

## National Medical Care Co. (CARE)

Target Price: SAR 224.3/share

Upside: 11.9%

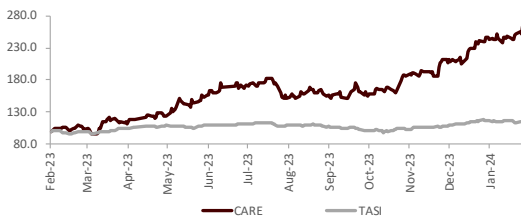
## Recommendation

Buy

Current Market Price (SAR)	200.4
52wk High / Low (SAR)	205.0/72.3
Mkt. Cap. (USD/SAR Mn)	2,379/8,925
Shares Outstanding (mn)	44.9
Free Float (%)	50.8%
3m Average Vol. (000)	132
3m Avg Daily Turnover (SAR'000)	21,828
Dividend Yield '24e (%)	0.5%
P/E'24e (x)	27.8
EV/EBITDA'24e (x)	3.1

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	FY2022	FY2023	FY2024e	FY2025e
Revenue	845	918	1,093	1,289
Gross profit	246	290	366	432
GPM (%)	29%	32%	34%	34%
EBIT	123	164	199	254
EBIT margin (%)	15%	18%	18%	20%
Net Income	136	170	226	305
Net margin (%)	16%	19%	21%	24%
EPS (SAR)	3.0	3.8	5.0	6.8
RoE (%)	13%	14%	17%	19%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

Saudi Medical Care Group 49.2%

Source: Bloomberg, Yaqeen Capital

## Earnings surged on robust business volume growth

- CARE net income surged by 72.2% YoY (+53.5% QoQ) to SAR 73mn primarily driven by growth in revenues, reversal of expected credit loss provisions and higher finance income. The net margin improved to 26.6% (+8.8ppts YoY; +7.2ppts QoQ) in 3Q2023.
- Revenue increased 15.6% YoY (+12.3% QoQ) to SAR 275mn due to improved business with GOSI, MOH and insurance companies. For 9M2023, revenue surged 17.4% YoY to SAR 782mn due to higher volume of business. Further, the revenue was aided by the positive pricing impact due to Care facilities achieving HIMSS accreditation.
- Gross profit for 3Q2023 stood at SAR 92mn, 11.0% higher YoY (+12.8% QoQ). However, gross margins declined to 33.3% (-1.4ppts YoY; +0.2ppts QoQ).
- Operating profit surged 48.5% YoY (+36.0% QoQ) to SAR 75mn due to higher gross profits and decreased sales and marketing expenses. Consequently, Operating profit margins improved by 6.0ppts YoY (+4.7ppts QoQ) to 27.2%.
- Finance income from bank deposits in 3Q2023 increased to SAR 7.4mn due to higher daily average deposits and interest rates.
- For 9M2023, operating profit increased by 38.1% YoY to SAR 190mn despite higher general and administrative costs and zakat charges.
- For 9M2023, net income increased by 54.8% SAR 177mn, and net margins improved by 5.5ppts YoY to 22.7%.

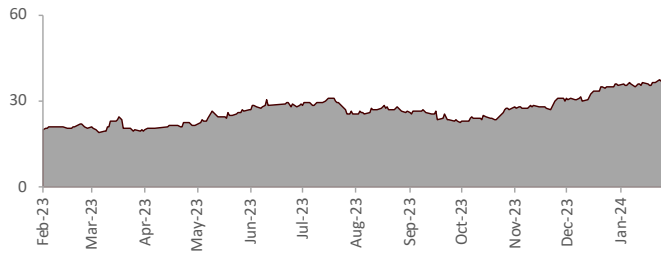
**Outlook & Valuation:** The healthcare sector in Saudi Arabia is rapidly evolving due to high life expectancy rates, driving increased demand for services. The National Medical Care Company is well-equipped to capitalize on market opportunities, expand its presence, and support the country's healthcare needs. Strong financial performance is anticipated in the medium to long term, fueled by higher business volumes and reduced sales costs, resulting in enhanced profitability and shareholder value. CARE aims for both organic and inorganic growth, exemplified by its recent acquisition of Jiwar Medical Services Company, reinforcing its position in the sector. Based on relative valuation, we arrive at a fair value of SAR 224.3/share. Considering a healthy upside of 11.9% from the current levels, we recommend a Buy rating on the stock.

## Financial Summary

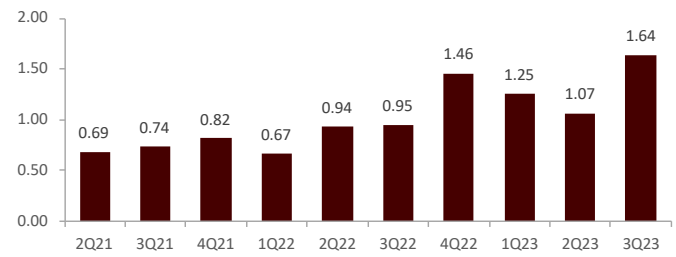
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	275	238	16%	245	12%
Gross profit	92	83	11%	81	13%
GPM (%)	33%	35%		33%	
EBIT	75	50	49%	57	30%
EBIT margin (%)	27%	21%		23%	
Net Income	73	43	72%	48	54%
Net margin (%)	27%	18%		19%	
EPS (SAR)	1.6	1.0	72%	1.1	54%

Source: Company Reports, Yaqeen Capital

### Price to Earnings Ratio Trend



### EPS (SAR) Trend



## Rating Methodology

**Buy:** The Target share price exceeds the current share price by  $\geq 10\%$

**Hold:** The Target share price is either more or less than the current share price by  $10\%$

**Sell:** The Target share price is less than the current share price by  $\geq 10\%$

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