رعاية الطبية
CARE MEDICAL

Earnings Release

Care Medical announces 55% year-on-year net profit growth to SAR 177 million in 9M 2023

- 9M 2023 saw a 4% rise in total patient count to 476.1k, fueled by a 5% boost in inpatient admissions and a 3% increase in outpatient visits.
- Total number of surgeries in 9M 2023 grew by 8% year-on-year, amounting to 14,334 surgeries.
- Revenue grew by 17% year-on-year, reaching SAR 782 million on improved patient numbers and higher average prices for the Ministry of Health.
- Profitability improvement was reflected in EBITDA margin of 29.2% and net income margin of 22.7%.
- 9M 2023 operations yielded SAR 484 million cash flow, driven by key client payments and better receivables management.
- Successful rebrand from National Medical Care Company to Care Medical

Riyadh, 6 November 2023 – Care Medical reported robust operational performance in the first nine months of 2023. The number of patients climbed to 476.1 thousand, reflecting a 4% increase from the previous year. This growth was mainly attributed to more referrals from the General Organization for Social Insurance (GOSI) and the Ministry of Health (MoH). Simultaneously, surgeries recorded an 8% annual rise, and the bed occupancy rate amounted to 71.8% in 9M 2023.

The consistent growth in Care Medical's operations, along with better average pricing from the MoH during 9M 2023, led to a 17% year-on-year growth in revenue, pushing it to SAR 782 million. Despite this growth, the increase in total expenses was limited to 12% compared to the previous year. This effectively managed expense growth, combined with the solid operating results, contributed to a boost in EBITDA, which reached SAR 228 million — a jump of 33% year-on-year. The EBITDA margin expanded 3.4 percentage points for this period, achieving 29.2%. For 9M 2023, the net profit stood at SAR 177 million, marking a 55% year-on-year uplift. This led to an improvement in the net margin by 5.5 percentage points to 22.7%.

Dr. Abdulaziz bin Saleh Alobaid, Chief Executive Officer of CARE Medical, said:

“Our strong performance in the first nine months of 2023 demonstrates the success of our transformation and growth strategy initiated in 2021.

We expanded our reach within Saudi Arabia, staying true to our long-term ambition of serving our domestic market effectively. A key highlight of the third quarter was the agreement to acquire Chronic Care for SAR 193 million, which is a long-term care facility with a capacity of 150 beds. This move not only amplifies our presence in the Kingdom but also aligns perfectly with our commitment to the domestic market. With plans to serve patients in Jeddah soon, we see this expansion as a means to meet the community’s diverse healthcare needs while upholding our promise of quality service.

Our continued performance, coupled with acquisitions like Jiwar in the central area of the Grand Mosque in Mecca and Chronic Care in Jeddah this year, showcases our dedication to growing our Saudi footprint while ensuring the highest standard of healthcare for our community.

Embracing the ethos 'Caring with every heartbeat,' our transformation from National Medical Care Company to Care Medical brand represents more than just a name change. It symbolizes our evolution to resonate with the rapidly changing landscape of Saudi Arabia. By unifying our brand identity across all touchpoints, we are enhancing clarity, bolstering brand recognition, and elevating the patient experience. Our focus is to cultivate enduring relationships through consistent, superior medical care. This revamped identity signifies our commitment to modern healthcare excellence, fostering trust, and ensuring an optimized journey for our patients.

Looking ahead, the year-to-date results, combined with our ongoing efforts to innovate and stay aligned with our growth objectives, positions us well for a future of continued success. Our focus remains clear: to deliver top-tier healthcare in Saudi Arabia and foster a healthier community."

Jahanzeb Ahmed Khan, Chief Financial Officer of CARE Medical, added:

"Care Medical has delivered a strong financial performance in the first nine months of 2023. The net profit reached SAR 177 million, exceeding the entire FY 2022 bottom line.

Enhanced referrals from our key partners have been central to growth in inpatient admissions and outpatient visits, and improved pricing further supported our robust top-line growth. We have kept expenses in check while boosting revenue, resulting in positive operating leverage and higher profitability. Collaborative efforts with GOSI have also been fruitful, allowing us to clear a substantial amount of outstanding receivables and secure payments of SAR 701 million, further improving our cash position.

These results are a clear indication that Care Medical's strategy is working. While we are growing the business, our focus is equally on enhancing efficiency and boosting profitability. Every step forward is measured and aligned with our commitment to expand our reach and enhance shareholder value.

Looking ahead, we are optimistic. The financial milestones achieved in these nine months serve as a blueprint for future growth. We remain committed to driving Care Medical's expansion while upholding our standards of operational excellence."

Strategy

Care Medical, as a top-tier specialized healthcare provider in KSA, continues to capitalize on its vast experience and highly skilled professional team. The Company's two existing hospitals, operating in the prosperous Riyadh market, maintain a remarkable track record. The mission to deliver distinctive care has proven successful, demonstrated by improved healthcare outcomes and increased patient satisfaction. The Company's broad patient demographic, enhanced by a growing number of government referrals, reinforces its position as a trusted healthcare provider in the region.

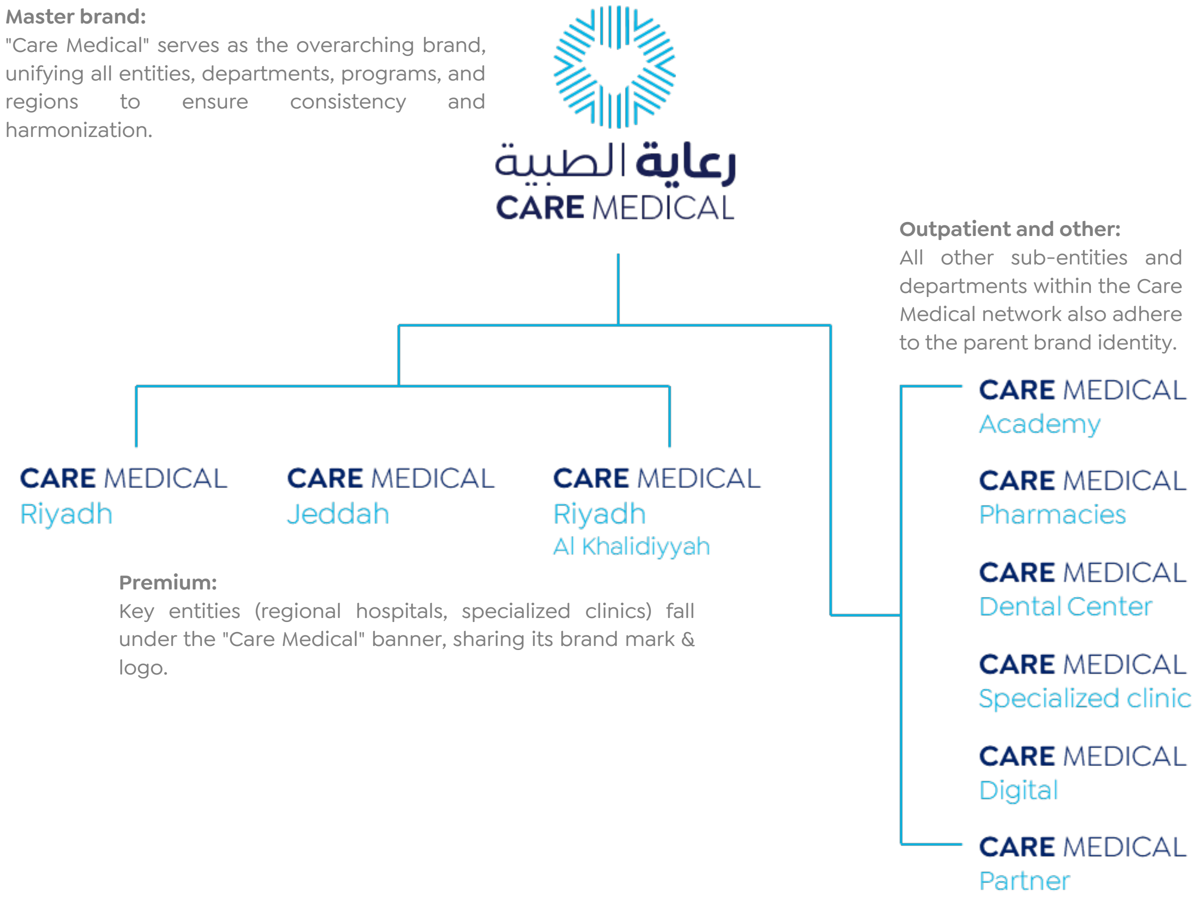
Guided by its vision to remain at the forefront of healthcare, Care Medical's transformation and growth strategy, in place since 2021, continues to yield superior returns. Despite operational complexities, significant improvement in margins underscores a robust financial outlook. The strategic objective to realize the potential of value networks across business units has materialized into a highly integrated corporate model, delivering revenue and cost synergies as well as high customer satisfaction rates. With an unwavering commitment to extending health service offerings within the KSA domestic market and reaching new population segments, Care Medical remains well-positioned to uphold its growth trajectory. Leveraging its well-established brand and footprint, Care Medical is on track to fulfill its long-term strategic objectives and continue its valuable contributions to community wellbeing.

