Saudi Manpower Industry
Saudi Arabia
17 June 2025

Saudi Arabia Manpower Sector: Margins to bottom out

Overweight on Maharah, Mawarid and Tamkeen; Neutral on SMASCO

- ***HR sector is expected to continue growing driven by Giga projects around the kingdom (e.g. World Cup and Expo construction projects)***
- ***Regulatory rollback of mandate for minimum workforce requirement in the individual segment shall be conducive for larger player's growth***
- ***SMASCO's investment in Waed could surprise in the long term, but lacks near-term catalysts***
- ***Tamkeen's high gross margins supported by selective growth approach and niche exposure such as medical; 2025 could be another solid year***
- ***Maharah's current valuations pricing in all the negatives, positive surprise can come from subsidiary SMS (full benefits not considered)***
- ***Mawarid's individual business to see margin improvement, but repeat of volume growth in corporate looks unlikely***

Growth momentum to continue: Given the solid growth in non-oil GDP growth during 2021-2024 (average non-oil GDP growth 8.6%) and the start of construction boom, solid growth in manpower industry has been noticed. The top players in the industry have collectively grown their workforce from 95K in 2021 to 162K in 2024, CAGR of 20%. The growth has been primarily driven by the corporate segment, within which the construction industry has played a major role. Moreover, the requirement to maintain 30% of the workforce in individual has also resulted in an accelerated hiring of individual workforce (deployed on contractual and hourly basis). Overall, the topline grew by 19% CAGR for the top 4 players between 2021-2024. We expect the momentum to continue, albeit at a slower pace. We estimate revenues for the four companies to grow by 14% CAGR between 2024-2027E.

Margins to bottom out: The topline growth has come at the expense of margin erosion, with one of the top 3 players' making a strategic move to capture volume in the construction industry. Average gross margins in the corporate segment (for top 3 players) declined from 11.9% at the end of 2021 to 11.4% at the end of 2024. At the same time, in the individual segment, the need to hire in order to abide by the 30% regulatory requirement collided with the onset of the staffing boom in the construction industry, thus resulting in continuous hiring in the individual segment. Moreover, the price caps in the individual segment, in both contractual and hourly services did not help. Thus, gross margins in the individual segment (top 3 players) ended at 7.4% in 2024 from 23.6% in 2021 (2021 benefitted from high demand for labor, and low supply). With the new regulation, we expect incremental hiring in the individual segment to slowdown and companies would focus on improving the utilization level for the existing workforce. In the corporate space, we believe margins, especially in the construction space are very thin now, so the possibility of further erosion is minimal.

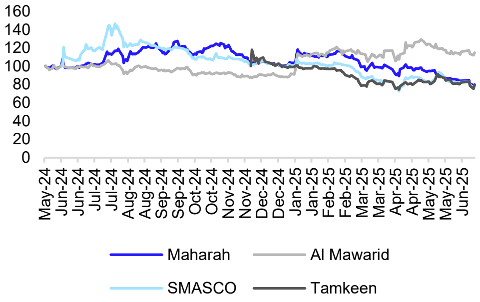
Summary of our ratings

Stock	Current Rating	Current TP	CMP	Upside/ Downside
Maharah	Overweight	5.8	4.8	21.3%
Al Mawarid	Overweight	158.0	136.6	15.7%
Tamkeen	Overweight	62.0	51.6	20.2%
SMASCO	Neutral	6.5	5.9	9.8%

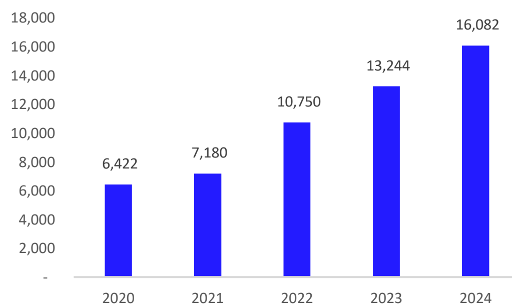
Stock	FY24 P/E	1 Year Forward P/E	2 Year Forward P/E
Maharah	17.0x	18.2x	12.3x
Al Mawarid	21.5x	18.2x	15.8x
Tamkeen	16.0x	15.1x	14.1x
SMASCO	18.7x	18.7x	16.9x

Source: Al Rajhi Capital; CMP: At the close of 16th June 2025

Price Performance (rebased to 100)



Actual Manpower sector based on revenues (SARmn)



Source: Tamkeen Prospectus, Al Rajhi Capital; **Note:** Based on Maharah's market share of 13.5% in FY23 and 13.0% in FY24 and its staffing revenues, we calculated the market size for manpower services of SAR 13.2 bn and SAR 16.1 bn in 2023 and 2024, respectively.

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Valuations: Given that 3 out of the 4 publicly listed companies were listed in 2024, there is dearth of information on the valuation multiples for the KSA staffing industry throughout the economic cycle. Thus, analysing the global staffing companies provide us a reference point. We have noticed that globally, staffing companies (especially European ones) have traded in the range of 15-24x, with 18x being the long-term average. This appears to be the case mainly due to the cyclicality of the staffing business and also global companies having share of placement revenues (commission earned on sourcing suitable candidate), which is even more volatile.

In the KSA, the staffing companies, on one hand the lack of exposure to placement revenues makes it less cyclical, but exposure to oil dependent economy negates that benefit. Thus, the valuations of companies in the KSA can be compared to the global staffing companies. Given the growth story in the KSA, the valuations in the KSA should range from 18x-22x, with average being 20x (versus 18x for global). We have valued Mawarid at 21x (2025e EPS), Maharah's core staffing business at 20x (2025e EPS), SMASCO at 18x (2027e EPS, then discounted) and Tamkeen at 18x (2025e EPS).

Maharah: Maharah is well positioned to unlock value with the change in the regulatory landscape of the Kingdom. The relaxation of mandate for individual workers should allow the company now to compete in the corporate space, where its market share was being threatened. Moreover, Maharah's strategic investments in affiliates like Saudi Medical Systems Company could surprise on the positive side (though uncertainty exists). We expect revenues to grow at a CAGR of ~15% and operating profit to grow at a CAGR of 10% between 2024-27E. Given the recent sharp correction, the company is trading at TTM P/E of ~21x. Accordingly, we initiate coverage on the stock with an Overweight rating, with a target price of SAR 5.8/share.

Al Mawarid: Al Mawarid's scale in the corporate segment particularly construction sector shall act as a key growth lever over the coming years. Increasing market share enhances scope for further workforce expansion. We expect the topline growth to be robust at a CAGR of ~16% and operating profit to grow at a CAGR of 17% between 2024-27E. However, accelerated growth in the B2B segment will continue to keep Mawarid's margins lower than that of peers on account of the prevailing competition. Hence, we initiate coverage on the stock with a target price of SAR 158/share with an Overweight rating on the stock.

SMASCO: SMASCO to benefit notably from the recent regulation related to mix of individual and corporate workforce. We estimate the topline to grow by mid-to-high single digit in the next three years, led by corporate. Gross margins to improve, led by individuals as utilization is expected to pick up as incremental hiring slows down. On the back of this and further supported by higher associate income (Waed to contribute positively in 2027), we estimate net income to grow by 10% CAGR between 2024-2027E. However, we remain neutral on the name and trim our target price to SAR 6.5/share as we believe bulk of the growth will be seen only in 2027, while 2025 will be another year of lacklustre growth.

Tamkeen: Tamkeen's solid gross margins underscores its selective growth strategy and contribution from high margin clients, such as medical. 1Q25 gross margins in the corporate segment are encouraging despite the spike in revenues from construction client. We estimate 2025E to be another solid year, topline growth of 38%, adjusted net income growth of 24%. On the back of another solid year (2025) and upward revision to our gross margin assumptions during 2025-2028E, we upgrade the stock to Overweight from neutral, with a target price of SAR 62/sh. However, we value it at 18x, lower than the peers, on concerns over margins coming down in the future, especially beyond 2027.

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Industry Overview

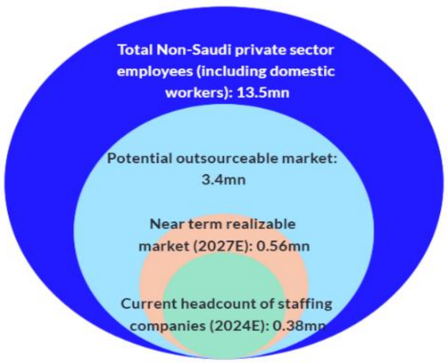
With the Saudi economy growing rapidly under the purview of Vision 2030, the hiring landscape has evolved significantly. Outsourcing staffing needs bridges the key challenges of skill mismatches, elevated recruitment costs, and delays in onboarding. Manpower companies play a critical role in the hiring value chain, with organizations and individuals increasingly seeking temporary staffing solutions across multiple domains to boost productivity and in response to shifting market demands. The staffing industry in the KSA has in total 46 licensed companies, (Source: SMASCO prospectus), the top 6 companies in 2022, collectively constitute 50-60% of the market share. Thus, the industry is both relatively consolidated and fragmented at the same time. Based on our estimates, Maharah and Mawarid are the top 2 players (2024) now, while SMASCO is at number 3 now. The market structure splits into two main segments, that are B2B and B2C, serving corporates and individuals, respectively. The B2B segment (corporate) accounts for 70% of the market (as of 2023), this segment serves industries like construction, manufacturing, technology, and healthcare. On the other hand, the B2C segment represents 30%, this segment includes hourly and contractual household services.

In terms of opportunity, the current share of manpower companies in the total private sector (non-Saudi) workforce of KSA, is less than 3%. As of 2024, out of total 13.4 mn private (non-Saudi, include 4.0 mn domestic workforce), only around 0.38 mn (ARC estimate) is on the payroll of the staffing companies. As per market consultant, Arthur D. Little (source: SMASCO prospectus), the long-term opportunity (referred as potential market) was estimated at 3.4 mn headcount as of 2022. However, fully unlocking the long-term potential hinges on greater adoption of manpower services, which has been slowed by limited awareness and varying client confidence in the value these firms provide. Moreover, supportive legislation and a steady supply of trained manpower are key to overcoming these challenges, paving the way for growth.

Nevertheless, as per the market consultants, the near-term opportunity estimated as of 2022, was 0.4 mn headcount (referred as realizable market) and estimated to grow by 7% CAGR to reach 0.56 mn headcount by 2027E. The key assumption is that companies will gradually adopt outsourcing with the aim to outsource complex processes, decrease costs and reduce liability, and will target to substitute around 6% to 8% of their non-Saudi workforce in the near term.

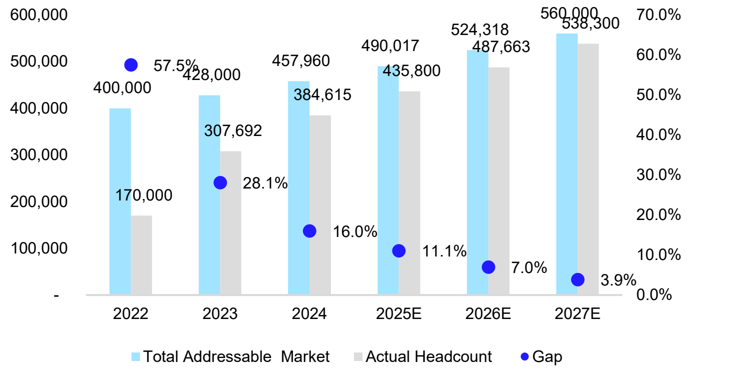
Back in 2022, the total estimated manpower supplied by the staffing companies was just 0.17 mn. Thus, the gap between the realizable market (0.4 mn headcount) and supply (manpower on payroll of staffing companies), was almost 58%. Over the last 3 years, the staffing companies have more than doubled their workforce to over 0.38 mn (as of 2024), thus the gap between the estimated realizable market as of 2024 and the supply was narrowed to just 16% from 58% in 2022. We estimate this gap to narrow further to just 4% by 2027, implying headcount supplied by the manpower companies to grow by 12% CAGR between 2024-2027E. Despite the growth in the last 3 years and the anticipated momentum to continue, even at the end of 2027, total estimated outsourced employees as a % of the total long-term potential market of 3.4 mn would be just 16%. Thus, as the companies understand the benefits of outsourcing mentioned above, the demand for outsourced staffing will continue to grow.

Figure 1 **Market Opportunities**



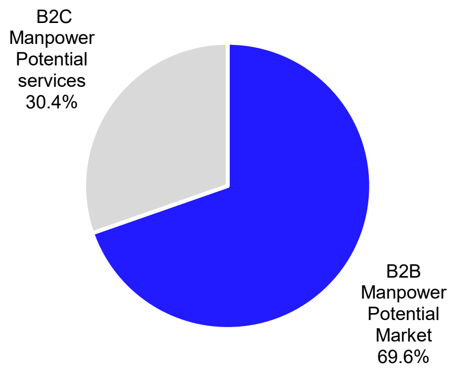
Source: GASTAT, SMASCO Prospectus , Company Data, Al Rajhi Capital estimates

Figure 2 **Gap between actual and addressable market (In terms of headcount)**



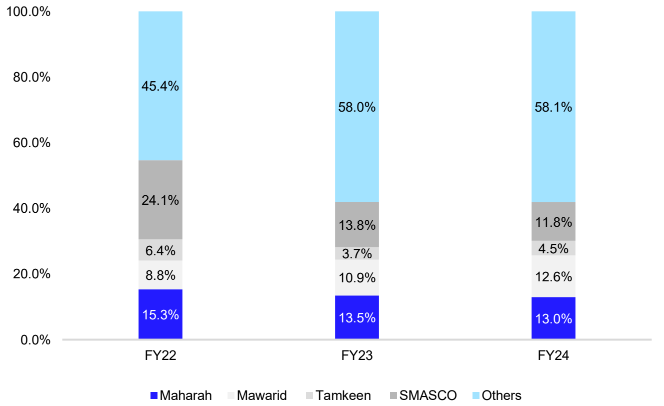
Source: SMASCO Prospectus, Company Data, Al Rajhi Capital estimates; Note: Based on Maharah's market share of 13.5% in FY23 and 13.0% in FY24 and its staffing Headcount, we back calculated the actual headcount for FY23 and FY24, respectively.

Figure 3 **Manpower Services Market by Segment (FY23)**



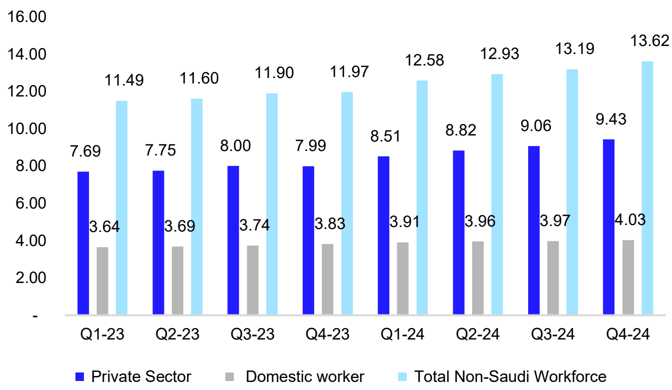
Source: Tamkeen Prospectus, Al Rajhi Capital

Figure 4 **Market Share by Revenue in Manpower Services Sector**



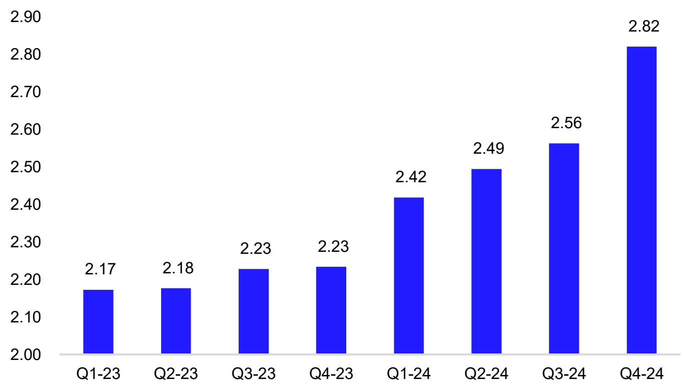
Source: SMASCO Prospectus, Al Rajhi Capital; FY22 market share from SMASCO Prospectus; Market share for FY23 and FY24 are calculated based on Maharah's announcement of 13.5% and 13% market share in FY23 and FY24 respectively.

