

National Medical Care Co. (CARE)

Target Price: SAR 223.1/share

Upside: 10.2%

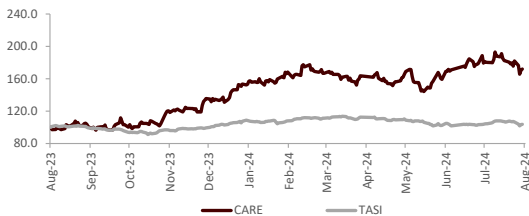
Recommendation

Buy

Current Market Price (SAR)	202.4
52wk High / Low (SAR)	227.6/109.6
Mkt. Cap. (USD/SAR Mn)	2,381/8,934
Shares Outstanding (mn)	44.9
Free Float (%)	50.8%
3m Average Vol. (000)	108
3m Avg Daily Turnover (SAR'000)	21,676
Dividend Yield '24e (%)	0.5%
P/E'24e (x)	28.2
EV/EBITDA'24e (x)	4.7

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	FY2022	FY2023	FY2024e	FY2025e
Revenue	918	1,082	1,295	1,502
Gross profit	290	370	466	541
Gross margin (%)	32%	34%	36%	36%
EBIT	197	247	344	399
EBIT margin (%)	21%	23%	27%	27%
Net Income	170	241	322	372
Net margin (%)	19%	22%	25%	25%
EPS (SAR)	3.8	5.4	7.2	8.3
RoE (%)	14%	18%	20%	20%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Saudi Medical Care Group 49.2%

Source: Bloomberg, Yaqeen Capital

Net Income up due to lower costs and zakat

- CARE's net income rose 45.4% YoY to SAR 69mn in 2Q2024, driven by lower sales costs and favorable Zakat expenses. This was partially offset by higher marketing costs, increased credit loss provisions, higher administrative expenses, and lower finance income. QoQ, net income fell 14.5% due to higher sales costs, reduced gross profit, and increased expenses. The net profit margin improved 3.9 pts YoY but decreased 3.8 pts QoQ to 23.4%.
- Revenue grew 21.1% YoY to SAR 297mn in 2Q2024, driven by increased business with the Ministry of Health, GOSI, and insurance companies, and new facility acquisitions. QoQ, revenue declined 0.6% due to fewer patient visits from two Eid holidays and summer vacations.
- Gross profit for 2Q2024 reached SAR 108mn, up 33.0% YoY due to slower cost growth. QoQ, gross profit fell 1.9% due to lower revenue and a higher sales cost ratio. The gross profit margin improved 3.3 pts YoY but dropped 0.5 pts QoQ to 36.4%.
- Operating profit increased 18.3% YoY to SAR 65mn in 2Q2024, driven by higher gross profit, though it fell 10.0% QoQ due to lower gross profit and higher expenses. The operating profit margin declined 0.5 pts YoY and 2.3 pts QoQ to 21.9%.
- For 1H2024, net income rose 44.9% to SAR 151mn, driven by a lower sales cost ratio, higher gross profit, other income, and favorable Zakat expenses. This was partly offset by higher marketing and administrative expenses, increased credit loss provisions, and lower finance income. The net income margin improved 4.8 pts YoY to 25.3%.
- Revenue for 1H2024 increased 17.5% to SAR 595mn, driven by higher business volumes from GOSI, MoH, and insurance, a 3% YoY rise in patient count, and new facilities. This growth was partially offset by the early Q2 2023 end of the National Guards contract.

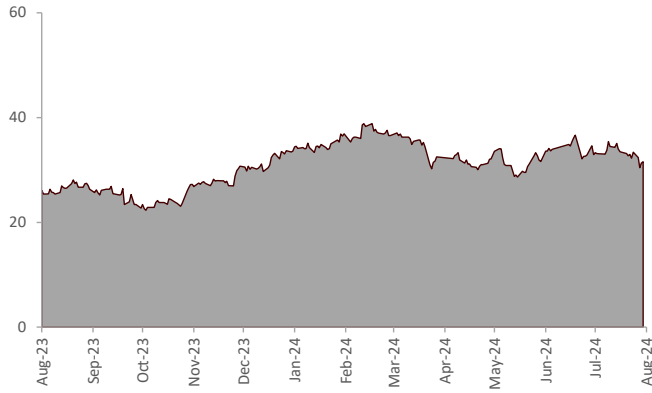
Outlook & Valuation: Saudi Arabia's healthcare sector is growing rapidly due to rising life expectancy, increasing demand for services. The National Medical Care Company is well-positioned to capitalize on this growth, expand its presence, and meet the country's healthcare needs. Strong financial performance is anticipated in the medium to long term, driven by increased business volumes and lower sales costs, enhancing profitability and shareholder value. CARE's growth strategy includes both organic and inorganic expansion, as demonstrated by its acquisition of Jiwar Medical Services Company. Based on relative valuation, we arrive at a fair value of SAR 223.1/share. Considering a healthy upside of 10.2% from the current levels, we recommend a Buy rating on the stock.

Financial Summary

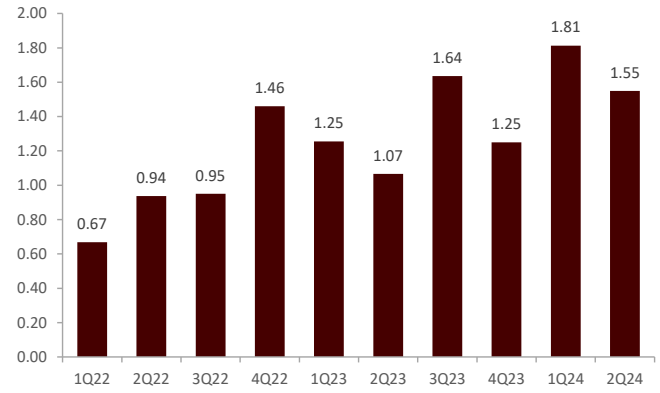
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	297	245	21%	299	-1%
Gross profit	108	81	33%	110	-2%
Gross margin (%)	36%	33%		37%	
EBIT	65	55	18%	72	-10%
EBIT margin (%)	22%	22%		24%	
Net Income	69	48	45%	81	-15%
Net margin (%)	23%	19%		27%	
EPS (SAR)	1.5	1.1	45%	1.8	-15%

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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