August 2026

Mouwasat Medical Services Co.

Results Flash Note Q2-26

One-off gain boosts earnings; Normalized earnings remains soft due to expansion of facilities

Mouwasat reported a mixed Q2-26 with earnings rising 13.1% Y/Y to SAR 211mn. Earnings benefitted from a one-off gain of SAR 20.4mn, excluding which the earnings would have grown by just 2.1% Y/Y and declined 5.0% Q/Q. Revenues grew 10.1% Y/Y driven by contribution from newly commissioned Yanbu hospital, higher inpatient occupancy across existing network and favorable revisions in select client contracts. Despite strong top-line, gross margins contracted 224bps Y/Y, as expansion related costs and lower fixed absorption from newly added capacity offset the benefits of revenue growth. While Mouwasat is entering an investment-intensive expansion phase that may keep margins under pressure in the near term, we believe its pipeline of new facilities provides a strong runway for medium to long-term earnings growth.

- **Mouwasat reported net income** of SAR 211mn in Q2-26, up 13.1% Y/Y and 5.2% Q/Q. The result was in-line with AJBC and consensus estimate of SAR 204mn and SAR 201mn, respectively. Earnings benefitted from a one-off gain of SAR 20.4mn on land disposal. Excluding this gain, the earnings would have increased just 2.1% Y/Y and declined 5.0% Q/Q, highlighting the continued pressure on the profitability associated with its expansion plans. The impact of start-up costs and lower utilization at the newly commissioned Yanbu hospital in Q1-26 was partially offset by the flexible operating model and disciplined cost management.
- **Revenues** grew 10.1% Y/Y (5.1% Q/Q) to SAR 876mn, in-line with our estimate of SAR 886mn. Growth was driven by the contribution from the newly operational Yanbu Hospital, improved inpatient occupancy across the existing network and the implementation of revised contractual terms for select client agreements in 2026. The quarter reflects healthy demand across the network while demonstrating the company's ability to monetize incremental capacity.
- **Gross profit** grew modestly by 4.3% Y/Y and 3.9% Q/Q to SAR 356mn, however gross margins contracted 224bps Y/Y to 40.7% (vs our estimate of 40.4%). The gross profit growth lagged the 10.1% rise in revenues, as COGS rose 14.4% Y/Y, reflecting expansion related cost pressures and lower fixed-cost absorption associated with the newly commission Yanbu hospital. We believe margin normalization will depend on the pace of utilization ramp-up at Yanbu, which should improve operating leverage and fixed-cost absorption over the medium term.
- **Operating profit** rose 12.8% Y/Y (10.8% Q/Q) to SAR 229mn, supported by the SAR 20.4mn one-off gain. The gain added 233bps uplift to the operating margins, lifting it to 26.2%. Excluding this gain, margins would have contracted by 170bps, reflecting underlying cost pressures associated with the ongoing expansion plans.

AJBC view and valuation: Mouwasat delivered a healthy top-line performance in Q2-26 aided by contribution from Yanbu hospital, higher inpatient occupancy across existing network and favorable revisions in select client contracts. The earnings growth was largely attributable to the one-off gain, with underlying profitability remaining under pressure from expansion related costs and the initial ramp-up of new capacity. While Mouwasat is entering an investment-heavy expansion phase that may keep margins under pressure in near term, we view the company's pipeline of new facilities as a key driver of medium to long term growth. Trading at 2026e PE of 15.3x, we maintain our "**Overweight**" recommendation on the stock and the TP of **SAR 90.6/share**.

Results Summary

SAR mn	Q2-25	Q1-26	Q2-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	796	834	876	10.1%	5.1%	-1.0%
Gross Profit	342	343	356	4.3%	3.9%	-0.5%
Gross Margin	42.9%	41.1%	40.7%	-	-	-
EBIT	203	207	229	12.8%	10.8%	4.8%
Net Profit	187	201	211	13.1%	5.2%	3.6%
EPS	0.93	1.01	1.06	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	**Overweight**
Target Price (SAR)	**90.6**
Upside / (Downside)*	**42.7%**

Source: Tadawul *prices as of 03rd Aug 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenue	2,706	2,879	3,223
Growth %	15.9%	6.4%	11.9%
Gross Profit	1,313	1,237	1,361
EBIT	757	724	880
Net Profit	658	646	822
Growth %	9.7%	-1.8%	27.3%
EPS	3.3	3.2	4.1
DPS	1.8	2.0	3.0

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
GP Margin	48.5%	42.9%	42.2%
EBIT Margin	28.0%	25.2%	27.3%
Net Margin	24.3%	22.4%	25.5%
P/E (x)	34.0	26.4	18.4
P/B (x)	6.8	4.8	4.0
EV/EBITDA (x)	23.6	18.5	13.8
Div Yield (%)	1.3%	2.1%	2.6%

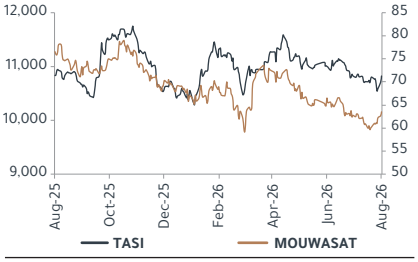
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	12.7
YTD%	-4.7%
52 week (High)/(Low)	79.8/58.7
Share Outstanding (mn)	200.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadwaul, Aljazira Capital Research

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RESEARCH DIVISION

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

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