

Daily Bulletin

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Mouwasat finalizes Yanbu Hospital construction works, kicks off trial ops

Mouwasat Medical Services Co. announced the completion of construction works for its hospital project in Yanbu Industrial City (YIC) on September 29, 2025. The company has commenced a 90-day pilot operation phase, while the official commercial launch will be announced once final approvals are obtained from the Ministry of Health. To recap, Mouwasat signed a SAR 295 mn construction contract in June 2022 for the development of the YIC hospital. The project entails an estimated total investment of SAR 500 mn comprising 200 beds and 60 clinics. In February 2025, the company had reported 75% completion and targeted completion by 3Q25.

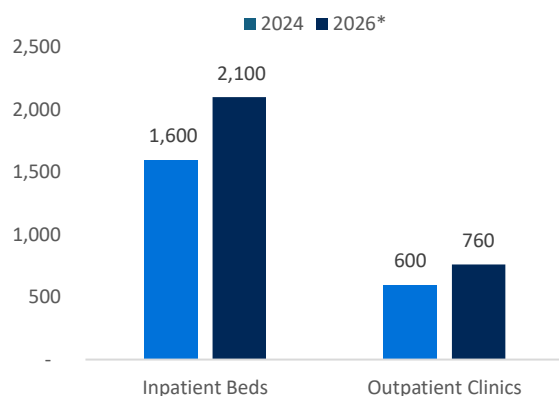
We note that Mouwasat's gross margins have trended lower from their peak of 51% in 4Q23 to 45% in 1H25, compared to a five-year pre-2024 average of 47%. The margin contraction reflects the ramp-up of the Madinah LTC and Dammam facilities. As the company remains in an expansionary phase, margins are likely to remain under pressure due to the anticipated ramp-up of the Yanbu facility and the expected commissioning of the 300-bed Jeddah hospital by end-2025. The management has previously indicated that a new hospital typically reaches break-even within approximately 18 months of operations.

The company also plans to develop a new hospital in Riyadh, which is currently in its design phase. Management expects the facility to become operational within 36 months of construction commencement. Additionally, Mouwasat announced on September 1, 2025, a 100-bed expansion in each of its existing hospitals in Riyadh and Qatif, scheduled for completion in 2028, and a new 200-bed hospital in Al Ahsa, scheduled for completion in 2029.

With the commencement of operations at the Yanbu and Jeddah hospitals, total bed capacity is expected to increase to 2,100 in 2026 from the current 1,600, while the number of clinics is expected to rise to 760 from 600. It is pertinent to mention that most of the new projects are located outside the Eastern Province, which currently accounts for around 66% of Mouwasat's total bed capacity.

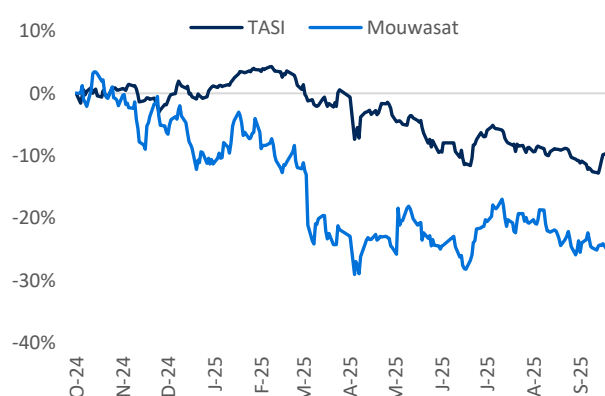
We highlight that Mouwasat's profitability in 1H25 increased 18% YoY, supported by a 10% YoY rise in topline. Revenue growth was driven by higher patient volumes, improved occupancy rates, and the continued benefit from revised contractual terms with key clients that were finalized in prior periods. The improvement in profitability was further aided by a 91% YoY decline in impairment losses on accounts receivable and a 33% YoY reduction in finance costs. Mouwasat has declined 22% in the last 12 months, substantially underperforming TASI, which fell 3% during the same period. The stock is currently trading at a 2025e P/E of 20x with a consensus target price of SAR 88.7/sh, offering a potential upside of 18%.

Mouwasat capacity details



Source: Earnings Presentation, anb research
*Planned

Price performance



Source: Tadawul, Bloomberg, anb research

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