

Al Hammadi Holding Co.

Margin compression weighs on earnings despite stronger topline

Rating: Overweight | Target Price: SAR 40.5

March 25, 2026

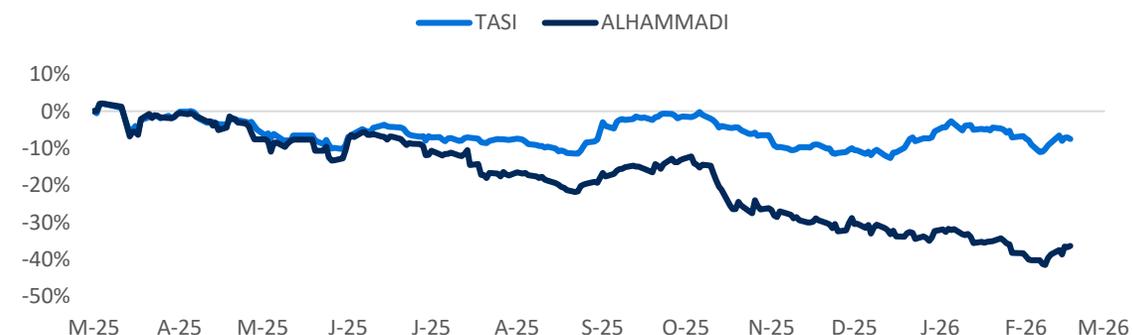
Market Data		Valuations				
		2025A	2026E	2027E	2028E	
Last Price (SAR)*	24.8	Net Income (SAR mn)	242	275	316	392
Target Price (SAR)	40.5	EPS (SAR)	1.5	1.7	2.0	2.5
Upside / Downside (%)	63.4%	PER (x)	16.4	14.4	12.6	10.1
Market Cap (bn) (SAR/USD)	4.1/1.1	P/BV (x)	2.0	1.9	1.8	1.7
52 week High / Low (SAR)	41.9/23.4	DPS (SAR)	1.1	1.1	1.3	1.6
12-month ADTV (mn) (SAR/USD)	10.4/2.8	Div. Yield (%)	4.4%	4.6%	5.3%	6.5%
YTD Return (%)	-11.2%	RoAE (%)	12%	13%	14%	17%
Bloomberg Code	ALHAMMAD AB	RoAA (%)	9%	9%	12%	10%

*last price as of 24th March 2026

Financials (SAR mn)	4Q25A	4Q25E*	Var (%)	4Q24A	YoY (%)	3Q25A	QoQ (%)
Revenue	340	325	4.5	323	5.2	295	15.1
COGS	-249	-226	10.4	-213	16.8	-212	17.5
Gross profit	91	99	-8.9	110	-17.4	83	9.0
Gross margin (%)	26.7%	30.6%		34.0%		28.2%	
OPEX	-31	-28	11.3	-31	1.1	-29	9.1
Operating profit	59	71	-16.9	79	-24.7	54	9.0
Operating margin (%)	17.4%	21.9%		24.4%		18.4%	
Net income	54	65	-16.4	78	-30.5	52	4.2
Net margin (%)	15.9%	19.9%		24.1%		17.6%	
EPS	0.34	0.40	-16.4	0.49	-30.5	0.32	4.2
DPS	0.20	0.20	0.0	0.35	-42.9	0.20	0.0

*anbc estimates

Price Performance



Source: Tadawul, Bloomberg and anbc research

Al Hammadi's 4Q25 results came in weaker than our expectations, with net profit 16% below our estimate due to lower-than-expected margins despite a modest revenue beat. Revenue increased 5% YoY and 15% QoQ to SAR 340 mn, coming in 4% above our estimate of SAR 325 mn. The stronger-than-expected topline, however, was offset by weaker profitability, with gross margins coming in below our expectations. As a result, net income declined 31% YoY to SAR 54 mn and was 16% below our estimate of SAR 65 mn. We believe the decline largely reflects margin compression during the quarter, driven by higher costs and operating expenses.

- Revenue increased 5% YoY to SAR 340 mn in 4Q25 and 15% QoQ. While the topline came in 4% above our expectations, cost pressures during the quarter weighed on profitability. Cost of revenue increased 17% YoY to SAR 249 mn, resulting in gross profit declining 17% YoY to SAR 91 mn. Consequently, gross margin contracted by 730 bps YoY and 150 bps QoQ to 26.7%, coming in well below our estimate of 30.6%.
- Operating profit declined 25% YoY to SAR 59 mn in 4Q25, 17% below our estimate of SAR 71 mn. Operating margin contracted to 17.4% compared to 24.4% in 4Q24, reflecting both higher cost of services and elevated operating expenses during the quarter. OPEX increased 11% YoY to SAR 31 mn and rose 9% QoQ, further weighing on operating profitability.
- Net profit stood at SAR 54 mn in 4Q25, declining 31% YoY and coming in 16% below our expectations. Net margin declined to 15.9% compared to 24.1% in 4Q24. EPS came in at SAR 0.34 compared to our estimate of SAR 0.40. The company announced a dividend of SAR 0.2 per share for the quarter.
- For the full year 2025, Al Hammadi reported revenue of SAR 1.23 bn, representing a 7% YoY increase, driven by growth in both its medical services (+2% YoY) and pharmaceutical segments (+31% YoY). However, net profit declined 29% YoY to SAR 242 mn, primarily due to the absence of a one-off gain recorded in 2024 (SAR 55 mn from the sale of a vacant land plot in Al Rayan during 2Q24) and higher operating costs during the year.
- Notably, the company's gross margin has declined to 29.4% in 2025, continuing the downward trend observed since 2024. Gross margins had historically remained around 37% to 38% during 2021 to 2023 but have since come under pressure as the company invests to improve its case mix and makes the necessary operational adjustments to optimize its business for DRG implementation.
- While we have revised our target price downward since our last update after incorporating the pressure on gross margins over the past year, we currently have an Overweight rating as the stock has declined 39% over the last 12 months, which in our view offers an attractive entry point at current levels. The company's capacity is expected to nearly double by 2030, reaching around 1,200 beds from around 600 currently, supported by the reopening of the Olaya hospital in 2026, which provides near-term growth visibility, while the remaining expansion pipeline is expected to materialize post-2028. Our current target price implies a potential upside of 59%. That said, we await the company's earnings call to better understand the margin decline in the 4Q and assess whether any revisions to our margin forecasts will be required going forward.

Ali H. Alshaia

Ali.Ashaia@anbcapital.com.sa
+966 11 4062500 Ext. 7065

anbcapital

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Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa