 1.1x) to fund the ongoing expansion and renovation program, added to a generally higher interest rate environment.

Accordingly, we forecast net income of ~SAR2.6bn (+9% y/y) in 2026e, followed by 14-10% in 2027-28e, with earnings exceeding SAR3.0bn and SAR3.5bn, respectively, before moderating in 2029e. Overall, we forecast an average net margin of ~17.3% during the period, gradually reaching ~18% by 2030e, compared to pre-expansion levels of 21.5% in 2023. Beyond 2030e, we expect operating leverage and economies of scale to become more pronounced as the expansion cycle concludes, allowing earnings growth to outpace revenue growth.

Revised estimates: We largely maintained our short-term revenue outlook but increased our longer-term growth assumptions, lifting our estimated 2025-30e revenue CAGR to ~12% from 10.6% previously. However, we slightly lowered our operating profit forecasts due to a slower gross margin recovery and a higher OPEX base. In addition, we substantially raised our finance cost assumptions (+77% in 2027e and +113% in 2028e) to reflect higher leverage and borrowing costs. Consequently, our 2027-28e earnings estimates are reduced by ~11%, resulting in a lower 2025-30e earnings CAGR of 12.3%, compared to 14.2% previously.

Figure 2: Change in estimates

SARmn	2027e			2028e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	**18,243**	**18,004**	**1.3%**	**20,059**	**19,880**	**0.9%**
Gross profit	5,619	5,839	-3.8%	6,266	6,546	-4.3%
GPM %	30.8%	32.4%		31.2%	32.9%	
Operating profit	3,638	3,757	-3.2%	4,118	4,253	-3.2%
Operating margin %	19.9%	20.9%		20.5%	21.4%	
Net finance charges	(294)	(166)	77.3%	(325)	(152)	113.4%
Net Income	**3,095**	**3,467**	**-10.7%**	**3,512**	**3,956**	**-11.2%**
Net margin %	18.0%	19.7%		18.5%	18.5%	
CAPEX	**3,065**	**2,998**	2.2%	**3,350**	**3,216**	4.2%
CAPEX Intensity %	16.8%	16.7%		16.7%	16.2%	

Source: GIB Capital.

Valuation and risks: We use an equal mix of P/E multiple and DCF methods for valuing the company. For relative valuations, we use a 30x multiple (35x earlier, reflecting a general market repricing framework and lower expectations) on 2027e EPS and arrive at a P/E-based target price (1 year forward) of SAR265.0/share. As for DCF, based on a WACC of 8.8%, we derive SAR265.0/share as the DCF-based target price (1 year forward). We arrive at an equal-weight average target price of **SAR265.0/share** (1 year forward), reflecting a ~12% cut from our previous TP amid revised estimates and updated valuation assumptions. However, we maintain our "**Overweight**" recommendation with an upside potential of 22.7%, following a ~17% YTD price correction of the stock.

Downside risks to our valuation include lower-than-expected expansion execution, lower-than-expected volume, slower-than-expected ramp-up, inflationary pressure on costs, higher-than-expected market competition, failing to comply with regulatory changes, slower collection, and declining bargaining power with insurance providers.

