

MOUWASAT

NEUTRAL

CURRENT PRICE SAR75.1

DOWNSIDE -3.3%

TARGET PRICE SAR72.6

EVENT FLASH

Broadly in-line results

Mouwasat reported a net income of SAR81mn, increasing 5.4% yoy. This is broadly in-line with the NCBC estimates of SAR85mn. The yoy growth in earnings is mainly due to higher revenues, supported by the opening of Al Khobar hospital in September 2018 and better contractual terms. The stock trades a 2019 PE of 20.3x, a premium to the peers' average of 16.1x.

- Mouwasat reported a net income of SAR80.9mn, increasing 5.4% yoy (a decline of 7.9% qoq). This is broadly in-line with the NCBC estimates of SAR85.2mn. The yoy growth in earnings is attributed to a 16.0% yoy growth in revenues, driven by opening of Al Khobar hospital in September 2018, and better contractual agreements with key clients. We believe the variance in results is due to higher than expected costs related to the Al Khobar hospital's operation.
- Revenue grew by 16.0% yoy (+2.2% qoq) to SAR417mn. This is in-line with our estimates of SAR414mn. We believe the growth in revenue is due to 1) an improvement in overall utilization rates at established hospitals, 2) the opening of Al Khobar hospital in September 2018, and 3) better contractual agreements. Al Khobar hospital has a total capacity of 75 clinics and 220 beds, increasing Mouwasat's total clinic and bed capacity by 23% and 25%, respectively.
- Gross profit stood at SAR195mn, growing 18.8% yoy (-2.2% qoq). This compares to our estimates of SAR201mn. Gross margins expanded 111bps yoy to 46.8%. This reflects higher utilization rates at Mouwasat's established hospitals and better contractual terms with key clients. However, the gross margin came in less than our estimates of 48.5% and Q2 18 levels of 48.9% due to higher costs related to Al Khobar hospital's operation.
- Operating income increased by 5.4% yoy (-8.4% qoq) to SAR90.5mn. However, this is less than our estimates of SAR96.2mn. Opex-to-sales stood at 25.1% vs our estimates of 25.3% and Q2 18 levels of 24.7%.
- We are Neutral on Mouwasat with a PT of SAR72.6. The company's on-going expansions (which will increase its bed capacity by +56% by 2021F) and client mix are key positives. However, we believe this is already priced-in at current levels. Mouwasat currently trades at a 2019 PE of 20.3x, a premium to the peers' average of 16.1x.

Q3 18 Results Summary

SARmn	Q3 18	Q3 17	% yoy	Q3 18f	%var^	% qoq
Revenues	417	359	16.0%	414	0.6%	2.2%
Gross income	195	164	18.8%	201	(2.9%)	(2.2%)
Gross margin (%)	46.8%	45.7%	111 bps	48.5%	(167) bps	(208) bps
EBIT	90	86	5.4%	96	(5.9%)	(8.4%)
EBIT Margin (%)	21.7%	23.9%	(218) bps	23.2%	(150) bps	(251) bps
Net income	81	77	5.4%	85	(5.1%)	(7.9%)
Net margin (%)	19.4%	21.3%	(194) bps	20.7%	(116) bps	(212) bps
EPS (SAR)	0.8	0.8	5.4%	0.9	(5.1%)	(7.9%)

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

الأهلي كابيتال
NCB Capital



STOCK DETAILS

M52-week range H/L (SAR)	101/62
Market cap (\$mn)	2,008
Shares outstanding (mn)	100
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(10.8)	(21.1)	(5.9)
Rel. to market	(9.6)	(14.4)	(19.1)

Avg daily turnover (mn)	SAR	US\$
3M	6.9	1.8
12M	5.8	1.5

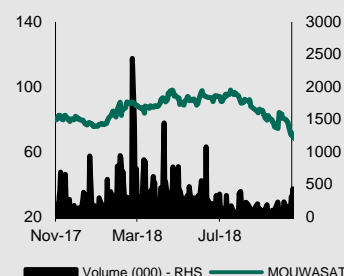
Reuters code	4002.SE
Bloomberg code	MOUWASAT AB
	www.mouwasat.com

VALUATION MULTIPLES

	17a	18f	19f
P/E (x)	22.3	20.9	20.3
P/B (x)	5.0	4.4	4.0
EV/EBITDA (x)	17.0	16.9	16.0
Div Yield (%)	2.0	2.3	2.3

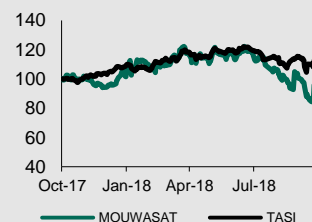
Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

RELATIVE PERFORMANCE



Source: Tadawul

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