OCTOBER 2026

SAUDI HEALTHCARE

SECTOR UPDATE

Q4 2026

Favorable outlook with changing dynamics

We maintain a cautious but fundamentally positive outlook on the Saudi healthcare sector. The structural case remains intact with favourable demographics and regulatory regime. However, the sector has de-rated and is now trading at 2026f P/E of c24x (ex. HMG 17x) vs the historical average of 33x (ex. HMG 28x). We believe this is due to 1) slower earnings momentum and 2) the erosion of the scarcity premium as investable universe expanded from 6 in 2024 to 9 listed companies in 2025. We have used four factors to screen the stocks under coverage: Expansion execution, Unique value, Patient mix and Balance sheet strength. Accordingly, we remained OW on HMG and Care and we upgraded Dallah to OW. Although we are Neutral on the rest, we prefer SMC and Mouwasat.

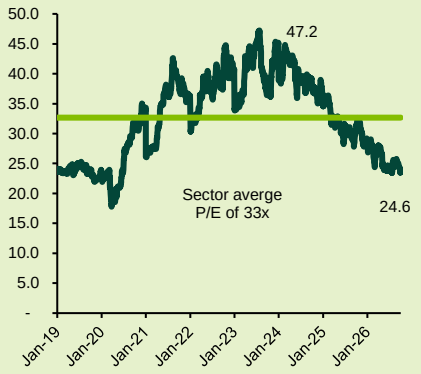
- **What has changed?** The Saudi private healthcare sector remains one of the most structurally supported growth stories in Tadawul, underpinned by favourable demographics and a reform program that incentivize the private sector expansion. None of that has changed, but what has changed is how the market is evaluating the theme. Since H2 24, the sector multiples started to de-rate, and it now trades at c24x 2026f (ex. HMG at 17x) P/E vs a historical avg of 33x (ex. HMG at 28x). We believe this is due to two factors: 1) slowing earnings momentum with growing concerns over the margin sustainability and 2) the erosion of scarcity premium. The second driver is less discussed, but we believe is more important as the investable universe expanded from 6 in 2024 to 9. When only a handful stocks offer theme exposure, investors buy whatever is available and tolerate the valuation premium (a dynamic that is currently reflecting in the Saudi education sector). Once the option widens to 9 stocks, differentiated by payer mix, margin profile, expansion pipeline and balance sheet strength, the incremental buyer stops paying for exposure and starts paying for execution.
- **The screening framework:** Against this backdrop and significant new capacity coming online (+c5.7k beds by 2032f, +43%), we assess our coverage on four factors: Expansion execution, Unique value, Patient mix and Balance sheet strength. We treat earnings visibility and cash generation as the outcome of these. HMG is the only operator strong on execution, franchise and patient mix. Dallah has a stretched balance sheet (4.5x 2025 net-debt/EBITDA) but is the only one deleveraging and the majority of the growth coming from already acquired assets. Hammadi and Care both score well on balance sheet but with divergent outlooks. Care has an adverse payer mix, but its unique value is strong due to its relationship with GOSI and being the only listed class B operator. Hammadi expansion plans are primarily focusing on Riyadh and is facing growing pressure on margins. SMC value proposition is strong, being a value operator in Riyadh but uncertainty around its expansion has increased, particularly SMC 5. Almoosa and Fakeeh is facing increased competition in their traditional markets as new capacity have/or are coming online, while significantly increasing their leverage. SGH is the only player that score weak across the four factors. The swing factor is the DRG implementation (due in 2028f), which can have varying impact on different players, and we believe the market is not yet pricing it in.
- **Top picks: HMG, Care and Dallah:** Based on the framework, we believe each company should trade at a different implied valuation and our rating is based on the divergence of the current/implied multiples. We are Overweight on HMG, Dallah and Care. Although we are Neutral on the rest, we Favor SMC and Mouwasat.

Valuation Summary

	Rating	PT (SAR)	CMP (SAR)	Upside/ Downside (%)	Mcap (SAR mn)	P/E (x) 2027f	P/B (x) 2027f	EV/EBITDA(%) 2027f
HMG	OW	262.3	226.5	15.8%	79,275	25.4	9.1	20.9
Dallah HC	OW	96.8	74.0	30.8%	9,019	13.9	1.7	12.2
Care	OW	139.3	103.3	34.8%	4,631	13.7	2.1	9.8
Mouwasat	N	68.1	61.5	10.7%	12,289	13.7	2.7	10.4
Fakeeh Care	N	38.9	34.9	11.5%	8,089	18.6	2.1	12.2
Almoosa	N	110.0	117.8	(6.6)%	5,220	23.1	2.3	18.3
SMC Health	N	17.0	14.9	14.1%	3,724	13.7	2.4	9.9
Hammadi	N	25.2	22.3	13.0%	3,566	13.5	1.7	9.4
Saudi German	N	29.0	28.4	2.1%	2,618	13.0	1.1	7.6

Source: SNB Capital Research estimates. All prices as of 30 September 2026

Sector valuation de rating from its peak (x)



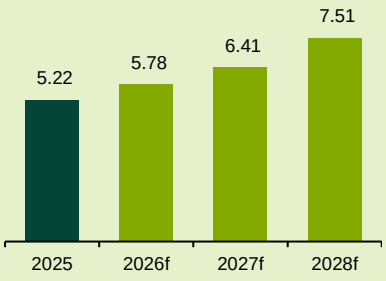
Source: Bloomberg, SNB Capital Research.

SCREENING FRAMEWORK

Company	Earnings visibility
HMG	Strong
Dallah	Moderate-to-strong
Care	Moderate-to-Strong
Mouwasat	Moderate
SMC	Moderate
Fakeeh Care	Moderate
Almoosa	Moderate
Hammadi	Weak
SGH	Weak

Source: SNB Capital Research

Sector net income (SAR bn)



Source: Company reports, SNB Capital Research

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