Rebrand

In alignment with its commitment to evolving and delivering top-tier healthcare, Care Medical has undergone a rebranding, transitioning from its previous identity, National Medical Care Company. This transformation is not just a name change. It represents a forward-thinking approach to the evolving healthcare landscape in KSA.

The new brand identity emphasizes uniformity and clarity, aiming to bolster brand recognition and instill deeper trust among its patients. By introducing a new brand hierarchy and offering a consistent brand experience at every touchpoint, Care Medical reaffirms its pledge to enhance the patient journey, solidifying its leadership position in the region's healthcare sector.

New brand hierarchy



Operational and Financial Review

Operating Indicator Highlights

	3Q2023	3Q2022	Δ%	9M2023	9M2022	Δ%
Inpatient Admissions	5,405	5,389	+0%	15,967	15,245	+5%
Outpatient Visits	152,953	139,549	+10%	460,178	444,711	+3%
Total Patients	**158,358**	**144,938**	**+9%**	**476,145**	**459,956**	**+4%**
Inpatient Days	40,078	49,486	-19%	127,613	137,175	-7%
Bed Capacity	655	655	-	655	655	-
Bed Occupancy Rate (%)	66.6%	82.6%	-16.0 ppts	71.8%	76.9%	-5.2 ppts
Average Length of Stay (days)	7.4	9.2	-19%	8.0	9.0	-11%
Number of surgeries	4,762	4,855	-2%	14,334	13,285	+8%

In 9M 2023, the total number of patients rose by 4% year-on-year, reaching 476,145 patients. This growth was fueled by an increase in inpatient admissions (+5% year-on-year) and a rise in outpatient visits (+3% year-on-year), influenced by a higher number of referrals from GOSI and the strengthened business relationship with MoH.

The growth in admissions, credited to both GOSI and MoH relationships, also contributed to an 8% year-on-year increase in surgeries during 9M 2023, amounting to 14,334 procedures.

In 9M 2023 there was a 7% year-on-year reduction in the number of inpatient days, notwithstanding the rise in inpatient admissions over the same period. Consequently, the average duration of patient stay declined to 8.0 days, marking an 11% decrease year-on-year. The ongoing push for shorter hospital stays is linked to progressive developments in medical technologies, an increasing emphasis on outpatient care, and enhanced care management practices. Additionally, alongside the industry's structural changes, the conclusion of the National Guard contract also contributed to the lower average patient stay duration in 9M 2023, and was reflected in the bed occupancy rate, which reached 71.8%, 5.2 percentage points lower year-on-year.

