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# NMC HEALTH

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## A brief history

NMC Health is a relatively unknown healthcare stock listed on the FTSE 100. The business was founded by B. R. Shetty in 1974 as the New Medical Centre in Abu Dhabi, then expanded to a hospital in 1981, the firm found itself well positioned to take advantage of the oil boom in the UAE. In 1981 a new marketing & distribution division called NMC Trading was launched, which distributed medicines to pharmacies in the UAE.

## Early expansions and acquisitions

From 1996, NMC began expanding to other emirates states.

- NMC Clinic was set up in Sharjah in 1996,
- NMC Hospital, opened in Deira, Dubai in 1999,
- NMC Specialty Hospital, opened in Dubai in 2004,
- NMC Specialty Hospital, in Al Ain 2008.

In 2009 these hospitals were awarded the JCIA accreditation.

NMC listed on the London Stock Exchange in 2012 and began managing operations at the Shiekh Khalifa General Hospital in Umm Al Quwain. The next move was to acquire the BR Medical Suites in Dubai Healthcare City and continued the expansion with the addition of new medical setups at Royal Hospital in Khalifa City Hospital and operations in Al Ain's industrial area.

In 2013 the company added a day-surgery centre in Mohammed Bin Zayed city, Abu Dhabi. NMC Health opened the NMC Hospital in Dubai Investments Park, NMC Brightpoint Royal Women's Hospital and the NMC Medical Centre in Al Ain in 2014.

## Continued expansions and acquisitions

The focus then started to shift towards the European markets and NMC Health acquired the Spanish group Clínica Eugin in 2015. This saw the business then move into integrated women's health with a range of services from fertility treatments through to obstetrics and paediatrics. During the same year the company also acquired several UAE based medical groups, Dr. Sunny Healthcare Group, Provita and Americare Group focused on long-term care and rehabilitation. They also acquired a 51% stake in Fakh IVF, another leading fertility clinic in UAE.

In March 2016 NMC Health opened the largest private sector hospital in the UAE in Khalifa City, Abu Dhabi called NMC Royal Hospital. Later in the year the company expanded its operations into Saudi Arabia when it acquired a 70 percent stake in As Salama Hospital in Al Khobar. NMC Health also invested in a project to build a 120 bed care centre in Jeddah that will be managed by its subsidiary Provita. In December 2016 NMC Health announced the acquisition of Al Zahra Hospital, one of the largest private hospitals in the UAE. They then capped over a rather large run on acquisitions when it bought Aspen Healthcare for £10 million in August 2018.

## Recent expansions and acquisitions

This year has also seen NMC Health expand further into Europe especially with its fertility services in the UK after acquiring one of the UK's biggest private hospital providers.

Aspen operates nine facilities across the UK, including four hospitals – three of which, Parkside Hospital, The Holly Private Hospital and Highgate Hospital, are in Greater London.

The aim of this acquisition was to provide a cost-effective means of introducing its IVF fertility services to the UK. It has also expanded its fertility services into Sweden and Latvia – opening new IVF clinics – and added a fourth continent to its global reach by launching a clinic in Kenya.

## NMC Health operates in two business segments:

### NMC Healthcare distribution and services.

The healthcare arm operates an international network of hospitals around the UAE and Europe. It is the largest private healthcare provider in the UAE and provides medical services including diagnostics, outpatient clinics, gynaecology, obstetrics, human reproduction and pharmacy retail. It operated more than 45 locations and more than 15 pharmacies, and employs over 1,200 doctors who see more than 10,000 patients daily.

### NMC Trading

Engages in wholesale trading of pharmaceuticals, medical equipment, food and cosmetics. NMC Trading has distribution rights for companies such as, Nestlé, Pfizer, Siemens, Samsung, Sanofi and Henkel.

## Company recognition

NMC Health has been recognized as one of the UAE's strongest brands by the Super brands Council since 2015. That same year, the company received the Frost & Sullivan Middle East Integrated Healthcare Company of the Year Award and a Sheikh Khalifa excellence award amongst others.

