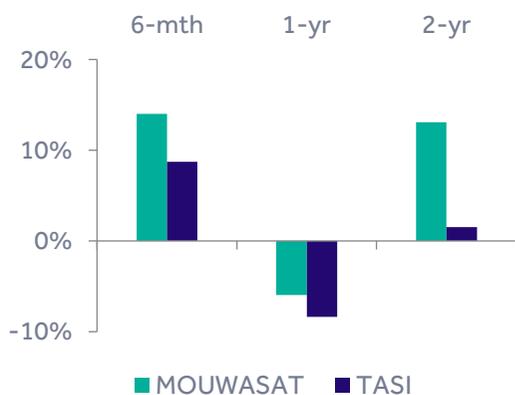


Market Data	
52-week high/low	SAR 140.4/86.6
Market Cap	SAR 21,800 mln
Shares Outstanding	200 mln
Free-float	47.5%
12-month ADTV	116,496
Bloomberg Code	MOUWASAT AB



Net Profit Impacted by Seasonality

August 16, 2023

Upside to Target Price	14.7%	Rating	Buy
Expected Dividend Yield	1.6%	Last Price	SAR 109.00
Expected Total Return	16.3%	12-mth target	SAR 125.00

MOUWASAT	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Sales	627	558	12%	664	(6%)	645
Gross Profit	292	258	13%	328	(11%)	319
Gross Margins	47%	46%		49%		49%
Operating Profit	172	155	10%	193	(11%)	185
Net Profit	151	141	6%	167	(10%)	160

(All figures are in SAR mln)

- Mouwasat's topline increased +12% Y/Y but declined -6% Q/Q to SAR 627 mln, in line with our forecast. For the quarter, inpatient revenues declined by -9% Q/Q while outpatient revenues followed the same pattern with a decline of -3% Q/Q. We also witnessed a decrease of -3% Q/Q in pharmaceutical revenues. The decline Q/Q was due to the seasonality of this quarter, as it coincided with the holy month of Ramadan, Eid Al-Fitr holidays and Eid Al-Adha holidays, which impacted the topline more than we had expected.
- Moving forward, we expect healthy growth in topline as the Y/Y rise shows an increase in the number of outpatient visits and an increase in occupancy rates in inpatient departments, continued performance improvement of newly specialized resources and enhancement of operating efficiency, along with higher other revenues.
- Gross profit increased by +13% Y/Y but is down -11% Q/Q to SAR 292 mln, with gross margins contracting to 47% this quarter compared to 49% in the preceding quarter but higher than 46% in 2Q2022. Net margins declined by approximately -1% on both yearly and quarterly basis to 24% this quarter.
- Net profit was recorded at SAR 151 mln for 2Q (+6% Y/Y, -10% Q/Q), below our estimate of SAR 160 mln and market consensus of SAR 158 mln on the back of seasonality of the current quarter. The stock now trades below our adjusted target price. We slightly reduce our target price to SAR 125.00 but upgrade the stock rating to a Buy as we like the growth story. The 1.6% dividend yield is decent.

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■ 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

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