The 3Q 2023 operating indicator trends were affected by the completion of the National Guard contract in the second quarter, manifesting in stable inpatient admissions year-on-year, a substantial reduction in inpatient days in 3Q 2023, and reduced bed occupancy rates. To counteract this, Care Medical initiated the redistribution of the existing bed capacity to other clients.

Income Statement Highlights

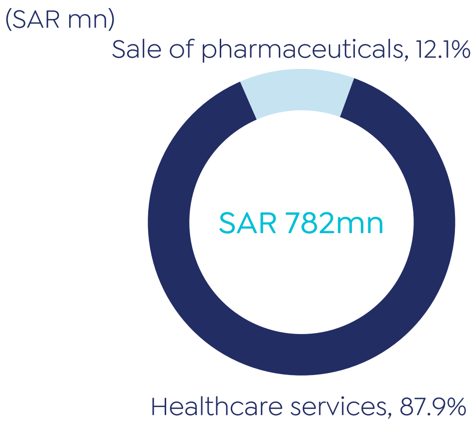
SAR million	3Q2023	3Q2022	Δ%	9M2023	9M2022	Δ%
Revenue	275	238	+16%	782	666	+17%
Cost of revenue	(184)	(156)	+18%	(519)	(455)	+14%
Gross profit	**92**	**83**	**+11%**	**263**	**211**	**+25%**
Selling & marketing	(1)	(2)	-54%	(2)	(3)	-33%
General & administrative	(26)	(24)	+7%	(80)	(67)	+20%
Provisions & other	8	(8)	NA	6	(11)	NA
Total operating expenses	**(17)**	**(32)**	**-48%**	**(73)**	**(73)**	**-1%**
Operating profit (EBIT)	**75**	**50**	**+49%**	**190**	**137**	**+38%**
EBITDA	**90**	**62**	**+45%**	**228**	**172**	**+33%**
Net profit	**73**	**43**	**+72%**	**177**	**115**	**+55%**
Gross profit Margin	33.3%	34.7%	-1.4 ppts	33.6%	31.7%	+2.0 ppts
EBIT Margin	27.2%	21.2%	+6.0 ppts	24.3%	20.6%	+3.7 ppts
EBITDA Margin	32.6%	25.9%	+6.6 ppts	29.2%	25.8%	+3.4 ppts
Net profit Margin	26.6%	17.9%	+8.8 ppts	22.7%	17.2%	+5.5 ppts
ROAE	21.6%	14.5%	+7.1 ppts	17.8%	13.2%	+4.6 ppts
ROAA	15.6%	10.6%	+5.0 ppts	13.1%	9.6%	+3.5 ppts

In the first nine months of 2023, Care Medical's revenue grew by 17% year-on-year, reaching SAR 782 million. This uptrend was supported by the increase in inpatient and outpatient figures as well as better average pricing. Continued strength in revenue growth in 3Q 2023 was principally driven by a robust double-digit growth in average pricing from the partnership with the MoH backed by the Company's HIMSS certification obtained in 1Q 2023.

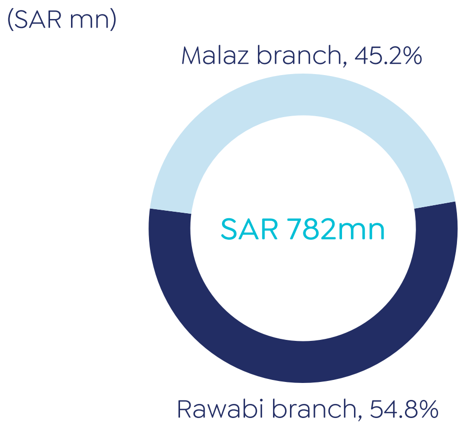
The cost of revenue in 9M 2023 increased by 14% year-on-year, amounting to SAR 519 million, while operating expenses saw a 1% year-on-year decrease. The ongoing efforts to control costs and revenue growth outpacing the overall cost expansion provided positive operating leverage, which supported profitability. As a result, EBITDA in 9M 2023 grew by 33% year-on-year, reaching SAR 228 million. The EBITDA margin improved 3.4 percentage points year-on-year to 29.2% in 9M 2023.

