

Mouwasat Medical Services Company

Q4 2016

Recommendation

Neutral

Fair Value (SAR)

147.00

Price as of January 25, 2017

147.28

Expected Return

-0.2%

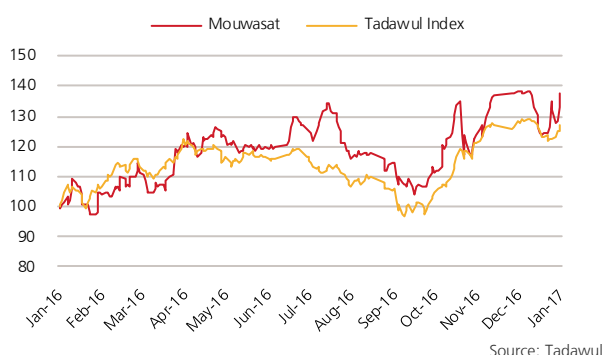
Company Data

Tadawul Symbol	4002.SE
52 Week High (SAR)	152.75
52 Week Low (SAR)	105.25
YTD Change	-0.5%
3-Month Average Volume (Thousand Shares)	75
Market Cap. (SAR Million)	7,364
Market Cap. (USD Million)	1,964
Outstanding Shares (Million Shares)	50

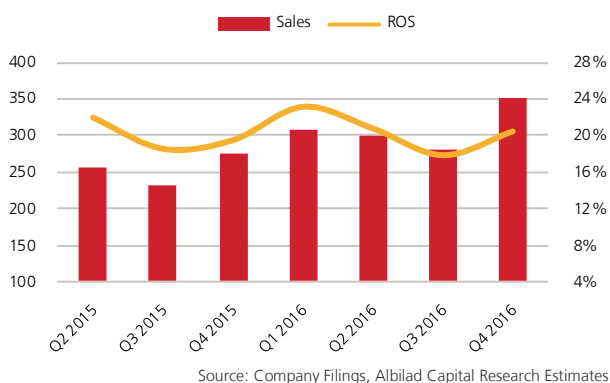
Major Shareholders (> 5%)

Mohammed Sultan Hammad Alsubaie	17.50%
Nasser Sultan Fahd Alsubaie	17.50%
Sulaiman Mohammed Sulaiman Alsaleem	17.50%

52-week Stock Price Movement



Quarterly Net Income (SAR mn) and ROS



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Mouwasat Medical Services Company disclosed the preliminary results for Q4 2016, posting net profit of SAR 72.2 million leaping 34% from SAR 53.8 million in Q4 2015 and skyrocketing 44% compared to SAR 50.3 million in the previous quarter. Therefore, the annual bottom line soared by 23% to SAR 255.9 million compared to SAR 208.8 million for 2015.

The growth in net profit compared to Q4 2015 and FY 2015 was triggered by the increase in revenues especially from the company's hospital in Riyadh, the expansion in sub-specialty clinics operations, as well as effective utilization of resources and medical systems. Furthermore, other income increased due to higher revenues of training programs, as well as recording a capital gain during Q4 2016 from the sale of Mouwasat Medical Services and its pharmacy in Al-ahsa province.

Added to the previous factors, the QoQ growth in net profit was triggered by lower revenues in third quarter which coincided with summer vacations and holidays.

Gross profit concluded Q4 2016 at SAR 162.6 million compared to SAR 113.7 million in Q4 2015, soaring 43% YoY. Therefore, the annual gross profit hit SAR 572.1 million compared to SAR 446.8 million in 2015, surging 28%.

Moreover, the operating profit hit SAR 80.9 million surging 33% YoY and 41% QoQ, thus the operating profit margin edged up to 22.9% versus 22.0% in Q4 2015 and 20.3% in Q3 2016. With regards to 2016, the operating profit margin plunged to 23.1% versus 23.5% in 2015.

