

Mouwasat Medical Services Company

Q3 2017

Recommendation **Neutral**

Fair Value (SAR) **160.00**

Price as of October 30, 2017 160.60

Expected Return -0.4%

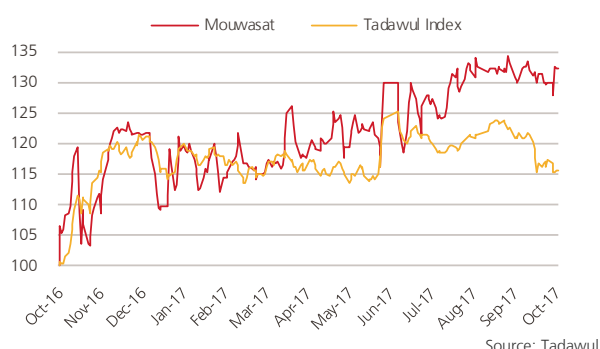
Company Data

Tadawul Symbol	4002.SE
52 Week High (SAR)	168.60
52 Week Low (SAR)	121.25
YTD Change	8.5%
3-Month Average Volume (Thousand Shares)	15
Market Cap. (SAR Million)	8,030
Market Cap. (USD Million)	2,141
Outstanding Shares (Million Shares)	50

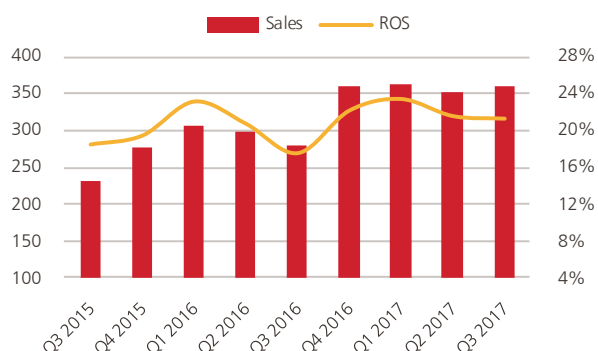
Major Shareholders (> 5%)

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 Q3 2017 posting net profit of SAR 76.7 million soaring 55% from SAR 49.4 million in Q3 2016, but rose only 0.5% compared to SAR 76.3 million in the pervious quarter. Therefore, the nine-month bottom line surged 31% hitting SAR 238 million compared with SAR 182 million in 9M 2016. This resulted in a net profit margin of 22.1% in the current period compared with 20.7% for 9M 2016.

Total revenues amounted to SAR 359 million during Q3 2017 edging up 28% YoY from SAR 280 million, and 1.8% from SAR 353 million in Q2 2017. The nine-month revenues hit SAR 1,076 million compared with SAR 884 million in 9M 2016 showing an increase of 22%.

The growth in net profit compared to Q3 2016 and 9M 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, as well as the enhancement of contractual terms with customers. In comparison with the previous quarter, the improvement of net profit was driven by summer vacation, Ramadan and Eid Al-Fitr which coincided with the Q2 2017.

On the other hand, gross profit concluded Q3 2017 at SAR 164 million compared with SAR 124 million in Q3 2016 soaring 32% YoY, and improving 0.6% QoQ. The nine-month gross profit climbed 23% posting SAR 501 million versus SAR 408 million in 9M 2016. This resulted in a gross margin of 46.6% compared with 46.1% for 9M 2016.

The operating profit hit SAR 86 million in Q3 2017 compared to SAR 56 million in Q3 2016 surging 52% YoY and 1.9% QoQ. Furthermore, operating profit of the current period leapt 29% reaching SAR 263 million compared with SAR 204 million in 9M 2016, thus the operating profit margin improved to 24.5% compared to 23% in 9M 2016.

The earning figure for Q3 2017 came in line with our estimate of SAR 74 million, while exceeding analysts' consensus of SAR 70 million. 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 significantly boost operating capacity, in addition to higher demand for medical services.

As a result, we revised our future estimates and profit margins, thus our valuation is maintained at SAR 160 per share.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	30.7	29.3	23.3	18.7
EV/Sales	8.7	8.5	6.8	5.8
P/E	33.4	38.5	31.4	25.0
Dividend Yield	1.25%	1.25%	1.56%	1.56%
P/BV	7.8	7.1	6.2	5.4
P/Revenue	8.9	8.3	8.0	6.5
Current Ratio	2.0	2.1	1.7	1.8
Revenue Growth	7.5%	3.1%	24.5%	18.0%
EPS (SAR)	4.8	4.2	5.1	6.4

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	1,468.9
COGS	414.6	453.3	509.9	604.9	692.0
COGS/Sales	45.9%	46.7%	51.0%	48.6%	47.1%
SG&A and Doubtful Debts Provisions	225.0	241.0	200.9	277.0	325.2
SG&A/Sales	24.9%	24.8%	20.1%	22.3%	22.1%
EBITDA	262.7	275.6	289.2	362.8	451.7
EBITDA Margin	29.1%	28.4%	28.9%	29.1%	30.8%
Depreciation and Amortization	40.4	42.4	54.3	76.1	96.4
EBIT	222.2	233.2	234.9	286.8	355.4
Operating Margin	24.6%	24.0%	23.5%	23.0%	24.2%
Net Interest Income	(1.4)	(1.1)	(7.4)	(6.5)	(5.2)
Investment Income	3.5	3.1	3.3	3.0	3.4
Others	8.0	32.3	8.4	12.4	8.4
Pre-Tax Income	232.6	267.7	239.4	295.9	362.2
Tax and Zakat	13.7	16.8	16.1	21.8	22.9
Net Income	219.0	250.9	223.4	274.1	339.3
Minority	17.5	10.6	14.3	18.0	17.4
NAI	201.4	240.4	209.0	256.1	321.9
ROS	22.3%	24.8%	20.9%	20.6%	21.9%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and Marketable securities	280.2	281.6	231.0	154.9	119.0
Accounts Receivables	233.4	219.9	271.3	343.1	350.1
Others	67.2	75.8	107.5	124.3	128.5
Total ST Assets	580.9	577.3	609.8	622.4	597.6
Net Fixed Assets	868.5	1,082.5	1,212.2	1,381.3	1,707.2
Intangible assets	17.4	17.1	17.4	17.9	26.3
Others	8.1	23.8	32.1	82.6	86.0
Total LT Assets	894.0	1,123.3	1,261.7	1,481.8	1,819.5
Total Assets	1,474.8	1,700.6	1,871.5	2,104.2	2,417.1
Short Term Debt and CPLTD	134.7	130.0	120.9	143.3	117.9
Others	149.4	161.1	169.2	213.0	218.6
Total ST Liabilities	284.1	291.2	290.0	356.3	336.4
Total Long Term Debt	206.9	281.0	326.2	322.7	436.2
Other Noncurrent Liabilities	35.8	40.8	50.8	58.1	72.1
Equity	888.5	1,027.2	1,134.6	1,289.1	1,485.8
Minority	59.6	60.3	69.7	77.9	86.6
Total Liabilities and Equity	1,474.8	1,700.6	1,871.5	2,104.2	2,417.1

Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Operating Cash Flow	270.7	285.9	207.3	306.4	440.4
Financing Cash Flow	(0.4)	(40.4)	(68.8)	(90.9)	(45.7)
Investing Cash Flow	(247.8)	(244.2)	(239.1)	(171.6)	(400.2)
Change in Cash	22.6	1.3	(100.6)	43.9	(5.5)

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.

* All the historical 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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