

Target Price: SAR156.6/share
Current Price: SAR135.4/share
Upside: 15.7% (+2.1% div yield)
Rating: Overweight

Al Mawarid Manpower Co. (ALMAWARID)

Accelerating growth amid workforce expansion; Raise TP

- Rising workforce demand (+25% y/y in 1Q25), mainly in the corporate sector, is expected to continue driving top-line growth (CAGR 12% over 2024-29e; 7% CAGR expected earlier).
- Despite ongoing margin pressure, earnings are likely to grow at 13% CAGR over 2024-29e (+8% CAGR previously), driven by workforce growth and operational efficiencies.
- Our revised blended 1-year forward TP stands at SAR156.6/sh (previously SAR130/sh) based on a 16x P/E (2025-26e EPS) and DCF methods with an Overweight rating.

Strong top-line growth to continue, largely driven by construction sector: Mawarid reported impressive revenue growth of ~34% y/y in 1Q25, maintaining the strong momentum from 2023–24. This performance was fueled by a 25% y/y increase in the workforce, with the corporate segment leading the charge, up 32% y/y. Construction clients within this segment now comprise the majority, contributing 51% of total revenue as of 1Q25. With mega projects like NEOM, New Murabba, Qiddiya, Diriyah Gate, and Riyadh Expo ramping up, and Mawarid's market share rising from 11% in 2023 to 14% as of Sep-24, the company is well-positioned to capitalize on the sector's expansion. Beyond construction, Mawarid is also tapping into the growing demand in healthcare, tech, and other sectors. Given its solid footprint, we expect the workforce to grow at a 11% CAGR over 2024–29e, largely driven by the corporate segment, resulting into a top-line CAGR of 12% (+7% CAGR earlier) during the same period.

Quota relaxation to modestly improve margins in the individual segment, partially offsetting the margin pressure in the corporate segment: The Ministry of Human Resources has revised its domestic worker quota regulation, exempting HR companies that employ over or equal 15,000 domestic workers from the requirement to maintain a minimum of 30% allocation for the individual segment ([details](#)). This regulatory change is likely to reduce costs for HR companies such as Mawarid, as it eliminates the need to recruit excess workers without corresponding demand, driving the margin expansion (from 4.4% in 2024 to 6.4-6.5% in 2025-26e) for the segment. Additionally, with most of the workforce recruited under the previous quota still active in the market, we expect this relaxation would partially offset seasonal weaknesses, particularly during low-demand periods such as school holidays, which have pressured margins in 3Q historically.

Figure 1: Key financial metrics

SARmn	2023a	2024a	2025e	2026e	2027e
Revenue	1,446	2,028	2,563	2,900	3,166
Revenue growth	53%	40%	26%	13%	9%
Gross profit	147	185	223	248	274
Gross profit margin	10.2%	9.1%	8.7%	8.5%	8.6%
Operating profit	99	105	137	150	166
Net profit	89	95	125	136	151
Net profit margin	6.1%	4.7%	4.9%	4.7%	4.8%
EPS (SAR)	5.9	6.4	8.3	9.1	10.1
P/E	22.9x	21.3x	16.3x	14.9x	13.5x

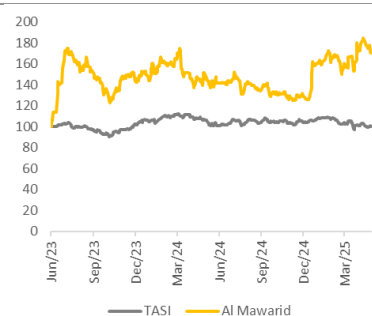
Source: Company data, GIB Capital

Stock data

TASI ticker	1833
Mcap (SARmn)	2,031
Trd. Val (3m) (SARmn)	10.5
Free float	46.0%
QFI holding	3.7%
TASI FF weight	0.10%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

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As the individual segment contributes ~21% to revenue, we expect the margin improvement in the individual segment to help the company in partially offsetting the ongoing margin pressure in the corporate segment (8.5-8.7% in 2025-26e vs. 9.1% in 2024) amid heightened competition. Overall, we expect the gross margin to remain under pressure (below 9% during the forecasted period). Nonetheless, we project net income to grow at a CAGR of 13% (+8% CAGR earlier), driven by robust workforce growth, better operational efficiencies, higher other income, and lower impairments over 2024–2029e.

