Daily Bulletin

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Saudi German Health 2Q26 net profit rose 73% YoY, in line with consensus estimates

Last Price: SAR 30.6 | Consensus Target Price: SAR 43.0 | YoY Performance: -46.1%

Middle East Healthcare Co. (Saudi German Health) posted a net profit of SAR 34.4 mn in 2Q26, up 73.3% YoY from SAR 19.8 mn, and broadly in line with the consensus estimate of SAR 35.0 mn, down 1.8%. The growth is mainly attributable to a 6.9% YoY increase in revenue from newly launched service lines, a 23.7% YoY reduction in operating expenses, and lower finance costs. The comparison was also supported by a lower 2Q25 base, which included a SAR 50 mn allowance for expected credit losses.

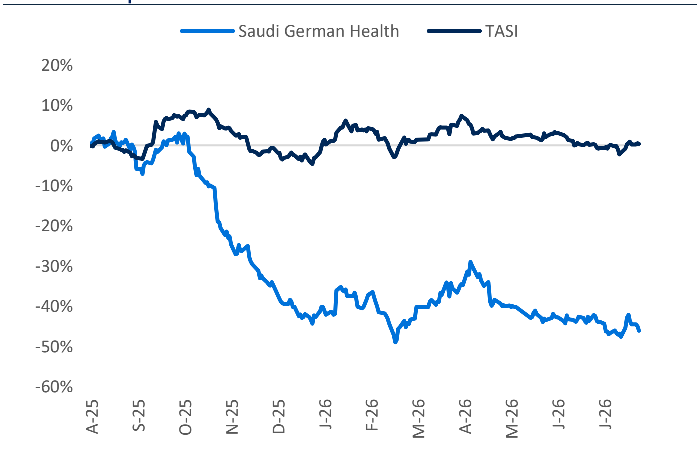
Revenue rose 6.9% YoY to SAR 845.5 mn in 2Q26, compared to SAR 791.0 mn in 2Q25. The increase was driven by the build-out of specialized medical care and surgical services. Those services lifted patient volumes, with both inpatient admissions and outpatient visits growing. However, gross profit fell 12.8% YoY to SAR 266.5 mn and the gross margin narrowed to 31.5% from 38.6%, pointing to negative operating leverage as the cost of the new services outpaced the revenue they generated. On a sequential basis, revenue advanced 10.5% QoQ from SAR 765.2 mn in 1Q26 on higher patient volumes, a wider service offering, and a richer case mix, which also lengthened average length of stay (ALOS).

For 1H26, net profit fell 63.6% YoY to SAR 67.8 mn from SAR 186.1 mn. The decline is largely optical: the prior-year period included a SAR 114 mn one-off capital gain on the sale of an unutilized plot of land in Riyadh. Profitability was softer, weighed down by workforce costs tied to the specialized clinical rollout and by higher marketing and advertising spend behind the newly launched medical and surgical services. Moreover, Al Sobh Investment Holding Limited, an associate that began operations in 4Q25, cost a further SAR 13.8 mn at the bottom line; management expects its contribution to improve gradually as operations scale and efficiency builds.

One disclosure warrants attention. Company identified errors affecting 2024, with a total misstated amount of SAR 244 mn, and 2025, with a total misstated amount of SAR 184 mn. The auditor has issued a qualified conclusion on the 1H26 interim statements, having been unable to obtain sufficient evidence over certain elements of the restatement, which spans property and equipment, depreciation, trade receivables, the related expected credit loss allowance, and retained earnings.

Middle East Healthcare Co. stock has dropped 46.1% YoY, underperforming the TASI, which gained 0.4% over the same period. The stock is currently trading at a 2026e P/E of 23.5x with a consensus target price of SAR 43.0/sh, implying a potential upside of 40.5% from the last close of SAR 30.6/sh.

Relative price chart



Source: Bloomberg, anbc research

Key financials (SAR mn)

	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	Consensus	Var. (%)
Revenue	845.5	791.0	6.9	765.2	10.5	827.0	2.2
COGS	-579.0	-485.4	19.3	-503.2	15.1	-541.7	6.9
Gross profit	**266.5**	**305.6**	-12.8	**262.1**	1.7	**285.3**	-6.6
GM (%)	31.5	38.6		34.2		34.5	-
Opex	-175.7	-230.1	-23.7	-174.2	0.8	-199.2	-11.8
Op. profit	**90.9**	**75.5**	20.4	**87.8**	3.5	**86.1**	5.5
OM (%)	10.7	9.5		11.5		10.4	
Net income	**34.4**	**19.8**	73.3	**33.5**	2.6	**35.0**	-1.8
NM (%)	4.1	2.5		4.4		4.2	
EPS	***0.4***	***0.2***		***0.4***		***0.4***	

Source: Company financials, anbc research

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