



Strong operational and financial performance supported a solid set of results. C-class AISalam's contribution to results came without GPM dilution

Strong financial and operational results from National Medical Care supported a Q1-25 bottom line of SAR 85.4mn (positively surprising our estimated SAR 65.1mn by 31.2%); up 5% Y/Y and down 2.1% Q/Q. Adjusting for one-off gains booked in Q1-24 and Q4-24, Care's earnings would have been up 30.4% Y/Y and 90.2% Q/Q. Results were supported by efficiency initiatives, contributions from the AISalam Hospital acquisition, an ECL reversal, as well as strong operational metrics supporting a top line growth of 29.1% Y/Y and 3.4% Q/Q to reach SAR 385.3mn. In light of Care's ability to reach its high gross profit margin despite adding a C class hospital to its portfolio, quick turnaround for AISalam, and strong operational metrics from referrals and occupancy rates (considering a full month of Ramadan in Q1-25), we maintain our "Overweight" recommendation and TP of SAR 188.0 per share for the healthcare provider.

- Care ended Q1-25 reaching a bottom line of SAR 85.4mn, and positively surprising our estimate of SAR 65.1mn by 31.2%. Net income was up 5.0% Y/Y, and down 2.1% Q/Q, though both comparable quarters from 2024 were supported by one-off incomes. Results however, are evidently strong when adjusting for the Zakat and legal reversals (SAR 15.8mn and SAR 42.3mn in Q1-24 and Q4-24, respectively). Care would have posted a normalized net income growth of 30.4% Y/Y and 90.2% Q/Q. The solid results came as a result of a quick turnaround from the recently acquired class C Al Salam hospital, which broke even during the quarter and contributed SAR 32mn to the top line, solid operational metrics for the group, and cost efficiency initiatives. Margins on the gross level reached highest quarterly GPMs despite C class AISalam, with operating expenses supported by an ECL reversal.
- Strong growth in inpatient admissions (41% Y/Y) & outpatient visits (37% Y/Y), as well as an increased GOSI referrals for complex cases, and contributions from the Prince Sultan Military Medical City (PSMMC) contract drove revenues to reach SAR 385.3mn, up 29.1% Y/Y & 3.4% Q/Q, and surpassing our estimates of SAR 367.0mn by 5.0%. As for patient volumes, when excluding AISalam's 18.4% contribution, patient attraction at legacy facilities still display healthy growths at 12% Y/Y; with support from long term care services from PSMMC contract, and GOSI complex case referrals. Occupancy rates stand at a healthy 81% (up 16ppts Y/Y from 65%), and ahead of licensing for Rawabi capacity additions.
- Gross profit rose 29.7% Y/Y (15.1% Q/Q) to reach SAR 143.0mn, and above our estimates of SAR 123.4mn by 16%. While cost of revenue rose 29%, driven by salary increases for new facilities and higher compensations for revenue-shared doctors, gross profit margins expanded by 20bps Y/Y (380bps Q/Q) to reach 37.1%. Management cites efficiency initiatives as a driver for the expanding GPMs, which surprised our estimate of 33.6% by 3.5ppts.
- Operating profit reached SAR 97.2mn (up 34.4% Y/Y and 9.8% Q/Q) and above our estimate of SAR 74.1mn. A provisions reversal came in above our estimate to record a net positive ECL of SAR 4mn; and slightly offset the 56% increase in SGA's (Y/Y), which reached c. SAR 50mn as a result of the newly acquired assets, in line with our SGA forecast. Operating margins, with support of the reversal, reached 25.2% (up 100bps Y/Y and 140bps Q/Q)

AJC view and valuation: Care displayed strong Q1-25 results, categorized by contributions from a recently profitable AISalam Hospital, solid patient attraction, and efficiency initiatives offsetting increase in cost base. Results are notably strong when accounting for one offs supporting previous comparable quarters. We consider Care's ability to reach its highest quarterly GPM particularly notable despite the recent inclusion of a C class hospital to its portfolio- signalling some assurance of possibilities on margin safety given the recent acquisition. Solid operating metrics during the quarter is a further positive signal ahead of getting licencing for the Rawabi capacity additions. We keep our TP of **SAR 188.0/share** on Care while maintaining an "Overweight" recommendation.

Results Summary

SAR mn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	298.6	372.5	385.3	29.1%	3.4%	5.0%
Gross Profit	110.2	124.2	143.0	29.7%	15.1%	15.9%
Gross Margin	36.9%	33.3%	37.1%	-	-	-
EBIT	72.3	88.6	97.2	34.4%	9.8%	31.2%
Net Profit	81.3	87.2	85.4	5.0%	-2.1%	31.2%
EPS	1.81	1.94	1.9	-	-	-

Source: Company Reports, Aljazira Capital

Recommendation	Overweight
Target Price (SAR)	188.0
Upside / (Downside)*	32.4%

Source: Tadawul *prices as of 08th of May 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	917.9	1,081.8	1,293.7	1,473.4
Growth %	8.6%	17.8%	19.6%	13.9%
Gross Profit	289.7	369.6	454.1	511.5
Net Income	170.1	240.9	298.16	282.1
Growth %	24.7%	41.7%	23.8%	-5.4%
EPS	3.79	5.37	6.65	6.29
DPS	1.00	2.00	2.00	2.1

Source: Company reports, Aljazira Capital

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	31.6%	34.2%	35.1%	35.7%
OP Margin	21.6%	22.8%	22.9%	24.5%
Net Margin	18.5%	22.3%	23.0%	21.7%
EBITDA Margin	26.2%	26.9%	27.3%	30.5%
RoE	12.6%	14.2%	17.7%	17.4%
P/E (x)	19.49	32.47	25.11	16.46
P/B (x)	2.62	5.38	4.60	2.73
EV/EBITDA (x)	12.76	26.75	21.35	11.72
Dividend Yield	1.4%	1.1%	1.2%	1.6%

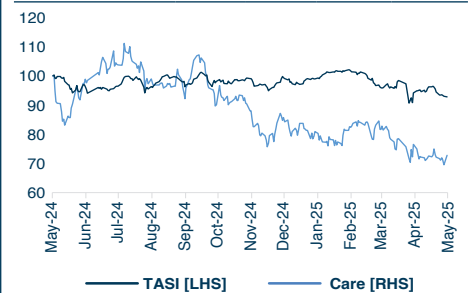
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	6.7
YTD%	-15.0%
52 week (High)/(Low)	227.6/139.2
Share Outstanding (mn)	44.85

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

Equity Analyst

Ibrahim Elaiwat

+966 11 2256115

i.elaiwat@Aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - Director
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2256000 - Fax: 011 2256068