

Mouwasat Medical Services Co. (MOUWASAT)

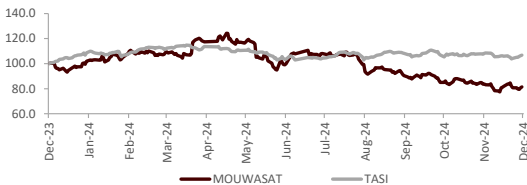
Target Price: SAR 119.3/share

Upside: 29.8%

Recommendation	Buy
Current Market Price (SAR)	91.90
52wk High / Low (SAR)	144.0/86.6
Mkt. Cap. (USD/SAR Mn)	4,898/18,380
Shares Outstanding (mn)	200.0
Free Float (%)	65.0%
3m Average Vol. (000)	340
3m Avg Daily Turnover (SAR'000)	33,134
Dividend Yield '24e (%)	2.2%
P/E'24e (x)	26.0
EV/EBITDA'24e (x)	4.3

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	2,334	2,706	2,967	3,235
Gross profit	1,099	1,313	1,386	1,518
Gross margin (%)	47%	49%	47%	47%
EBIT	673	757	801	901
EBIT margin (%)	29%	28%	27%	28%
Net Income	599	658	707	803
Net margin (%)	26%	24%	24%	25%
EPS (SAR)	3.0	3.3	3.5	4.0
RoE (%)	22%	21%	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

Earnings decline despite revenue growth

- Mouwasat's net income declined by 4.3% YoY and 2.0% QoQ to SAR 150mn in 3Q2024, driven by rising debt provisions impacting profit margins and increased costs and expenses compared to the previous quarter. Net margins fell to 21.1% (-3.3ppts YoY, -1.1ppts QoQ).
- Revenue rose 10.9% YoY to SAR 711mn in 3Q2024, supported by higher OPD visits, increased inpatient occupancy driven by the Mouwasat Center in Madinah, improved customer contractual terms, enhanced hospital resource performance, and better operational efficiency. QoQ grew 3.0%, attributed to increased OPD visits and higher inpatient occupancy rates.
- Gross profit increased 6.6% YoY to SAR 318mn in 3Q2024 due to revenue growth, while QoQ rose 3.4% due to higher revenue and lower cost of sales. The gross margin declined by 1.8ppts YoY but improved 0.2ppts QoQ to 44.7%.
- Operating profit decreased by 8.8% YoY and 4.8% QoQ, reaching SAR 168mn in 3Q2024, primarily due to higher impairment losses on accounts receivable. Operating margins declined by 5.1ppts YoY and 1.9ppts QoQ, standing at 23.6%.
- In 9M2024, net income rose slightly to SAR 474mn, driven by revenue growth and reduced financing costs from loan repayments, although higher credit loss provisions from customer balance hedging pressured profit margins. The net profit margin declined 2.2ppts to 22.3%.
- In 9M2024, revenue increased 9.9% YoY to SAR 2,124mn, fueled by higher OPD visits, increased inpatient occupancy following the January 2024 opening of the Mouwasat Center in Madinah, improved customer contractual terms, stronger hospital resource performance, and enhanced operational efficiency.

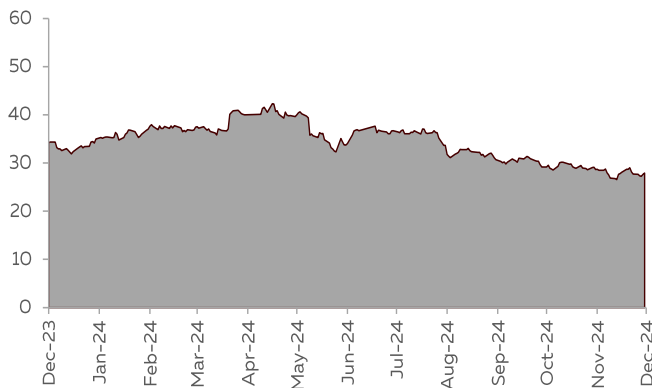
Outlook & Valuation: Saudi Arabia's healthcare sector is rapidly evolving, fueled by rising life expectancy and growing demand for services. Positioned as a leading private healthcare provider, Mouwasat is strategically poised to capitalize on these trends. The company is expanding its presence by constructing or acquiring hospitals in key and underserved areas across the kingdom. Revenue is expected to grow steadily with this capacity expansion, bolstered by favorable market dynamics in the years ahead. Moreover, Mouwasat is prioritizing operational enhancements to drive profitability. Based on relative valuation, we arrive at a fair value of SAR 119.3/share. Considering a healthy upside of 29.8% from the current levels, we recommend a Buy rating on the stock.

Financial Summary

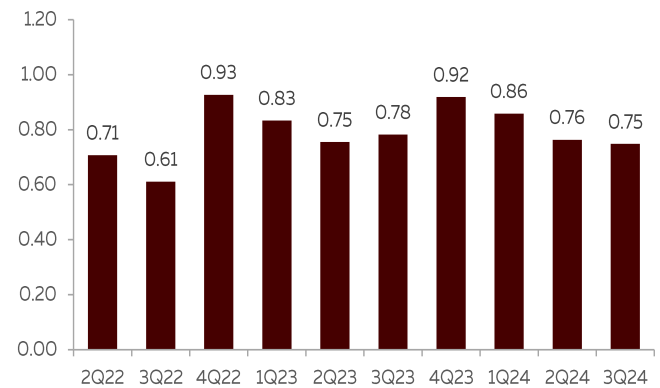
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	711	641	11%	690	3%
Gross profit	318	298	7%	307	3%
Gross margin (%)	45%	47%		45%	
EBIT	168	184	-9%	176	-5%
EBIT margin (%)	28%	28%		26%	
Net Income	150	156	-4%	153	-2%
Net margin (%)	21%	24%		22%	
EPS (SAR)	0.7	0.8	-4%	0.8	-2%

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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