

## Healthcare

**BUY: 12M TP @ 85**

*Upside of +17.2%*

### Valuation Summary (TTM)

Price (SAR)	72.5
PER TTM (x)	21.6
P/Book (x)	3.9
P/Sales (x)	5.0
EV/Sales (x)	5.2
EV/EBITDA (x)	15.0
Dividend Yield (%)	2.8
Free Float (%)	46%
Shares O/S (mn)	200
YTD Return (%)	-15%
Beta	0.9

(mn)	SAR		USD
Market Cap	14,500		3,866
Enterprise Value	14,754		3,934
Price performance (%)	1M	3M	12M
Mouwasat Medical Services C	-2%	-14%	-35%
Tadawul All Share Index	-7%	-10%	-8%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	46,579	54,008	47,335
Avg Daily Volume (,000)	497	721	588
52 week	High	Low	CTL*
Price (SAR)	125.80	65.60	10.5

\* CTL is % change in CMP to 52wk low

### Major shareholders

Al-Subaie Nasser Suleiman	18.8%
Al-Subaie Mohammed	17.8%
Al-Saleem Suleiman	17.5%
Others	45.8%

### Other details

Exchange	Saudi Arabia
Sector	Healthcare-Services
Index weight (%)	0.4%

Key ratios	2022	2023	2024
EPS (SAR)	3.00	3.29	3.23
BVPS (SAR)	14.61	16.39	17.84
DPS (SAR)	1.50	1.75	2.00
Payout ratio (%)	50%	53%	62%



## Mouwasat: Upside despite challenges

Mouwasat Medical Services Co reported its 1Q25 revenue at SAR764mn, up 5.8% YoY, in line with our expectation. The growth was driven by a 7.6% YoY improvement in hospital revenue, even as pharma revenue fell 3.7% YoY. Growth in hospital revenue was driven by increased inpatient utilization, higher flow of outpatients, and improved contractual terms with key clients. Gross profit however was flat at SAR347mn, as gross margins declined to 45.4% in 1Q25, compared to 47.8% in 1Q24. The margin compression was likely on the back of patient mix and on outlays relating to new hospitals, which are yet to commence operation. Operating expenses decreased by 10.5% YoY, with higher SG&A expenses being compensated by lower ECL provisions. Finance expenses came lower by 33.1% YoY on account of a decrease in borrowings and lower cost of funds. Leverage at 20.5% (debt to equity) remained largely under control. Overall, net income increased by 14.8% YoY to SAR197mn with lower ECL and Zakat provisions more than making up for lower gross margins. The net income was 12% higher than our expectation on account of lower-than-expected operating expenses.

**Investment thesis and valuations:** Mouwasat is one of the leading private healthcare providers in Saudi Arabia with a capacity of 1,600 beds and 600 clinics, with a strong presence in the Eastern region. The company is undertaking an aggressive capacity addition of over 500 beds, which are expected to become operational in 2H25. Further it is planning a 120 beds facility in Riyadh, which is expected to come on stream within 36 months of commencement of construction. This project is currently in its design phase. Profitability of Mouwasat came under pressure in 2024, with its EBIT margins falling to 24.9% compared to 27.7% in 2023. The management has guided for a recovery in the same during the period of 9M25. In line with this, 1Q25 margins improved to 27.5%, on the back of lower ECL provisions. The management targets for this to recover further to 2023 levels of 27-28%, though constraints remain in the form of costs relating to the new capacity expansion. Despite this, Mouwasat has guided for a net income growth of c.15% YoY for 2025e, which we feel is achievable. Despite the near-term constraints, we remain optimistic on the long-term performance of the company. At 19x its 2025e EPS we see further upside to the stock and maintain our target price at **SAR85/share**, which implies a **Buy** rating.

Income Statement (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	2,045	2,144	2,334	2,706	2,879	3,177	3,695	4,113	4,422
Cost of sales	(1,085)	(1,148)	(1,233)	(1,392)	(1,590)	(1,781)	(2,103)	(2,341)	(2,554)
<b>Gross profit</b>	<b>960</b>	<b>996</b>	<b>1,102</b>	<b>1,313</b>	<b>1,289</b>	<b>1,395</b>	<b>1,592</b>	<b>1,772</b>	<b>1,868</b>
Operating expenses	(382)	(374)	(436)	(565)	(573)	(561)	(605)	(650)	(695)
<b>Operating profit</b>	<b>578</b>	<b>622</b>	<b>666</b>	<b>748</b>	<b>716</b>	<b>835</b>	<b>987</b>	<b>1,122</b>	<b>1,173</b>
Other income	13	18	17	25	20	21	21	21	22
Net finance income	(14)	(8)	(23)	(46)	(30)	(30)	(30)	(40)	(34)
<b>Earnings before tax</b>	<b>577</b>	<b>632</b>	<b>660</b>	<b>727</b>	<b>706</b>	<b>825</b>	<b>978</b>	<b>1,103</b>	<b>1,161</b>
Tax	(15)	(22)	(28)	(39)	(36)	(42)	(50)	(57)	(60)
<b>Net income pre minority interest</b>	<b>562</b>	<b>610</b>	<b>633</b>	<b>688</b>	<b>670</b>	<b>783</b>	<b>928</b>	<b>1,047</b>	<b>1,101</b>
Minority interest	(33)	(32)	(33)	(31)	(24)	(28)	(33)	(37)	(39)
<b>Net income post minority interest</b>	<b>528</b>	<b>578</b>	<b>599</b>	<b>658</b>	<b>646</b>	<b>755</b>	<b>895</b>	<b>1,010</b>	<b>1,062</b>

