

National Medical Care Co.

Q4 2016

Recommendation

Neutral

Fair Value (SAR)

60.0

Price as of February 2, 2017

54.66

Expected Return

%9.8

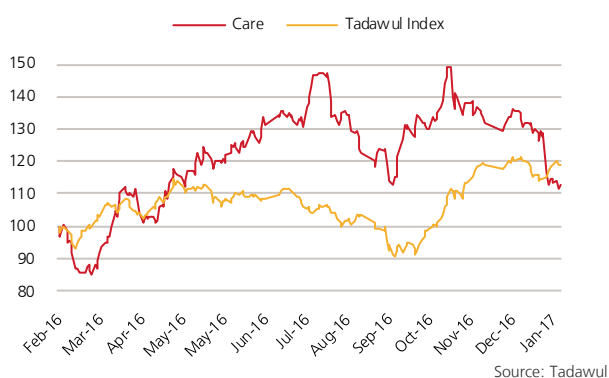
Company Data

Tadawul Symbol	4005.SE
52 Week High (SAR)	73.25
52 Week Low (SAR)	40.70
YTD Change	-16.9%
3-Month Average Volume (Thousand Shares)	235
Market Cap. (SAR Million)	2,452
Market Cap. (USD Million)	654
Outstanding Shares (Million Shares)	44.85

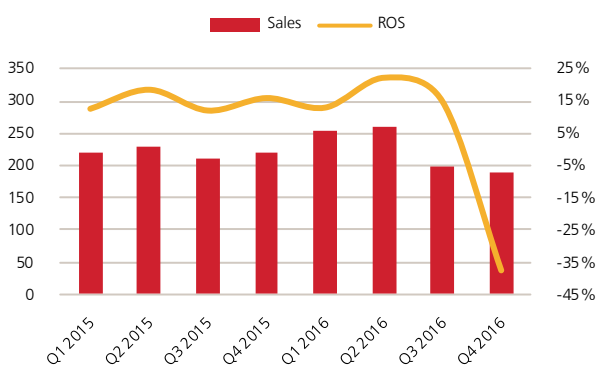
Major Shareholders (> 5%)

General Organization for Social Insurance	35.12%
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52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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National Medical Care Co. disclosed its Q4 2016 interim results swinging to a net loss of SAR 29.3 million from net earnings of SAR 35.2 million in Q4 2015, as well as SAR 29.3 million in Q3 2016. Therefore, the annual net profit dropped by 62.7% to SAR 48.8 million compared to SAR 130.7 million in 2015.

Total revenues in Q4 2016 fell 13.9% YoY to reach SAR 189.9 million compared with SAR 220.6 million in Q4 2015, and also plunged by 3.6% QoQ from SAR 197 million in the pervious quarter. However, the full-year revenues grew 8.0% posting SAR 878.7 million compared to SAR 900.6 million in 2015, where it is due to improved contractual terms with major clients.

Furthermore, the slump in annual bottom line as well as Q4 2016 was attributed to several reasons, including:

- The increase in provisions by SAR 46.8 million for anticipated objections on medical claims by some major clients and insurance companies in Q4 2016.
- Reaching a settlement with two major clients regarding claims worth SAR 20.2 million in Q4 2016.
- The growth of doubtful debt provisions of individuals in Q4 2016 by SAR 10.1 million, in addition to increasing doubtful debt provisions of some government agencies.
- The increase of SAR 4.4 million in financing charges in Q4 2016.

Gross profit in Q4 2016 reached SAR 3.9 million falling 92.3% from SAR 50.3 million in Q4 2015, thus concluding the year at SAR 220.2 million compared to SAR 204.6 million during last year, down 7.1%.

Moreover, the company recorded an operating loss of SAR 47.7 million in Q4 2016 compared to operating profit of SAR 33.7 million in Q4 2015. Therefore, operating profit of the year slumped 40.3% posting SAR 76.8 million compared with SAR 128.7 million in 2015.

