

Earnings Release

Care Medical announces 42% net profit growth to SAR 241 million in FY 2023

- FY 2023 saw a 2% rise in total patient count¹ to 651.2k, fueled by a 1% improvement in inpatient admissions and a 2% increase in outpatient visits.
- Total number of surgeries in FY 2023 grew by 1% year-on-year, amounting to 18,838 surgeries.
- Revenue crosses SAR 1 billion mark - grew by 18% year-on-year, reaching SAR 1,082 million on higher average prices for the Ministry of Health and improved patient numbers.
- Profitability improvement was reflected in EBITDA margin of 27.9% and net income margin of 22.3%.
- FY 2023 operations yielded SAR 467 million cash flow, driven by key client payments and better receivables management.
- Successful acquisition of two specialized facilities, Jiwar² (Mecca) and Chronic Care² (Jeddah).
- Rebranded to Care Medical from National Medical Care Company.

Riyadh, 27 February 2024 – Care Medical announced a steady operational performance for FY 2023, with patient numbers reaching 651.2 thousand, marking a 2% increase over the previous year. This growth primarily stemmed from an increase in referrals from the General Organization for Social Insurance (GOSI) and the Ministry of Health (MoH). Additionally, the number of surgeries saw a 1% rise on an annual basis, while the bed occupancy rate reached 70.8% for the fiscal year.

During FY 2023, Care Medical's operational growth was complemented by improved average pricing, resulting in an 18% increase in revenue to SAR 1,082 million year-on-year. Despite this rise, the total expense growth was contained to 16% compared to the previous year. This effective control over expenses, alongside steady operational outcomes, led to a significant 24% increase in EBITDA, reaching SAR 302 million. Consequently, the EBITDA margin widened by 1.4 percentage points, hitting 27.9%. Net profit for the fiscal year stood at SAR 241 million, representing a remarkable 42% growth from the previous year and improving the net margin by 3.7 percentage points to 22.3%.

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

"In 2023, Care achieved significant financial milestones, reflecting the strength of our operations and strategic focus. Our efforts to expand within Saudi Arabia have laid a solid foundation for future growth, highlighted by the strategic acquisitions of Jiwar and Chronic Care, made in the second half of the year. These steps are part of Care's long-term strategy to enhance the healthcare

¹ Operating indicators represent data for Rawabi and Malaz branches. Rawabi branch, previously referred as Riyadh Care Hospital (RCH); Malaz branch, previously referred as Care National Hospital (CNH).

² Marketing names of Jiwar – Care Medical Haram, Chronic Care – Care Medical AlBalad.

services across the Kingdom, with the achievements of last year setting a precedent for what's to come.

The Company's financial success, culminating in revenue exceeding SAR 1 billion for the first time, underscores the efficacy of our initiatives and the potential for future advancements. Looking ahead, our commitment to innovation and meeting the health needs of the Saudi communities remains at the forefront of our strategy. This focus ensures Care is well-positioned for continued success, ready to build on last year's achievements and drive further growth."

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

"Care Medical's financial performance in 2023 was exemplary, with net profit soaring to SAR 241 million, marking a 42% increase from the previous year and revenue crossing SAR 1 billion threshold. This growth was primarily fueled by increased patient admissions, enhanced pricing strategies, and effective cost management. Our successful collaboration with GOSI, resulting in significant receivables clearance and a boost in our cash position, highlights the effectiveness of our financial management and affirms the strength of Care's operational strategy.

Looking to the future, we remain committed to leveraging our operational strengths to further enhance profitability and efficiency as we grow. The foundation we have built this year positions Care confidently for continued success. We are focused on sustaining the growth momentum of the business, assured in the Company's strategy and our team's ability to execute it, ensuring long-term value for our shareholders and enhancing our leadership in the sector."

Strategy

As a leading specialized healthcare provider in KSA, Care Medical leverages its extensive experience and a highly skilled team of professionals. The Company's two flagship hospitals, situated in the thriving Riyadh market, have maintained an impressive performance record. Care Medical's commitment to providing exceptional care is evidenced by enhanced healthcare outcomes and elevated patient satisfaction levels. The broad patient demographic, bolstered by an increasing volume of government referrals, further solidifies Care Medical's status as a trusted healthcare provider in the Kingdom.

Care Medical's dedication to remaining at the forefront of the healthcare industry has been a cornerstone of its strategy, with the transformation and growth plan launched in 2021 yielding remarkable achievements. Despite operational complexities, the Company has notably improved its margins, reflecting a solid financial stance. Its strategic pursuit to harness synergy across business units has led to a unified corporate framework, enhancing revenue and reducing costs, alongside achieving elevated levels of customer satisfaction. Focused on expanding healthcare services across the KSA and reaching out to new demographic groups, Care Medical is set for sustained growth. Utilizing its established brand presence and extensive network, Care Medical is well on its path towards accomplishing its long-term strategic aims and contributing positively to community health.