The figure missed our estimate of SAR 60 million and the market consensus of SAR 58 million. We believe Mouwasat will continue to achieve good growth rate in the coming period in light of the current expansion of the company which will boost operating capacity, in addition to increasing demand for medical services.

Our valuation is upgraded from SAR 139 to SAR 147 per share assigning an "Neutral" recommendation.

FY - Ending December	2014A	2015A	2016A	2017F
EV/EBITDA	27.2	26.2	21.2	19.7
EV/Sales	7.7	7.6	6.2	5.8
P/E	30.7	35.3	28.8	25.8
Dividend Yield	1.36%	1.36%	1.70%	1.83%
P/BV	7.2	6.5	5.7	5.1
P/Revenue	8.2	7.6	7.4	5.9
Current Ratio	2.0	2.1	1.7	1.7
Revenue Growth	7.50%	3.11%	24.07%	9.85%

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017F
Total Revenues	902.2	969.9	1,000.1	1,240.8	1,363.0
COGS	414.6	453.3	509.9	603.8	659.1
COGS/Sales	45.9%	46.7%	51.0%	48.7%	48.4%
SG&A and Doubtful Debts Provisions	225.0	241.0	200.9	274.1	302.7
SG&A/Sales	24.9%	24.8%	20.1%	22.1%	22.2%
EBITDA	262.7	275.6	289.2	362.8	401.2
EBITDA Margin	29.1%	28.4%	28.9%	29.2%	29.4%
Depreciation and Amortization	40.4	42.4	54.3	76.1	88.9
EBIT	222.2	233.2	234.9	286.8	312.3
Operating Margin	24.6%	24.0%	23.5%	23.1%	22.9%
Net Interest Income	(1.4)	(1.1)	(7.4)	(6.5)	(10.0)
Investment Income	3.5	3.1	3.3	3.0	3.3
Others	8.0	32.3	8.4	12.4	12.6
Pre-Tax Income	232.6	267.7	239.4	295.9	318.4
Tax and Zakat	13.7	16.8	16.1	21.8	15.0
Net Income	219.0	250.9	223.4	274.1	303.3
Minority	17.5	10.6	14.3	18.0	17.5
NAI	201.4	240.4	209.0	256.1	285.8
ROS	22.3%	24.8%	20.9%	20.6%	21.0%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017F
Cash and Marketable securities	280.2	281.6	231.0	154.9	110.4
Accounts Receivables	233.4	219.9	271.3	360.3	340.8
Others	67.2	75.8	107.5	124.0	122.4
Total ST Assets	580.9	577.3	609.8	639.2	573.6
Net Fixed Assets	868.5	1,082.5	1,212.2	1,381.3	1,786.9
Intangible assets	17.4	17.1	17.4	17.9	17.1
Others	8.1	23.8	32.1	79.6	82.9
Total LT Assets	894.0	1,123.3	1,261.7	1,478.8	1,886.8
Total Assets	1,474.8	1,700.6	1,871.5	2,118.0	2,460.4

Short Term Debt and CPLTD	134.7	130.0	120.9	143.3	117.0
Others	149.4	161.1	169.2	227.0	214.8
Total ST Liabilities	284.1	291.2	290.0	370.3	331.8
Total Long Term Debt	206.9	281.0	326.2	322.7	526.4
Other Noncurrent Liabilities	35.8	40.8	50.8	56.5	64.5
Equity	888.5	1,027.2	1,134.6	1,290.5	1,451.1
Minority	59.6	60.3	69.7	77.9	86.7
Total Liabilities and Equity	1,474.8	1,700.6	1,871.5	2,118.0	2,460.4

Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017F
Operating Cash Flow	270.7	285.9	207.3	303.4	405.6
Financing Cash Flow	(0.4)	(40.4)	(68.8)	(90.9)	43.6
Investing Cash Flow	(247.8)	(244.2)	(239.1)	(168.5)	(463.7)
Change in Cash	22.6	1.3	(100.6)	44.0	(14.5)

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by $< 10\%$.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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