

National Medical Care Co. (CARE)

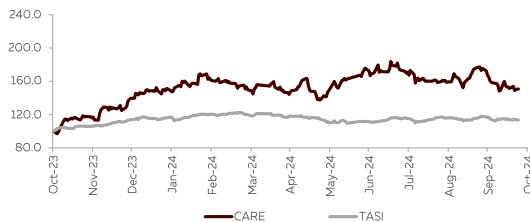
Target Price: SAR 214.0/share

Upside: 14.9%

Recommendation	Buy
Current Market Price (SAR)	186.2
52wk High / Low (SAR)	227.6/120.0
Mkt. Cap. (USD/SAR Mn)	2,247/8,432
Shares Outstanding (mn)	44.9
Free Float (%)	50.8%
3m Average Vol. (000)	96
3m Avg Daily Turnover (SAR'000)	19,098
Dividend Yield '24e (%)	0.5%
P/E'24e (x)	27.8
EV/EBITDA'24e (x)	5.2

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%
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Source: Bloomberg, Yaqeen Capital

Net Income drops due to higher expenses and zakat

- CARE's net income declined 18.0% YoY and 13.4% QoQ, reaching SAR 60mn in 3Q2024. This was primarily due to increased marketing expenses, higher provisions for credit losses, G&A expenses, reduced finance income, higher interest expenses, and a greater Zakat charge. Consequently, the net profit margin decreased by 8.2ppts YoY and 4.9ppts QoQ to 18.5%.
- Revenue in 3Q2024 rose by 18.3% YoY and 9.8% QoQ to SAR 326mn. The YoY growth was driven by expanded business with GOSI, government clients, and insurance firms, alongside new facility acquisitions post 3Q2023. The QoQ increase stemmed from higher client volumes and a seasonal recovery post-Eid and summer breaks.
- Gross profit for 3Q2024 reached SAR 112mn, reflecting a 21.5% YoY and 3.1% QoQ increase, mainly due to rising revenue and a lower growth rate in cost of sales. The gross profit margin improved by 0.9ppts YoY but dipped 2.2ppts QoQ to 34.2%.
- Operating profit dropped 5.4% YoY to SAR 71mn in 3Q2024, impacted by higher operating costs, though it rose 8.8% QoQ with reduced operating expenses. The operating profit margin fell 5.4ppts YoY and 0.2ppts QoQ to 21.8%.
- For 9M2024, net income increased 18.9% to SAR 211mn, supported by a lower cost of sales ratio, a rise in gross profit, favorable Zakat adjustments, and higher finance income, though partially offset by rising marketing, credit loss provisions, G&A expenses, and interest costs. The net income margin improved 0.2ppts YoY to 22.9%.
- Revenue for 9M2024 increased 17.8% to SAR 921mn, driven by higher business volumes from key clients, patient count growth, and acquisitions.

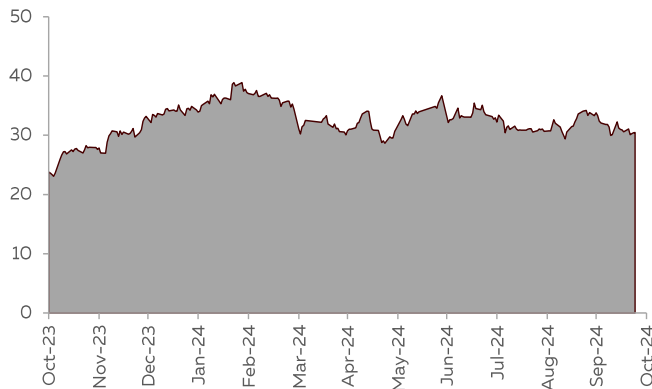
Outlook & Valuation: Saudi Arabia's healthcare sector is expanding swiftly, driven by rising life expectancy and growing service demand. The National Medical Care Company is well-positioned to leverage this growth, expand its reach, and address the nation's healthcare needs. Strong financial performance is expected in the medium to long term, fueled by increased business volume and reduced sales costs, boosting profitability and shareholder value. CARE's growth strategy encompasses both organic and inorganic expansion, highlighted by its acquisitions. Based on relative valuation, we arrive at a fair value of SAR214.0/share. Considering a healthy upside of 14.9% from the current levels, we recommend a Buy rating on the stock.

Financial Summary

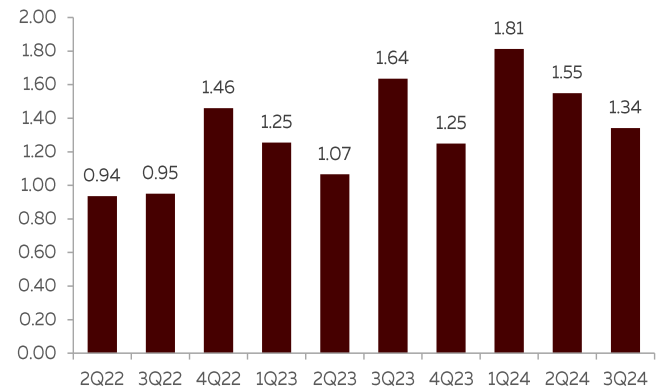
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	326	275	18%	297	10%
Gross profit	112	92	22%	108	3%
Gross margin (%)	34%	33%		36%	
EBIT	71	75	-5%	65	9%
EBIT margin (%)	22%	27%		22%	
Net Income	60	73	-18%	69	-13%
Net margin (%)	18%	27%		23%	
EPS (SAR)	1.3	1.6	-18%	1.5	-13%

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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