Recap of 1Q25 results: Revenues surged 34% y/y to SAR589mn, beating our estimate of SAR516mn, primarily driven by a 25% increase in the available workforce. At the segment level, corporate revenues jumped 38% y/y, supported by rising demand across industries and a 32% y/y increase in workforce within the segment. The individual segment also recorded a 20% y/y revenue increase, largely driven by a 13% y/y growth in the workforce and better utilization. Further, gross profit came in at SAR53mn, 23.5% above our estimate of SAR50mn, though the GP margin stood at 9.1%, slightly below our estimate of 9.7%. Operating profit reached SAR33mn, up 11.7% y/y, broadly in line with our estimate of SAR31mn. OPEX rose 48% y/y to SAR21mn (vs. our estimate of SAR18mn), mainly due to higher G&A expenses related to workforce expansion and increased advertising costs. As a result, net profit came in at SAR30mn, up 13.4% y/y and ahead of our SAR27mn estimate, with a net margin of 5.1% (vs. our estimate of 5.3%).

Figure 2: 1Q25 results summary

SARmn	1Q25	1Q24	y/y %	4Q24	q/q %	GIBC est.	Variance %
Revenues	589	439	34.0%	559	5.3%	516	14.2%
Cost of sales	535	396	35.2%	508	5.4%	466	15.0%
Gross profit	53	43	23.5%	51	4.3%	50	6.9%
Opex	21	14	48.0%	21	-1.3%	18	12.6%
Operating profit	33	29	11.7%	30	8.2%	31	3.5%
Net income	30	26	13.4%	29	4.4%	27	9.0%
Margins							
Gross margin	9.1%	9.8%		9.1%		9.7%	
Operating margin	5.5%	6.6%		5.4%		6.1%	
Net margin	5.1%	6.0%		5.1%		5.3%	

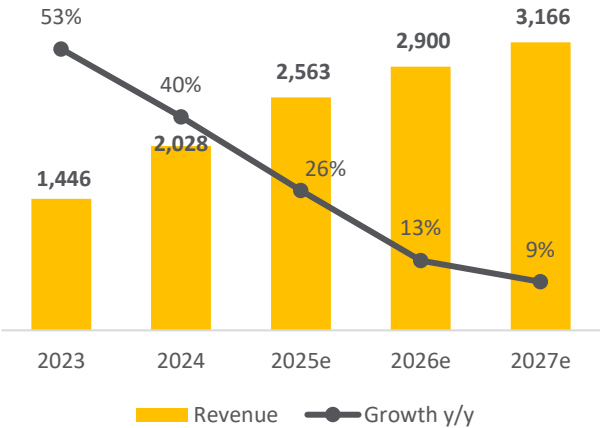
Source: Company data, GIB Capital

Valuation: Post revision in our estimates, factoring the robust 2024 and 1Q25 performance, we raise our 1Y forward equally weighted TP to SAR156.6/sh. (SAR130 per share earlier) using an equal mix of DCF and P/E multiple valuation approaches, implying an upside of 15.7% with an overweight rating. For relative valuations, we use a 16x multiple on 2025-26e EPS to arrive at a P/E-based target price (1 year forward) of SAR154/share. As for DCF, based on a WACC of 10.5%, we derive SAR159/share as the DCF-based target price (1 year forward).

Risks: The key downside risks are the cyclicity of the industry, high competition, regulatory changes resulting in higher cost of operation, price capping, and risk of receivables.

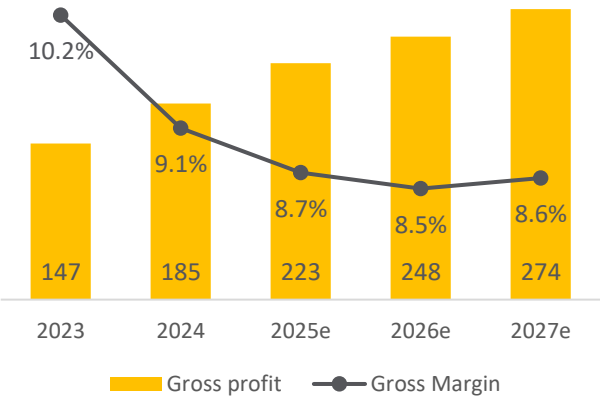
Financial analysis in charts

Figure 3: Total Revenue trend (SARmn)