Figure 5 **Non-Saudi Workforce (in mn)**



Source: GASTAT, Al Rajhi Capital

Figure 6 **Construction Workforce Evolution (Non-Saudis, in mn)**

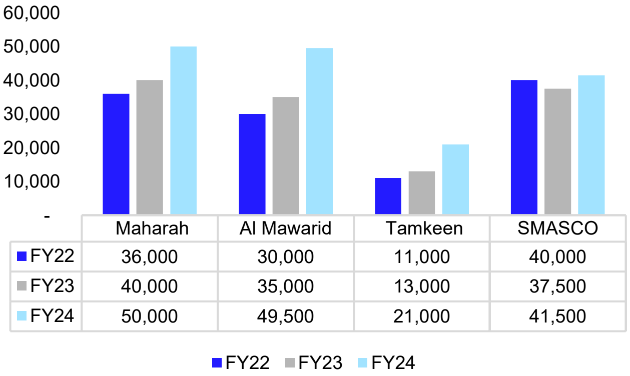


Source: GASTAT, Al Rajhi Capital

Peer Analysis

On the back of strategic move by Mawarid to capture the construction boom, Mawarid has grown at a much faster pace than its peers (revenue CAGR of 45% between 2021-2024). In terms of headcount and revenue, the company is now sharing the number 1 position with Maharah from number 3 position just a couple of years ago. Maharah has also grown its headcount during the last 2 years, while SMASCO has been selective in terms of growth. Among the peers, SMASCO has a more diversified exposure, while Mawarid's exposure is concentrated in the construction. SMASCO is comparatively less exposed to the cyclicality of the construction industry as its key operational areas include Oil, gas and petrochemicals (25%) and construction only 19%, as of FY24. In comparison, Mawarid has a notable presence in the construction sector (68% as of FY24). Maharah is mainly present in hospitality & healthcare (23% as of FY24), Industrial & operations (39% as of FY24), and Retail & Commercial (21% as of FY24). Lastly, Tamkeen clubs Contracting with Operation & maintenance (71% as of FY24), while its Medical & home health care exposure is 13% (as of FY24).

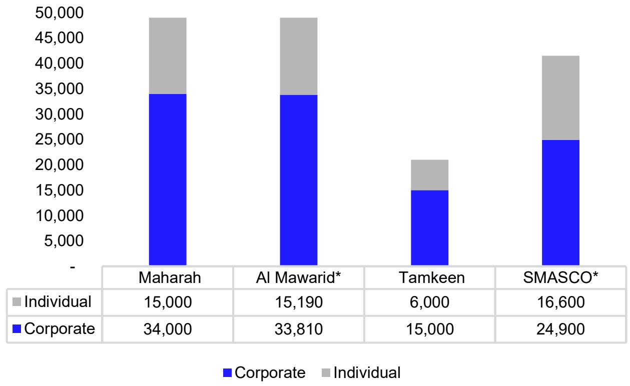
Figure 7 **Peer Headcount Evolution**



	Maharah	Al Mawarid	Tamkeen	SMASCO
FY22	36,000	30,000	11,000	40,000
FY23	40,000	35,000	13,000	37,500
FY24	50,000	49,500	21,000	41,500

Source: Company Data, Al Rajhi Capital; Headcount numbers rounded off

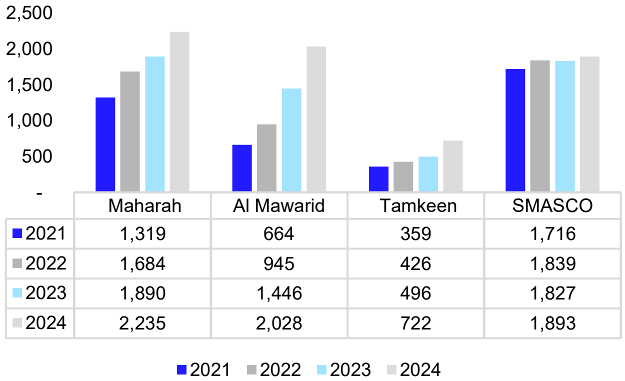
Figure 8 **FY24 Headcount Mix**



	Maharah	Al Mawarid*	Tamkeen	SMASCO*
Individual	15,000	15,190	6,000	16,600
Corporate	34,000	33,810	15,000	24,900

Source: Company Data, Al Rajhi Capital; * ARC estimates

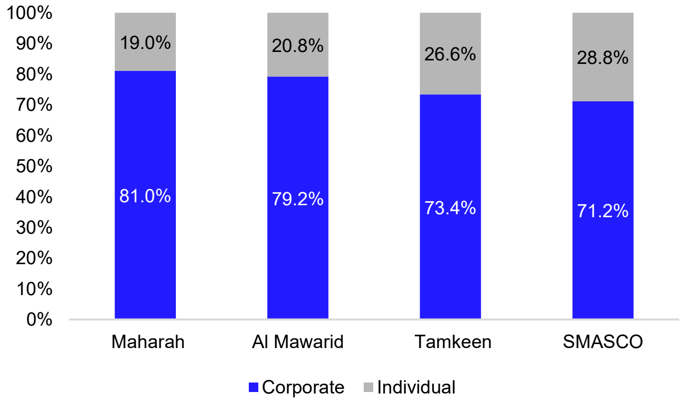
Figure 9 **Peer Revenue Evolution (SARmn)**



	Maharah	Al Mawarid	Tamkeen	SMASCO
2021	1,319	664	359	1,716
2022	1,684	945	426	1,839
2023	1,890	1,446	496	1,827
2024	2,235	2,028	722	1,893

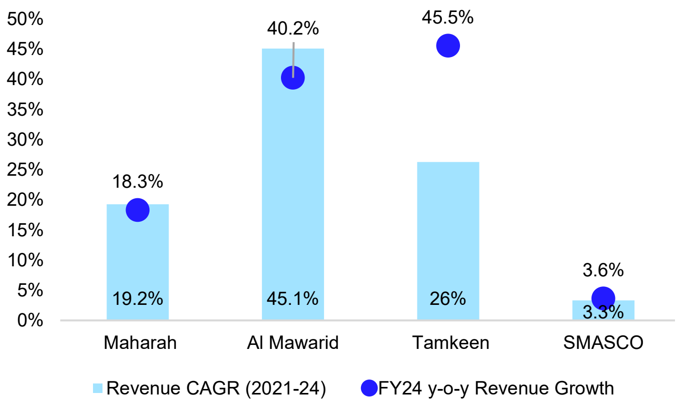
Source: Company Data, Al Rajhi Capital

Figure 10 **Peer Revenue Mix FY24**



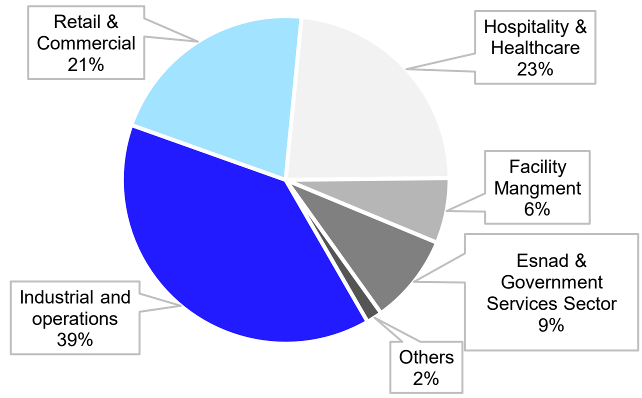
Source: Company Data, Al Rajhi Capital

Figure 11 **FY24 Peer Revenue Growth y-o-y (%)**



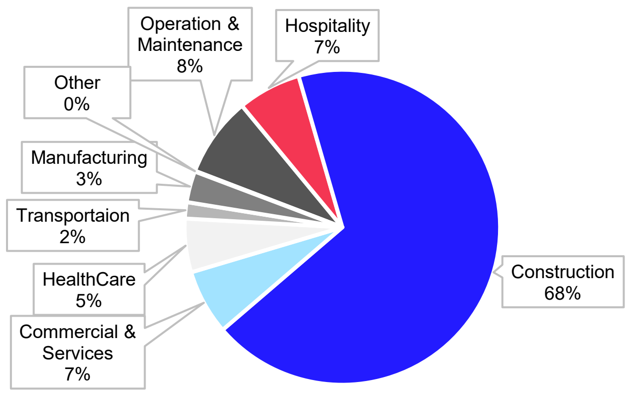
Source: Company Data, Al Rajhi Capital

Figure 12 **Maharah FY24 Corporate Revenue Mix**



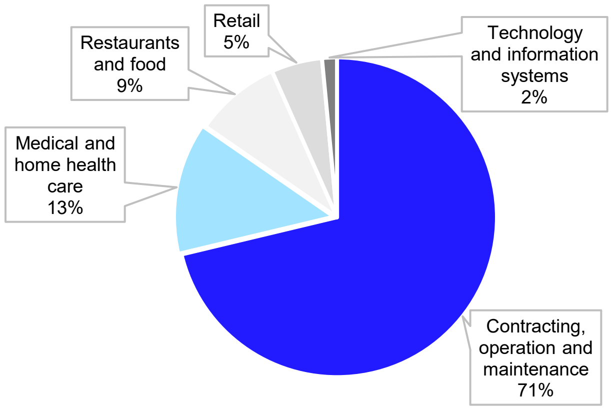
Source: Company Data, Al Rajhi Capital

Figure 13 **Al Mawarid FY24 Corporate Revenue Mix**



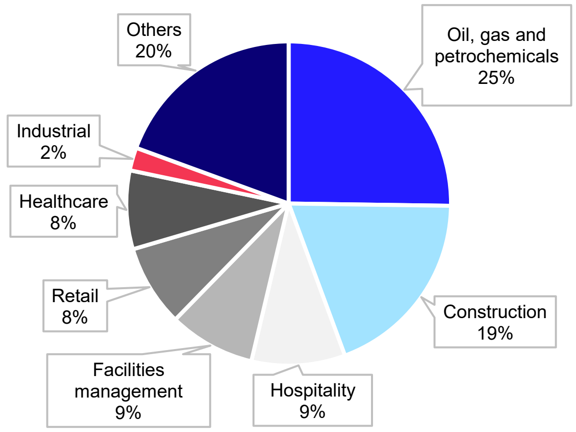
Source: Company Data, Al Rajhi Capital

Figure 14 **Tamkeen FY24 Corporate Revenue Mix**



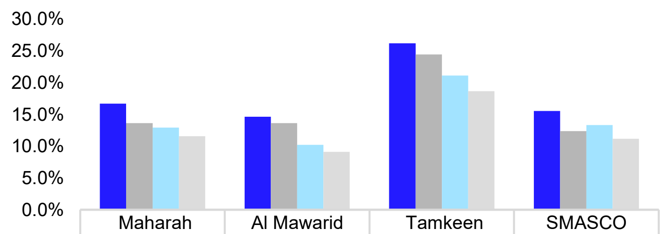
Source: Company Data, Al Rajhi Capital

Figure 15 **SMASCO FY24 Corporate Revenue Mix**



Source: Company Data, Al Rajhi Capital

Figure 16 **Peer Gross Margin Analysis**

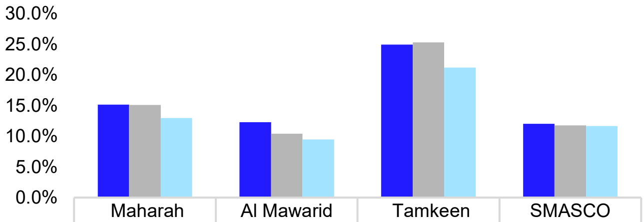


	Maharah	Al Mawarid	Tamkeen	SMASCO
2021	16.7%	14.6%	26.1%	15.5%
2022	13.6%	13.6%	24.4%	12.3%
2023	12.9%	10.2%	21.1%	13.3%
2024	11.6%	9.1%	18.7%	11.1%

2021 2022 2023 2024

Source: Company Data, Al Rajhi Capital

Figure 17 **Corporate Gross Margins**

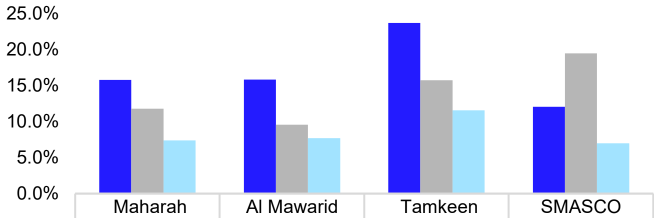


	Maharah	Al Mawarid	Tamkeen	SMASCO
2022	15.1%	12.3%	24.9%	12.0%
2023	15.1%	10.4%	25.3%	11.8%
2024	13.0%	9.5%	21.2%	11.7%

2022 2023 2024

Source: Company Data, Al Rajhi Capital

Figure 18 **Individual Gross Margins**

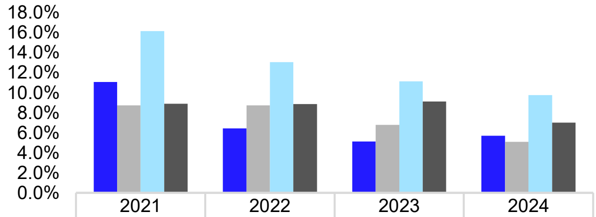


	Maharah	Al Mawarid	Tamkeen	SMASCO
2022	15.8%	15.8%	23.7%	12.1%
2023	11.8%	9.6%	15.8%	19.5%
2024	7.4%	7.7%	11.6%	7.0%

2022 2023 2024

Source: Company Data, Al Rajhi Capital

Figure 19 **Peer Operating Margin Analysis**

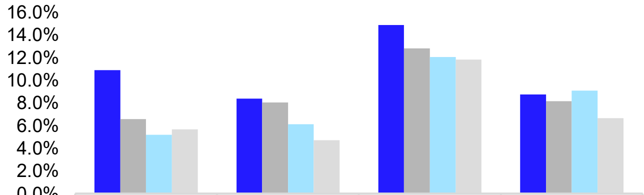


	2021	2022	2023	2024
Maharah	11.1%	6.4%	5.1%	5.7%
Al Mawarid	8.7%	8.7%	6.8%	5.1%
Tamkeen	16.1%	13.0%	11.1%	9.8%
SMASCO	8.9%	8.9%	9.1%	7.0%

Maharah Al Mawarid Tamkeen SMASCO

Source: Company Data, Al Rajhi Capital

Figure 20 **Peer Net Margin Analysis**



	Maharah	Al Mawarid	Tamkeen	SMASCO
2021	10.9%	8.4%	14.9%	8.8%
2022	6.6%	8.0%	12.8%	8.2%
2023	5.2%	6.1%	12.1%	9.1%
2024	5.7%	4.7%	11.9%	6.7%

2021 2022 2023 2024

Source: Company Data, Al Rajhi Capital

Figure 21 **Comps Table**

	Market Cap	EV/EBITDA		P/E			
Peers	(USDmn)	FY24	FY25E	FY24	FY25E	ROE (%)	Div Yield (%)
Smasco	631	16.4x	NA	23.9x	NA	22.92%	4.22%
Almwarid Manpower Co	546	11.1x	10.8x	16.6x	14.5x	25.72%	1.83%
Maharah Human Resources Co	605	18.3x	15.4x	22.0x	18.1x	21.35%	3.14%
Tamkeen Human Resource Co	364	NA	NA	19.9x	NA	26.31%	4.03%
Pagegroup PLC	1,230	10.1x	8.4x	37.8x	31.5x	10.28%	6.21%
Hays PLC	1,560	12.1x	8.7x	0.0x	26.8x	5.09%	4.15%
Manpowergroup Inc	1,900	6.6x	6.6x	18.4x	11.7x	6.97%	3.50%
Upwork Inc	1,810	17.9x	7.5x	9.8x	11.3x	49.34%	NA
Randstad NV	8,040	9.6x	8.1x	62.6x	13.2x	6.75%	4.21%
Robert Walters PLC	204	8.1x	6.6x	NA	NA	-3.96%	11.30%
International Human Resource	84	20.4x	NA	28.7x	NA	18.20%	NA

Source: Bloomberg, Al Rajhi Capital; Data as of 17th June 2025

Regulatory Landscape: In January 2025, the Ministry of Human Resources and Social Development of Saudi Arabia revised the minimum commitment rates for domestic workers in manpower companies. The updated policy shifts from a fixed 30% requirement to variable percentages based on the size of a company's domestic workforce. The new categories are as follows:

- 3,000 workers or fewer: Commitment rate remains 30%.
- 3,001 to 10,000 workers: Commitment rate reduced to 20%.
- 10,001 to 14,999 workers: Commitment rate further lowered to 10%.
- 15,000 workers or more: No minimum percentage for professional workers applies unless the support workforce falls below 15,000.

