

Higher Provisions, Opex Pressure Bottomline

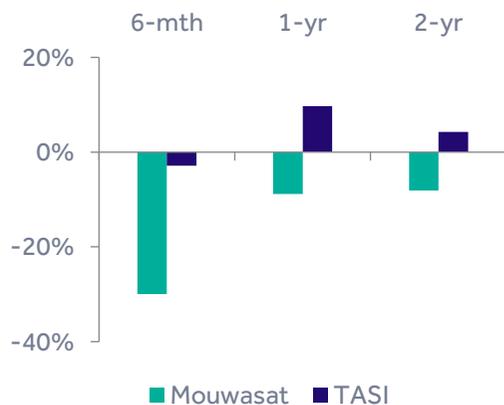
November 06, 2024

| | | | |
|-------------------------|-------|---------------|------------|
| Upside to Target Price | 11.3% | Rating | Neutral |
| Expected Dividend Yield | 1.8% | Last Price | SAR 94.30 |
| Expected Total Return | 13.1% | 12-mth target | SAR 105.00 |

| Market Data | |
|--------------------|----------------|
| 52-week high/low | SAR 144.0/92.8 |
| Market Cap | SAR 18,860 mln |
| Shares Outstanding | 200 mln |
| Free-float | 47.5% |
| 12-month ADTV | 363,304 |
| Bloomberg Code | MOUWASAT AB |

| MOUWASAT | 3Q2024 | 3Q2023 | Y/Y | 2Q2024 | Q/Q | RC Estimate |
|------------------|--------|--------|------|--------|------|-------------|
| Sales | 711 | 641 | 11% | 690 | 3% | 704 |
| Gross Profit | 318 | 298 | 7% | 307 | 3% | 312 |
| Gross Margins | 45% | 47% | | 45% | | 44% |
| Operating Profit | 168 | 184 | (9%) | 176 | (5%) | 185 |
| Net Profit | 150 | 156 | (4%) | 153 | (2%) | 162 |

(All figures are in SAR mln)



- Revenues inclined by +11% Y/Y and +3% Q/Q to SAR 711 mln, almost matching our SAR 704 mln forecast. Drivers for topline include the rise in OPD visits as well as higher occupancy rates while start of operations of the Madinah Mouwasat Center for rehabilitation and extended care also helped. Management has again highlighted better contractual terms with customers, enhancement in operating efficiency and improvement of specialized resources in the hospitals.
- Gross margins have contracted to 44.7% in 3Q2024 from 46.5% in 3Q2023, in line with the trend in the first two quarters, which also witnessed decline in yearly gross margins. Gross profit increased by +7% Y/Y and +3% Q/Q to SAR 318 mln, in-line with our forecast. Operating expenses have come in much higher than expected. Management has pointed out increase in debt provisions related to customer balances, which is becoming an ongoing concern. Thus, operating profit declined by -9% Y/Y as opposed to higher gross profit.
- Net income came in at SAR 150 mln (-4% Y/Y, -2% Q/Q), below our SAR 162 mln estimate and SAR 167 mln market consensus primarily on higher than anticipated expenses.
- Margins have been under pressure recently on rising costs, which is likely to persist in 4Q as well. We decrease our target price to SAR 105.00 but keep a Neutral stance. We remain concerned about rising competition in its main market, the Eastern region as well as challenges on maintaining peer leading margins.

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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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