

Mouwasat Medical Services Company

Q1 2017

Recommendation Neutral

Fair Value (SAR) 147.00

Price as of May 10, 2017 146.00

Expected Return 0.7%

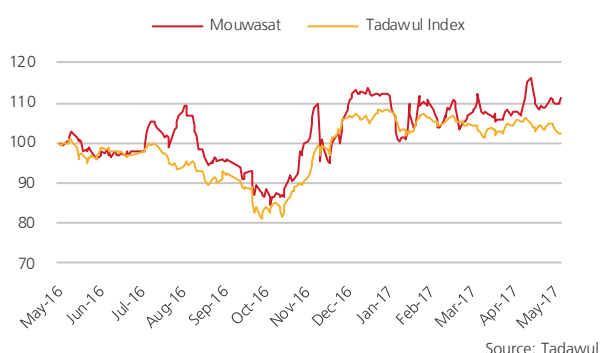
Company Data

Tadawul Symbol	4002.SE
52 Week High (SAR)	160.00
52 Week Low (SAR)	109.00
YTD Change	11.5%
3-Month Average Volume (Thousand Shares)	41
Market Cap. (SAR Million)	7,300
Market Cap. (USD Million)	1,947
Outstanding Shares (Million Shares)	50

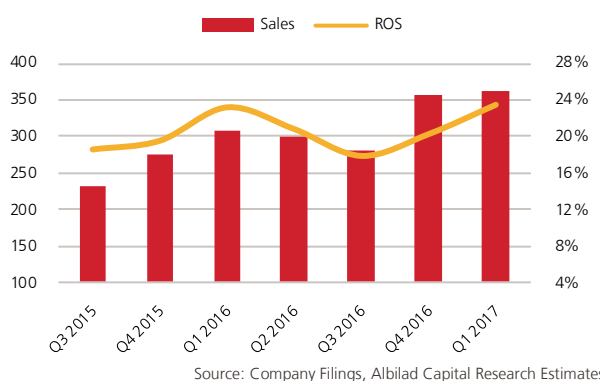
Major Shareholders (> 5%)

Mohammed Sultan Hamad 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 disclosed the preliminary results for Q1 2017 posting net profit of SAR 85.1 million leaping 24% from SAR 68.5 million in Q1 2016 and surging 13% compared to SAR 75.6 million in the pervious quarter. Furthermore, total revenues amounted to SAR 363 million in Q1 2017 mounting 19% YoY from SAR 304 million and 3% from SAR 353 million in Q4 2016.

The growth in net profit compared to Q1 2016 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 available resources and medical systems. Moreover, the enhancement of contractual terms with customers.

In comparison with the previous quarter, the growth of net profit was mainly attributed to higher revenues and lower net provisions for receivables, in addition to the increase in Zakat during Q4 2016 and lower general and administrative expenses in Q1 2017 reflected positively on operations.

On the other hand, gross profit soared 21% to SAR 173 million compared to SAR 144 million in Q1 2016, therefore the gross margin improved to 47.8% compared with 47.2% in Q1 2016. The operating profit hit SAR 93 million in Q1 2017 compared to SAR 76 million in Q1 2016 jumping 23%, thus the operating profit margin edged up to 25.7% versus 24.9% in Q1 2016.

With regards to the application of international financial reporting standards (IFRS), Mouwasat stated that the transition process would not have a material impact on the company's financial statements.

Net profit for Q1 2017 exceeded our estimate of SAR 75 million and the analysts' consensus of SAR 76 million; we believe the deviation stemmed from lower net provisions for receivables. Meanwhile, we believe Mouwasat will continue to achieve a good growth rate in the coming years in light of current expansion plan of the company which will boost operating capacity significantly, in addition to higher demand for medical services.

Accordingly, we revised our future estimates and profit margins factoring in the new hospital in Madina and expanding capacity of Dammam hospital expansion to 204 beds with adjusting its expected trial operation date to Q4 2020, in addition to the removal of subsidies in energy products. Therefore, we maintain our fair value for the share at SAR 147.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	28.7	27.3	21.8	19.3
EV/Sales	8.1	7.9	6.3	5.6
P/E	30.7	35.3	28.8	25.2
Dividend Yield	1.36%	1.36%	1.70%	1.70%
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	7.5%	3.1%	24.5%	12.3%
EPS (SAR)	4.8	4.2	5.1	5.8

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017E
Total Revenues	902.2	969.9	1,000.1	1,244.8	1,398.0
COGS	414.6	453.3	509.9	604.9	676.8
COGS/Sales	45.9%	46.7%	51.0%	48.6%	48.4%
SG&A and Doubtful Debts Provisions	225.0	241.0	200.9	277.0	312.8
SG&A/Sales	24.9%	24.8%	20.1%	22.3%	22.4%
EBITDA	262.7	275.6	289.2	362.8	408.4
EBITDA Margin	29.1%	28.4%	28.9%	29.1%	29.2%
Depreciation and Amortization	40.4	42.4	54.3	76.1	89.0
EBIT	222.2	233.2	234.9	286.8	319.4
Operating Margin	24.6%	24.0%	23.5%	23.0%	22.8%
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	325.5
Tax and Zakat	13.7	16.8	16.1	21.8	15.4
Net Income	219.0	250.9	223.4	274.1	310.1
Minority	17.5	10.6	14.3	18.0	17.9
NAI	201.4	240.4	209.0	256.1	292.2
ROS	22.3%	24.8%	20.9%	20.6%	20.9%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and Marketable securities	280.2	281.6	231.0	154.9	113.2
Accounts Receivables	233.4	219.9	271.3	343.1	333.2
Others	67.2	75.8	107.5	124.3	125.7
Total ST Assets	580.9	577.3	609.8	622.4	572.2
Net Fixed Assets	868.5	1,082.5	1,212.2	1,381.3	1,792.0
Intangible assets	17.4	17.1	17.4	17.9	17.1
Others	8.1	23.8	32.1	82.6	85.9
Total LT Assets	894.0	1,123.3	1,261.7	1,481.8	1,895.0
Total Assets	1,474.8	1,700.6	1,871.5	2,104.2	2,467.1
Short Term Debt and CPLTD	134.7	130.0	120.9	143.3	116.8
Others	149.4	161.1	169.2	213.0	213.8
Total ST Liabilities	284.1	291.2	290.0	356.3	330.6
Total Long Term Debt	206.9	281.0	326.2	322.7	527.3
Other Noncurrent Liabilities	35.8	40.8	50.8	58.1	66.3
Equity	888.5	1,027.2	1,134.6	1,289.1	1,456.1
Minority	59.6	60.3	69.7	77.9	86.9
Total Liabilities and Equity	1,474.8	1,700.6	1,871.5	2,104.2	2,467.1

Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Operating Cash Flow	270.7	285.9	207.3	306.4	413.1
Financing Cash Flow	(0.4)	(40.4)	(68.8)	(90.9)	44.1
Investing Cash Flow	(247.8)	(244.2)	(239.1)	(171.6)	(468.4)
Change in Cash	22.6	1.3	(100.6)	43.9	(11.2)

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.

* All the financials statements were prepared in accordance with SOCPA standers until the releasing (IFRS) financial statements.

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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