Key risks: Manpower companies face similar risks in general, which include:

- **Regulatory Risk:** Changes in government policies—such as tighter visa regulations, mandatory minimum wage increases, industry-specific price caps, or Saudization
- **Economic Cyclicality:** The industry is highly sensitive to macroeconomic conditions. Economic downturns can significantly affect demand.
- **Intensifying Competition:** Low barriers of entry and price wars could pressure margins and risk the company's market share.
- **Growth Uncertainty:** The company's performance may be adversely affected by slower-than-expected growth in the deployed workforce headcount or early termination of contracts by key clients.
- **Sector Concentration Risk:** Depending heavily on a single industry or client segment may expose the company to sector-specific fluctuations, which can significantly influence earnings.

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US$0.6bn	82.9%	US$2.86mn
Market Cap.	Free Float	Avg. Daily Value traded

Maharah Human Resources Co.

A workforce leader in a growing market

Overweight

Price Target (SAR): 5.8

Current: 4.78 (16th June 2025)
Upside/Downside: 21.3% above current

Valuation Multiples	24A	25E	26E
P/E (x)	17.0	18.2	12.3
P/B (x)	3.4	3.2	2.9

Major Shareholders	% Ownership
Al Amro Abdullah Bin Sulaiman	11.63%
Maharah Human Resources Co.	5.26%

Price Performance	1M	3M	YTD
Absolute	-12.1%	-22.9%	-22.4%
Relative to TASI	-6.8%	-14.6%	-12.7%

Earnings

(SARmn)	2024	2025E	2026E
Revenue	2,235	2,614	3,019
Revenue growth	18.3%	16.9%	15.5%
Gross profit	259	256	296
Gross margin	11.6%	9.8%	9.8%
EBIT	128	120	142
EBIT margin	5.7%	4.6%	4.7%
EBITDA	218	202	263
EBITDA margin	9.7%	7.7%	8.7%
Net profit	127	118	174
Net margin	5.7%	4.5%	5.8%
EPS	0.3	0.3	0.4
DPS	0.1	0.2	0.3
P/E (current)	17.0	18.2	12.3
P/E (target)	20.6	22.1	15.0
RoE	21.3%	18.3%	25.2%

Source: Company Data, Al Rajhi Capital estimates

- ***Maharah is one of the leading players in the manpower sector, with 13% market share and over 50K deployed workers in 2024, Maharah delivers customized HR solutions across a range of sectors such as healthcare, retail, hospitality, and banking.***

- ***Looking at the potential growth in the staffing industry, we forecast the company's revenue to grow at 6-year CAGR of 12.5%.***

- ***Maharah's subsidiaries, Saudi Medical Systems Company and Care Shield are poised to enhance the company growth profile, with SMS showing strong revenue gains in 1H24, surpassing its FY23 performance, while Care Shield anticipates a slight revenue dip in FY25; additionally, the planned liquidation of its loss-making subsidiary, Nabd Logistics, is expected to alleviate financial strain and improve overall profitability.***

- ***Given that there are adequate growth levers in place which positions Maharah uniquely, we initiate coverage on Mahara with a target price of SAR5.8/sh and an "Overweight" rating, providing an upside of 21.3%.***

Regulatory Tailwind to support growth in corporate segment: The removal of the mandatory domestic worker quota for companies with over 15,000 domestic workers by MHRSD is expected to drive growth for large staffing firms. While smaller companies remain subject to tiered quota requirements, larger players like Maharah, benefiting from regulatory flexibility and cost efficiencies, are well-positioned to expand their corporate workforce. Dominant players in the industry can now expand freely in the corporate segment. With a total workforce of over 50K in 2024, Maharah is likely to shift its focus further toward the B2B segment. As a result, we anticipate the corporate workforce to reach 75% of its total headcount over the next 5 years, supporting lower costs and more stable margins compared to previous years impacted by price competition in the Individual segment.

Strategically positioned to tap into market growth: Several giga and mega projects have been unveiled in the Kingdom as part of the Vision 2030 transformation initiative. While manpower companies faced disruption in the recent year due to the regulatory landscape in KSA, the recent regulatory revamp positions Maharah to capitalize on the opportunities in the construction, healthcare and retail space. The construction, healthcare, and retail-wholesale trade staffing markets are forecasted to grow at CAGRs of 6.0%, 5.0%, and 6.3% from 2023 to 2030, offering further growth avenues for the company. In the Individual segment, changing demographics, rising urbanism and increasing female workforce participation are expanding the addressable market, driving demand for domestic services. Maharah aims to scale in this segment by leveraging its strong brand and service quality. While improved utilization rates in the Individual segment could support margin expansion, overall gross margin performance will depend on how price competition in the corporate segment unfolds.

Enhancing value beyond core operations: In addition to its core staffing services, Maharah is creating value through its ancillary segments and affiliates, cementing its role as a full-spectrum workforce solutions provider. Its Facility Management segment is nearing profitability, improving from an EBIT margin of -7.2% in 2023 to -1.5% in

2024. Meanwhile, the Esnad initiative—aligned with national Saudization goals—has shown strong momentum, with a 104% year-on-year increase in hires and contributing 7.2% to total revenue in 2024, up from 3.2% in 2023. Maharah's strategic investments in affiliates like Saudi Medical Systems Company and Care Shield (Kingdom Hospital) are also poised for growth. While Care Shield's revenue may soften slightly in FY25, SMS is expected to record strong gains.

Moreover, Maharah's financial performance may improve once its stake in loss making subsidiary Nabd Logistics is liquidated given the operational challenges in the company. Overall, with this diversified business model, Maharah is well-positioned to deliver synergistic and sustainable growth.

Expanded focus in value added services: In addition to its standard monthly and hourly offerings in the Individual segment, Maharah provides premium services tailored to high-end clients, including roles such as butlers, head chefs, and etiquette specialists. Its flexible hourly service packages generate subscription-based revenue, with opportunities to cross-sell elite services to part-time customers. Moreover, with the recent regulatory relaxations, price competition in the Individual segment is expected to ease, allowing Maharah to improve workforce utilization and support margin expansion.

Outlook and Valuation: Maharah is strategically aligned to fortify its footing in the industry due to no mandate on individual segment recruitment expansion allowing it to deploy more workforce freely in the corporate side of the business. In addition, increased government spending on major projects (Giga Projects) and the ongoing shift toward privatizing the healthcare sector are expected to boost demand for Maharah's corporate services. Looking ahead, the topline is expected to grow at a CAGR of ~15% between 2024-27E. Although we expect slightly moderate gross margins in FY25, post which the margins are poised to pick up gradually. Hence, we use a SOTP valuation approach to derive the fair value of the core business and major subsidiaries and then apply the P/E based relative valuation methodology to arrive at a target price of SAR 5.8/sh, implying an upside of 21.3% at the current market price. For SMS Co., due to lack of disclosures we value the company based on 1H24 EPS. Although we expect the growth to be robust for FY25 given that 1H24 net income already surpassed FY23 numbers, yet due to unavailability of full year numbers, we consider only 1H24 financials for SMS Co.

1Q25 Highlights: Maharah reported a robust 37% y-o-y revenue increase to SAR 710 million, up from SAR 518 million in 1Q24, and a 14% rise from SAR 621 million in 4Q24. Operating profit grew 9% y-o-y to SAR 40 million, reflecting operational efficiency. However, net profit declined sharply by 53% to SAR 24 million from SAR 50 million in 1Q24, largely due to margin pressures and workforce challenges.

In 1Q25, Maharah prioritize client retention in its corporate segment, focusing on maintaining strong relationships over chasing higher margins, aligning with its strategy to capture long-term growth in Saudi Arabia's staffing market. The peak season in March, coinciding with Ramadan, drove a significant uptick in the individual segment, with utilization rates reaching ~80% due to heightened demand for domestic services, despite challenges with workforce retention as certain high-demand nationalities faced issues with domestic workers absconding, although the high march utilization rate was offset by January and February lower rates. Moreover, the Saudi Medical Systems Company financial information remains unavailable (last announced result was for 1H24). Adding to that, Maharah announced the liquidation of its loss-making subsidy (NABD Logistics), this decision following the company's strategic review of its investments and subsidiaries.

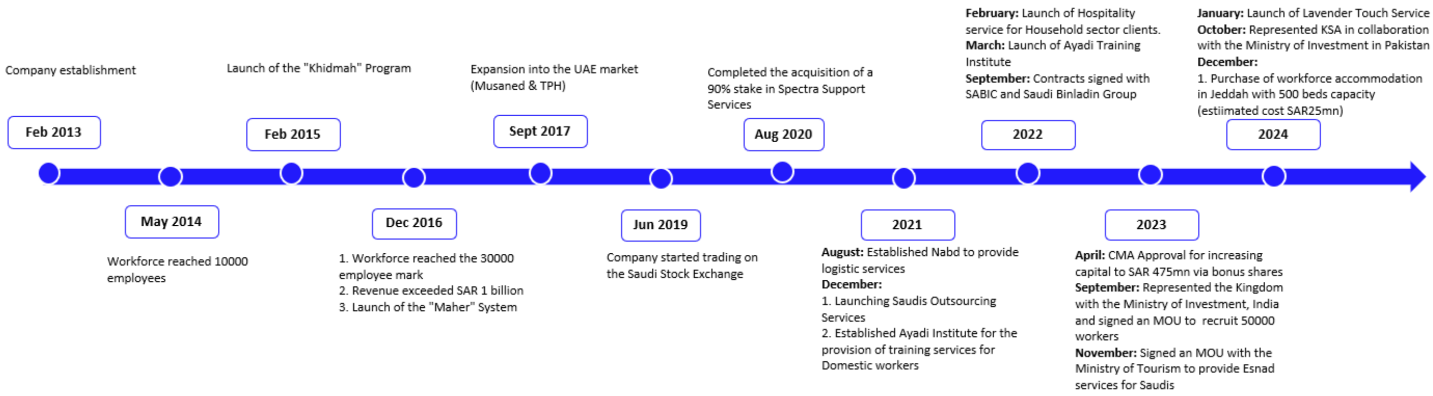
Company Overview

Maharah, established in 2013 with its head office located in Riyadh, is one of the leading companies of 'Manpower Services' in the Human Resources Sector. Maharah has emerged as a key player in KSA labor market, addressing the region's growing demand for workforce solutions. The company serves a diverse client base, including private businesses, government entities, and individual households, leveraging its operations and technological capabilities to maintain a competitive advantage. Maharah supports over 1,000 corporate clients across a range of industries and deploys over 33K (23% growth rate in 2024) workers in this segment, holding 13% market share in Saudi Arabia's corporate manpower sector.

The company's strategy focuses on enhancing its competitive advantage as a company that specializes in providing workforce **outsourcing** and **placement services**. Maharah's goal is to become a leader in delivering workforce services to clients and sectors across Saudi Arabia. Maharah operates 24 branches, which enhances its reach and accessibility to communities.

The Company provides a wide range of workforce services in various sectors, such as medical, banking, industrial-energy and petrochemicals, contracting, commercial, retail, hospitality, and restaurants, amongst many others. The professions offered by the company cover a wide range of white and blue-collar workforce.

Figure 22 **Company Timeline**



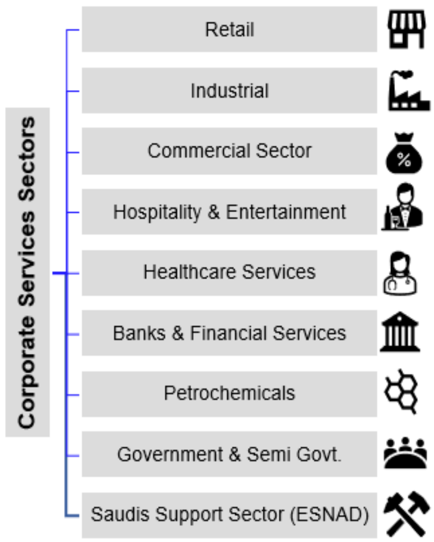
Source: Company Data, Al Rajhi Capital

The Company's core activities consist of the following:

Corporate Segment

- The **Corporate segment** focuses on providing human resources solutions to businesses and organizations in both public and private sectors (33.7K in 2024 vs 27.5K in 2023, 22.7% y-o-y). This segment serves a wide range of industries, such as retail, healthcare, hospitality, and banking, with services including:
- **Temporary staffing:** Supplying workers for seasonal needs, such as extra staff for retail stores during peak periods.
- **Permanent placement:** Recruiting and placing full-time employees for long-term positions.
- **Outsourcing:** Managing the entire workforce functions, enabling companies to focus on their primary objective.

Figure 23 **Corporate Workforce Solutions across a range of Sectors**



Source: Company Data, Al Rajhi Capital

Individual Segment

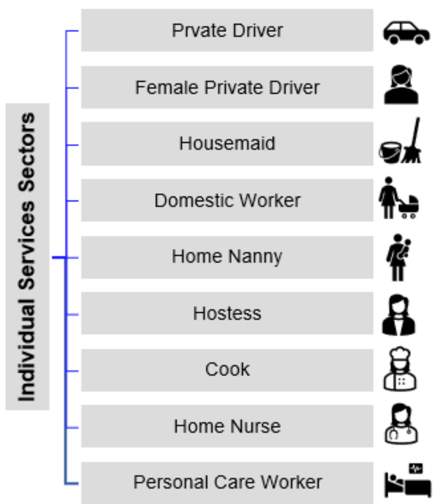
The **Individual segment** serves households and personal clients by providing domestic workforce services. This segment has grown significantly due to rising demand (15.6k in 2024 vs 12k in 2023,29% y-o-y), especially as more women are joining the workforce.

Services offered include:

- **Full-time domestic labor:** Live-in workers like housekeepers, drivers, cooks, and caregivers to assist with daily household needs.

- **Part-time and Hourly services "Khidmah**": Flexible options for tasks such as cleaning, babysitting, or personal care for a few hours. Maharah enhances the process through its online platform, allowing clients to book and manage services easily.

Figure 24 **Workforce Solutions across Individual Sector**



Source: Company Data, Al Rajhi Capital

Figure 25 **Individual Sector Key Metrics**

Source: Company Data, Al Rajhi Capital

Facilities Management Segment:

The Facilities Management segment focuses on maintaining and managing physical spaces for residential, commercial, and industrial clients. It ensures properties remain functional, safe, and well-kept with services such as:

- **Cleaning services:** Routine and deep cleaning for homes, offices, or industrial sites.
- **Maintenance:** Repairs to keep buildings and equipment operational.
- **Security:** Trained personnel to protect properties.
- **Pest control:** Solutions to manage and prevent pest issues.

This segment supports both businesses and homeowners by offering professional care for their properties, complementing Maharah's human resources expertise with property management solutions.

Figure 26 **FY24 Key Operational Highlights**

Key Operational Highlights 2024	**Workforce Count-** +50,000
	Workforce Growth Rate- 24% y-o-y growth rate in workforce in individual and corporate services sector
	Client satisfaction- 91% client satisfcation rate with the hourly services provided by Maharah
	Client Strength- +160,000 clients in Household Services Sector; +500 clients in Corporate Services Sector
	Contracts- SAR 1.5bn worth contracts signed in 2024 (impact to reflect over next 3 years)
	App downloads- +600,000 increase in Maharah application downloads compared to 2023
	Other Highlights- +1,000 additional beds added to workforce accommodation capacity 24 branches across the Kingdom

Source: Company Data, Al Rajhi Capital

Business Model

Corporate Segment:

The Corporate Segment is Maharah's largest revenue driver (81% of total revenue as of 24FY), focusing on delivering human resources solutions to businesses across both public and private sectors. This segment serves industries such as retail, healthcare, hospitality, banking, construction, and operation and maintenance, addressing the need for flexible and scalable workforce solutions. The segment supports over 1,000 corporate clients, deploying approximately 33.7k workers.

Services include:

- Professional Workforce Services: Providing a specialized workforce for sectors like healthcare (e.g., nurses, medical staff), catering, and hospitality. Clients include hospitals, healthcare centers, and investors in these fields, requiring direct sales support or specialized staffing.