In FY 2023, Care Medical has effectively implemented a series of strategic initiatives aligned with the key focus areas of the Company: expansion, operations improvement, and patients & partners. These efforts have significantly advanced the mission to deliver top-tier healthcare. Key accomplishments include:

- Home healthcare services: The introduction of home healthcare services has enhanced patient comfort and created a new revenue stream, enriching the holistic care experience for patients.

- Executive health check: The launch of an executive health check program targets health-conscious individuals seeking premium healthcare services, aiming to increase cash patient revenue.
- Centres of Excellence establishment: Centres of Excellence were set up at the Rawabi and Malaz branches³, focusing on key therapeutic areas to elevate healthcare delivery standards.
- Brand revitalization: Rebranding efforts led to a refreshed brand identity for Care Medical, emphasizing consistency, clarity, and a unique marketing strategy to improve brand recognition and build patient trust.
- New operating model implementation: The transition to a target operating model at the head office was completed, optimizing operational efficiency across the organization.
- Enhanced patient experience: Efforts to enhance patient satisfaction were intensified through improved experience strategies and effective complaint resolution mechanisms.
- Cross-business unit synergy: Operations across business units were streamlined to boost referrals and foster better internal collaboration, enhancing service delivery.
- Clinical intelligence system: The Care Clinical Intelligence System was implemented to enhance patient care by maximizing value from each engagement, reinforcing our patient-centered approach with data and analytics.
- Digital patient platform: A digital platform was launched to optimize patient experiences, ensuring streamlined, efficient care tailored to individual needs, leveraging technology for improved care delivery.
- Employee value proposition: The refinement of Care's employee value proposition strengthened the ability to attract, retain, and motivate exceptional talent, reinforcing the Company's position as a leading employer in the Saudi healthcare industry.

These initiatives have collectively contributed to increased revenue, diversified the Company's market presence in the Kingdom and improved operational efficiencies. Additionally, they have strengthened relationships with the patients and partners, positioning Care Medical for continued success and leadership in healthcare.

³ Rawabi branch, previously referred as Riyadh Care Hospital (RCH); Malaz branch, previously referred as Care National Hospital (CNH).

Operational and Financial Review

Operating Indicator Highlights⁴

	4Q2023	4Q2022	Δ%	FY2023	FY2022	Δ%
Inpatient Admissions	5,313	5,927	-10%	21,280	21,172	+1%
Outpatient Visits	169,752	172,784	-2%	629,930	617,495	+2%
Total Patients	175,065	178,711	-2%	651,210	638,667	+2%
Inpatient Days	40,821	51,558	-21%	169,016	188,733	-10%
Bed Capacity	655	655	-	655	655	-
Bed Occupancy Rate (%)	67.8%	86.1%	-18.3 ppts	70.8%	79.2%	-8.4 ppts
Average Length of Stay (days)	7.7	8.7	-12%	7.9	8.9	-11%
Number of surgeries	4,501	5,303	-15%	18,838	18,588	+1%

In FY 2023, Care Medical saw a 2% year-on-year increase in the total patient count, reaching 651,210. This growth was driven by a 2% rise in outpatient visits and a 1% increase in inpatient admissions. The upturn was primarily due to a surge in referrals from GOSI and an enhanced business relationship with the Ministry of Health (MoH), partially offset by the conclusion of the National Guard contract in the second quarter of 2023.

The growth in admissions, credited to both GOSI and MoH relationships, also contributed to a higher number of surgeries in 2023, amounting to 18,838 procedures (+1% year-on-year).

In FY 2023, there was a notable 10% decrease in the number of inpatient days, despite an increase in inpatient admissions during the same timeframe. This led to a reduction in the average length of stay duration to 7.9 days, an 11% decline from the previous year. The trend towards shorter hospital stays can be attributed to advances in medical technology, a growing focus on outpatient services, and improved care management practices. Furthermore, alongside the industry's structural changes, the completion of the National Guard contract, played a role in reducing the average length of stays in FY 2023. This was also reflected in the bed occupancy rate, which amounted to 70.8%, marking an 8.4 percentage point decrease year-on-year.

The operating trends for the fourth quarter of 2023 were also impacted by the conclusion of the National Guard contract. This resulted in a year-on-year decrease in inpatient admissions and inpatient days, as well as reduced bed occupancy rates. Care Medical undertook the redistribution of the existing bed capacity to accommodate other clients, with a strategic focus on reallocating it to large existing clients that generate a higher average revenue per bed.

