

National Medical Care Co. (CARE)

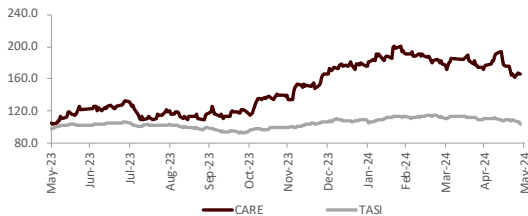
Recommendation

Buy

Current Market Price (SAR)	175.0
52wk High / Low (SAR)	224.0/104.6
Mkt. Cap. (USD/SAR Mn)	2,092/7,849
Shares Outstanding (mn)	44.9
Free Float (%)	50.8%
3m Average Vol. (000)	101
3m Avg Daily Turnover (SAR'000)	19,472
Dividend Yield '24e (%)	0.6%
P/E'24e (x)	24.3
EV/EBITDA'24e (x)	4.7

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	FY2022	FY2023	FY2024e	FY2025e
Revenue	918	1,082	1,298	1,519
Gross profit	290	370	454	531
Gross margin (%)	32%	34%	35%	35%
EBIT	197	247	344	403
EBIT margin (%)	21%	23%	27%	27%
Net Income	170	241	322	376
Net margin (%)	19%	22%	25%	25%
EPS (SAR)	3.8	5.4	7.2	8.4
RoE (%)	14%	18%	20%	20%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Saudi Medical Care Group 49.2%

Source: Bloomberg, Yaqeen Capital

Earnings surged on improved margins

- CARE's net income surged by 44.5% YoY (+28.0% QoQ) to SAR 81mn, driven by lower cost of sales expenses as a percentage of revenue, resulting in improved cost absorption and gross margins. The net margin improved to 27.2% (+5.7 pts YoY; +6.1 pts QoQ) in 1Q2024.
- Revenue increased by 14.2% YoY to SAR 299mn in 1Q2024, enhanced by increased business with the Ministry of Health and insurance companies, along with new acquisitions made after 1Q2023. On a quarterly basis, revenue fell by 0.4% mainly due to lower volumes from the GOSI and insurance segments, while the Ministry of Health and cash business showed improvements.
- Gross profit for 1Q2024 stood at SAR 110mn, 22.6% higher YoY (+3.3% QoQ) due to better cost absorption, higher-margin business, and lower cost of services as a percentage of revenue. Gross margins improved to 36.9% (+2.5 pts YoY; +1.3 pts QoQ).
- Operating profit surged by 20.7% YoY to SAR 73mn due to higher gross profits, and on a quarterly basis, operating profit improved by 27.3% due to reduced sales and marketing expenses, and lower general and administrative expenses driven by decreased professional fees from M&A activities. Consequently, operating profit margins improved by 1.3 pts YoY (+5.2 pts QoQ) to 24.2%.
- The bottom line also improved due to favorable Zakat expenses following the final assessments for 2021 and 2022, which led to the reversal of excess provisions made in previous years.

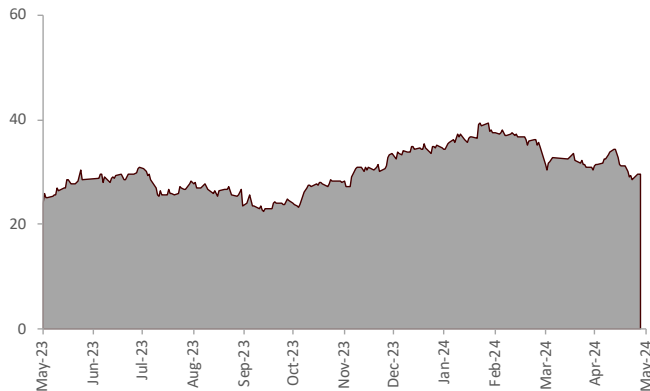
Outlook & Valuation: The healthcare sector in Saudi Arabia is rapidly evolving due to high life expectancy rates, which drive increased demand for services. The National Medical Care Company is well positioned to seize market opportunities, expand its presence, and support the country's healthcare needs. Strong financial performance is expected in the medium to long term, driven by higher business volumes and reduced sales costs, leading to enhanced profitability and shareholder value. CARE aims for both organic and inorganic growth, as is exemplified by its acquisition of Jiwir Medical Services Company, reinforcing its position in the sector. Based on relative valuation, we arrive at a fair value of SAR 223.4/share. Considering a healthy upside of 27.7% from the current levels, we recommend a Buy rating on the stock.

Financial Summary

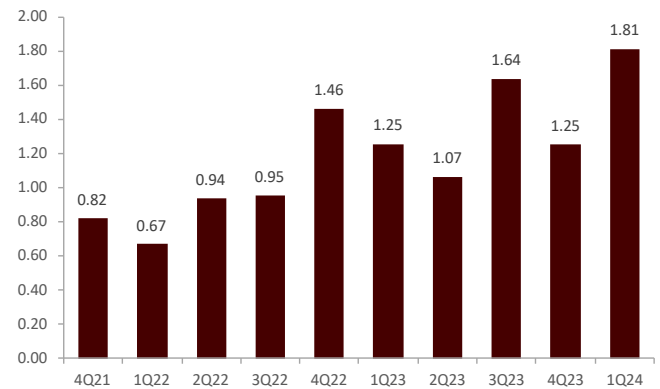
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	299	261	14%	300	0%
Gross profit	110	90	23%	107	3%
Gross margin (%)	37%	34%		36%	
EBIT	72	60	21%	57	27%
EBIT margin (%)	24%	23%		19%	
Net Income	81	56	44%	63	28%
Net margin (%)	27%	22%		21%	
EPS (SAR)	1.8	1.3	44%	1.3	45%

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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