- General Workforce Services: Supplying an unskilled workforce for multiple areas such as construction, cleaning, air conditioning, electrical work, and warehousing. Clients include manufacturing companies, wholesale and retail businesses, restaurants, and hotels.

- Temporary Staffing: Providing workers for short-term or seasonal needs, such as additional retail staff during peak shopping seasons or healthcare workers for temporary hospital projects.

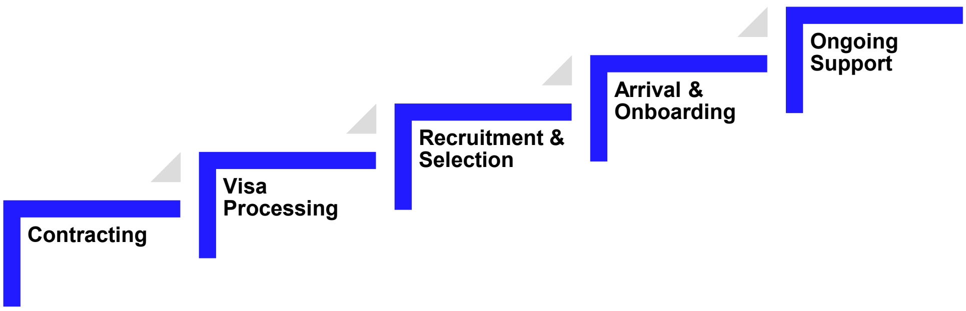
- Permanent Placement: Recruiting and placing candidates for long-term roles, such as administrative staff or specialized professionals in banking or healthcare (Typically for more than two years).

- Outsourcing: Managing the entire workforce functions for clients, such as recruitment, payroll, visa processing, accommodation, and transportation, allowing businesses to focus more on their core operations.

The corporate staffing process involves:

- **Contracting:** Maharah collects detailed client requirements (e.g., number of workers, nationality, profession, qualifications, salaries) and agrees on services like accommodation and transportation. A quote is provided to the customer, then contracts are signed, often requiring refundable deposits or bank guarantees.
- **Visa Processing:** Maharah uses its visa inventory, and if needed, it requests additional visas from the Ministry of Human Resources and Social Development (MHRSD).
- **Recruitment and Selection:** Maharah collaborates with over 60 global recruitment agencies across 74 countries to source the needed workforce. Candidates undergo interviews, and clients may conduct additional interviews.
- **Arrival and Onboarding:** Workers are received at airports, housed in Maharah's facilities, and finalize the medical checks, residence permits, health insurance, bank accounts, and orientation programs. Maharah provides accommodation including dining, training, and medical facilities.
- **Ongoing Support:** Maharah handles payroll, with clients submitting daily work schedules by the 21st of each month. Invoices are issued by the 23rd, paid by the 28th, and salaries are transferred by the 1st of the following month.

Figure 27 **Corporate Staffing Process**



Source: Company Data, Al Rajhi Capital

Individual Segment:

The Individual Segment targets households, providing domestic labor services to meet residential needs. This segment has experienced significant growth, driven by increasing female workforce participation in Saudi Arabia, rising demand for household support, and the trend towards smaller living spaces.

Services include:

- **Full-Time Domestic Labor (Saudi Arabia):** Live-in workers such as housekeepers, drivers, cooks, home care nurses, and domestic workers, catering to clients requiring ongoing assistance. Packages range from one to 2 years. Maharah deployed more than 12K full-time workers in 2024.

- **Part-Time and Hourly Services (Saudi Arabia):** Flexible, on-demand services for tasks like cleaning, babysitting, or home healthcare, offered through its "Khidmah" program. Maharah deployed around 3k part-time workers in 2024.

Maharah enhances accessibility through the "Khidmah" online platform and the "Maharah" mobile app, allowing its clients to book, manage, and pay for services seamlessly. The staffing process mirrors the Corporate Segment, with a 45-day average recruitment timeline.

Facilities Management Segment:

The Facilities Management Segment focuses on maintaining and managing physical spaces for residential, commercial, and industrial clients. This segment complements Maharah's human resources expertise by offering property-related services, including:

- **Cleaning Services:** Routine and deep cleaning for homes, offices, and industrial facilities.

- **Maintenance:** Repairs of buildings, equipment, and infrastructure to ensure operational continuity.

- **Security:** Provision of trained personnel to safeguard properties and assets.

- **Pest Control:** Solutions to manage and prevent pest-related issues in various settings.

- **Medical Clinics and Mobile Units:** Operating medical facilities and mobile clinics for worker health checks.

This segment serves both corporate clients (e.g., office buildings, retail spaces) and individual clients (e.g., residential properties), creating cross-selling opportunities with Maharah's other segments.

Pricing Strategy

The company’s pricing strategy is based on the qualifications and experience of the workforce and the professions they work in, in addition to several other factors such as salaries and allowances or benefits they will receive. These include government fees such as visa and residency fees, work permits, medical insurance costs, and recruitment costs such as fees for recruitment agencies, medical check-ups, travel tickets, and other related expenses like return ticket costs. It also includes the company's profit margin, which is the markup the company adds to the monthly costs of the workforce.

Investment Rationale

Maharah offers a strong investment case, well-placed to take advantage of positive market trends, multiple growth opportunities, and ongoing improvements in its operations. With a solid presence in the growing manpower sector, the company is in a good position to deliver long-term value, supported by favorable regulations and strong demand.

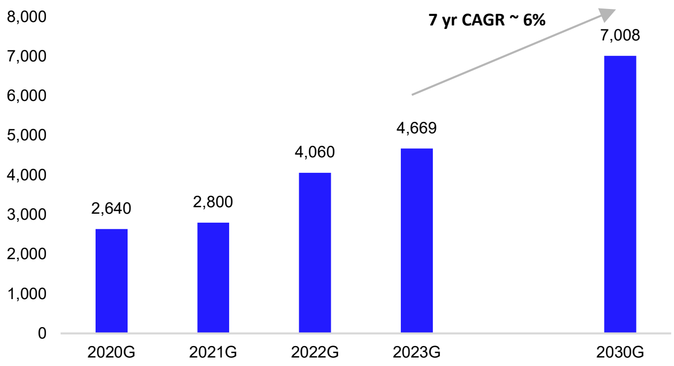
Regulatory Tailwind to support growth in corporate segment- MHRSD's regulatory move on doing away with the mandatory quota for minimum manpower requirement for domestic workers (30%) for companies with over 15,000 domestic workers in their workforce shall pave way for unhindered growth for large players in the industry. While companies with less than 15000 workers are still obligated to comply with the varying minimum domestic worker requirement (10% for less than 10,000; 20% between 3,000-10,000 workers and 30% for those with fewer than 3,000 workers), the ease in the legislative environment enhances the bandwidth for larger market players to comfortably recruit more workforce in the corporate sector, thereby leading to cost benefits.

Owing to higher costs associated with the recruitment of individual workforce, large players which are exempt from the quota will broadly benefit in terms of cost efficiencies and growth potential. For Maharah, which had a total workforce of approximately 50K as of 2024, this development is likely to shift workforce expansion more heavily toward corporate staffing as the company leverages its strong market presence. Hence, there is the possibility for rapid growth in corporate workforce thereby enhancing the company's ability to penetrate further into the B2B segment. That said, going forward we expect the corporate segment to constitute ~75% of Maharah's total workforce leading to lower costs and more stable margins as compared to the past 2 years which were negatively impacted due to the price war in individual segment.

Strategically positioned to tap into market growth- In corporate segment, robust demand for manpower services is being fueled by large-scale government projects (such as mega and giga projects aimed at transforming KSA's economic landscape) and the shift toward privatization of healthcare sector. The industrial & operations and hospitality & healthcare sectors together account for a significant portion of over 50% of Maharah's revenue for FY24. The retail sector, which contributed 17% of revenue in FY24, also generates consistent demand, especially during peak seasons when retailers seek additional temporary staffing solutions. Maharah is well-positioned to meet this seasonal surge. Collectively, the Industrial & Operations, Retail & Commercial, and Hospitality & Healthcare segments contribute more than 65% of Maharah's total income. Looking more closely at sector-specific opportunities, the staffing market in the construction industry is projected to grow at a CAGR of 6.0% between 2023 and 2030E. Meanwhile, the healthcare and retail-wholesale trade sectors are expected to see growth rates of 5.0% and 6.3%, respectively. In alignment with these trends, Maharah is strategically positioned to deliver both blue- and white-collar workforce solutions, aiming to capture the accelerated demand across these expanding sectors.

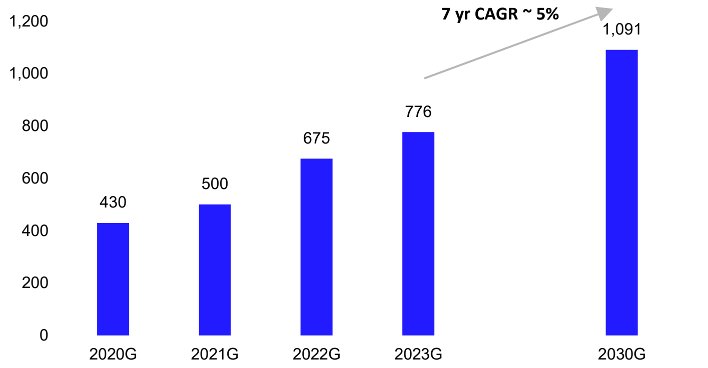
In addition to this, shifting demographics—particularly a growing population, rising urbanism and increased female participation in the workforce—are expanding the potential addressable market for the Individual segment. These structural changes are driving greater demand for household and personal support services. In response, Maharah is well-positioned to scale its operations within this segment, leveraging its strong brand presence, operational capabilities, and tailored service offerings to meet the evolving needs of individual clients and households. Moreover, growth in the individual segment will be characterized with better utilization rates thereby contributing to better margins, however overall gross margins will largely hinge on how price competition evolves in corporate segments as large companies pursue market share.

Figure 28 **Construction Sector Growth Potential (SARmn)**



Source: Tamkeen Prospectus, Al Rajhi Capital

Figure 29 **Human Health & Social Work Sector Growth Potential (SARmn)**

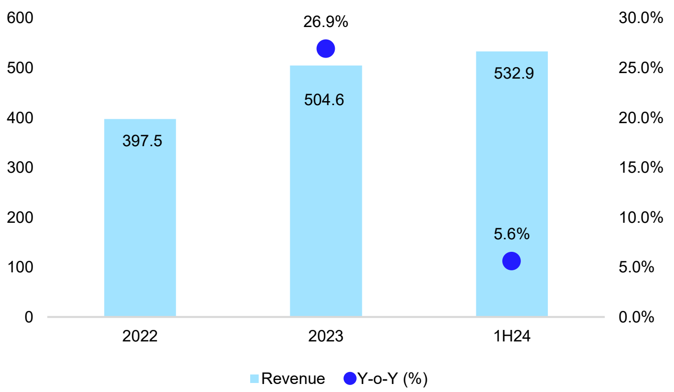


Source: Tamkeen Prospectus, Al Rajhi Capital

Enhancing value beyond core operations- Beyond its core services, Maharah is also generating value through its ancillary segments and affiliates. This reinforces its position as a comprehensive workforce solutions provider. Under its umbrella of services, Maharah also offers facility management services as explained earlier. We believe Facility Management segment is getting closer to becoming profitable at EBIT level (-7.2% in 2023 vs -1.5% in 2024). On the other hand, in alignment with the MHRSD's objective of increasing Saudi nationals in the workforce, Maharah's Esnad initiative aims at empowering Saudi nationals by helping organizations to increase Saudization rate. Although Esnad is still at a nascent stage, Maharah succeeded in hiring over 1,000 workers in 2024, a 104% y-o-y jump as compared to 2023. Moreover, Esnad's contribution to total revenue also increased to 7.2% in 2024 vs 3.2% in 2023. We expect both these segments to have robust growth potential going forward.

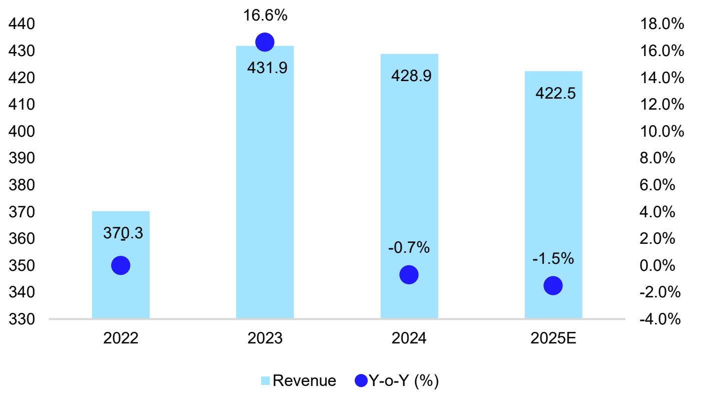
Moreover, Maharah's associates namely Saudi Medical Systems Company (catering services) and Care Shield (Riyadh's Kingdom Hospital) where in the company has ~40% ownership each are also expected to show promising growth. Although Care's revenues are expected to taper off marginally in FY25, SMS Company's revenues are expected to see substantial growth, However, due to lack of disclosures we only have 1H24 numbers, which already surpasses FY23 numbers.

Figure 30 **Saudi Medical Systems Co. Revenues**



Source: Company Data, Al Rajhi Capital estimates

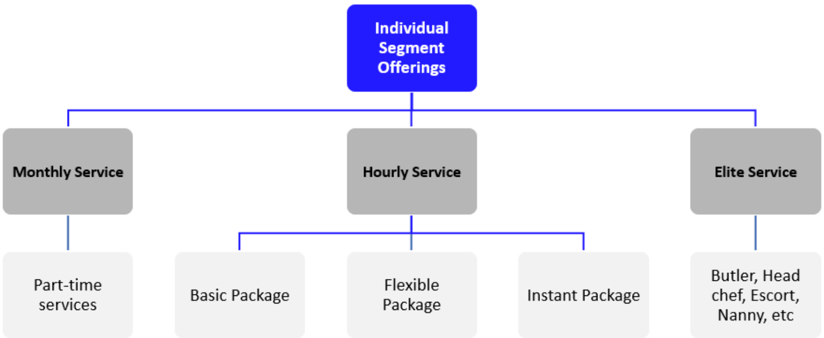
Figure 31 **Care Shield Holding Co. Ltd. Revenues**



Source: Company Data, Al Rajhi Capital estimates

Expanded focus in value added services- Besides the regular monthly and hourly services in the Individual segment, Maharah also provides certain elite services to individuals, encompassing workforce fit to work as a butler, head-chef, private escort, nanny VIP, make-up artist and etiquette specialist. Maharah's flexible packages for hourly services enable the company to earn subscription revenues based on the number of visits undertaken and number of hours served. Additionally, there exists ample possibility for the company to bundle and cross-sell elite services to customers availing part-time services if they are interested. Also, owing to the relaxation of the Ministry's mandate for individual workforce requirements, we expect price competition in the individual segment to ease off slightly. Hence, in our view the company has a scope for enhancing its utilization rates in the individual segment thereby being margin accretive.

Figure 32 **Individual segment products**



Source: Company Data, Al Rajhi Capital

Outlook- While Maharah's revenue growth slowed down in FY23 due to the MHRSD's mandate for the minimum domestic workforce, revenue growth picked up in F24 despite price caps as the company took advantage of opening up of Indonesia and Philippines for hiring in the hourly segment. Looking ahead, we expect the revenue growth for FY25 to be robust at 17%, bolstered by the company's increased hiring in the corporate segment with the relaxation in regulations. The topline is expected to grow at a CAGR of ~15% between 2024-27E. The growth in corporate segment will broadly be catalyzed by the construction, retail and healthcare sectors. Given the low margin nature of these segments as compared to the Individual portfolio, we expect gross margins to come off by about ~180 bps in FY25 and then gradually pick up pace from FY26 onwards. Overall, growth in the corporate workforce will inherently accelerate revenue growth for Maharah.

Financial Analysis

Revenue Analysis: We can break down Maharah's revenue into two main core segments: Corporate and Individual (including Hourly services). Each segment's performance is primarily influenced by the number of deployed workforce and the revenue generated per resource. Although the COVID-19 pandemic temporarily suppressed revenues, the market has recovered, with the average number of deployed resources increasing from 28.5k in FY21 to 50k in FY24. Looking ahead, the Company is well-positioned to fill workforce demand. We project Maharah's revenues to grow at a compound annual growth rate (CAGR) of ~15% between 2024 and 2027E. During the same period, the average deployed workforce is expected to increase, reaching ~ 74k by 2027E, primarily driven by corporate segment.

