

# MOUWASAT MEDICAL SERVICES



## EVENT FLASH

### Net income in-line with expectations

Mouwasat announced its 4Q12 preliminary results on 20 January 2013 before market hours. Net income came in at SR43mn, broadly in-line with our estimate of SR45mn. Earnings increased by 23% YoY, we believe due to higher utilization rates. We await the detailed results before updating our model.

- **Gross profit** for 4Q12 came in at SR101mn vs. the NCBC estimate of SR118mn (14.2% below our estimate) recording a YoY increase of 13.4%.
- **Operating profit** for 4Q12 came in at SR44mn vs. the NCBC estimate of SR56mn (22.6% below our estimate) recording a YoY increase of 4.2%.
- **Net income** for 4Q12 came in at SR43mn vs. the NCBC estimate of SR45mn (4.8% below our estimate) recording a YoY increase of 22.7% and 20.2% QoQ.
- In summary, Mouwasat reported a mixed set of results YoY; Gross and Operating income was 14-23% below what we expected, although the variance narrowed to only 4.8% on the net income line. We believe the company's 22.7% YoY growth in net income is due to the higher number of patients off the back of strong demand for medical services across the Kingdom, leading to higher utilization rates YoY.
- On the gross line, we believe the key deviation between the reported numbers and our expectations is in the company's revenue which has not yet been reported. The primary reason which led to in-line estimates on the net income line is our high expectations for non-operating costs (SR11mn) vs. actual of only SR1mn, thus cancelling the deviations on the Gross and Operating lines.
- For 2012, net income came in at SR172mn, increasing 15.8% YoY from SR148mn in 2011.
- We recently initiated on Mouwasat with an Overweight rating and a PT of SR61.2. Key positives of Mouwasat include: 1) Increased capacity in 2013 and 2016 through opening 2 new hospitals 2) Increased utilization rates due to strong healthcare demand and 3) Possible margin expansions due to economies of scale. From a valuation stand point, the stock is currently trading at a 2013E P/E of 12.6x vs. its peer global average of 10.6x; we believe the premium is justified given the growth outlook of the company.
- Given the strong set of results from Mouwasat, we expect the stock to perform well during today's trading session. We will update our numbers once the detailed results are available.

#### 4Q12 Results Summary

SR mn	4Q12A	4Q11A	YoY (%)	4Q12E	Var (%) <sup>^</sup>
Gross profit	101	89	13.5	118	(14.2)
Operating profit	44	42	4.2	56	(22.6)
Net income	43	35	22.7	45	(4.8)
EPS (SR)	0.89	0.72	22.7	0.93	(4.8)

Source: Company, NCBC Research <sup>^</sup> % Var indicates variance from NCBC forecasts

Please refer to the last page for important disclaimer

### OVERWEIGHT

<b>Target price (SR)</b>	<b>61.2</b>
<b>Current price (SR)</b>	<b>52.8</b>

#### STOCK DETAILS

M52-week range H/L (SR)	58.3/43.0
Market cap (\$mn)	703
Shares outstanding (mn)	50
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(0.94)	(2.31)	15.0
Rel. to market	(3.29)	(5.83)	4.43

Avg daily turnover (mn)	SR	US\$
3M	7.92	2.11
12M	8.74	2.33

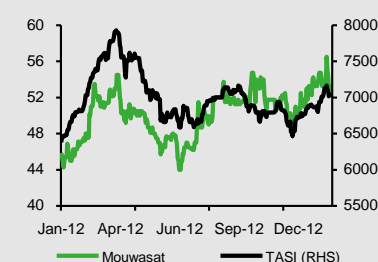
Reuters code	4002.SE
Bloomberg code	MOUWASAT AB
	<a href="http://www.mouwasat.com">www.mouwasat.com</a>

#### VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	17.2	14.7	12.6
P/B (x)	1.9	3.3	2.9
EV/EBITDA (x)	14.5	12.6	10.8
Div Yield (%)	5.9	3.9	3.9

Source: NCBC Research estimates

#### SHARE PRICE PERFORMANCE



Source: Bloomberg

Farouk Miah, CFA +966 2 690 7717  
f.miah@ncbc.com

International client contact  
Asma Dakkak +973 1757 9452  
a.dakkak@ncbc.com

[www.ncbc.com](http://www.ncbc.com)

20 JANUARY 2013

Kindly send all mailing list requests to [research@ncbc.com](mailto:research@ncbc.com)

**NCBC Research website**<http://research.ncbc.com>**Brokerage website**

[www.alahlitadawul.com](http://www.alahlitadawul.com)  
[www.alahlibrokerage.com](http://www.alahlibrokerage.com)

**Corporate website**[www.ncbc.com](http://www.ncbc.com)**NCBC Investment Ratings**

OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

**Other Definitions**

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

**Important information**

The authors of this document hereby certify that the views expressed in this document accurately reflect their personal views regarding the securities and companies that are the subject of this document. The authors also certify that neither they nor their respective spouses or dependants (if relevant) hold a beneficial interest in the securities that are the subject of this document. Funds managed by NCB Capital and its subsidiaries for third parties may own the securities that are the subject of this document. NCB Capital or its subsidiaries may own securities in one or more of the aforementioned companies, or funds or in funds managed by third parties. The authors of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. The Investment Banking division of NCB Capital may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this document or are mentioned in this document.

This document is issued to the person to whom NCB Capital has issued it. This document is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. NCB Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. Any investment recommendations contained in this document take into account both risk and expected return. Information and opinions contained in this document have been compiled or arrived at by NCB Capital from sources believed to be reliable, but NCB Capital has not independently verified the contents of this document and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the maximum extent permitted by applicable law and regulation, NCB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document constitute NCB Capital's judgment as of the date of production of this document, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this document may be reproduced without the written permission of NCB Capital. Neither this document nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this document should make themselves aware, of and adhere to, any such restrictions. By accepting this document, the recipient agrees to be bound by the foregoing limitations.

NCB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under licence number 37-06046. The registered office of which is at Al Mather street in Riyadh, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.