

## Mouwasat Medical Services - 4Q23 Result Review

Analyst: Neetika Gupta

### Recommendation:

**Hold**

Target Price (SAR):

122.60

Previous TP & Date:

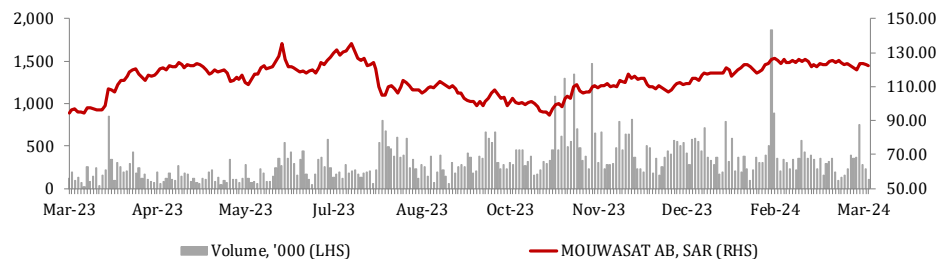
SAR 122.60 on 05 Nov 2023

Current Upside / (Downside):

0%

Date: 25-Mar-2024

Bloomberg Ticker	MOUWASAT AB
Current Market Price (SAR)	122.40
52wk High / Low (SAR)	140.4/92.5
12m Average Vol. ('000)	327.2
Mkt. Cap. (USD/SAR mn)	6,526/24,480
Shares Outstanding (mn)	200.0
Free Float (%)	47%
3m Avg Daily Turnover ('000)	46,400.0
6m Avg Daily Turnover ('000)	47,600.0
P/E'23e (x)	33.7
P/BV'23e (x)	7.6
Dividend Yield '23e (%)	1.6%
Price Perf. (1m/3m) (%)	-3/10.5



### Higher occupancy and patient traffic boost the top line in 4Q23, beating consensus and U Capital's estimate...

Mouwasat Medical Services' revenue in 4Q23 climbed 17.1% YoY, exceeding both the average consensus and our estimate. Improved occupancies of the company's healthcare facilities, driven by higher patient volume, drove the top line higher during the last quarter of 2023.

### ...yet operating and net profit stood largely flat, missing Bloomberg consensus but in line with U Capital's estimates

Mouwasat managed its direct costs well, as gross profit outpaced revenue growth (+21.0% YoY) in 4Q23. However, this was offset by a 57% YoY surge in the SG&A expenses, as the operating profit rose marginally by +0.7% YoY, missing Bloomberg consensus (-8% variance), but largely matching our estimate. As a result, net profit also stood nearly flat at SAR 184.2mn (-0.7% YoY), coming in around 9% below consensus, but in line with our estimate.

### Downgrade to Hold

Post the 4Q23 results outcome, we maintain our SAR 122.60 target price on Mouwasat's stock. Post our 'Accumulate' recommendation on 05 Nov'23, the stock has rallied by c. 19% and matches our target price. We now downgrade the stock to 'Hold' as we see limited upside at the current valuation levels. Mouwasat's capacity is expected to remain mostly stable over the next two years and is expected to increase only by FY26 when two projects in Yanbu and Jeddah each are likely to commence operations.

### Valuation

At the current market price, the stock trades at 32.5x on our FY 2024e EPS and 22.5x on FY 2024e EBITDA, higher than the average 3-year daily 12-month forward P/E of 29.7x. but in line with the average 3-year daily 12-month forward EV/EBITDA of 22.2x.

Income Statement												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY 22	FY 23	YoY (%)
Sales/Revenue	660.1	664.2	627.3	640.9	773.1	683.4	17.1%	20.6%	13.1%	2,334.1	2,705.5	15.9%
Gross Profit (Loss)	326.0	328.0	292.3	298.2	394.6	339.4	21.0%	32.3%	16.3%	1,101.6	1,313.1	19.2%
Operating Profit (Loss)	208.8	192.6	171.6	182.3	210.4	218.2	0.7%	15.4%	-3.6%	672.7	756.9	12.5%
Net Profit (Loss) after Zakat and t	185.4	166.6	150.5	156.4	184.2	189.6	-0.7%	17.8%	-2.9%	599.3	657.7	9.7%
Balance Sheet												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	2,922.8	3,089.5	2,940.0	3,096.4	3,277.1	2,935.9	12.1%	5.8%	11.6%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	49.4%	49.4%	46.6%	46.5%	51.0%	49.7%						
Operating Profit Margin	31.6%	29.0%	27.3%	28.4%	27.2%	31.9%						
Net Profit Margin	28.1%	25.1%	24.0%	24.4%	23.8%	27.7%						
Return on Equity (RoE)	25.4%	21.6%	20.5%	20.2%	22.5%	25.8%						
Annualized EPS (SAR)	3.71	3.33	3.01	3.13	3.68	3.79						
BVPS (SAR)					16.39	14.68						
TTM P/E (x)					37.2							
Current P/BV (x)					7.5							