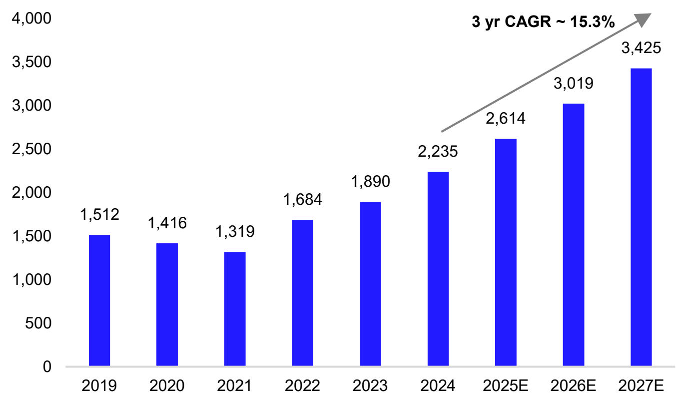
In terms of segment contribution, the current 2024 mix of 81% Corporate and 19% Individual is expected to shift further in favor of Cooperate services. On the Individual side, we expect Maharah to increase its workforce with limited growth anticipated. Instead, the company is likely to concentrate on enhancing utilization rates, particularly within the Hourly services segment, by introducing premium, value-added offerings. From 2024 onward, we expect corporate segment to represent ~85% of total revenue, while Individual segment is projected to contribute the remaining 15%.

Cost and Margin Analysis: Workforce salaries & employee benefits represent the largest part of Maharah's cost of revenue. With anticipated company's headcount to expand, we expect a corresponding increase in cost of revenue. That said, we expect this growth in costs to align on average with revenue growth. On the operating profit side, we believe that Maharah will likely benefit from economies of scale, which could enhance operational efficiency and support margin improvement.

Rising competition in construction is likely to pressure margins in 2025E, particularly due to construction's lower margins. On the back of the updated regulation, we believe that the margin here would be around 10%.

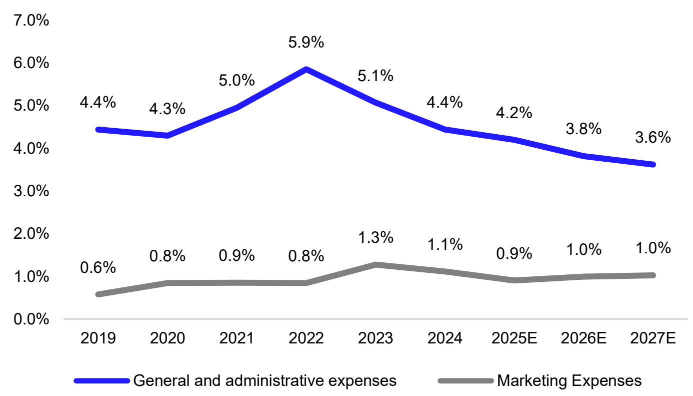
Historically, price competition and regulatory price caps have compressed gross margins in the individual segment. In the near-term gross margins in the individual segment are anticipated to come off to 5.8% in FY25. However, with our estimation of improving utilization rates, value-added services, and a focus on upskilling the existing workforce, we anticipate gradual margin recovery to 6.3% by 2027E

Figure 33 **Maharah Revenue Projection (SARmn)**



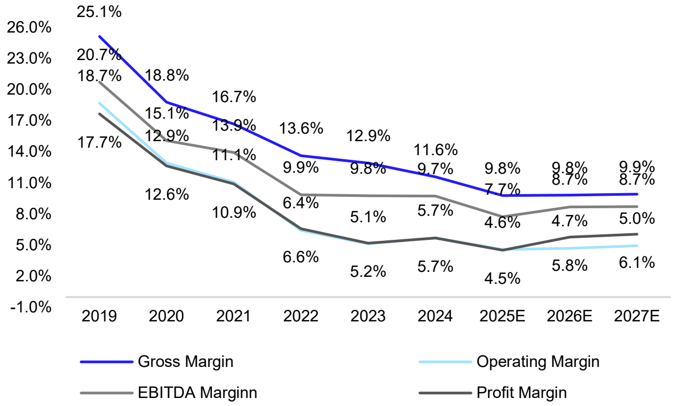
Source: Company Data, Al Rajhi Capital estimates

Figure 34 **Maharah Expenses Breakdown (%)**



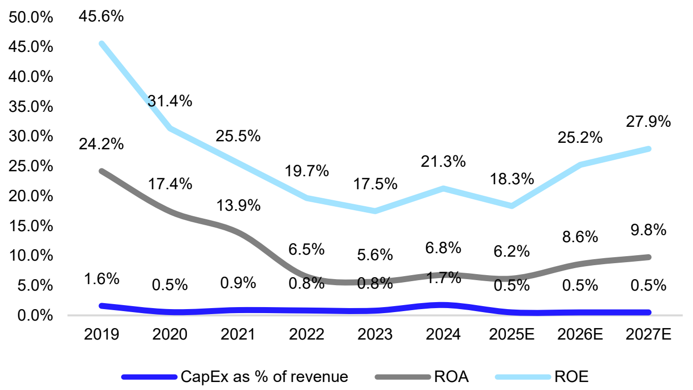
Source: Company Data, Al Rajhi Capital estimates

Figure 35 **Maharah Margin Evolution**



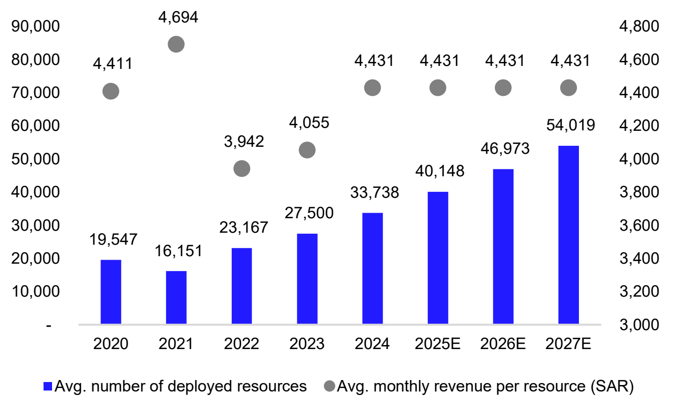
Source: Company Data, Al Rajhi Capital estimates

Figure 36 **Maharah Key Ratios**



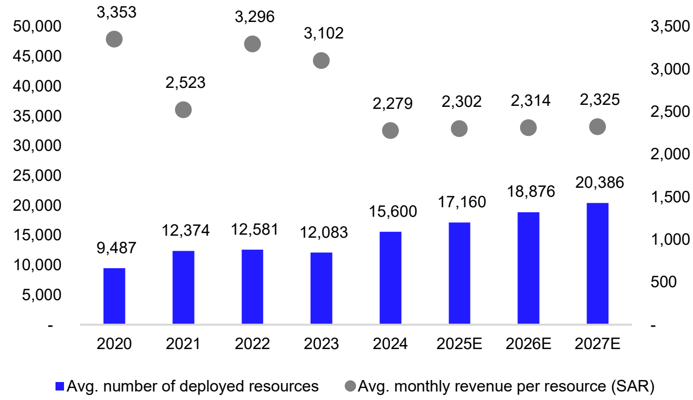
Source: Company Data, Al Rajhi Capital estimates

Figure 37 **Maharah Corporate Sector KPIs**



Source: Company Data, Al Rajhi Capital estimates

Figure 38 **Maharah Individual Sector KPIs**



Source: Company Data, Al Rajhi Capital estimates

Valuation

Relative Valuation: We use P/E based relative valuation for valuing Maharah's core business and its associates separately. Thereafter we apply the SOTP approach to value the consolidated business.

For the core business specifically, the range of the valuation multiple is pretty wide, given the cyclicality associated with the manpower industry. Based on historical data since 2011, the average TTM P/E multiple of the leading manpower companies throughout the cycle is ~18x, 24x at the peak of the cycle, and 15x at the bottom of the cycle. We believe we are in the middle of the staffing cycle (currently hovering around a multiple of ~19x). Furthermore, owing to Maharah's dominant positioning in the industry and given the robust revenue growth potential, we assign a higher multiple of 20x to Maharah's core business to arrive at a fair value of SAR 4.1/sh. On the other hand, we use a target Multiple of 18x for The Care Shield Holding Limited Company, and 16x for Saudi Medical Systems Company based on 2025e and 1H24 EPS. We accordingly arrive at a fair value of SAR 1.23/sh and SAR 0.5/sh for SMS Co. and Care Shield respectively. Due to lack of disclosures for SMS Co., we value the company based on 1H24 EPS. Although we expect the growth to be robust for FY25 and FY26 given that 1H24 net income already surpassed that of FY23, yet due to unavailability of full year numbers, we have used only 1H24 financials. Overall, using the SOTP approach, we arrive at a target price of SAR 5.8/sh for the consolidated business, implying an upside of 21.3% at the current market price. Accordingly, we assign an 'Overweight' rating to the stock.

Figure 39 **Valuation Table**

Relative Valuation Methodology (P/E)	Core Business	SMS Co.	Care Shield	Consolidated
Net Profit (SARmn)	91.9	86.4	30.7	
2025e EPS	0.20	0.19	0.07	
Ownership (%)	100%	40%	40%	
Target multiple	***20.0x***	***16.0x***	***18.0x***	
Fair Value	4.08	1.23	0.50	**5.81**
Target Price (per share)				**5.80**
Current Price (SAR)				*4.78*
Upside (%)				***21.3%***

Source: Al Rajhi Capital estimates

Financials

Figure 40 **Income Statement**

(SAR mn)	2024	2025E	2026E	2027E
Sales	**2,235**	**2,614**	**3,019**	**3,425**
Cost of Sales	(1,977)	(2,358)	(2,723)	(3,085)
% of revenues	*88.4%*	*90.2%*	*90.2%*	*90.1%*
Gross Income	**259**	**256**	**296**	**339**
Selling and marketing expenses	(25)	(24)	(30)	(35)
General and Administrative expenses	(99)	(110)	(115)	(124)
% of revenues	*5.6%*	*5.1%*	*4.8%*	*4.6%*
ECL Provision	(7)	(3)	(9)	(10)
Operating Expenses	**(131)**	**(136)**	**(154)**	**(169)**
% of revenues	*5.9%*	*5.2%*	*5.1%*	*4.9%*
Operating Income	**128**	**120**	**142**	**170**
Financial costs	(48)	(48)	(45)	(41)
Share in net loss of associate*	28	28	60	60
Other income	29	27	31	35
Profit before tax	**137**	**128**	**189**	**225**
Zakat	(10)	(10)	(14)	(17)
Net Profit Before Unusual Items	**137**	**128**	**189**	**225**
Non-controlling interest	(1)	(1)	(1)	(1)
Net Income	**127**	**118**	**174**	**208**
EPS (SAR/sh)	0.3	0.3	0.4	0.5
EBITDA	**218**	**202**	**263**	**298**

Source: Company Data, Al Rajhi Capital estimates; *FY24 income from associates does not include the full year numbers for SMS Co. as only 1H24 disclosures are available

Figure 41 **Cash Flow Statement**

(SAR mn)	2024	2025E	2026E	2027E
Cash from operations	71.1	125.4	176.8	200.3
Cash from investing	-26.0	-15.4	-17.6	-19.8
Cash from financing	-90.4	-115.3	-153.8	-194.0
Net change in cash and cash equivalents	**-45.3**	**-5.3**	**5.5**	**-13.4**
Cash and cash equivalents, end of the period	**33.7**	**28.4**	**33.9**	**20.5**

Source: Company Data, Al Rajhi Capital estimates

Figure 42 **Key Ratios**

Key metrics	2024	2025E	2026E	2027E
Current ratio	1.7x	1.7x	1.7x	1.7x
Receivables turnover ratio	7.5x	7.7x	8.2x	8.5x
Asset turnover ratio	1.2x	1.4x	1.5x	1.6x
Capex/Sales	1.7%	0.5%	0.5%	0.5%
ROA	6.8%	6.2%	8.6%	9.8%
ROE	21.3%	18.3%	25.2%	27.9%

Source: Company Data, Al Rajhi Capital estimates

Figure 43 **Balance Sheet**

(SAR mn)	2024	2025E	2026E	2027E
Assets				
Property and equipment	152	152	155	158
Right-of-use assets	41	44	48	52
Intangible Assets - Goodwill	3	3	3	3
Other intangible assets	2	1	1	1
Financial assets at fair value FVOCI	5	5	5	5
Investment in an associate	751	751	751	751
Contract Assets - Non current Portion	6	7	8	9
Investment Properties	37	39	41	43
Other non-current assets	26	26	26	26
Total non-current assets	**1,023**	**1,029**	**1,037**	**1,047**
Cash and cash equivalents	34	28	34	20
Murabaha Time Deposits	35	35	35	35
Account Receivable	327	351	385	422
Equity investments at fair value (“FVTPL”)	36	40	44	49
Contract Assets	141	165	191	216
Prepayments and other current assets	247	235	272	308
Available visas	27	30	31	33
Total current assets	**847**	**885**	**991**	**1,084**
Total Assets	**1,870**	**1,913**	**2,028**	**2,130**
Liabilities				
Long term loans	582	564	548	531
Lease liabilities	21	21	21	22
Retained deposits - Non current Portion	41	41	41	41
Employees’ benefits liabilities	103	111	120	130
Total non-current liabilities	**748**	**738**	**730**	**725**
Accounts payable, accruals and others	270	258	306	338
Lease liabilities - current portion	19	19	19	20
Long-term loans - current portion	25	24	24	23
Contract liabilities	109	133	151	173
Retained deposits	62	62	62	62
Zakat payable	12	17	17	21
Total current liabilities	**498**	**513**	**579**	**636**
Shareholders' equity				
Share Capital	475	475	475	475
Statutory reserve	103	0	0	0
Other reserves	(22)	0	0	0
Treasury shares	(25)	0	0	0
Retained earnings	94	188	245	294
Equity attributable to shareholders of the Parent Company	**625**	**663**	**720**	**769**
Non controlling Interest	0	0	0	0
Total Liabilities	**1,870**	**1,913**	**2,028**	**2,130**

Source: Company Data, Al Rajhi Capital estimates

الراجحي المالية
alrajhi capital

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US$0.5bn	46.0%	US$2.65mn
Market Cap.	Free Float	Avg. Daily Value traded

Overweight

Price Target (SAR): 158.0

Current: 136.60 (16th June 2025)
Upside/Downside: 15.7% above current

Valuation Multiples	24A	25E	26E
P/E (x)	21.5	18.2	15.8
P/B (x)	5.2	4.4	3.7

Major Shareholders	% Ownership
Ala & Mir Trading & Contract Co.	23.94%
Al Ayouni Co. for Inv and Contracting	23.94%
Khalda Trading Group	5.05%

Price Performance	1M	3M	YTD
Absolute	-3.5%	1.2%	29.6%
Relative to TASI	1.8%	9.5%	39.3%

Earnings

(SARmn)	2024	2025E	2026E
Revenue	2,028	2,445	2,784
Revenue growth	40.2%	20.6%	13.9%
Gross profit	185	215	247
Gross margin	9.1%	8.8%	8.9%
EBIT	103	124	143
EBIT margin	5.1%	5.1%	5.1%
EBITDA	126	158	189
EBITDA margin	6.2%	6.4%	6.8%
Net profit	95	113	130
Net margin	4.7%	4.6%	4.7%
EPS	6.4	7.5	8.7
DPS	2.3	2.6	3.0
P/E (current)	21.5	18.2	15.8
P/E (target)	24.8	21.0	18.3
RoE	25.7%	26.0%	25.3%

Source: Company Data, Al Rajhi Capital estimates

Al Mawarid Manpower Co.

