

Daily Bulletin

November 16, 2025

SMC's CEO points to growth from acute care shift & outpatient ramp-up

Last Price: SAR 20.9 | Consensus Target Price: SAR 29.6 | YTD Performance: -16%

Specialized Medical Company's (SMC) CEO Bassam Shaheen held an interview with Argaam where he stated that SMC continues to benefit from its shift toward higher-yielding acute services. He noted that the company's inpatient bed occupancy improved to nearly 78% in 3Q25 compared to 75% a year earlier, supported by the conversion of 90 beds to acute care. According to him, this transition has improved resource utilization and aligned capacity with the rising demand for higher acuity services. Outpatient performance also continued to gain traction, with clinic utilization reaching around 54% in 3Q25. He highlighted that none of the clinics are still operating at full capacity, and that utilization can be increased by extending operating hours and adding physicians when needed. The steady ramp-up of new outpatient clinics is expected to drive further margin expansion in the coming quarters.

We note that the company's net income rose by 12.4% YoY to SAR 66.2 mn in 3Q25, driven by higher inpatient and outpatient revenues and a 54% reduction in G&A expenses. During the quarter, SMC converted an additional 31 Long Term Care (LTC) beds to acute care, contributing to an 8.9% YoY rise in acute inpatient nights. Outpatient visits increased 12.1% YoY to 353k, as newly opened clinics continued to ramp-up. This shift toward acute services and the expanding outpatient base are improving the payor mix by increasing exposure to insurance and cash patients, reducing reliance on lower margin government contracts.

While reported revenue declined 2.2% YoY to SAR 382.7 mn due to higher contractual obligations associated with the changing payor mix, the underlying gross revenue grew across inpatient, outpatient, and pharmacy services. EBITDA increased 8.4% YoY to SAR 104.6 mn, with margins rising to 27.3%. The management highlighted that demand remained strong during the quarter despite the usual summer slowdown.

The company also advanced its expansion plans. On 21 Oct 2025, SMC signed a lease for its first standalone outpatient center in Al Malqa District. The facility will comprise 35 clinics, require a capital investment of approximately SAR 19.5 mn, and is expected to begin operations in 1Q26. Progress on SMC 3 continued following regulatory approval from the Royal Commission for Riyadh City, with foundation work underway. SMC also secured a long-term SAR 800 mn facility to fund the development of SMC 4. Together, SMC 3 and SMC 4 are expected to add 497 beds and 320 clinics till 2028.

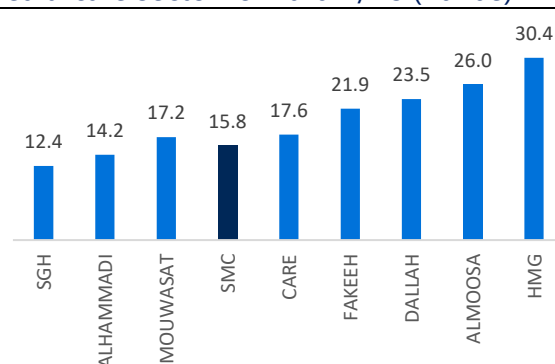
Since its IPO in June 2025, SMC's share price has declined 16% from its offer price of SAR 25.0 per share, while TASI has increased 1% during the same period. The stock is currently trading at a 2026e P/E of 15.8x. The latest 12M consensus target price of SAR 29.6 per share implies an upside potential of 41%.

Financials (SAR mn)

	3Q25	3Q24	YoY(%)	2Q25	QoQ(%)
Revenue	383	391	-2	380	1
COGS	(281)	(257)	9	(278)	1
Gross profit	102	134	-24	102	(0)
Gross margin (%)	27	34		27	
Operating expense	(28)	(61)	-54	(53)	-48
Operating profit	74	73	1	49	52
Opt. margin (%)	19	19		13	
Net income	66	59	12	36	82
Net margin (%)	17	15		10	
EPS	0.26	0.24		0.15	

Source: Company Financials, anbc research

Healthcare sector forward P/E's (2026e)



Source: Bloomberg, anbc research

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