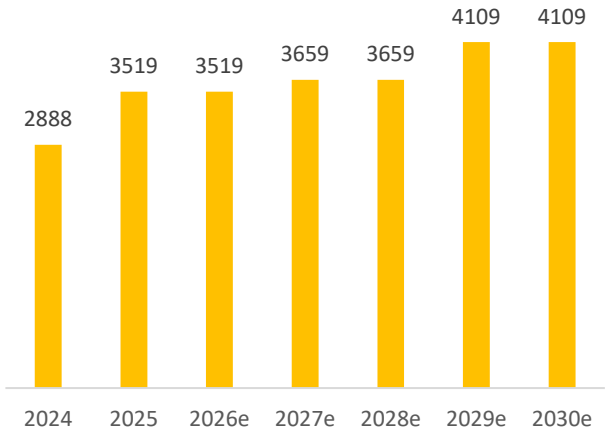
Figure 3: 3Q26 results summary

SARmn	3Q26	3Q25	y/y %	2Q26	q/q %	GIBC est.	Variance %
Revenues	**4,102**	**3,463**	**18.4%**	**4,006**	**2.4%**	**4,063**	**0.9%**
Cost of sales	2,847	2,413	18.0%	2,784	2.2%	2,829	0.7%
Gross profit	**1,255**	**1,050**	**19.5%**	**1,222**	**2.7%**	**1,235**	**1.6%**
OPEX	456	384	18.6%	452	0.9%	455	0.3%
Operating profit	**799**	**666**	**20.0%**	**770**	**3.7%**	**780**	**2.4%**
Net income	**682**	**602**	**13.2%**	**663**	**2.9%**	**670**	**1.7%**
Margins							
Gross margin	30.6%	30.3%		30.5%		30.4%	
Operating margin	19.5%	19.2%		19.2%		19.2%	
Net margin	16.6%	17.4%		16.5%		16.5%	

Source: Company data, GIB Capital.

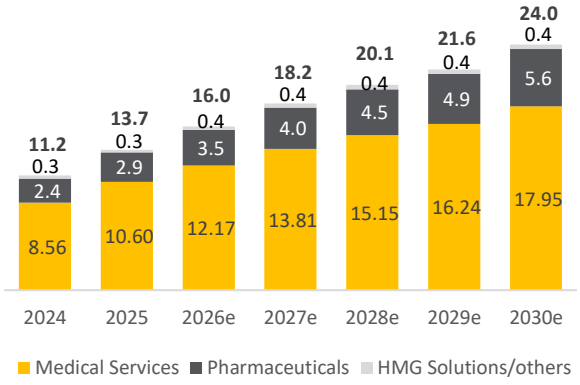
Financial analysis in charts

Figure 4: Bed capacity development



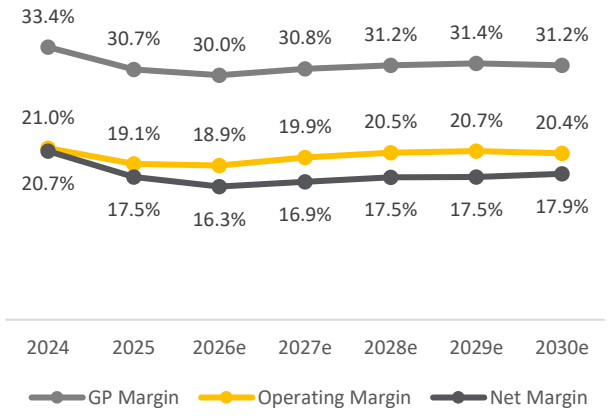
Source: Company data, GIB Capital, Argaam.

Figure 5: Revenue trend (SARbn)



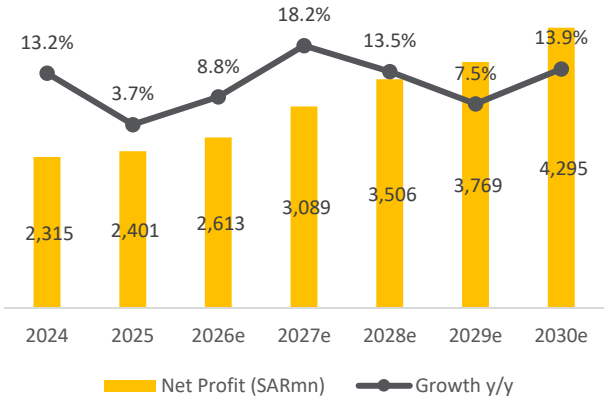
Source: Company data, GIB Capital

Figure 6: Margins trend



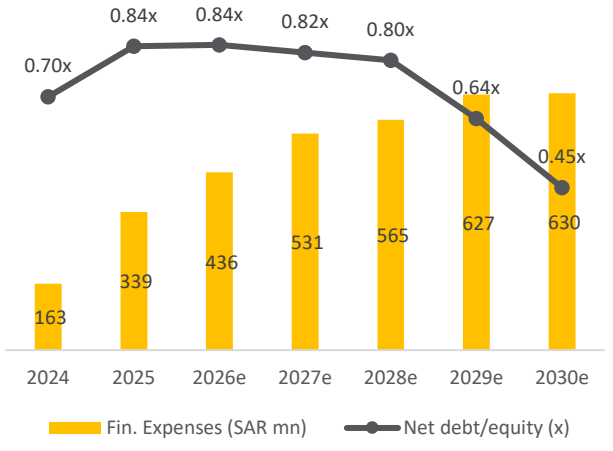
Source: Company data, GIB Capital

Figure 7: Earnings trend (SARmn)



