

Mouwasat Medical Services - 3Q23 Result Review

Analyst: Neetika Gupta

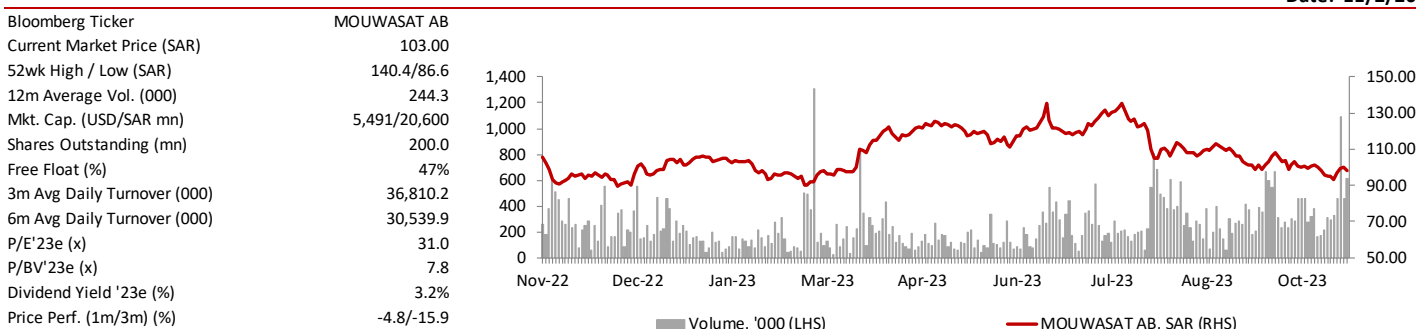
Previous Recommendation: **Accumulate**

Previous TP & Date: SAR 122.60 on 28 Aug 2023

Target Price (SAR): **122.60**

Current Upside / (Downside): 19%

Date: 11/2/2023



Revenue climbs 16.7% YoY, in line with our estimate, on a sustained increase in patients' numbers

Mouwasat Medical Services registered a sustained increase in outpatient visits as well as in the occupancies at inpatient departments, which drove the revenue 16.7% YoY higher in 3Q 2023 to SAR 640.9mn. This matched our revenue estimate of SAR 635.6mn (+0.8% variance).

Efficiency improvements boost operating and net profit, beating our estimates

Against the backdrop of an in-line revenue, the company's gross profit came largely in line with our expectations (+3.7% variation). However, operating and net profit beat our estimates by 10.6% and 8.3% as they jumped 30.9%, and 28.0%, respectively, indicating that the company's efforts to improve the efficiency of existing resources and enhance the performance of newer resources are paying off.

Maintain target price

We maintain our SAR 122.60 target price on Mouwasat's stock, given the in-line revenue growth and better-than-expected profitability at the operating and net levels.

Valuation

At the current market price, the stock trades at 31.0x on our FY 2023e EPS and 21.8x on FY 2023e EBITDA, slightly higher than the average 3-year daily 12-month forward P/E of ~29x, but in line with the average 3-year daily 12-month forward EV/EBITDA of 22x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M 22	9M 23	YoY (%)
Sales/Revenue	549.1	660.1	664.2	627.3	640.9	635.6	16.7%	2.2%	0.8%	1,674.0	1,932.5	15.4%
Gross Profit (Loss)	247.1	326.0	328.0	292.3	298.2	287.6	20.7%	2.0%	3.7%	772.9	918.5	18.8%
Operating Profit (Loss)	139.3	208.8	192.6	171.6	182.3	164.9	30.9%	6.3%	10.6%	454.3	546.5	20.3%
Net Profit (Loss) after Zakat and tax	122.2	185.4	166.6	150.5	156.4	144.4	28.0%	3.9%	8.3%	413.9	473.5	14.4%
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	2,743.1	2,922.8	3,089.5	2,940.0	3,096.4	3,084.4	12.9%	5.3%	0.4%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	45.0%	49.4%	49.4%	46.6%	46.5%	45.2%						
Operating Profit Margin	25.4%	31.6%	29.0%	27.3%	28.4%	25.9%						
Net Profit Margin	22.3%	28.1%	25.1%	24.0%	24.4%	22.7%						
Return on Equity (RoE)	17.8%	25.4%	21.6%	20.5%	20.2%	18.7%						
Annualized EPS (SAR)	2.44	3.71	3.33	3.01	3.13	2.89						
BVPS (SAR)					15.48	15.42						
TTM P/E (x)					31.3							
Current P/BV (x)					6.7							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research; na = not available, nm = not meaningful


For our earlier report on the sector, please [click here](#).


Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harthi

 +968 2494 9024


 ahlam.harthi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

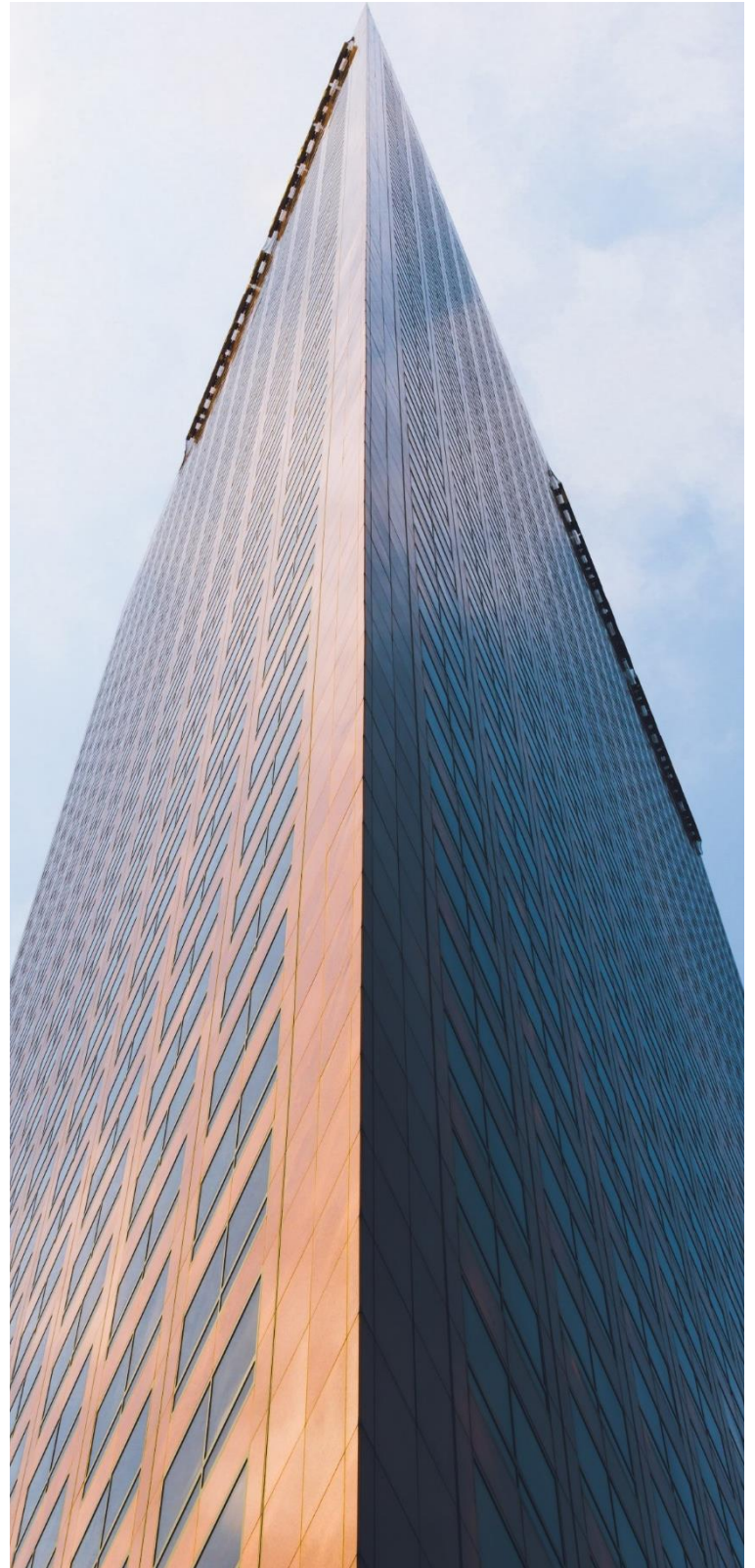
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: **www.u-capital.net**



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Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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