



Highest quarterly top line delivered, yet upcoming expansion cost pressures likely limited bottom-line potential; in line with our estimates

Mouwasat reported a Q2-25 bottom line of SAR 187mn, up 22.4% Y/Y yet down 5.1% Q/Q, and in line with our forecasted SAR 189.3mn at a -1.2% deviation from our estimates. Record high quarterly top line of SAR 796mn drove this quarter's results, while revenue delivery to bottom line was limited by cost pressures which we expect are related to its upcoming expansions scheduled for H2-25. Top line for the quarter was likely driven by improved rejection rates and net price increases for its services, as well as patient volumes during a no-Ramadan-days Q2-24. Mouwasat's two expansions coming in will define the remainder of its FY25 performance, as it enters new geographies in a competitive market. We maintain our "Neutral" recommendation at a TP of SAR 86.4/share on the stock trading at a FY25E PE of 20.8x.

- Mouwasat reported a Q2-25 net income of SAR 187mn, up 22.4% Y/Y yet down 5.1% Q/Q. This was in line with our forecasted SAR 189.3mn at a -1.2% deviation from our estimates. Results were top line driven, as Mouwasat reported its highest quarterly revenues to date at SAR 796mn; likely driven by less rejection rates, price increases, and patient volumes. We expect that hirings for the upcoming facilities took place during the quarter to limit margin expansions on the GPM and operating margin front, and as OPEX-to-revenues also rose on a Y/Y and Q/Q basis to reach 19.2%. Decreases in impairment charges, finance charges, and zakat on a Y/Y basis further supported bottom-line performance.
- Quarterly revenues were reported at its highest recorded for Mouwasat at SAR 796mn, up 15.4% Y/Y and 4.2% Q/Q. Top line was in line with our estimated SAR 777mn at a +2.5% deviation. We consider the management's efforts to decrease rejection rates, as well as net price increases for services to have supported this quarter's top-line performance. Furthermore, no Ramadan days taking place this Q2-25, as well as potential increase in volume contribution from its Madina LTC facility opened early FY24 likely supported this quarter's revenue performance as well.
- Gross profit reached SAR 356mn, up 15.9% Y/Y and 2.7% Q/Q. This was in line with our estimated SAR 351mn at a +1.6% deviation. While quarterly revenues recorded their highest reported, gross profit did not follow suit, as GPMs remained locked lower than FY21-23 levels at near 44.8% (up 30bps Y/Y and down 40bps Q/Q). GPMs were reported slightly lower our estimates of 45.2% at a -40bps deviation. We expect that hiring activity potentially took place to weigh on GPMs, as management previously indicated that hirings are yet to take place for the upcoming two facilities scheduled for H2-25,
- Operating profits for the quarter reached SAR 203mn, up 15.5% and down 4.6% Q/Q. This was in line with our estimate of SAR 209mn at a -2.6% deviation. Operating margins, however, were flat Y/Y and down 250bps Q/Q, as OPEX-to-revenues reached 19.2% (up 20bps Y/Y and 170bps Q/Q) as a result of higher G&A costs likely related to the upcoming expansions.

AJC view and valuation: Mouwasat reported Q2-25 results in line with our estimated performance for the firm, as we expected the firm to deliver top-line performance driven by improved contractual terms, along with cost pressures related to upcoming expansions. The two facilities around the corner (Yanbu at 200 beds, and Jeddah at 300 beds, both by H2-25E) are expected to define the performance of Mouwasat for the remainder of the year. We remain cautious on increasing competitive pressures on patient attraction and talent hirings, particularly in Jeddah, which is a new geography for Mouwasat. We expect Mouwasat to be on track to deliver a FY25E bottom line of SAR 741mn driven by its expansions, at a FY25E forward PE of 20.8x, and an expected dividend of SAR 2.25 per share at a 2.6% dividend yield. We maintain our TP on the firm at **SAR 86.4/Share** at a "Neutral" recommendation.

Results Summary

| SAR mn | Q2-24 | Q1-25 | Q2-25 | Change Y/Y | Change Q/Q | Deviation from AJC Estimates |
|--------------|-------|-------|-------|------------|------------|------------------------------|
| Revenue | 690 | 764 | 796 | 15.4% | 4.2% | 2.5% |
| Gross Profit | 307 | 347 | 356 | 15.9% | 2.7% | 1.6% |
| Gross Margin | 44.5% | 45.4% | 44.8% | - | - | - |
| EBIT | 176.2 | 213 | 203 | 15.5% | -4.6% | -2.6% |
| Net Profit | 152.7 | 197 | 187 | 22.4% | -5.1% | -1.2% |
| EPS | 0.76 | 0.99 | 0.93 | - | - | - |

Source: Company Reports, Aljazira Capital Research

| | |
|-----------------------------|----------------|
| Recommendation | Neutral |
| Target Price (SAR) | 86.4 |
| Upside / (Downside)* | 12.4% |

Source: Tadawul *prices as of 29th of July 2025

Key Financials

| SARmn (unless specified) | FY22 | FY23 | FY24 | FY25E |
|--------------------------|-------|-------|-------|-------|
| Revenues | 2,334 | 2,706 | 2,879 | 3,177 |
| Growth % | 8.9% | 15.9% | 6.4% | 10.3% |
| Gross profit | 1,102 | 1,313 | 1,289 | 1,377 |
| Growth % | 10.6% | 19.2% | -1.8% | 6.8% |
| Oper. Income | 672 | 757 | 724 | 837 |
| Growth % | 8.1% | 12.6% | -4.3% | 15.5% |
| Net Income | 599.3 | 657.7 | 646 | 741 |
| Growth % | 3.7% | 9.7% | -1.8% | 14.8% |
| EPS | 3.00 | 3.29 | 3.23 | 3.71 |
| DPS | 1.50 | 1.75 | 2.00 | 2.25 |

Source: Company reports, Aljazira Capital Research

Key Ratios

| | FY22 | FY23 | FY24 | FY25E |
|----------------|-------|-------|-------|-------|
| Gross Margin | 47.1% | 48.5% | 44.8% | 43.3% |
| Oper. Margin | 28.8% | 28.0% | 25.2% | 26.3% |
| Net Margin | 25.7% | 24.3% | 22.4% | 23.3% |
| ROA | 13.7% | 13.7% | 12.5% | 13.3% |
| ROE | 21.7% | 21.2% | 18.9% | 19.9% |
| P/E (x) | 69.7 | 34.0 | 26.4 | 20.8 |
| P/B (x) | 7.2 | 6.8 | 4.8 | 4.0 |
| Dividend Yield | 0.7% | 1.3% | 2.1% | 2.6% |

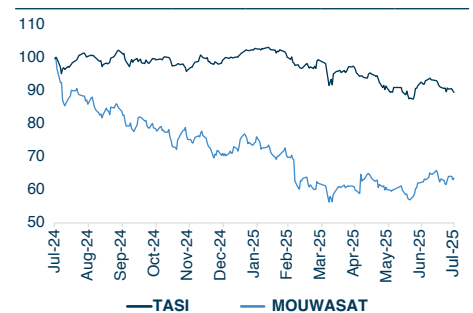
Source: Company reports, Aljazira Capital Research

Key Market Data

| | |
|------------------------|------------|
| Market Cap(bn) | 15.4 |
| YTD% | -9.6% |
| 52 week (High)/(Low) | 122.4/65.6 |
| Share Outstanding (mn) | 200 |

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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