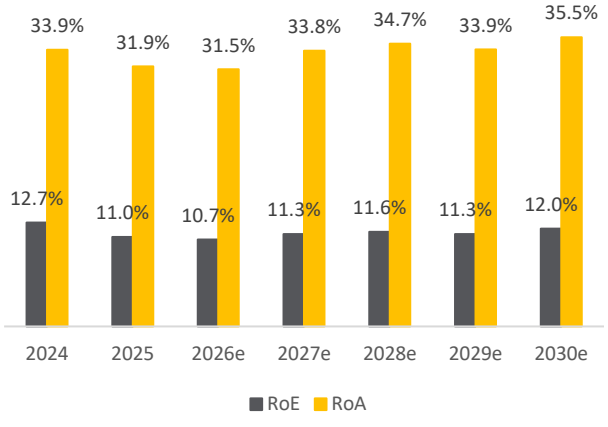
Source: Company data, GIB Capital.

Figure 8: Leverage trend



Source: Company data, GIB Capital.

Figure 9: Profitability trend



Source: Company data, GIB Capital.

Financials

Figure 10: Summarized basic financial statements (SARmn)

Income statement	2025a	2026e	2027e	2028e	2029e	2030e
Revenue	**13,707**	**15,994**	**18,243**	**20,059**	**21,554**	**24,005**
revenue y/y	*22%*	*17%*	*14%*	*10%*	*7%*	*11%*
COGS	(9,500)	(11,198)	(12,631)	(13,800)	(14,781)	(16,516)
Gross Profit	**4,207**	**4,796**	**5,612**	**6,259**	**6,773**	**7,489**
Gross Profit margin	*31%*	*30%*	*31%*	*31%*	*31%*	*31%*
G&A expenses	(1,156)	(1,366)	(1,537)	(1,670)	(1,805)	(2,016)
Selling & marketing expenses	(432)	(405)	(444)	(478)	(513)	(569)
Operating profit	**2,619**	**3,025**	**3,632**	**4,111**	**4,454**	**4,903**
Operating margin	*19%*	*19%*	*20%*	*20%*	*21%*	*20%*
Finance costs	(339)	(436)	(531)	(565)	(627)	(630)
Other income	239	273	287	299	306	437
PBT	**2,519**	**2,862**	**3,388**	**3,845**	**4,134**	**4,710**
Zakat/tax	(28)	(112)	(119)	(135)	(145)	(165)
Non-controlling interest	90	137	180	205	220	251
Net income	**2,401**	**2,613**	**3,089**	**3,506**	**3,769**	**4,295**
Net margin	*18%*	*17%*	*18%*	*18%*	*19%*	*19%*
y/y	*4%*	*9%*	*18%*	*13%*	*8%*	*14%*
EPS	**6.9**	**7.5**	**8.8**	**10.0**	**10.8**	**12.3**
DPS	**4.8**	**5.2**	**6.2**	**7.0**	**8.1**	**9.2**
Payout	70%	70%	71%	70%	75%	75%
EBITDA	**3,507**	**4,021**	**4,733**	**5,282**	**5,665**	**6,263**
EBITDA margin	*26%*	*25%*	*26%*	*26%*	*26%*	*26%*