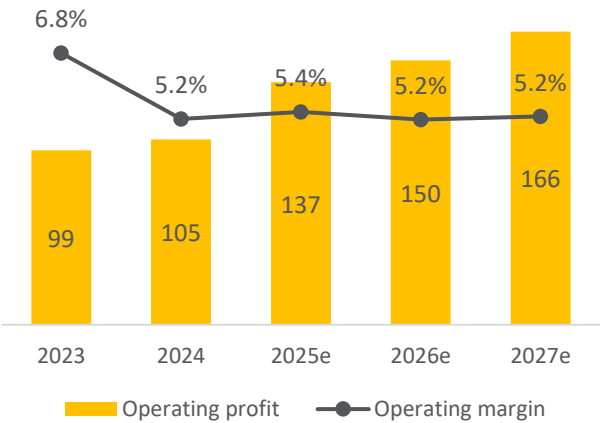
Source: Company data, GIB Capital

Figure 4: Gross profit (SARmn) and gross margin



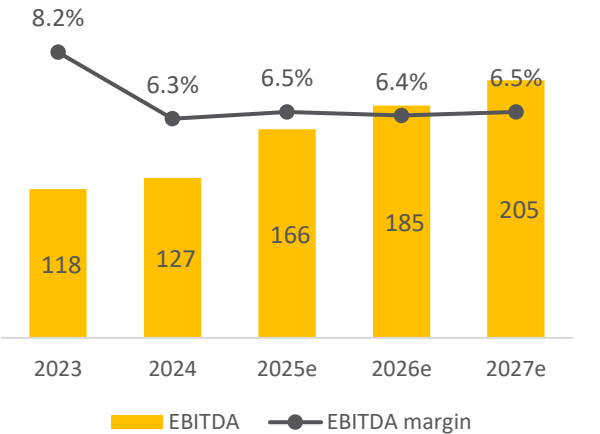
Source: Company data, GIB Capital

Figure 5: Operating profit (SARmn) and operating margin



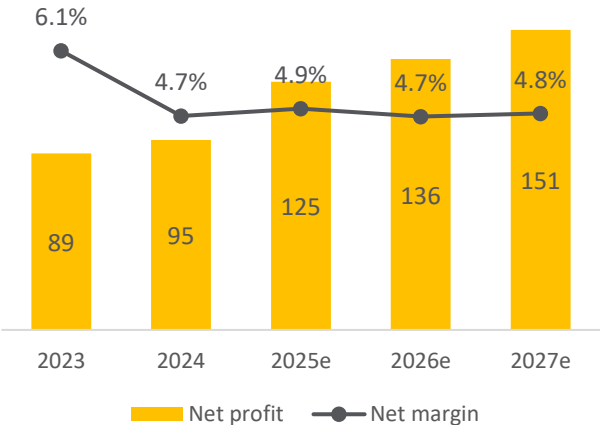
Source: Company data, GIB Capital

Figure 6: EBITDA (SARmn) and EBITDA margin



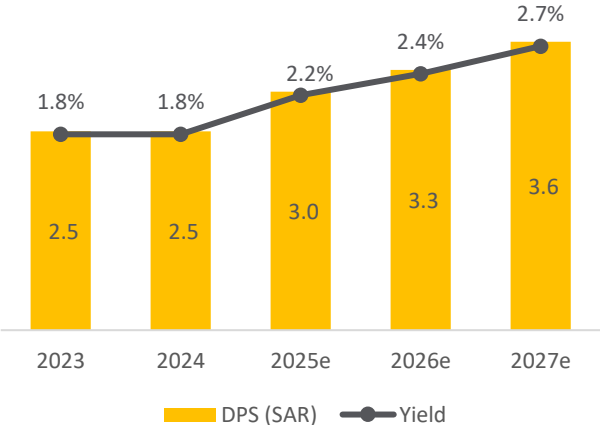
Source: Company data, GIB Capital

Figure 7: Net profit (SARmn) and net margin



Source: Company data, GIB Capital

Figure 8: Dividend and dividend yield (SAR)