Balance Sheet (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	2,203	2,419	2,808	3,046	3,510	3,724	3,997	4,118	4,260
Other non-current assets	250	325	280	301	137	127	118	108	99
<b>Total non-current assets</b>	<b>2,453</b>	<b>2,744</b>	<b>3,088</b>	<b>3,347</b>	<b>3,646</b>	<b>3,851</b>	<b>4,114</b>	<b>4,226</b>	<b>4,359</b>
Trade receivables	690	791	1,036	1,153	925	1,021	1,187	1,322	1,421
Inventories	186	187	203	197	232	260	307	342	373
Cash and cash equivalents	160	157	144	49	427	381	343	250	535
Other current assets	160	180	190	219	173	348	523	973	973
<b>Total current assets</b>	<b>1,195</b>	<b>1,315</b>	<b>1,574</b>	<b>1,618</b>	<b>1,756</b>	<b>2,010</b>	<b>2,360</b>	<b>2,886</b>	<b>3,301</b>
<b>Total assets</b>	<b>3,649</b>	<b>4,059</b>	<b>4,662</b>	<b>4,965</b>	<b>5,403</b>	<b>5,861</b>	<b>6,474</b>	<b>7,112</b>	<b>7,660</b>
Share Capital	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000
Total reserves	1,279	1,604	1,923	1,277	1,568	1,923	2,371	2,875	3,406
Minority interest	101	98	153	150	145	173	206	243	283
<b>Total equity</b>	<b>2,380</b>	<b>2,702</b>	<b>3,076</b>	<b>3,427</b>	<b>3,714</b>	<b>4,096</b>	<b>4,577</b>	<b>5,119</b>	<b>5,689</b>
Lease liabilities current portion	7	4	4	4	4	4	4	4	0
Short-term loans	170	233	235	266	174	105	105	105	308
Trade payables	198	219	215	232	277	310	366	408	445
Other current liabilities	176	184	313	329	427	478	564	628	685
<b>Total current liabilities</b>	<b>551</b>	<b>640</b>	<b>767</b>	<b>831</b>	<b>881</b>	<b>897</b>	<b>1,040</b>	<b>1,145</b>	<b>1,438</b>
Non-current lease liabilities	31	28	25	19	19	16	12	8	0
Loans and borrowings	575	564	628	500	565	627	622	616	308
Other non-current liabilities	111	125	165	188	224	224	224	224	224
<b>Total non-current liabilities</b>	<b>718</b>	<b>717</b>	<b>818</b>	<b>707</b>	<b>808</b>	<b>867</b>	<b>858</b>	<b>848</b>	<b>532</b>
<b>Total Liabilities</b>	<b>1,269</b>	<b>1,357</b>	<b>1,585</b>	<b>1,538</b>	<b>1,689</b>	<b>1,764</b>	<b>1,897</b>	<b>1,994</b>	<b>1,970</b>
<b>Equity and liabilities</b>	<b>3,649</b>	<b>4,059</b>	<b>4,662</b>	<b>4,965</b>	<b>5,403</b>	<b>5,861</b>	<b>6,474</b>	<b>7,112</b>	<b>7,660</b>

Cash Flows (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	483	683	707	814	1,256	1,016	1,148	1,282	1,375
Cash from investments	(319)	(446)	(473)	(475)	(468)	(651)	(729)	(861)	(442)
Cash from financing	(208)	(240)	(247)	(434)	(411)	(409)	(457)	(514)	(648)
Net changes in cash	(44)	(3)	(13)	(95)	378	(45)	(38)	(93)	284
<b>Closing balance (C/b)</b>	<b>160</b>	<b>157</b>	<b>144</b>	<b>49</b>	<b>427</b>	<b>381</b>	<b>343</b>	<b>250</b>	<b>535</b>