Strategic move to capture growth in construction

- ***Al Mawarid is a key player in KSA's Growing manpower sector. The company works in 9 cities and partners with recruitment agencies in 24 countries. It serves over 700 clients in the corporate sector and more than 15K individual clients.***
- ***Al Mawarid offers a wide range of services, including hiring, visa processing, housing, payroll, and support for workers. Its three main service areas are: Corporate Clients, Individual clients- Contracts, and hourly services through its "Hemmah" platform.***
- ***We forecast the company's revenue to grow at a 5-year CAGR of ~13% and a slight margin pursuer in 2025E, coming from the shifting competition towards the corporate segment and a gradual margin improvement in the individual segment.***
- ***Due to multiple sectoral tailwinds existing in place, we initiate coverage on Al Mawarid with a target price of SAR158/sh and an "Overweight" rating, providing an upside of 15.7%.***

Regulatory Tailwind to support growth in corporate segment: The regulatory rollback of the 30% quota for domestic workers by MHRSD for companies with over 15,000 workers enables large players to expand more freely in the corporate segment, driving cost efficiencies and growth. Corporate segment has been the niche for Al Mawarid and with its workforce exceeding 49K in 2024, the company can further deepen its presence in the B2B segment which would provide a competitive advantage for further workforce expansion.

Proxy play to rising infrastructure spends in the Kingdom: Saudi Arabia's infrastructure spending is set to surge under Vision 2030, driven by mega and giga projects and recent reforms boosting real estate development. Mawarid outperformed its peers with a robust corporate revenue growth CAGR of 35% over 2020-24. Al Mawarid has rapidly expanded its footprint in the construction sector, with the segment now contributing 54% of FY24 revenues, up from just 11.2% in FY21. This strong moat of the company in the construction segment lends a potential first-mover advantage in meeting rising labour demand although this came at the cost of lower gross margins. However, intensified competition may pressure margins as the corporate construction workforce continues to grow.

Growth Opportunities and Market Trends: Al Mawarid is favorable placed for sustained growth owing to its alignment with government reforms aimed at formalizing the labour market and enhancing legal compliance. By adopting cloud-based systems, the company has strengthened its operational efficiency. It is also capitalizing on shifting demographic trends such as increased female workforce participation that are driving demand for domestic labour in the B2C segment. Moreover, through its digital Hemmah App, Al Mawarid offers a tech-enabled, customer-centric platform that enhances service delivery and positions it competitively alongside peers like SMASCO.

Outlook & Valuation: We value the company using the relative valuation approach (P/E). Al Mawarid's historical revenue CAGR (2021-24) has outperformed all of its peers, and the company has put up a strong show in gaining market share. Moreover, its execution capabilities in the construction segment are demonstrated by the share of construction in the revenue mix. Going forward, we expect revenue growth for FY25 to moderate around ~21% reflecting a more normalized expansion in corporate segment revenues. We expect some plateauing in margins for the corporate segment due to competition prevailing in the market. Accordingly, based on our 2025E EPS, we assign a multiple of 21.0x to Mawarid (1x premium over Maharah), and thereby arrive at a target price of SAR 158/sh, implying an upside of 15.7% at the current market price. Although we are optimistic on the company's future revenue growth prospects, we expect the margins to be slightly lower than that of Maharah. Hence, we initiate coverage on the stock with a 'Overweight' rating'.

Company Overview

Al Mawarid Manpower Company, established in 2012 with its head office located in Riyadh, is one of the leading providers of workforce recruitment and manpower services in Saudi Arabia. The company operates across 9 cities with 125 branches and maintains global partnerships with 35 agencies in 24 countries. Serving over 14 sectors, Al Mawarid specializes in workforce recruitment, management, and innovative services serving two main segments:

1- Corporate clients **B2B**

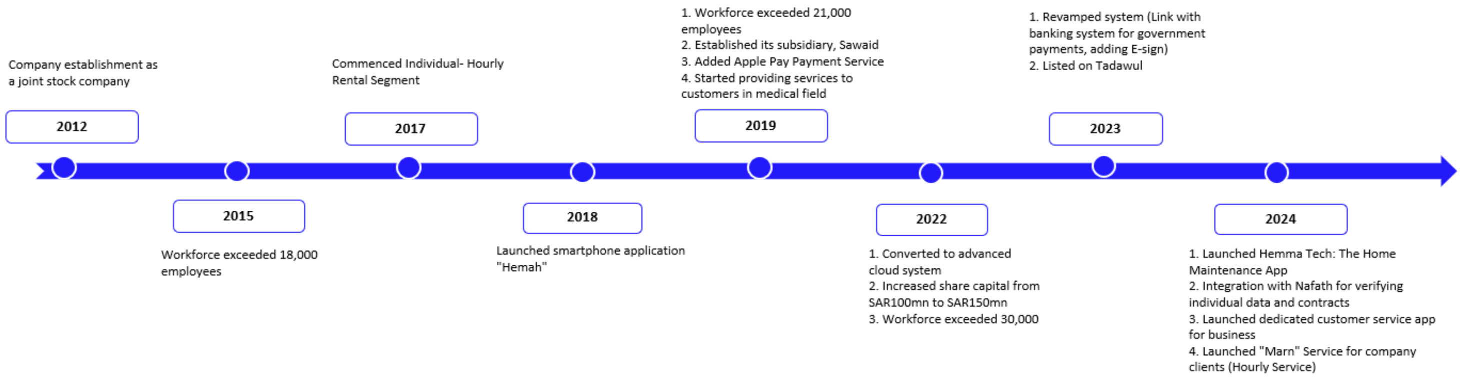
2- Individual clients **B2C**

Al Mawarid has over 700 active corporate clients across a range of industries: maintenance, restaurants, transportation, hospitals, trade, manufacturing, services, banking, and heavy weight in construction, while individuals (more than 15K of active clients) are hired for professions such as nursing, hospitality, housekeeping, and cleaning.

The Company's core activities consist of the following business segments:

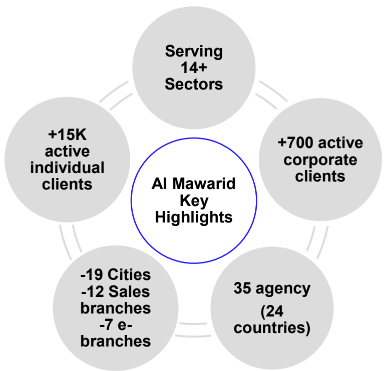
- **Corporate Segment–** Supplying and managing white- and blue-collar workforce (avg. 2-year term) for corporate clients in industries such as maintenance, construction, transportation and healthcare.
- **Individual – Contractual–** Long-term secondment of domestic workers (e.g. housemaids, cleaners, drivers) under fixed-fee contracts (prepaid), with an average of one to two years contract period.
- **Individual – Hourly Rental "Hemmah"–** Short-term, on-demand hourly services (housemaids, cleaners). Typically deployed in two daily shifts of four hours each, homecare nurses work for shifts of 12 hours.

Figure 44 **Company Timeline**



Source: Company Data, Al Rajhi Capital

Figure 45 **Al Mawarid Key Highlights**



Source: Company Data, Al Rajhi Capital

Figure 46 **Network Footprint**

Source: Company Data, Al Rajhi Capital

Business Model

Al Mawarid's value proposition centers on delivering end-to-end manpower services, managing the operational complexities of workforce recruitment for its clients. The company sources white- and blue-collar workers, primarily from international agencies, and manages the entire recruitment process, including visa processing, travel logistics, and compliance with Saudi labor regulations. After recruitment, Al Mawarid provides ongoing workforce management services, overseeing payroll, accommodation, and worker healthcare to ensure operational continuity and client satisfaction.

The company's operations are driven by a series of connected activities. Al Mawarid is leveraging international partnerships with external agencies to attract workers tailored to client specifications. Visa compliance is managed with accuracy to comply with Saudi regulations. Once they arrive, workers are integrated through arranged travel, accommodation, and an onboarding process. Ongoing workforce management ensures worker well-being, including health services, transportation, and payroll, to maintain productivity and high satisfaction.

Al Mawarid's success is supported by key factors, such as a highly skilled team with expertise in recruitment and workforce management. Strategic partnerships with international recruitment agencies ensure a reliable workforce supply to meet clients' needs, while advanced technology platforms allow for the facilitation of recruitment, payroll, and compliance processes. Physical infrastructure—including worker accommodations and transportation facilities—supports the efficient deployment and well-being of the domestic workforce, while long-term client contracts ensure stable demand.

Strategic partnerships, including collaborations with international recruitment agencies, Saudi government authorities like the MHRSD, and logistics providers for worker travel and accommodation, are essential.

The cost structure reflects operational complexity.

Corporate Segment-

The Corporate Segment serves various areas by providing skilled and unskilled manpower, typically for two-year contracts, with short-term deployments available at a premium to address seasonal demands. The service is designed to meet large-scale and niche staffing needs, offering a comprehensive solution that includes recruitment, visa processing, travel arrangements, medical examinations, permits, insurance, and ongoing support.

Operational Process-

Al Mawarid begins the process by receiving detailed staffing requests from clients, outlining worker specifications such as number, nationality, gender, profession, qualifications, and required services like accommodation or transportation. Al Mawarid then assesses these needs and provides a price quotation, followed by a signed service contract after negotiation and approval.

Al Mawarid manages visa inventory, requesting additional visas from MHRSD as needed. Recruitment involves partnering with foreign agencies to identify suitable candidates based on client requirements, with Al Mawarid conducting interviews and facilitating approvals. Approved candidates undergo employment negotiations and medical examinations, with Al Mawarid issuing flight tickets or coordinating travel per the contract.

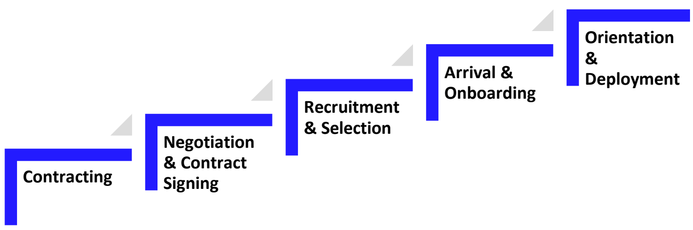
Arriving workers are housed and complete arrival procedures, including medical exams, residence permits (Iqamas), insurance, bank account setup, and orientation on legal and cultural matters. Deployment entails transferring workers to client premises and providing procedures for timesheets, vacations, and exit/re-entry visas. Post-deployment, Al Mawarid manages payroll and payment processing.

Pricing Strategy-

The pricing strategy is dynamic, with no fixed rates, as costs depend on multiple factors such as Recruitment expenses, including fees to international agencies. Worker welfare expenses cover accommodation, transportation, meals, and health services. Payroll and administrative costs include salaries and compliance management, while operational expenses encompass office maintenance, technology systems, and infrastructure. The primary component is the worker's salary, determined by their profession, skills, and competencies. In addition, some other factors include allowances and benefits, government fees (visas), and medical insurance are accounted for.

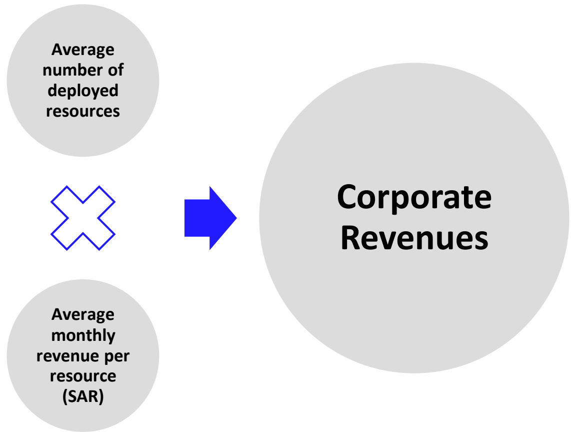
Recruitment costs, such as foreign agency fees, medical check-ups, and travel tickets, are factored in, along with Al Mawarid's profit margins.

Figure 47 **Operational Process**



Source: Company Data, Al Rajhi Capital

Figure 48 **Pricing Strategy**



Source: Company Data, Al Rajhi Capital

Individual Segment

The Individual Segment serves households, through two sub-segments:

- **Individual Segment - Contractual:** provides full-time workers, such as housekeepers, drivers, cooks, and certified nurses for home care.
- **Individual Segment - Hourly Rental:** offers part-time housekeepers and cleaners through "Hemmah" app.

Operational Process-

Al Mawarid manages separate visa inventories for Contractual and Hourly Rental workers, requesting additional quotas from MHRSD as needed. Recruitment for Contractual workers involves foreign agencies handling selection, negotiations, and medicals, while Al Mawarid interviews candidates post-agency shortlisting, often via video or visits.

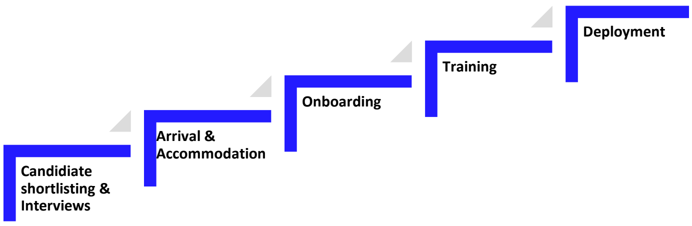
Arriving workers are housed, complete medical checks, receive insurance, bank account, SIM cards, attend orientation, and receive five days of cultural training.

Contractual deployment requires family household verification, contracts, and upfront payment; Hourly Rental involves customer requests via app, website, or branches, with verification, payment, and then worker transport for four-hour visits. Post-deployment, salaries are directly deposited into workers' bank accounts.

Pricing Strategy-

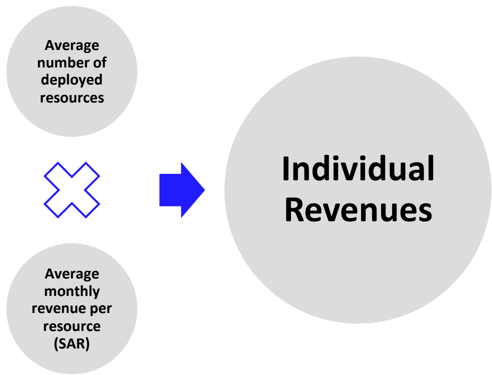
The pricing strategy varies by sub-segment. For Contractual services, monthly fees are based on worker competence and salary, with additional costs for visas, permits, medical insurance, recruitment fees, and Al Mawarid's profit margin. For Hourly Rental, per-visit fees depend on worker competence, experience, and visit timing (morning or evening), incorporating similar cost factors. Upfront payment is required for both, except for automatically renewed Contractual agreements with existing customers.

Figure 49 **Operational Process**



Source: Company Data, Al Rajhi Capital

Figure 50 **Pricing Strategy**



Source: Company Data, Al Rajhi Capital

Investment Rationale

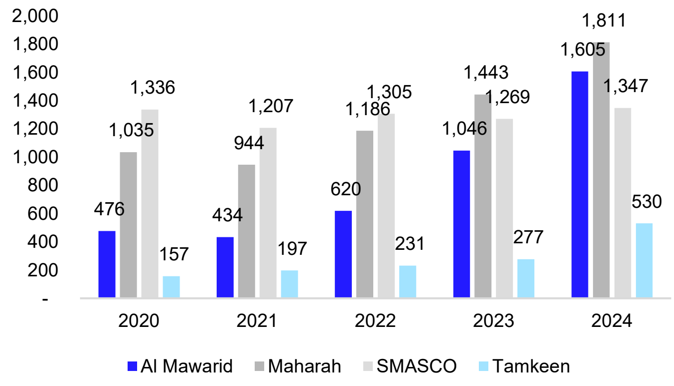
Regulatory Tailwind to support growth in corporate segment- MHRSD's regulatory rollback of the mandatory quota for minimum manpower requirement for domestic workers (30%) for companies with over 150,00 domestic workers in their workforce shall pave way for unhindered growth for large players in the industry. While companies with less than 15,000 workers are still obligated to comply with the varying minimum domestic worker requirement (10% for less than 10,000; 20% between 3,000-10,000 workers and 30% for those with fewer than 3,000 workers), the ease in the legislative environment enhances the bandwidth for larger market players to comfortably recruit more workforce in the corporate sector, thereby leading to cost benefits.

Given the workforce count exceeding 49,000 workers as of 2024, Al Mawarid can take advantage of the relaxation of the ministry mandate by expanding workforce recruitment in the corporate segment where it has a significant niche. Hence, the company's established presence in the corporate segment shall give it a competitive edge in accelerated hiring in the same thereby making way for a robust growth in its workforce strength.