2016- The company was recognized for best practices in corporate social responsibility by the Dubai Chamber of Commerce and Industry.

2016- NMC Health received Stevie Awards in the Company of the Year in the Health Products and Services and Pharmaceuticals category and people's choice for favourite companies.

2017- NMC Specialty Hospital and NMC Trading both received Mohammed bin Rashid Al Maktoum Business Excellence Awards.

## Key Fundamentals

Key Fundamentals	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
Revenue (\$ m)	643.93	880.87	1220.84	1603.40	2057.25
Pre-Tax (\$ m)	77.53	85.36	151.58	210.43	256.85
EPS	41.20¢	44.30¢	71.10¢	91.00¢	119.60¢
PE	17.42	28.08	26.71	41.81	29.28
PEG	1.42	3.73	0.44	1.48	0.93
EPS Growth	12.26%	7.52%	60.06%	28.34%	31.43%
Dividend Cover	7.63	7.15	6.71	7.00	9.20
Dividend Yield	0.75%	0.50%	0.56%	0.34%	0.37%

## Price Chart



## Recent figures

NMC recently posted figures for the first six months trading of 2019, overall the figures read well, but the key takeaways are highlighted below.

- Revenue \$1,236m
- Ifrs 16 Ebitda \$323.5m
- Pre Ifrs 16 Ebitda \$276.3m Versus \$225.5m reported a year earlier
- Management reiterates positive guidance
- plans to buy back up to \$200m worth shares and half-year results

## Recent news - Bid target

Recent news has seen the shares spike over 44% on the reports that two companies are looking to buy a major stake in the firm. The jump in the share price and the bid attention would usually be enough to see the shares trading at a significant premium to recent prices, but with NMC this is not the case at all. With a 12-month high of over 4300p there is still significant headroom from here.

The move has been a source of relief for current share holders as the shares have been heavily suppressed in recent trading. Largely to do with them getting hit at the start of August as there was a belief, albeit misplaced that they were going to be the target of a Muddy Waters report. As it goes this was a mistake and it was Burford Capital was the intended target.

The 40 per cent stake up for grabs is currently owned by two Emirati businessmen and could sell for up to £1.6bn. Two Chinese firms are in the ring with one still shrouded in mystery and the other being backed by China’s Fosun group.

The target stake is jointly owned by the chairman of Abu Dhabi-based investment firm KBBO Group, Khalifa Butti Bin Omeir and UAE-based businessman Saeed Bin Butti Al Qebaisi and Infinite Investment, a vehicle linked to the two men



The deal, which highlights the growing interest of Chinese companies in the Middle East could allow the UAE-based investors to realise significant gains after they bought the stake in 2011 for \$1bn.

However, they may choose to retain at least some of their current holding in the company, the sources said. NMC Health's businesses include an extended portfolio of hospitals, day surgery centres, clinics and pharmacies across the UAE.

Sources are suggesting that B.R. Shetty, who is the founder of the company and its single biggest shareholder, is not planning to sell his 19% stake, but this is yet to be clarified.

Prasanth Manghat, chief executive of NMC Health, said the firm is excited about its future prospects. "Management is committed to all shareholders and all actions if pertaining to us will be in best interest of all shareholders," he said.

## Summary

The movement on the share price is not for the fainthearted and the recent heavy drop on the mix up with Muddy waters will certainly put the more risk averse off the stock, however the current level is appealing for the longer term investor and with the acquisition and expansions the business is firmly fixed for growth. Globally the health care sector is primed for growth and with mandatory health insurance being rolled out across the UAE you would expect to see an expansion in spending over the coming years. However, it is not all as rosy, the Middle east does suffer from a skills shortage and the founder has retained approximately 25% of shares so, overall they have a lower free float than other FTSE shares. Strangely enough despite being a healthcare stock there is also a vague link to the oil price as this links in the income of their key demographic in the UAE.

Overall there is a lot of potential to the upside, but the shares do swing with much more accelerated gains than other FTSE 100 stocks. It is a great stock for trading, as long as your appetite allows for it and overall you would expect to see the shares higher despite short term fluctuations.

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