Ratios	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<b><u>Per Share (SAR)</u></b>									
EPS	2.6	2.9	3.0	3.3	3.2	3.8	4.5	5.0	5.3
BVPS	11.4	13.0	14.6	16.4	17.8	19.6	21.9	24.4	27.0
DPS	1.3	1.4	1.5	1.8	2.0	2.0	2.2	2.5	2.7
FCF/share	0.8	1.2	1.2	1.7	3.9	1.8	2.1	2.1	4.7
Revenue/share	10.2	10.7	11.7	13.5	14.4	15.9	18.5	20.6	22.1
<b><u>Valuations</u></b>									
M.Cap (SAR mn)	17,546	17,546	21,575	22,408	14,500	14,500	14,500	14,500	14,500
EV (SAR mn)	18,186	18,215	22,365	23,197	14,895	14,784	14,671	14,342	13,980
P/E	33.2	30.3	36.0	34.1	22.5	19.2	16.2	14.4	13.7
EV/EBITDA	25.0	23.4	26.2	23.9	15.6	13.4	11.5	10.1	9.4
EV/Sales	8.9	8.5	9.6	8.6	5.2	4.7	4.0	3.5	3.2
P/BV	7.7	6.7	7.4	6.8	4.1	3.7	3.3	3.0	2.7
P/S	8.6	8.2	9.2	8.3	5.0	4.6	3.9	3.5	3.3
Div. yield	1.4%	1.6%	1.4%	1.6%	2.8%	2.8%	3.1%	3.5%	3.7%
FCF yield	0.9%	1.4%	1.1%	1.5%	5.4%	2.5%	2.9%	2.9%	6.4%
<b><u>Liquidity</u></b>									
Cash Ratio	0.3	0.2	0.2	0.1	0.5	0.4	0.3	0.2	0.4
Current ratio	2.2	2.1	2.1	1.9	2.0	2.2	2.3	2.5	2.3
Quick ratio	1.8	1.8	1.8	1.7	1.7	1.9	2.0	2.2	2.0
<b><u>Return ratio</u></b>									
ROA	14.5%	14.2%	12.9%	13.2%	12.0%	12.9%	13.8%	14.2%	13.9%
ROE	23.2%	22.2%	20.5%	20.1%	18.1%	19.2%	20.5%	20.7%	19.6%
ROCE	18.3%	17.6%	16.8%	17.7%	16.0%	17.2%	18.5%	19.2%	18.6%
<b><u>Cash cycle</u></b>									
Trade receivables	3.0	2.7	2.3	2.3	3.1	3.1	3.1	3.1	3.1
Inventory	5.8	6.1	6.1	7.1	6.9	6.9	6.9	6.9	6.9
Payable turnover	5.5	5.2	5.7	6.0	5.7	5.7	5.7	5.7	5.7
Receivables days	121	133	160	153	116	116	116	116	116
Inventory days	62	59	59	51	53	53	53	53	53
Payable days	66	69	63	60	63	63	63	63	63
Cash Cycle	117	123	156	144	106	106	106	106	106
<b><u>Profitability ratio</u></b>									
Gross margins	47.0%	46.4%	47.2%	48.5%	44.8%	43.9%	43.1%	43.1%	42.2%
EBITDA margins	35.5%	36.4%	36.6%	35.9%	33.1%	34.8%	34.6%	34.6%	33.5%
Operating margins	28.3%	29.0%	28.5%	27.7%	24.9%	26.3%	26.7%	27.3%	26.5%
PBT margins	28.2%	29.5%	28.3%	26.9%	24.5%	26.0%	26.5%	26.8%	26.3%
Net margins	25.8%	27.0%	25.7%	24.3%	22.4%	23.8%	24.2%	24.5%	24.0%
Effective tax rate	2.6%	3.4%	4.2%	5.3%	5.1%	5.1%	5.1%	5.1%	5.1%
<b><u>Leverage</u></b>									
Total debt (SAR mn)	783	829	892	788	762	752	743	734	616
Net debt (SAR mn)	623	672	748	739	335	371	400	483	82
Debt/Capital	24.8%	23.5%	22.5%	18.7%	17.0%	15.5%	14.0%	12.5%	9.8%
Debt/Total assets	21.5%	20.4%	19.1%	15.9%	14.1%	12.8%	11.5%	10.3%	8.0%
Debt/Equity	32.9%	30.7%	29.0%	23.0%	20.5%	18.4%	16.2%	14.3%	10.8%
Debt/EBITDA	1.1	1.1	1.0	0.8	0.8	0.7	0.6	0.5	0.4
Net debt/EBITDA	0.9	0.9	0.9	0.8	0.4	0.3	0.3	0.3	0.1

## Key contacts

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## Rating Criteria and Definitions

Rating	Rating Definitions
 <b>Strong Buy</b>	<b>Strong Buy</b> This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
 <b>Buy</b>	<b>Buy</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
 <b>Hold</b>	<b>Hold</b> This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
 <b>Neutral</b>	<b>Neutral</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
 <b>Sell</b>	<b>Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
 <b>Strong Sell</b>	<b>Strong Sell</b> This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
	<b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe

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