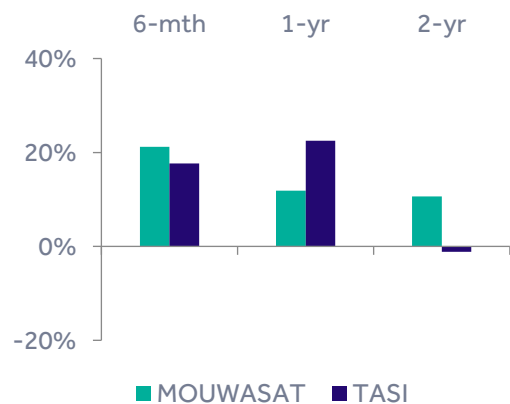


Market Data	
52-week high/low	SAR 140.4/92.50
Market Cap	SAR 24,480 mln
Shares Outstanding	200 mln
Free-float	47.5%
12-month ADTV	164,919
Bloomberg Code	MOUWASAT AB



### Significant Expansion in 4Q Gross Margins

March 25, 2024

Upside to Target Price	2.1%	Rating	Neutral
Expected Dividend Yield	1.6%	Last Price	SAR 122.40
Expected Total Return	3.7%	12-mth target	SAR 125.00

MOUWASAT	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	773	660	17%	641	21%	772
Gross Profit	395	329	20%	298	32%	363
Gross Margins	51%	49%		47%		47%
Operating Profit	210	218	(4%)	182	15%	223
Net Profit	184	185	(1%)	156	18%	203

(All figures are in SAR mln)

- Revenues for 4Q were recorded at SAR 773 mln (+17% Y/Y, +21% Q/Q), matching our SAR 772 mln forecast. For full year 2023, topline went up by +16% to SAR 2.7 bln. Management commentary points towards an increased in Outpatient visits and a rise in Inpatient occupancy rates as well as the full year impact of the 3 new facilities opened in 2022 coupled with better operating efficiency.
- We are pleasantly surprised with the 51% gross margin recorded for 4Q2023 versus an average of 47.5% for the first 3 quarters of 2023, leading the gross profit to SAR 395 mln (+20% Y/Y, +32% Q/Q). We await details for any one-offs. Operating expenses witnessed a substantial rise to SAR 184 mln (+57% Y/Y, +59% Q/Q) resulting in operating profit falling below our estimates to SAR 210 mln.
- Net profit came in at SAR 184 mln (-1% Y/Y, +18% Q/Q), missing our SAR 203 mln forecast as +20% Y/Y higher gross profit failed to translate into higher net profit, likely on higher operating expenses and financial costs. DPS of SAR 1.75 for 2023 is an improvement over SAR 1.50 paid in 2022.
- We remain positive on the healthcare sector in general and Mouwasat in particular, on the back of 3 new expansion projects through 2026 raising bed capacity by 620 beds (+39%) coupled with industry leading margins. However, the stock has achieved our SAR 125.00 target price last month. Thus, we downgrade our rating to Neutral.

**Muhammad Faisal Potrik**  
 muhammed.faisal@riyadcapital.com  
 +966-11-203-6807

## ■ 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  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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