

Mouwasat Medical Services Co. (MOUWASAT)

Target Price: SAR 143.6/share

Upside: 16.3%

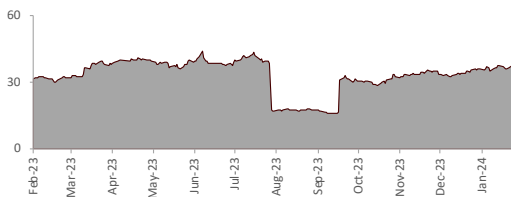
Recommendation

Buy

Current Market Price (SAR)	123.4
52wk High / Low (SAR)	140.4/90.0
Mkt. Cap. (USD/SAR Mn)	6,567/24,640
Shares Outstanding (mn)	200.0
Free Float (%)	65.0%
3m Average Vol. (000)	443
3m Avg Daily Turnover (SAR'000)	51,123
Dividend Yield '24e (%)	1.6%
P/E'24e (x)	35.0
EV/EBITDA'24e (x)	3.9

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	2,144	2,334	2,604	2,810
Gross profit	996	1,099	1,239	1,338
GPM (%)	46%	47%	48%	48%
EBIT	622	663	746	798
EBIT margin (%)	29%	28%	29%	28%
Net Income	578	599	643	705
Net margin (%)	27%	26%	25%	25%
EPS (SAR)	5.8	6.0	3.2	3.5
RoE (%)	24%	22%	21%	21%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Muhammad Sultan Hammad Al Subaie	17.5%
Nasser Sultan Fahd Al-Arini Al-Subaie	17.5%
Suleiman Muhammad Suleiman Al-Saleem	17.5%

Source: Bloomberg, Yaqeen Capital

Higher revenue and operating efficiency boost net earnings

- Mouwasat net income surged 28.0% YoY (+3.9% QoQ) to SAR 156mn in 3Q2023 on the back of increase in occupancy rates in inpatient departments and operating efficiency. The net margins improved to 24.4% (+2.1ppts YoY; +0.4ppts QoQ).
- Revenue was up 16.7% YoY (+2.2% QoQ) to SAR 641mn due to an increase in the number of OPD visits and the increase in occupancy rates in inpatient departments. For 9M2023, revenue came higher by 15.4% YoY to SAR 1932mn.
- Gross profit for the 3Q2023 came 20.7% higher YoY (+2.0% QoQ) to SAR 298mn. The gross margin increased 1.5ppts YoY to 46.5% while it decreased 0.1ppts on a QoQ basis.
- Operating profit increased 30.9% YoY (+6.3% QoQ) to SAR 182mn on the back of improved operating efficiency. Consequently, operating margins improved to 28.4% (+3.1ppts YoY; +1.1ppts QoQ).
- Mouwasat increased 100% of its share capital through capitalizing SAR 1bn of retained earnings to enhance the company's strategic asset growth plan, expand its medical network, and emphasize its financial solvency and strength.
- For 9M2023, Operating profit surged 20.3% YoY to SAR 547mn, consequent margins improved 1.1ppts to 28.3%.
- Net profit for 9M2023 increased 14.4% to SAR 474mn. While Net margins declined 0.2ppts to 24.5%.

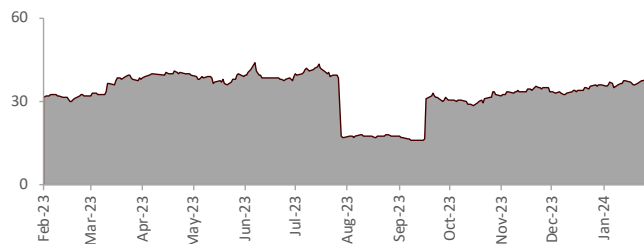
Outlook & Valuation: Saudi Arabia's healthcare sector is undergoing rapid transformation due to increased life expectancy and growing demand for services. As one of the leading private healthcare providers in the nation, Mouwasat is poised to capitalize on these changes. The company is swiftly expanding its presence by building or acquiring new hospitals in major and remote areas throughout the kingdom. Revenue is anticipated to grow steadily, propelled by the expansion of capacity, while market conditions are expected to remain advantageous in the coming years. Additionally, Mouwasat is focused on enhancing its profitability through operational improvements. Based on relative valuation, we arrive at a fair value of SAR 143.6/share. Considering a healthy upside of 16.3% from the current levels, we recommend a Buy rating on the stock.

Financial Summary

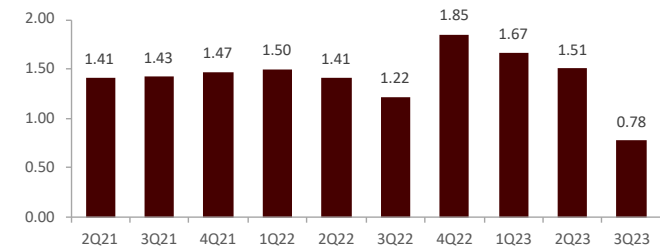
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	641	549	17%	627	2%
Gross profit	298	247	21%	292	2%
GPM (%)	47%	45%		47%	
EBIT	182	139	31%	172	6%
EBIT margin (%)	28%	25%		27%	
Net Income	156	122	28%	151	4%
Net margin (%)	24%	22%		24%	
EPS (SAR)	0.8	1.2	-36%	1.5	-48%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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