

# Al Mouwasat Medical Services Co

Retail – Industrial

MOUWASAT AB: Saudi Arabia

22 October 2014

الراجحي المالية  
Al Rajhi Capital



**US\$1.641bn** Market cap  
**44%** Free float  
**US\$4.500mn** Avg. daily volume

Target price **140.0** 13.6% over current  
Consensus price **100.00** -18.8% over current  
Current price **123.2** as at 21/10/2014

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## Existing rating

Underweight

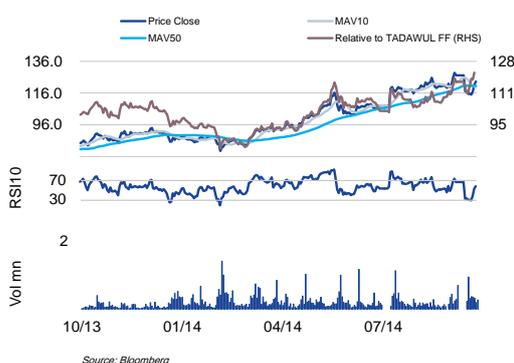
Neutral

Overweight

## Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

## Performance



## Earnings

Period End (SAR)	12/14E	12/15E	12/16E	12/17E
Revenue (mn)	999	1,228	1,397	1,510
Revenue Growth	10.7%	23.0%	13.7%	8.1%
EBITDA (mn)	317	387	421	441
EBITDA Growth	20.5%	22.3%	8.7%	4.8%
EPS	4.65	5.70	6.48	7.03
EPS Growth	15.6%	22.6%	13.7%	8.4%

Source: Company data, Al Rajhi Capital

## Valuation



## Al Mouwasat Medical Services Co Q3 Mostly inline, excluding one-offs

Mouwasat's Q3 2014 net income came in at SAR72mn (+63% y-o-y) beating our SAR51.7mn estimate. However this beat was mainly because of a SAR21.7mn capital gain from sale of land at Dhahran. Excluding this, Q3 net income was mostly in-line with our estimate. The company reported a Q3 operating profit of SAR54mn (our estimate of SAR56m), implying a growth of 11% y-o-y. The company is yet to report its Q3 revenue, whereas the gross profit at SAR113mn was also in-line with our estimate. We continue to remain Overweight on Mouwasat with a target price of SAR140 per share. Mouwasat is our top pick among the listed healthcare companies in Saudi Arabia.

Earnings vs our forecast	Above	In Line	Below
<b>Likely impact:</b>			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- Revenue:** Revenue has not been disclosed yet. However gross profit was reported at SAR113mn, in-line with our SAR115mn estimate. This implies a growth of 8% y-o-y and a decline of 9% q-o-q. The q-o-q decline is owing to a seasonally weak third quarter for healthcare companies in general owing to Ramadan and summer vacations.
- Operating income:** Operating income came in at SAR56mn, which is a growth of 11% y-o-y. This is broadly in-line with our estimate of SAR54mn. Although the operating margin declined by 200bps on a q-o-q basis, it was overall decent at 24% (better than Q3 2013 at 23%).
- Net profit:** Q3 net profit at SAR72mn was above our estimate of SAR52mn mainly because of a one off SAR21.7mn capital gain associated with sale of its land at Dhahran. Excluding this land sale, net profit would have come in at SAR50mn, in-line with our estimate.
- Decreased stake in subsidiary:** As per the company, Mouwasat has decreased its non-controlling stake in Eastern Medical Services Co which is located in eastern province (Qatif branch). This was due to the failure of the company in meeting its target revenues.
- Valuation:** We continue to remain Overweight on the stock with a target price of SAR140 per share. Mouwasat is our top pick in the healthcare space based on its current discounted valuation, relative to peers.



## Disclaimer and additional disclosures for Equity Research

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## Additional disclosures

### 1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"**Overweight**": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"**Neutral**": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 6-9 month time horizon.

"**Underweight**": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

### 2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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