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


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

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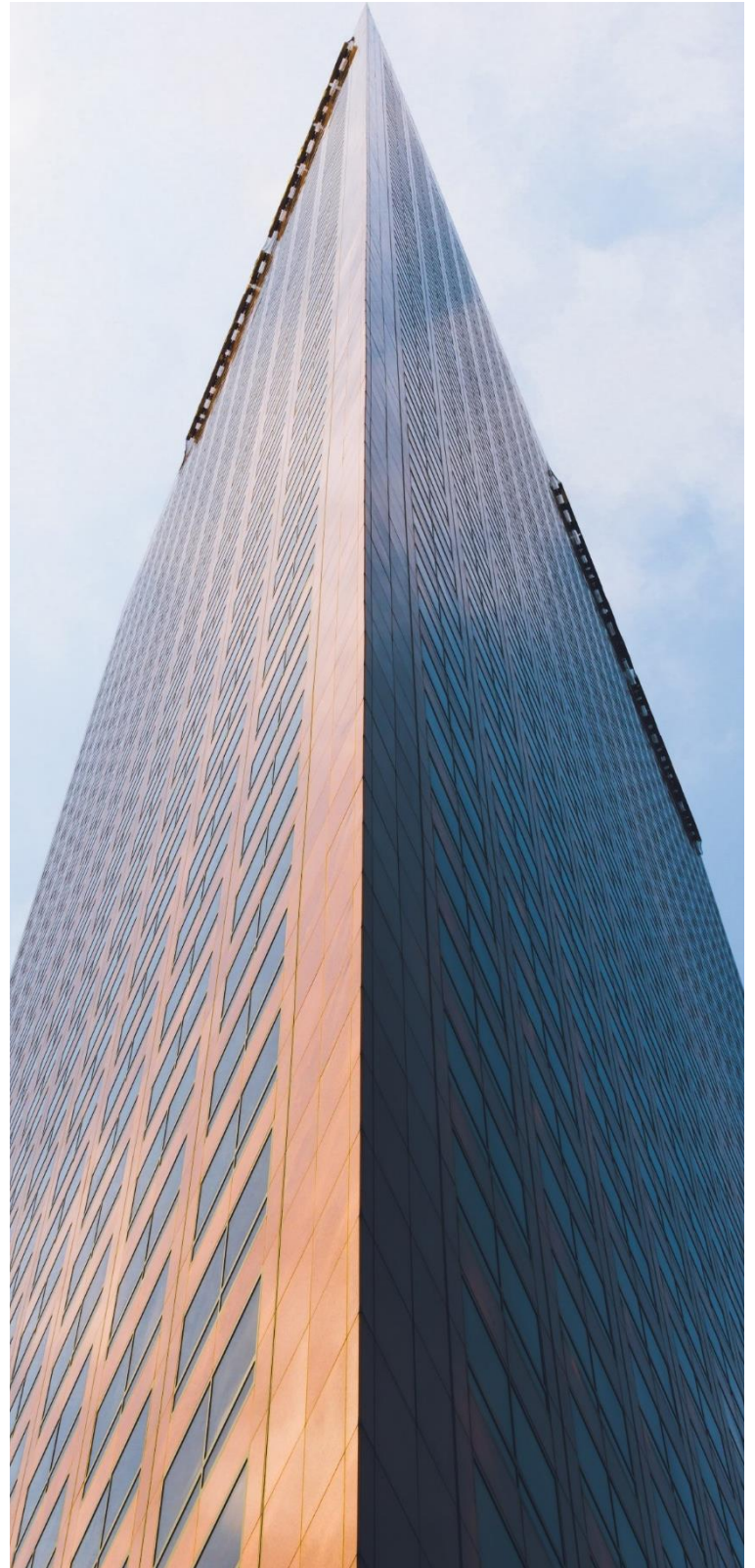
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# Disclaimer

## Recommendation

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

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