Proxy play to rising infrastructure spends in the Kingdom- Saudi Arabia's infrastructure developments are poised for a massive uptick in pursuit of achieving the Vision 2030 objectives centered around increasing tourism and improving infrastructure in the Kingdom. Several mega and giga-projects will pivot the construction boom in the country. Mawarid's revenue growth CAGR has been remarkable in the corporate segment. This growth was higher than its competitor Maharah which grew at a CAGR of 15% respectively between FY20-24, whereas, Mawarid posted a revenue CAGR of 35% in the corporate segment over the same period.

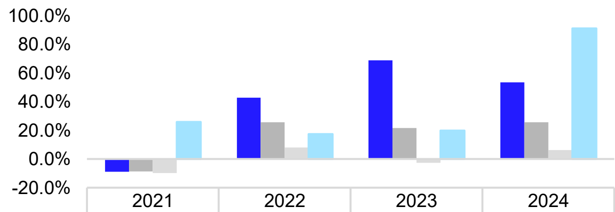
Speaking of the revenue construct, Al Mawarid has significantly scaled up its presence in the construction segment and comfortably leads its peers with the construction segment contributing 54% to FY24 revenues. In FY21, the contribution of the construction segment to the overall revenues was 11%. Although this came at a cost of lower gross margins, Mawarid is essentially well positioned to ride the wave of rising infrastructure spending in the Kingdom. The company may have a first mover advantage in meeting the construction sector workforce needs given its significant presence.

Figure 51 **Key Players' Corporate Revenue (SARmn)**



Source: Company Data, Al Rajhi Capital

Figure 52 **Key Players Corporate Revenue Growth**

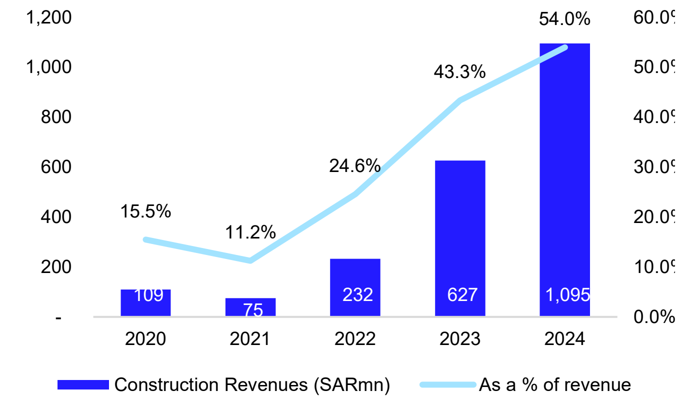


	2021	2022	2023	2024
Al Mawarid	-8.9%	42.9%	68.8%	53.5%
Maharah	-8.7%	25.6%	21.7%	25.5%
SMASCO	-9.7%	8.1%	-2.8%	6.2%
Tamkeen	25.8%	17.4%	19.9%	91.0%

Al Mawarid Maharah SMASCO Tamkeen

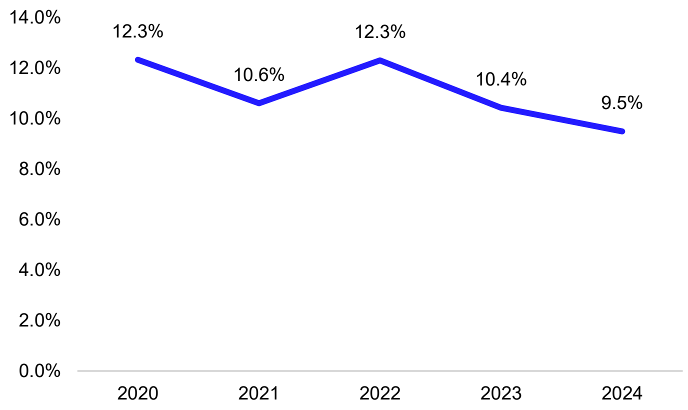
Source: Company Data, Al Rajhi Capital

Figure 53 **Al Mawarid Construction Segment Revenue**



Source: Company Data, Al Rajhi Capital

Figure 54 **Key Players Corporate Gross Margins (%)**



Source: Company Data, Al Rajhi Capital

Growth Opportunities and Market Trends- Al Mawarid is well-positioned for sustained growth in the coming years, driven by its strategic alignment with government-led initiatives focused on regulating and formalizing the labor market. These reforms aim to establish a more structured, transparent, and legally compliant employment environment, particularly in the domestic and temporary labor sectors. By staying ahead of these regulatory shifts, Al Mawarid is able to reinforce its credibility and operational efficiency in an evolving market landscape. The company has moved a majority of its services to cloud in order to improve system integrity.

Moreover, the company is equipped to tap into favorable demographic and social trends—such as the rising participation of women in the workforce—which are driving increased demand for domestic workforce solutions. In response to these shifts, Al Mawarid's Hemmah App offers a digital, user-friendly platform that enhances customer experience through streamlined service delivery, efficient workforce matching, and real-time support. This tech-enabled offering not only differentiates the company in a competitive market but also positions it to scale efficiently while meeting the evolving expectations of modern households and employers, placing it at par with peers like SMASCO which offers a similar digital platform, the Raha app, for the individual segment.

Outlook- Mawarid's top line growth for FY24 came in at 40% y-o-y despite the regulatory landscape in the Kingdom. This was due to a higher share of corporate revenues driving growth for the company, which offset the challenging market scenarios to some extent. However, the company took a significant hit on gross margins as it pursued growth in the individual segment which was affected by price caps and competition. Going forward, we expect the revenue growth for FY25 to moderate around ~21%, reflecting a more normalized expansion in corporate segment revenues. Although the headcount has the potential for multifold growth, price competition in the corporate segment leaves little room for upside in the average monthly revenue per resource. Nevertheless, the topline is expected to grow at a CAGR of ~16% between 2024-27E. We expect the gross margin trajectory to be weaker than Maharah anticipating compression in FY25 to 8.8% before gradually picking up slight pace from FY26 onwards reaching 9.0% by 2027E.

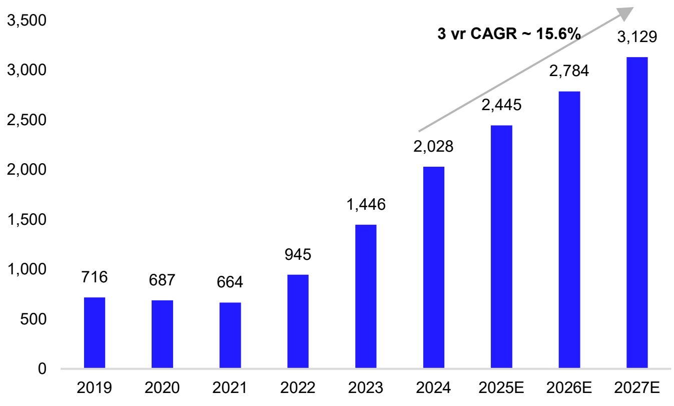
Financial Analysis

Revenue Analysis: We can break down Al Mawarid revenue into two main segments: Corporate and Individual (including Hourly services). In our view, the major difference for Al Mawarid is that its corporate segment is highly exposed to construction (68.2% of corporate segment portfolio in 2024). Looking ahead, the Company is well-positioned to fill workforce demand and has the first mover advantage. We project its revenues to grow at a compound annual growth rate (CAGR) of 16% between 2024 and 2027E, driven mainly by construction growth.

The revenue mix in 2024 (79% Corporate, 21% Individual) is expected to shift further in favor of Corporate services in upcoming years. On Individual side, we expect Al Mawarid to maintain its workforce headcount at the current levels. Hence, the company is likely to concentrate on introducing premium, value-added services at the current level of headcount in individual segment to generate higher margins rather than increasing headcounts significantly. From 2025 onward, we expect corporate segment to reach ~ 87% of total revenue, while the Individual segment is projected to contribute the remaining 13%.

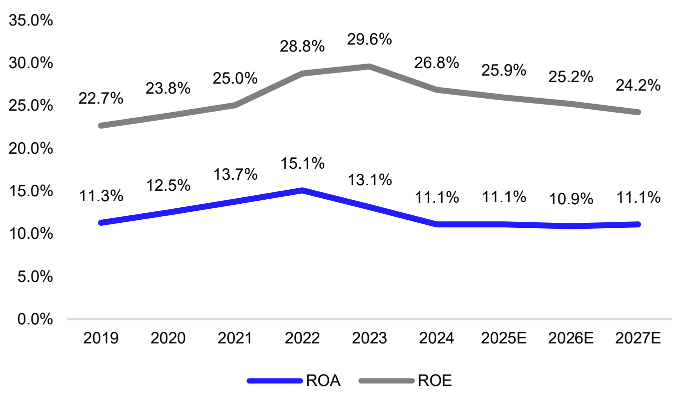
Cost & margin Analysis: As mentioned earlier with Maharah, workforce salaries & employee benefits represent the largest part of Al Mawarid's cost of revenue. As the company's headcount is expected to grow, the cost of revenue will likely increase correspondingly, but we project this rise to align with revenue growth. On the operating profit levels, Al Mawarid is poised to leverage economies of scale. However, gross margins are expected to have a slight pressure reaching 8.8% in 2025E. From 2026 onward, a gradual recovery is anticipated coming mainly from margin improvement on individual side, with margins projected to reach 9.0% by 2027E.

Figure 55 **Al Mawarid Revenue Projection (SARmn)**



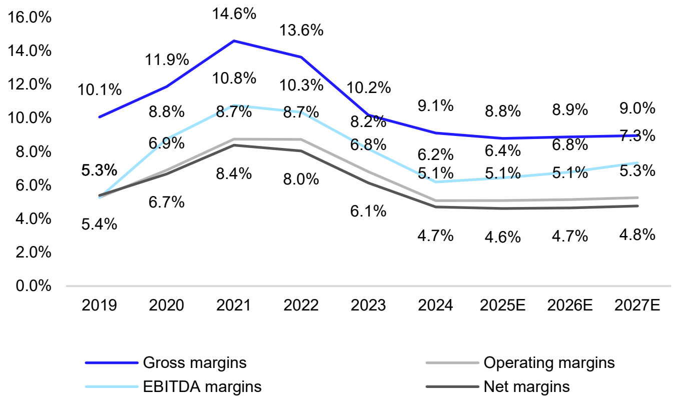
Source: Company Data, Al Rajhi Capital estimates

Figure 56 **ROA & ROE**



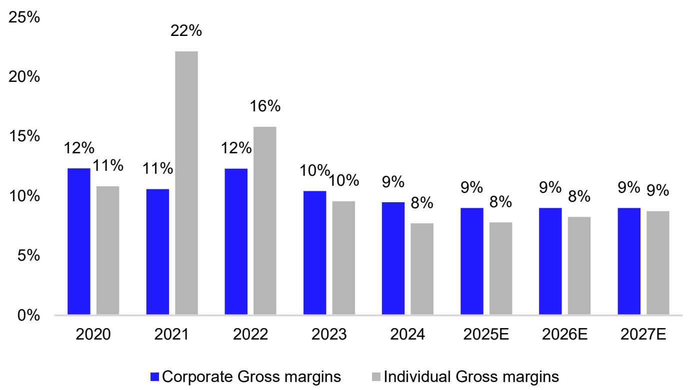
Source: Company Data, Al Rajhi Capital estimates

Figure 57 **Al Mawarid Margin Evolution**



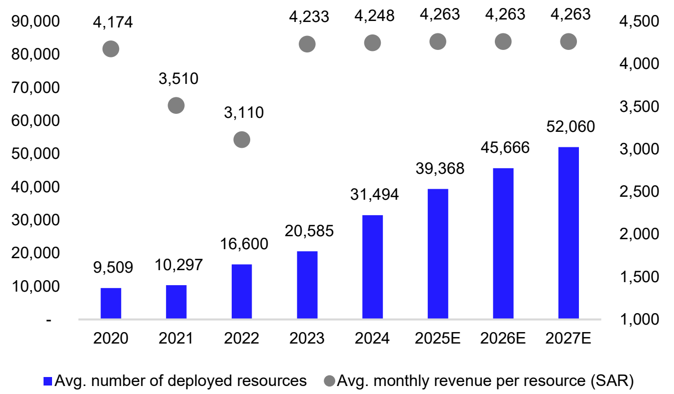
Source: Company Data, Al Rajhi Capital estimates

Figure 58 **Sector-wise Gross Margins**



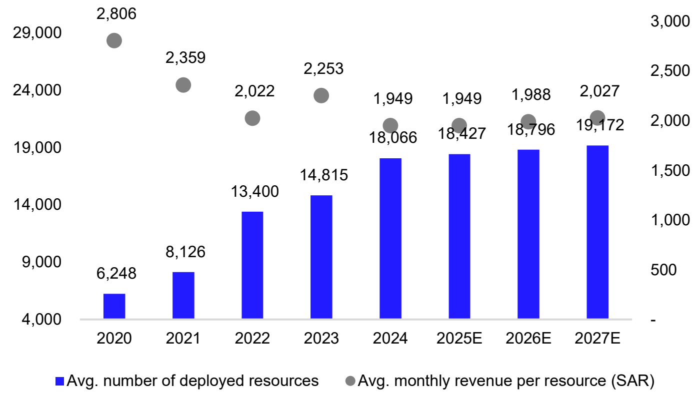
Source: Company Data, Al Rajhi Capital estimates

Figure 59 **Al Mawarid Corporate Sector KPIs**



Source: Company Data, Al Rajhi Capital estimates

Figure 60 **Al Mawarid Individual Sector KPIs**



Source: Company Data, Al Rajhi Capital estimates

Valuation

We have used relative valuation approach (P/E) to value Al Mawarid. Manpower companies are considered to be cyclical in nature, given the requirement of hiring at the start of the cycle and slowdown at the peak of the cycle. As mentioned earlier, the range of the valuation multiple is pretty wide, given the cyclicality involved in the industry. Based on historical data, the average TTM P/E multiple of the leading manpower companies throughout the cycle is ~18x, 24x at the peak of the cycle, and 15x at the bottom of the cycle.

Al Mawarid has demonstrated solid executional capabilities in expanding its revenue mix towards the construction segment. Moreover, Al Mawarid's historical revenue CAGR (2021-24) has outperformed all of its peers, and the company has garnered significant market share over the past year despite the challenges in the industry. Accordingly, based on 2025e EPS, we assign a multiple of 21x to Mawarid (1x premium above Maharah multiple for the higher topline growth potential of 20% vs 17% for Maharah in our 2025E and operating profit growth of 17% vs 10% for Maharah), and thereby arrive at a target price of SAR 158/sh, implying an upside of 15.7% at the current market price. We initiate coverage on the stock with a 'Overweight' rating'. Although we are optimistic on the company's future revenue growth prospects, but its high exposure to construction makes it prone to macroeconomic uncertainties.

