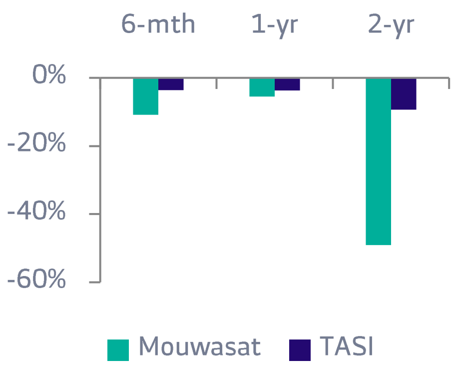
Margins Under Pressure, Utilization Expected to Improve

May 03, 2026

Upside to Target Price	23.5%	Rating	Buy
Expected Dividend Yield	3.2%	Last Price	SAR 68.00
Expected Total Return	26.8%	12-mth target	SAR 84.00

Market Data	
52-week high/low	SAR 80.70/58.65
Market Cap	SAR 13,600 mln
Shares Outstanding	200 mln
Free-float	63.2%
12-month ADTV	432,771
Bloomberg Code	MOUWASAT AB



MOUWASAT	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	834	764	9%	885	(6%)	914
Gross Profit	343	333	3%	384	(11%)	370
Gross Margins	41%	44%		43%		41%
Operating Profit	207	213	(3%)	251	(18%)	220
Net Profit	201	197	2%	238	(16%)	208

(All figures are in SAR mln)

- Mouwasat's revenue grew +9% Y/Y while declining -6% Q/Q to reach SAR 834 mln, below our estimate of SAR 914 mln. The Y/Y growth was supported by higher outpatient utilization rates, improved contractual terms with clients, and the commencement of operations at Yanbu Industrial Hospital in early February. The Q/Q decline is attributed to Ramadan seasonality, which led to a decrease in outpatient visits.
- Gross profit reached SAR 343 mln, up +3% Y/Y and down -11% Q/Q, below our expectations. The Q/Q decline came in despite a -2% decrease in cost of sales, as revenue declined at a greater pace, putting pressure on gross profit and margins. Gross margin declined from 44% in 1Q25 and 43% in 4Q25 to 41% in 1Q26, in line with our expectations.
- Operating profit declined -3% Y/Y and -18% Q/Q to SAR 207 mln. The Y/Y decline is attributed to higher costs associated with the commencement of Yanbu Industrial Hospital, while the Q/Q decline was driven by lower revenue and the resulting contraction in gross profit, which in turn weighed on operating margins. Operating margin declined by -307 bps Y/Y and -359 bps Q/Q to reach 25%, slightly above our expectation of 24%.
- Mouwasat reported a net profit of SAR 201 mln, in line with our estimate of SAR 208 mln, up +2% Y/Y, supported by lower zakat expense following a reduction in provisions recorded under the zakat line after the issuance of the final zakat assessment for 2024, while declining -16% Q/Q. The Q/Q decline reflects the impact of Ramadan falling within 1Q26.
- In light of the quarterly results, which were impacted by Ramadan seasonality, we expect 2Q results to be more positive, supported by increased contribution from Yanbu Industrial Hospital and improving utilization rates, with costs remaining elevated until stable utilization levels are reached, which may limit the pace of margins improvement in the coming periods. We maintain our Buy rating and target price, supported by our positive outlook, amid continued expansion in bed capacity, which is expected to support long-term earnings growth.

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Disclaimer

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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