Net profit in 9M 2023 increased 55% year-on-year, totaling SAR 177 million. This growth led to a 5.5 percentage points expansion in the net profit margin, bringing it up to 22.7%.

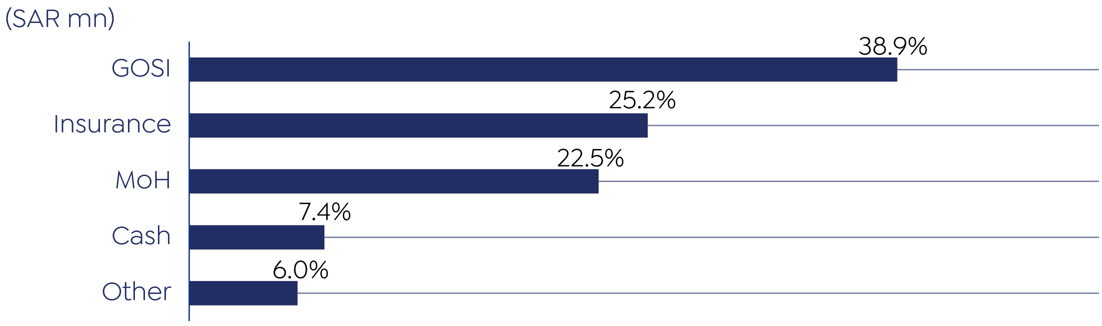
Revenue by segment, 9M 2023



Revenue by hospital[1], 9M 2023



Revenue by payer, 9M 2023



In 9M 2023, revenue reached SAR 782 million, marking a 17% increase compared to the same period last year. 88% of revenue was coming from healthcare services. The Rawabi branch (previously referred as Riyadh Care Hospital, RCH), was a major contributor, accounting for 55% of the total revenue during 9M 2023.

The boost in 9M 2023 revenue was driven by a 5% increase in inpatient admissions and a 3% rise in outpatient visits year-on-year. The number of surgeries also saw an 8% increase. Substantial double-digit revenue growth was observed from both GOSI and the Ministry of Health contracts. The growth in GOSI revenue was facilitated by an uptick in referrals under the occupational hazards contract. The rise in MoH revenue was attributed to increased prices, a benefit arising from the Company's HIMSS certification secured in 1Q 2023, coupled with higher referrals. The insurance segment recorded a modest single-digit revenue growth in 9M 2023.

These gains were partially counterbalanced by decreased revenue from cash patients and the conclusion of the National Guard contract in 2Q 2023. The cash revenue was affected by a decline in the Bariatric business. This pressure resulted from improved insurance policy benefits, marked by reduced BMI requirements and the introduction of new weight loss medications, leading to a shift in some of the cash revenue to insurance companies. To mitigate the revenue fallout following the conclusion of the National Guard contract and the downturn in the Bariatrics segment, management is actively engaging with existing partners and is also shifting its focus to other cash segments, including dental and cosmetics.

[1] Rawabi branch, previously referred as Riyadh Care Hospital (RCH); Malaz branch, previously referred as Care National Hospital (CNH).