The net loss missed our profit estimate of SAR 41 million and the analysts' consensus of SAR 36 million. Meanwhile, we reviewed our future estimates for the company's revenues and profit margins factoring in Q4 2016 results, as well as the delay of the launch of operations in the expansion of National Hospital. Our valuation is downgraded from SAR 66.3 to SAR 60.0 per share with a "Neutral" recommendation.

FY - Ending December	2014A	2015A	2016A	2017F
EV/EBITDA	17.15	13.76	18.02	11.56
EV/Sales	3.36	2.93	2.85	2.50
P/E	25.68	18.75	50.25	17.12
Dividend Yield	2.8%	1.4%	0.5%	2.7%
P/BV	2.92	2.73	2.69	2.35
P/Revenue	3.34	2.79	2.72	2.43
Current Ratio	2.61	3.30	3.33	3.44
Revenue Growth	25.2%	19.7%	2.5%	12.2%

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017F
Total Revenues	586.3	734.0	878.7	900.7	987.9
COGS	426.6	507.6	614.7	646.9	687.7
COGS/Sales	72.8%	69.2%	70.0%	71.8%	69.6%
SG&A	36.5	82.4	76.6	111.3	86.6
SG&A/Sales	6.2%	11.2%	8.7%	12.4%	8.8%
EBITDA	123.2	144.0	187.4	142.5	213.6
EBITDA Margin	21.0%	19.6%	21.3%	15.8%	21.6%
Depreciation and Amortization	31.4	51.1	58.7	65.6	66.9
EBIT	91.8	92.8	128.7	76.8	146.7
EBIT Margin	15.7%	12.6%	14.6%	8.5%	14.8%
Net Interest Income	(0.3)	(0.2)	(1.5)	(4.4)	(3.9)
Others	8.1	11.1	14.4	(8.2)	9.9
Pre-Tax Income	99.6	103.8	141.6	64.2	152.7
Tax and Zakat	7.1	8.3	10.9	15.4	14.1
Net Income	92.5	95.5	130.7	48.8	138.6
ROS	15.8%	13.0%	14.9%	5.4%	14.0%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017F
Cash and Marketable securities	185.8	151.0	92.6	104.0	120.1
Accounts Receivables	217.7	360.4	558.4	574.0	613.4
Inventory	48.8	65.1	72.1	56.9	78.8
Others	59.9	56.8	33.9	21.5	31.6
Total ST Assets	512.2	633.3	757.0	756.4	843.8
Net Fixed Assets	292.4	592.1	650.5	606.6	688.6
Projects under Implementation	265.7	32.6	3.6	40.8	7.4
Intangible assets	0.3	0.1	2.2	1.7	1.8
Total LT Assets	558.3	624.8	656.4	649.1	697.7
Total Assets	1,070.5	1,258.1	1,413.4	1,405.5	1,541.5
Short Term Debt and CPLTD	20.5	50.0	0.0	24.1	24.1
Accounts Payable	73.4	129.2	175.6	135.0	148.5
Accrued Expenses	38.8	52.3	42.5	52.4	57.6
Others	8.2	10.9	11.5	15.4	15.4
Total ST Liabilities	140.9	242.4	229.7	227.0	245.6
Total Long Term Debt	66.6	118.8	218.8	194.7	170.6
Other Noncurrent Liabilities	50.9	58.8	67.4	73.1	82.6
Equity	812.2	838.1	897.4	910.7	1,042.7
Total Liabilities and Equity	1,070.5	1,258.1	1,413.4	1,405.5	1,541.5

Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017F
Operating Cash Flow	97.4	70.5	51.1	105.4	166.9
Financing Cash Flow	272.7	12.3	(19.5)	(35.5)	(35.3)
Investing Cash Flow	(130.3)	(117.6)	(90.0)	(58.4)	(115.5)
Change in Cash	239.8	(34.8)	(58.4)	11.4	16.1

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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