Figure 61 **Valuation Table**

Relative Valuation Methodology	P/E
2025e EPS	7.53
Target multiple	**21.0x**
Fair value (per share)	**158.0**
Current Price (SAR)	136.6
Upside (%)	***15.7%***

Source: Al Rajhi Capital estimates

Financials

Figure 62 **Income Statement**

(SAR mn)	2024	2025E	2026E	2027E
Sales	**2,028**	**2,445**	**2,784**	**3,129**
Cost of Sales	(1,843)	(2,230)	(2,537)	(2,849)
% of revenues	*90.9%*	*91.2%*	*91.1%*	*91.0%*
Gross Income	**185**	**215**	**247**	**280**
Selling and marketing expenses	(18)	(22)	(28)	(31)
General and Administrative expenses	(39)	(44)	(48)	(53)
% of revenues	*2.8%*	*2.7%*	*2.7%*	*2.7%*
ECL Provision	(24)	(24)	(28)	(31)
Other income	8	7	8	8
Operating Expenses	**(74)**	**(84)**	**(96)**	**(107)**
% of revenues	*3.7%*	*3.4%*	*3.5%*	*3.4%*
Operating Income	**103**	**124**	**143**	**165**
Financial costs	(6)	(8)	(9)	(10)
Profit before tax	**105**	**124**	**142**	**164**
Zakat	(9)	(11)	(13)	(15)
Net Income	**95**	**113**	**130**	**149**
EPS (SAR/sh)	6.4	7.5	8.7	9.9
EBITDA	**126**	**158**	**189**	**230**

Source: Company Data, Al Rajhi Capital estimates

Figure 63 **Cash Flow Statement**

(SAR mn)	2024	2025E	2026E	2027E
Cash from operations	79.2	78.4	140.1	120.5
Cash from investing	-3.4	-7.1	-7.4	-7.6
Cash from financing	-52.9	-77.3	-87.5	-108.2
Net change in cash and cash equivalents	**22.9**	**-6.0**	**45.2**	**4.7**
Cash and cash equivalents, end of the period	**104.3**	**98.3**	**143.5**	**148.2**

Source: Company Data, Al Rajhi Capital estimates

Figure 64 **Key Ratios**

Key metrics	2024	2025E	2026E	2027E
Current ratio	2.0x	2.0x	2.1x	2.2x
Receivables turnover ratio	8.2x	8.0x	7.8x	7.9x
Asset turnover ratio	2.6x	2.6x	2.5x	2.5x
Capex/Sales	0.1%	0.3%	0.2%	0.2%
ROA	12.4%	12.0%	11.7%	11.7%
ROE	25.7%	26.0%	25.3%	24.7%

Source: Company Data, Al Rajhi Capital estimates

Figure 65 **Balance Sheet**

(SAR mn)	2024	2025E	2026E	2027E
Assets				
Intangible assets	1	1	1	1
Contracts assets	50	73	73	91
Property and equipment	16	19	22	24
Right-of-use assets	57	74	104	139
Other non-current assets	51	61	70	78
Total non-current assets	**175**	**229**	**270**	**334**
Contract assets	72	86	94	112
Prepayments and other current assets	149	179	204	230
Trade receivables	278	335	381	412
Investments at FVTPL	83	91	100	110
Cash and cash equivalents	104	98	144	148
Total current assets	**686**	**789**	**923**	**1,011**
Total Assets	**860**	**1,017**	**1,193**	**1,346**
Liabilities				
Employees' benefits liabilities	89	109	128	148
Lease liabilities	35	41	60	84
Recruitment agents' guarantees	1	1	1	1
Total non-current liabilities	**125**	**150**	**188**	**233**
Trade payables and other current liabilities	298	350	392	386
Retained deposits	8	8	8	8
Lease liabilities	20	23	33	47
Provision for Zakat	11	15	16	19
Total current liabilities	**337**	**396**	**449**	**460**
Shareholders' equity				
Share Capital	150	150	150	150
Statutory reserve	45	0	0	0
Retained earnings	203	321	406	503
Equity attributable to shareholders of the Parent Company	**398**	**471**	**556**	**653**
Total Liabilities	**860**	**1,017**	**1,193**	**1,346**

Source: Company Data, Al Rajhi Capital estimates

Tamkeen Human Resource Co.
Business Services: Staffing
TAMKEEN AB: Saudi Arabia
17 June 2025

Research Department
Madhu Appissa, CFA
Tel +966 11 836 5464, appissam@alrajhi-capital.com

US$0.36bn	33.94%	US$2.64mn
Market Cap.	Free Float	Avg. Daily Value traded

Tamkeen Human Resource Co.

2025 another solid year, upgrade to Overweight

Overweight

Price Target (SAR): 62.0

Current (16th June 2025): 51.6
Upside/Downside: 20.2% above current

Valuation Multiples	24	25E	26E
P/E (x)	16.0	15.1	14.1
P/B (x)	3.9	3.1	2.5
ROE (%)	26.5	23.1	19.9

Major Shareholders	% Ownership
Tasheel Real Estate Co.	21.26
Dr. Sulaiman Al Habib Medical Services	17.50
Faris Saleh Mutlaq Al Hanaki	10.00

Price Performance	1M	3M	YTD
Absolute	-10.1%	-5.8%	-19.5%
Relative to TASI	-4.7%	2.5%	-9.8%

Earnings

(SAR mn)	2024	2025E	2026E	2027E
Revenue	722	993	1,101	1,235
YoY %	*45.5%*	*37.6%*	*10.9%*	*12.3%*
Gross Profit	135	182	195	216
GM Margin %	*18.6%*	*18.4%*	*17.7%*	*17.5%*
YoY %	*28.7%*	*35.5%*	*7.1%*	*10.5%*
Operating Profit	70	89	94	105
Operating Margin	*9.8%*	*9.0%*	*8.6%*	*8.5%*
Net Income	86	91	97	107
Net Income Margin %	*11.8%*	*9.1%*	*8.8%*	*8.7%*
YoY %	*42.9%*	*6.2%*	*6.7%*	*11.0%*
EPS	3.2	3.4	3.7	4.1
P/E (Current)	16.0x	15.1x	14.1x	12.7x
P/E (Target)	19.2x	18.1x	17.0x	15.3x
ROE	26.5%	23.1%	19.9%	18.3%

Source: Company Data, Al Rajhi Capital estimates

- ***Tamkeen's solid gross margins underscores its selective growth strategy and contribution from high margin clients, such as medical***
- ***1Q25 gross margins in the corporate segment encouraging despite the spike in revenues from construction client***
- ***We estimate 2025E to be another solid year, topline growth of 38%, adjusted net income growth of 24%***
- ***On the back of another solid year (2025) and upward revision to our gross margin assumptions between 2025-2028E, we upgrade the stock to Overweight from neutral, with a target price of SAR 62/share***

Investment case: Tamkeen differentiates itself from its peers mainly on two counts, one is the much higher gross margin versus the sector average and second is the partnership with HMG. In our view, the smaller size of the company allows it to be selective in terms of contract assessment. Further, exposure to high margin sectors within corporate such as medical, as well as relatively higher contribution from the individual contractual business (monthly packages' revenue mix is high) are the key reasons for high margin. In addition to maintaining its selective growth approach in the corporate segment, the company is focusing on boosting its individual business, primarily the hourly services. Moreover, the company's decision along with Habib Medical Group to form a strategic partnership, Eraf Medical Company, should provide it an edge to capture the growing demand in the home healthcare space. Further, given that the staffing required in this space is a highly skilled one, it implies the margins could be on the higher side.

1Q25 margins a positive surprise: As the company grows in scale and the exposure to individual hourly business increases, we were anticipating the margins to come under pressure. In 2024, it did report 240 bps y-o-y decline in the gross margins. However, the 1Q25 gross margins have been pretty solid, especially the margins in the corporate space. Despite growing revenues by more than 2x, bulk of that coming from the construction space, the gross margins in the corporate segment were 21.5%, almost double of the industry average, underscoring its selective growth approach. Moreover, the gross margins in the individual segment were also solid at 15.2%, primarily supported by better utilization at the individual hourly services due to Ramadan season.

2025-2028E: We expect a solid topline growth in 2025E of 38%, led by full year contribution of the construction contract won last year, new contracts in the medical space, and the growth of individual hourly services. Beyond 2025, we estimate topline grow by almost 12% between 2025-2027E, mainly led by the individual hourly business. Post 1Q25 margin performance and the improved utilization level in the hourly business, we expect a modest 20 bps decline in the gross margins in 2025E. Beyond 2025, we estimate gross margins to decline 60 bps y-o-y primarily due to the mixed effect, higher contribution from the individual hourly business. On opex, we estimate marketing spend to increase as the company grows in the individual hourly business and also ECL provisions to increase given the spike in exposure to the construction client in the corporate segment. Overall, we expect reported net income to grow by over 6% in 2025, while adjusted net income (adj. for gains on property and reversal of provisions) is expected to grow by 24% y-o-y. Beyond 2025, we estimate net income to grow by over 4% between 2025-2028E.

Valuations: On a 2024 adjusted earnings (2024 adjusted EPS of SAR 2.77/share), the stock is currently trading at a P/E of 19x versus peers' average of 20x (Mawarid 22x, SMASCO 19x). In our view, the slight discount versus peers could be due to anticipation of gross margins coming under pressure in the future once the company achieves the scale which is comparable to peers, and the mix of individual business grows. However, given that the construction contract won by the company last year has better margins and the margins are fixed for the duration of the contract (2027E expiry), we believe the margin pressure will be noticeable only beyond 2027. Further, as the company's medical exposure increases, the impact is estimated to be manageable. Moreover, the street is underestimating the growth potential in 2025, we estimate 2025E earnings to grow by 6% y-o-y, led by volume growth in corporate and better utilization at individual hourly business. Beyond 2025, we estimate the earnings growth to slow down (4% CAGR between 2025-2028E) due to weaker gross margins and higher opex. Thus, the forward P/E multiple considered to value the stock is 18x, compared to range of 20-21x for the peers. Based on 18x P/E on 2025E EPS of SAR 3.4/share, our fair value is SAR 62/share. At our new target price of SAR 62/share, the implied upside is 20.2%. Thus, we turn Overweight on the name from neutral.

Figure 66 **Valuations**

Relative Valuation	Values
Target P/E	18.0x
2025E EPS	3.4
Target Price (SAR per share)	**62.0**
Current Price (SAR)	51.6
Upside (%)	**20.2%**

Source: Al Rajhi Capital estimates

Figure 67 **1Q25 Earnings Summary**

(SAR mn)	Q1 2025	Q1 2024	Q4 2024	*ARC Est.*	*y-o-y*	*q-o-q*	*vs ARC*
Revenue	**243**	**145**	**214**	**209**	***67%***	***14%***	***16%***
Gross Profit	49	31	32	31	*61%*	*52%*	*59%*
G. margin	*20.2%*	*21.0%*	*15.1%*	*14.7%*			
Op. profit	25	17	15	12	*47%*	*73%*	*103%*
Op. margin	*10.4%*	*11.8%*	*6.8%*	*5.9%*			
Net profit	**26**	**19**	**17**	**15**	***41%***	***54%***	***74%***
Net margin	*10.7%*	*12.7%*	*7.9%*	*7.1%*			

Source: Company Data, Al Rajhi Capital

Saudi Manpower Solutions Co.
Business Services: Staffing
SMASCO AB: Saudi Arabia
17 June 2025

Research Department
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Tel +966 11 836 5464, appissam@alrajhi-capital.com

US$0.63bn	52.24%	US$3.76mn
Market Cap.	Free Float	Avg. Daily Value traded

Saudi Manpower Solutions Co.

Margins to improve, but remain neutral

Neutral

Price Target (SAR): 6.5

Current (16th June 2025): 5.92
Upside/Downside: 9.8% above current

Valuation Multiples	24	25E	26E
P/E (x)	18.7	18.7	16.9
P/B (x)	3.9	3.8	3.6
ROE (%)	21.1	20.2	21.1

Major Shareholders	% Ownership
Integrated Solutions Holding Co.	47.76

Price Performance	1M	3M	YTD
Absolute	-15.5%	-11.1%	-22.7%
Relative to TASI	-10.2%	-2.8%	-13.0%

Earnings

(SARmn)	2024	2025E	2026E	2027E
Revenue	1,893	2,001	2,155	2,343
Revenue growth	3.6%	5.7%	7.7%	8.7%
Gross profit	211	233	246	267
Gross margin	11.1%	11.6%	11.4%	11.4%
EBIT	132	147	155	171
EBIT margin	7.0%	7.3%	7.2%	7.3%
EBITDA	199	217	231	253
EBITDA margin	10.5%	10.9%	10.7%	10.8%
Net profit	126	127	140	167
Net margin	6.7%	6.3%	6.5%	7.1%
EPS	0.3	0.3	0.3	0.4
DPS	0.3	0.3	0.3	0.3
P/E (current)	18.7x	18.7x	16.9x	14.2x
P/E (target)	20.6x	20.5x	18.6x	15.6x
RoE	21.1%	20.2%	21.1%	23.7%

Source: Company Data, Al Rajhi Capital estimates

- ***SMASCO to benefit from the recent regulation related to mix of individual and corporate workforce.***
- ***We estimate the topline to grow by mid-to-high single digit in the next three years, led by corporate.***
- ***Gross margins to improve, led by individuals as utilization is expected to pick up as incremental hiring slows down***
- ***Reported net income to be under pressure in 2025 due to losses in Waed (JV, breakeven assumed in H1 2027E).***
- ***We remain neutral on the name, but slightly reduce our target price to SAR 6.5/share from SAR 7.5/share due to lack of near-term catalysts***
- ***Key upside risk could come from Waed if the business scales up faster than expected***

Investment case: SMASCO, with a workforce of 41,500 (as of 2024), is one of the top three players in the staffing market along with Maharah and Mawarid. The company's notable exposure to the Petrochemical segment in conjunction with long-term contracts with key petchem. companies are a key differentiating factor in the corporate segment. The company has been relatively selective in growing in the construction space, unlike its competitors. However, the requirement of having 30% of workforce in the individual space weighed heavily on its profitability, due to the lag between hiring and deployment. With the changes to the regulation this year, we believe the company's margins should notably improve in the individual space this year and next. Further, the partnership with Urban Company, Waed, should also help in deploying its individual workforce more efficiently, aiding it to rapidly ramp up the utilization. However, we expect losses in the next two years and breakeven to be achieved in 2027E.

2025-2027E outlook: As the company now has the flexibility to grow in the corporate space, thus we could see better topline growth than in 2024 and 2023. We are estimating the topline to grow by mid-to-high single digit over the next three years led by corporate segment, mainly construction and hospitality. At the same time, gross profits are expected to grow by low double digits mainly supported by the improvement in the gross margins led by the individual segment. On the back of this, we expect operating income to grow by 9% CAGR between 2024-2027E. However, we are anticipating losses in the new JV, Waed, that should offset the finance income to a large extent and temporarily weigh on the bottom-line. Nevertheless, the breakeven in the JV is expected in 2027 and beyond which if the Waed business scales up, notable profit contribution is anticipated. Overall, we expect reported net income to be flattish in 2025E and grow by average 10% between 2024-2027E led by lower losses in the JV.

View and valuations: Given that its investments in JV, Waed, is expected to contribute positively from 2027, we are considering the EPS of 2027 to value the stock. We assign a target P/E multiple of 18x on 2027E EPS of SAR 0.42, and discount it to present value to arrive at our fair value of SAR 6.5/sh. Overall, we expect net income to grow by 10% CAGR between 2024-2027E. However, given the nature of the business, which is highly competitive and cyclical, we refrain from assigning a higher PEG similar to other high growth sectors. We have noticed staffing companies have globally traded in the range of 15x to 24x, with average valuations of 18x. We believe we are in the middle of the staffing cycle, thus demand for workforce should continue. Nevertheless, we would prefer to wait and watch for stabilization in margins for the corporate segment in the industry, mainly in the construction space, before assigning higher multiple. At our target price of SAR 6.5/sh, the upside is 9.8%, implying neutral recommendation.

1Q25 Earnings: SMASCO's 1Q25 revenue grew 4% y-o-y and 5% sequentially coming 3% above our estimates. The y-o-y and sequential growth was driven by strong performance in the core Business and Individuals sectors, which grew y-o-y by 2% and 11%, respectively. Gross profit increased 16% y-o-y and 46%, sequentially coming 44% above our estimates. The implied gross margin stood at 14.0% versus our estimated 10.0%. Reported Operating profit came at SAR 46mn (+15% y-o-y, +79% q-o-q). Implied operating margins stood at 9.3% vs our estimated 6.1%. Higher topline, higher-than-expected partly offset by increased expenses and investment losses during the quarter, flew through resulting in net income to come at SAR 41mn (+6% y-o-y, +73% q-o-q), coming above our estimates of SAR 28mn.

Figure 68 **1Q25 Earnings Summary**

(SAR mn)	Q1 2025	Q1 2024	Q4 2024	*ARC Est.*	*y-o-y*	*q-o-q*	*vs ARC*
Revenue	**498**	**477**	**476**	**482**	***4%***	***5%***	***3%***
Gross Profit	70	60	48	48	*16%*	*46%*	*44%*
G. margin	*14.0%*	*12.5%*	*10.0%*	*10.0%*			
Op. profit	46	40	26	29	*15%*	*79%*	*59%*
Op. margin	*9.3%*	*8.4%*	*5.4%*	*6.1%*			
Net profit	**41**	**38**	**23**	**28**	*6%*	*73%*	***44%***
Net margin	*8.1%*	*8.0%*	*4.9%*	*5.8%*			

Source: Company Data, Al Rajhi Capital

Figure 69 **Valuations**

Relative Valuation Methodlogy	Values
2027e EPS	0.42
Target Multiple (x)	**18.0x**
Fair Value (SAR/sh)	7.52
Discounted @ 10.5% for 1.5 years	6.47
Target Price (SAR/sh)	**6.50**
Current Price	5.92
Upside (%)	**9.8%**

Source: Al Rajhi Capital estimates

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