Cost Trends

SAR million	3Q2023	3Q2022	Δ%	9M2023	9M2022	Δ%
Salaries and benefits	110	97	+14%	324	291	+11%
Medicines and consumables	54	43	+24%	138	119	+16%
D&A	11	8	+36%	29	25	+14%
Repairs and maintenance	3	3	+7%	11	10	+14%
Rent, utilities and other	5	4	+23%	16	10	+68%
Total Cost of revenues	**184**	**156**	**+18%**	**519**	**455**	**+14%**
Selling & marketing	1	2	-54%	2	3	-33%
General & administrative	26	24	+7%	80	67	+20%
Provisions & other	(9)	7	NA	(9)	4	NA
Total Operating Expenses	**17**	**32**	**-48%**	**73**	**73**	**-1%**
Total Expenses	**200**	**188**	**+7%**	**592**	**529**	**+12%**

In 9M 2023, total expenses increased by 12% compared to the previous year. This was mainly due to a 14% rise in the cost of revenues, with significant portions attributed to increased payroll expenses, the cost of medicines, and medical materials and consumables. However, this increase was relatively lower than the growth in revenue.

Operating expenses observed a 1% decrease, driven primarily by a rise in recoveries during the current period, which resulted in reversal of some of the provisions for doubtful accounts. This was largely offset by higher general & administrative expenses, largely attributed to higher professional fees related to ongoing M&A activities.

The management maintained a strict handle on expenses in 9M 2023. The growth rate of expenses was markedly slower than that of revenue, thanks to a disciplined approach to cost management. This effective control over expenses contributed to a noticeable increase in profitability.

EBITDA and Net Income

SAR million	3Q2023	3Q2022	Δ%	9M2023	9M2022	Δ%
EBITDA	**90**	**62**	**+45%**	**228**	**172**	**+33%**
Depreciation & amortization	(15)	(11)	+30%	(39)	(34)	+12%
Finance income / (cost)	7	0	NA	12	0	NA
Zakat expense	(8)	(8)	+6%	(25)	(23)	+9%
Net Income	**73**	**43**	**+72%**	**177**	**115**	**+55%**

Care Medical's EBITDA for 9M 2023 grew by 33% year-on-year, amounting to SAR 228 million.

The Company reported a finance income of SAR 12 million in 9M 2023 driven by higher daily average deposits. This additionally supported the 9M 2023 bottom line. Net profit of the Company for 9M 2023 rose by 55% year-on-year, amounting to SAR 177 million.

Cash Flow Highlights

SAR million	3Q2023	3Q2022	Δ%	9M2023	9M2022	Δ%
Net Profit before zakat	**82**	**50**	**+62%**	**202**	**137**	**+47%**
Non-cash adjustments	(2)	24	NA	34	59	-42%
Working capital changes	46	(109)	NA	273	(164)	NA
Zakat and end-of-service benefits	(4)	(3)	+38%	(25)	(22)	+14%
Net cash, operations	**122**	**(37)**	**NA**	**484**	**11**	**45.3x**
Capex[2]	(12)	(8)	+54%	(37)	(204)	-82%
Net cash, investing activities	**(462)**	**(8)**	**60.8x**	**(506)**	**(204)**	**2.5x**
Net cash, financing activities	**7**	**(6)**	**NA**	**(38)**	**(51)**	**-26%**
Net changes in cash	**(332)**	**(51)**	**6.5x**	**(59)**	**(244)**	**-76%**

Following robust operational performance, the Company delivered significantly improved cash flow from operations in 9M 2023, amounting to SAR 484 million, a stark contrast to SAR 11 million in the same period of the previous year. This notable increase was mainly due to enhanced management of working capital, especially in the efficient handling of receivables during 2Q and 3Q of 2023. The Company successfully secured substantial payments from GOSI, amounting to SAR 701 million by the end of 3Q 2023, including SAR 134 million related to older receivables up until July 2021.

Capital expenditure in 9M 2023 reached SAR 37 million, which largely reflects maintenance capex. Moreover, the acquisition of Jiwar Medical Services Company was finalized at a cost of SAR 29 million, with an upfront payment of SAR 19 million disbursed in 2Q 2023. In a further development, Care Medical entered into a Sales and Purchase Agreement (SPA) in September 2023 to acquire Chronic Care Specialized Medical Hospital Company, a specialized entity in long-term and transitional care, with a total of 150 beds. The improved cash position enabled the Company to place SAR 450 million in time deposits.

