Daily Bulletin

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SMC HEALTHCARE 2Q26 net profit rose 24% YoY, but fell short of consensus net profit by 6%

Last Price: SAR 15.6 | Consensus Target Price: SAR 26.3 | YoY Performance: -19.7%

Specialized Medical Company (SMC HEALTHCARE) reported 2Q26 net profit of SAR 45.2 mn, up 24.2% YoY, though 6.3% below consensus net profit of SAR 48.2 mn. The increase in profitability was primarily driven by a 5.7% YoY growth in revenue, along with a 10.8% YoY decline in operating expenses.

Total revenue increased 5.7% YoY to SAR 401.3 mn in 2Q26, from SAR 379.8 mn in 2Q25, driven by higher patient volumes across both inpatient and outpatient services. Inpatient visits increased 12.8% YoY to 41,401 in 2Q26, while outpatient visits increased by 10.9% YoY to 381,574 visits. The improvement was further supported by capacity expansion, with the number of outpatient clinics increasing 11.4% YoY to 342, reflecting the company's continued focus on expanding its healthcare network and enhancing service accessibility.

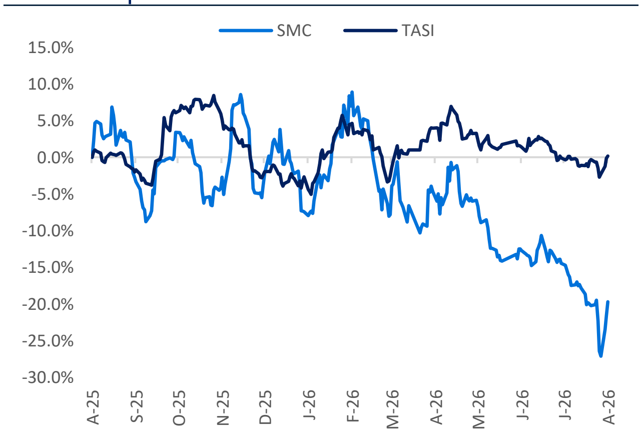
Gross profit for the quarter rose to SAR 100.1 mn (+1.6% YoY) compared to the SAR 98.6 mn in 2Q25. However, gross margin declined to 24.9% from 26.0% a year earlier. Despite the pressure at the gross level, operating profit rose 14.3% YoY to SAR 55.5 mn, supported by a decline in G&A and marketing expenses. Consequently, the operating margin expanded to 13.8% in 2Q26, compared with 12.8% in 2Q25.

On a sequential basis, net profit rose 38.8%, driven by patient activity recovered in 2Q26 following the seasonal disruption caused by Ramadan, Eid, and the extended school holidays in 1Q26. Notably, SMC opened 5 new clinics at SMC 1 during 2Q26, which are expected to progressively ramp up and provide incremental patient volumes and revenue contribution over the coming quarters.

SMC remains focused on expanding its integrated healthcare platform through its expansion pipeline. Key projects include SMC 3 on Northern Ring Road (200 clinics and 296 beds), which is currently under construction and expected to be completed in 2028; SMC 4 in Khuzam Suburb (120 clinics and 201 beds), where the design and hoarding have been completed and the excavation permit has been obtained, with completion targeted in 2028; and SMC 5 in Al Malqa District (120 clinics and 201 beds), where land acquisition is expected to be finalized during 2026 and project completion expected in 2029.

SMC HEALTHCARE stock price has decreased 19.7% YoY, underperforming TASI, which increased 0.2% during the same period. The stock is currently trading at a 2026e P/E of 16.3x, with a consensus target price of SAR 26.3/sh, implying a potential upside of 68.3% from last close of SAR 15.6/sh.

Relative price chart



Source: Bloomberg, anbc research

Key financials (SAR mn)

	2Q26	2Q25	YoY (%)	1Q26	QoQ (%)	Consensus	Var. (%)
Revenue	401.3	379.8	5.7	380.7	5.4	404.5	-0.8
COGS	(301.2)	(281.2)	7.1	(289.7)	4.0	(299.3)	0.6
Gross profit	**100.1**	**98.6**	1.6	**91.0**	10.1	**105.2**	-4.8
GM (%)	24.9	26.0		23.9		26.0	
Opex.	(44.6)	(50.0)	-10.8	(49.9)	-10.6	(47.2)	-5.5
Op. profit	**55.5**	**48.6**	14.3	**41.1**	35.2	**58.0**	-4.3
OM (%)	13.8	12.8		10.8		14.3	
Net income	**45.2**	**36.4**	24.2	**32.6**	38.8	**48.2**	-6.3
NM (%)	11.3	9.6		8.6		11.9	
EPS	***0.18***	***0.15***		***0.13***		***0.19***	

Source: Company financials, anbc research

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