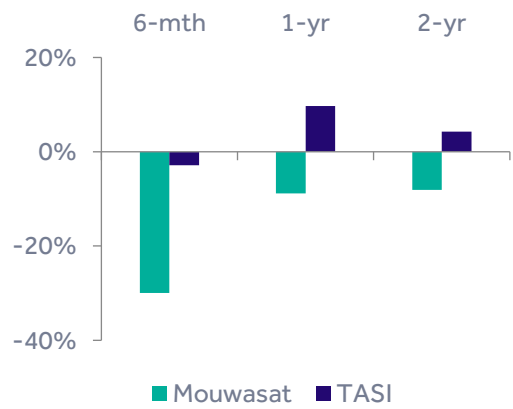


Market Data	
52-week high/low	SAR 144.0/92.8
Market Cap	SAR 18,860 mln
Shares Outstanding	200 mln
Free-float	47.5%
12-month ADTV	363,304
Bloomberg Code	MOUWASAT AB



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

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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