Source: Company data, GIB Capital

Financials

Figure 9: Summarized basic financial statements (SARmn)

Income statement	2023a	2024a	2025e	2026e	2027e
Revenue	1,446	2,028	2,563	2,900	3,166
revenue y/y	53%	40%	26%	13%	9%
COGS	1,299	1,843	2,340	2,653	2,892
Gross Profit	147	185	223	248	274
Gross Profit margin	10%	9%	9%	9%	9%
Selling and marketing expenses	12	18	26	29	32
General and administrative expenses	33	39	49	56	61
Credit loss provision	3	24	12	13	14
Finance costs, net	(4)	(6)	(8)	(9)	(10)
Other income	5	8	8	9	9
Operating profit	99	105	137	150	166
Operating margin	7%	5%	5%	5%	5%
PBT	99	105	137	150	166
Zakat/tax	10	9	12	13	15
Net income	89	95	125	136	151
Net margin	6%	5%	5%	5%	5%
y/y	17%	7%	31%	9%	11%
EPS	5.9	6.4	8.3	9.1	10.1
DPS	2.5	2.5	3.0	3.3	3.6
Payout	42%	39%	36%	36%	36%
EBITDA	118	127	166	185	205
Net debt (w/ lease liabilities)	(41)	(49)	(25)	(89)	(159)
Balance Sheet	2023a	2024a	2025e	2026e	2027e
Trade receivables	215	278	400	437	477
Prepayments and other current assets	133	149	188	213	232
Cash and cash equivalents	81	104	93	165	242
Due from related parties	0	0	0	0	0
Financial investments at FVTPL	65	83	83	83	83
Reimbursement Rights	38	72	72	72	72
Total Current Assets	532	686	836	969	1,105
Property and equipment	15	16	17	18	19
	1	1	1	2	2
Right of use assets	43	57	71	80	86
Used and unused visas and other non-current assets	45	51	63	70	76
Other non-current assets	40	50	50	50	50
Total Non-Current Assets	144	175	202	219	234
Total Assets	677	860	1,038	1,188	1,339
Current Liabilities	239	337	402	446	484
Non-current Liabilities	94	125	158	178	194
Equity	344	398	478	565	661
Total Equity and Liabilities	677	860	1,038	1,188	1,339
BVPS	22.9	26.5	31.9	37.7	44.1
Cashflow	2023a	2024a	2025e	2026e	2027e
Cashflow from Operations	86	79	65	158	172
Cashflow from Investing	(5)	(3)	(4)	(5)	(5)
Cashflow from Financing	(55)	(53)	(71)	(81)	(90)
Total Cashflows	26	23	(11)	72	77

Source: Company, GIB Capital

Figure 2: Key ratios

Key ratios	2023a	2024a	2025e	2026e	2027e
Profitability ratios					
RoA	13%	11%	12%	11%	11%
RoE	26%	24%	26%	24%	23%
Sales/Assets	214%	236%	247%	244%	236%
Net margin	6.1%	4.7%	4.9%	4.7%	4.8%
Liquidity ratios					
Current Assets/ Current Liabilities	2.2	2.0	2.1	2.2	2.3
Debt to Total Equity (w/ IFRS liab.)	0.1	0.1	0.1	0.1	0.1
Receivable Days	54	50	57	55	55
Prepayment Days	34	27	27	27	27
Payable days	58	59	56	55	55
Cash conversion cycle	30	18	28	27	27
Debt ratios					
Net Debt/EBITDA (w/ IFRS liab.)	-0.3x	-0.4x	-0.2x	-0.5x	-0.8x
Debt/Assets (w/ IFRS liab.)	0.1x	0.1x	0.1x	0.1x	0.1x
Net Debt/Equity (w/ IFRS liab.)	-0.1x	-0.1x	-0.1x	-0.2x	-0.2x
Valuation ratios					
P/E	22.9x	21.3x	16.3x	14.9x	13.5x
P/B	5.9x	5.1x	4.3x	3.6x	3.1x
EV/EBITDA	17.1x	15.9x	12.2x	11.0x	9.9x
FCF Yield	8.5%	5.1%	2.4%	7.2%	8.0%
Dividend Yield	1.8%	1.8%	2.2%	2.4%	2.7%

Source: Company, GIB Capital

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