Balance Sheet	2025a	2026e	2027e	2028e	2029e	2030e
Inventories	1,028	1,212	1,367	1,494	1,600	1,833
Trade receivables	1,622	1,787	1,982	2,167	2,316	2,565
Prepayments and other assets	495	578	659	724	778	867
Cash and cash equivalents	2,282	2,237	2,517	2,562	4,875	6,418
Total Current Assets	**5,427**	**5,814**	**6,525**	**6,948**	**9,570**	**11,682**
Property and equipment	17,302	19,417	21,618	24,038	24,465	24,444
Investment in associate	175	206	243	287	338	397
Investment in Sukuk	300	400	410	420	430	440
Total Non-Current Assets	**17,778**	**20,023**	**22,271**	**24,744**	**25,232**	**25,282**
Total Assets	**23,205**	**25,836**	**28,796**	**31,692**	**34,802**	**36,964**
Current Liabilities	4,719	5,456	6,153	6,718	7,195	7,988
Non-current Liabilities	10,058	11,028	12,208	13,290	14,760	14,806
Equity	8,429	9,352	10,435	11,684	12,846	14,170
Total Equity and Liabilities	**23,205**	**25,836**	**28,796**	**31,692**	**34,802**	**36,964**
BVPS	24	27	30	33	37	40

Cashflow	2025a	2026e	2027e	2028e	2029e	2030e
Cash flow from Operations	3,402	4,560	5,240	5,742	6,195	6,835
Cash flow from Investing	(2,970)	(2,969)	(3,062)	(3,345)	(1,393)	(972)
Cash flow from Financing	(1,041)	(1,636)	(1,898)	(2,352)	(2,490)	(4,320)
Total Cashflows	**(609)**	**(45)**	**280**	**46**	**2,313**	**1,543**

Source: Company, GIB Capital.

Figure 11: Key ratios

Key ratios	2025a	2026e	2027e	2028e	2029e	2030e
Profitability ratios						
RoA	11.0%	10.7%	11.3%	11.6%	11.3%	12.0%
RoE	31.9%	31.5%	33.8%	34.7%	33.9%	35.5%
Sales/Assets	59%	62%	63%	63%	62%	65%
Net margin	18%	16%	17%	17%	17%	18%
Liquidity ratios						
Current ratio	1.2x	1.1x	1.1x	1.0x	1.3x	1.5x
Quick ratio	0.9x	0.8x	0.8x	0.8x	1.1x	1.2x
Inventory days	40	40	40	40	40	41
Receivable days	43	41	40	39	39	39
Payable days	77	77	77	77	77	77
Cash conversion cycle	5	3	2	2	1	2
Debt ratios						
Net Debt/EBITDA (w/o IFRS liab.)	2.5x	2.4x	2.2x	2.2x	2.2x	1.9x
Net Debt/EBITDA (w/ IFRS liab.)	2.7x	2.5x	2.3x	2.3x	2.3x	2.0x
Debt/Assets (w/o IFRS liab.)	0.38x	0.37x	0.37x	0.36x	0.36x	0.33x
Net Debt/Equity (w/o IFRS liab.)	0.8x	0.8x	0.8x	0.8x	0.6x	0.4x
Net Debt/Equity (w/ IFRS liab.)	0.8x	0.8x	0.8x	0.8x	0.6x	0.4x
Valuation ratios						
P/E	31x	29x	24x	22x	20x	18x
P/B	9x	8x	7x	6x	6x	5x
EV/EBITDA	24x	21x	18x	16x	15x	13x
Dividend Yield	2.2%	2.4%	2.9%	3.3%	3.7%	4.3%

Source: Company, GIB Capital.

Disclaimer

This research report has been prepared by GIB Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of GIB Capital's clients and may not be altered, redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of GIB Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by GIB Capital. The information contained was obtained from various public sources believed to be reliable, but we do not guarantee its accuracy. GIB Capital makes no representations or warranties (express or implied) regarding the data and information provided and GIB Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. GIB Capital or its officers (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. GIB Capital may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. GIB Capital and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document. Where the report contains or refers to a recommendation about a specific security or securities service, please note that it may not be suitable for all recipients. Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations. The subjectivity in future expectations is complex and may miss actual or reported numbers.

This research document and any recommendations contained are subject to change without prior notice. GIB Capital assumes no responsibility to update the information in this research document. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law, or which would subject GIB Capital to any registration or licensing requirement within such jurisdiction

The principal activities of GIB Capital are Dealing, Custody, Managing, Arranging and Advising pursuant to the Capital Market Authority ("CMA") License No. 07078-37.

We use a rating system based on potential upside, 1 year from today, referred to as the Target price. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/- 10%, we have a Neutral rating.

Contact us for queries:

Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
www.gibcapital.com