



EVENT FLASH

Strong results on higher utilization rate

Mouwasat reported a better than expected set of 3Q17 results with a net income of SR76.3mn, increasing +55.3% YoY. This is higher than the NCBC and consensus estimates of SR71mn and SR69mn. The growth in earnings is attributed to 1) the overall improvement in utilization rates and 2) lower Opex. We believe higher-than-expected sales has led to the variance. Mouwasat trades at a 2018E P/E of 21.3x vs. Saudi covered peers at 17.6x.

- **NCBC View on Results:** Mouwasat reported better than expected set of 3Q17 results, with net income growing +55.3% YoY (flat QoQ) to SR76.7mn. This is higher than NCBC and consensus estimates of SR71mn and SR69mn, respectively. The growth in earnings is attributed mainly to 1) strong sales growth (+28% YoY) and 2) lower Opex-to-sales as it stood at 21.9% vs. 24.3% in 3Q16. We believe the variance with our estimates is due to higher-than-expected sales which came 5.5% higher than our estimates.
- Revenues stood at SR359mn, growing +28% YoY (+1.6% QoQ). This is 5.5% higher than our estimate. We believe the growth in revenue is driven by 1) overall improvement in the utilization rate, 2) the additional capacity in Mouwasat hospital in Jubail and 3) better contractual agreements with key clients. We believe the overall bed utilization rate stood at 63% in 3Q17, vs 50% in 3Q16. The growth is supported by the commercial operation of Jubail Hospital's additional capacity (100 beds and 30 clinics) which started in May 2016. The additional capacity represent 11.5% of the company's total bed capacity. In addition, Mouwasat renewed its contract with Aramco in September 2016 for two years. Historically, Aramco contributed around 20% of the company's top-line. The new contract prices increased by 10% starting from 2017.
- The company reported an operating income of SR86mn, a growth of +52% YoY (2% QoQ). Opex-to-sales came in at 21.9%, less than 24.3% in 3Q16. We believe this is driven by the improvement in Jubail hospital's utilization rate. As a result, operating margin expanded 379bps YoY to 23.9% (flat QoQ). We expect 2017E operating margin to reach 24.9% (23.0% in 2016).
- We are Neutral on Mouwasat with PT SR149.2. Although the company's expansion pipeline and client mix are the key strengths, we believe these factors are already priced-in. The stock trades at 2018E P/E of 21.3x, a premium to the Saudi covered peers of 17.6x.

2Q17 Results Summary

SR mn	3Q17A	3Q16A	% YoY	3Q17E	%Var [^]	% QoQ
Revenues	359	280	28.2%	340	5.5%	1.6%
Gross income	164	124	32.3%	158	4.0%	0.5%
Gross margin (%)	45.8%	44.4%	140 bps	46.5%	(68) bps	(50) bps
Operating Income	86	56	52.4%	81	6.5%	1.9%
Operating Margin (%)	23.9%	20.1%	379 bps	23.7%	22 bps	7 bps
Net income	77	49	55.3%	71	7.5%	0.5%
Net Margin (%)	21.4%	17.6%	372 bps	21.0%	39 bps	(25) bps
EPS (SR)	1.5	1.0	55.3%	1.4	7.5%	0.5%

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

NEUTRAL

Target price (SR)	149.2
Current price (SR)	155.6
Upside/Downside (%)	(4.1)

STOCK DETAILS

M52-week range H/L (SR)	168/119
Market cap (\$mn)	2,075
Shares outstanding (mn)	50
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(3.9)	(0.1)	30.8
Rel. to market	2.1	5.1	10.8

Avg. daily turnover (mn)	SR	US\$
3M	2.1	0.6
12M	5.8	1.5

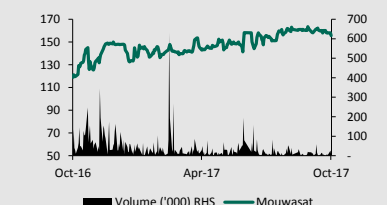
Reuters code	4002.SE
Bloomberg code	Mouwasat AB
	www.mouwasat.com

VALUATION MULTIPLES

	16A	17E	18E
P/E (x)	30.4	24.2	21.3
P/B (x)	6.0	5.2	4.6
EV/EBITDA (x)	20.8	17.8	16.1
Div Yield (%)	1.6	1.9	2.2

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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NCBC Investment Ratings

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

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