

## MOUWASAT

الأهلي كابيتال  
NCB Capital



## EVENT FLASH

## Strong revenue growth supports earnings

Mouwasat reported a broadly in-line set of 1Q18 results. Net income stood at 106mn, an increase of +24.5% YoY. This compares to the NCBC estimates of SR99.5mn. The growth in earnings is mainly attributed to +21% YoY increase in revenue on improved utilization rate and higher prices. The stock is trading at 2018E P/E 24.4x vs. peers average of 22.7x. We believe this premium is justified given its on-going expansions.

- Mouwasat reported a net income of SR106mn, increasing +24.5% YoY (+9.5% QoQ). This compares to the NCBC and consensus estimates of SR99.5mn and SR95.0mn, respectively. The YoY growth in earning is mainly due to +20.9% YoY growths in revenue and gross margin expansion. We believe the variance is mainly due to higher operational efficiencies.
- Revenue stood at SR439mn, +20.9% YoY (+1.7% QoQ). This is in-line with our estimates of SR429mn. The company attributed the growth in revenue to an improvement in overall utilization rates and better contractual agreements. We believe bed utilization rate stood at 72% vs. our estimates of 71% and 66% in 2017.
- The company reported a gross profit of SR216mn, increasing 24.6% YoY (+3.0% QoQ). Gross margin stood at 49.2%, expanding 144bps YoY. This is mainly due to the ramp-up in the operation of new capacity additions. This compares to our estimates of 49.0% vs 48.6% in 4Q17.
- Operating Income increased by +24.7% YoY (+9.0% QoQ) to SR116mn. This compares to our estimate of SR110mn. Opex-to-revenue stood at 22.7%, compared to the 4Q17 levels of 23.9% and our estimates of 23.4%.
- Net income came-in broadly in-line with our estimates at SR106mn in 1Q18, growing +24.5% YoY. Net margin stood at 24.1%, compared to the 4Q17 levels of 22.4% and our estimates of 23.2%.
- We reiterate our Neutral rating on Mouwasat with a revised PT of SR150.1. One of the company's key positives is its on-going expansions which will increase its bed capacity by +56% by 2021E. However, we believe this is already priced-in at current levels. Mouwasat currently trades at a 2018 P/E of 24.4x, a premium to the peers average of 22.7x. We believe this premium is justified given its on-going expansions.

## 1Q18 Results Summary

SR mn	1Q18A	1Q17A	% YoY	1Q18E	%Var^	% QoQ**
Revenues	439	363	20.9%	429	2.3%	1.7%
Gross income	216	173	24.6%	210	2.7%	3.0%
Gross margin (%)	49.2%	47.8%	144 bps	49.0%	20 bps	60 bps
Operating Income	116	93	24.7%	110	5.7%	9.0%
Operating Income Margin (%)	26.5%	25.7%	80 bps	25.6%	87 bps	176 bps
Net income	106	85	24.5%	100	6.5%	9.5%
Net Margin (%)	24.1%	23.4%	70 bps	23.2%	96 bps	171 bps
EPS (SR)	2.1	1.7	24.5%	2.0	6.5%	9.5%

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts; \*\*Restated

## NEUTRAL

Target price (SR)	150.1
Current price (SR)	175.0
Upside/ Downside (%)	(14.2)

## STOCK DETAILS

52-week range H/L (SR)	196/141
Market cap (\$ mn)	2,430
Shares outstanding (mn)	50
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(4.2)	3.3	21.1
Rel. to market	(3.0)	(3.1)	7.3

Avg daily turnover (mn)	SR	US\$
3M	6.3	1.7
12M	4.9	1.3

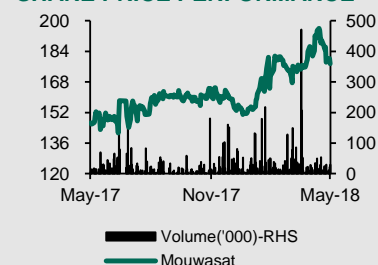
Reuters code	4002.SE
Bloomberg code	MOUWASAT AB
	<a href="http://www.mouwasat.com">www.mouwasat.com</a>

## VALUATION MULTIPLES

	17A	18E	19E
P/E (x)	26.0	24.4	23.7
P/B (x)	5.9	5.2	4.6
EV/EBITDA (x)	19.7	19.6	18.5
Div Yield (%)	1.7	2.0	2.0

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price 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

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