In 2Q 2023, a dividend of SAR 1.0 per share was distributed.

Taking the aforementioned factors into account, the Company experienced a net decrease in cash and cash equivalents, amounting to SAR 59 million during 9M 2023. As a result, by 30 September 2023, the Company's cash reserves totaled SAR 270 million.

[2] Not including the initial payment for purchase of Jiwar, which amounted to SAR 19 million in 2Q 2023 (net of cash acquired).

Balance Sheet Highlights

SAR million	3Q2023	4Q2022	Δ%	3Q2022	Δ%
Total Non-Current Assets	754	657	+15%	660	+14%
Total Current Assets	1,157	1,056	+10%	975	+19%
Total Assets	**1,911**	**1,713**	**+12%**	**1,634**	**+17%**
Total Equity	**1,396**	**1,264**	**+10%**	**1,194**	**+17%**
Total Non-Current Liabilities	184	163	+13%	178	+4%
Total Current Liabilities	331	286	+16%	263	+26%
Total Liabilities	**515**	**449**	**+15%**	**440**	**+17%**
Cash & cash equivalents	270	329	-18%	131	2.1x
Net debt	(158)	(246)	-36%	(48)	3.3x
Days Sales Outstanding[3]	178	251	-29%	285	-38%
Days Payable Outstanding[3]	115	112	+2%	110	+4%
Days Inventory Outstanding[3]	73	80	-9%	87	-15%
Cash Conversion Cycle[3]	137	219	-38%	261	-48%

As of 30 September 2023, Care Medical's total assets grew by 12% year-to-date, amounting to SAR 1,911 million. The primary catalyst behind this growth in non-current assets was the acquisition of assets related to the Jiwar Medical Services Company transaction. A boost in current assets was also noted, largely due to improved collections in 2Q and 3Q 2023.

Total liabilities for the Company rose 15% year-to-date, standing at SAR 515 million as of 30 September 2023. This increase was largely driven by growth in current liabilities, primarily due to higher payables stemming exclusively from timing differences.

The Company maintained a negative net debt position of SAR 158 million as of 30 September 2023.

Key cash conversion cycle indicators showed considerable improvement in 2023. The days sales outstanding metric decreased by 29% to 178 days in 3Q 2023 YTD compared to the 4Q 2022 YTD. This improvement was further supported by the shorter inventory turnover and longer days payable outstanding. The overall enhancement in the cash conversion cycle was substantial, with the indicator standing at 137 days in 3Q 2023 YTD versus 219 days in 4Q 2022 YTD.

[3] Based on YTD indicators. DPO, DSO, and DIO are calculated based on Care methodology.

Earnings Call

The Company is holding an earnings call to discuss 3Q 2023 financial results with analysts and investors on Monday, 6 November 2023, at 3:00 pm Riyadh time (12:00 pm London, 4:00 pm Dubai, 7:00 am New York).

Webcast link: Care Medical 3Q 2023 webcast

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About Care

Care Medical (Care, Tadawul: 4005) is a leading healthcare provider based in Riyadh, Kingdom of Saudi Arabia. The Company manages two state-of-the-art healthcare facilities in Riyadh, Rawabi branch, previously referred as Riyadh Care Hospital (RCH), and Malaz branch, previously referred as Care National Hospital (CNH), totaling 655 beds as of the end of 2022. Its dedicated team of c3,000 healthcare practitioners, administrators, and support staff attended to 638.7 thousand patients and performed 18.6 thousand complex surgeries in 2022. The Company posted revenue of SAR 917.9 million in 2022 (+9% year-on-year), an EBITDA of SAR 242.9 million (26.5% margin), and a net income of SAR 170.1 million (18.5% margin).

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