⁴ Operating indicators represent data for Rawabi and Malaz branches. Rawabi branch, previously referred as Riyadh Care Hospital (RCH); Malaz branch, previously referred as Care National Hospital (CNH).

Income Statement Highlights

SAR million	4Q2023	4Q2022	Δ%	FY2023	FY2022	Δ%
Revenue	300	252	+19%	1,082	918	+18%
Cost of revenue	(193)	(173)	+12%	(712)	(628)	+13%
Gross profit	107	79	+35%	370	290	+28%
Selling & marketing	(6)	(1)	+4.7x	(9)	(4)	+91%
General & administrative	(38)	(25)	+57%	(119)	(91)	+30%
Provisions & other	(6)	6	NA	0	(5)	NA
Total operating expenses	(50)	(19)	+2.6x	(123)	(92)	+33%
Operating profit (EBIT)	57	60	-5%	247	197	+25%
EBITDA	73	71	+3%	302	243	+24%
Net profit	63	55	+14%	241	170	+42%
Gross profit Margin	35.6%	31.3%	+4.3 pts	34.2%	31.6%	+2.6 pts
EBIT Margin	19.0%	23.8%	-4.8 pts	22.8%	21.5%	+1.3 pts
EBITDA Margin	24.4%	28.2%	-3.8 pts	27.9%	26.5%	+1.4 pts
Net profit Margin	21.2%	22.0%	-0.9 pts	22.3%	18.5%	+3.7 pts
ROAE	17.8%	18.0%	-0.2 pts	17.7%	14.2%	+3.5 pts
ROAA	12.3%	13.3%	-0.9 pts	12.3%	10.4%	+1.9 pts

In FY 2023, Care Medical's revenue saw a notable rise of 18% year-on-year, reaching SAR 1,082 million, primarily driven by improvements in average pricing coupled with an uptick in both inpatient and outpatient numbers. Enhanced pricing was mostly driven by the MoH partnership and backed by the Company's HIMSS certification obtained in 1Q 2023. 4Q 2023 positive revenue trends (+19% year-on-year) were largely supported by the pricing improvements.

In FY 2023, the cost of revenue for Care Medical rose by 13% year-on-year to SAR 712 million. Concurrently, operating expenses experienced a significant 33% increase, predominantly due to the expansion of general & administrative expenses. Despite the rapid escalation of operating expenses in 4Q 2023, which impacted quarterly margins, the annual revenue growth still surpassed overall cost increases, thereby providing positive operating leverage and bolstering profitability. Consequently, EBITDA for FY 2023 witnessed a 24% increase year-on-year, reaching SAR 302 million. This growth led to an improvement in the EBITDA margin by 1.4 percentage points over the previous year, achieving 27.9% in FY 2023.

Net profit in FY 2023 increased 42% year-on-year, totaling SAR 241 million. This growth led to a 3.7 percentage points expansion in the net profit margin, bringing it up to 22.3%.

Total Revenue by segment, FY 2023

(SAR mn)

Sale of pharmaceuticals, 12.0%



Healthcare services, 88.0%

Total Revenue by hospital⁵, FY 2023

(SAR mn)

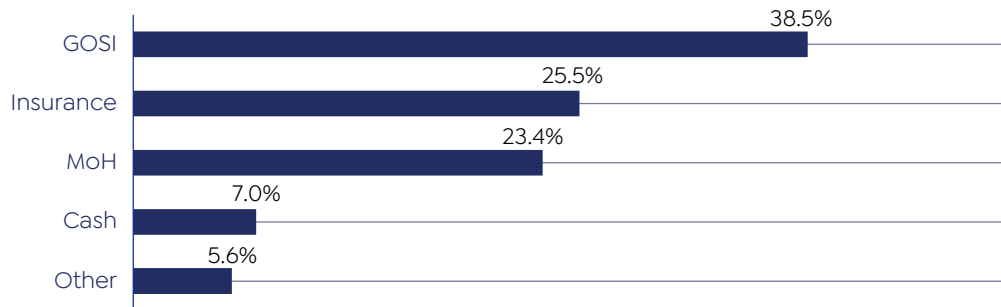
Malaz branch, 45.0%



Rawabi branch, 54.0%

Total Revenue by payer, FY 2023

(SAR mn)



In FY 2023, Care Medical's total revenue reached SAR 1,082 million, an 18% increase from the prior year, with 88% of this revenue derived from healthcare services. The Rawabi branch, formerly known as Riyadh Care Hospital (RCH), was a significant contributor, accounting for 54% of the total revenue in FY 2023. Revenue from healthcare services saw an 18% increase in FY 2023 compared to the previous year.

The revenue surge in FY 2023 was supported by significant improvements in pricing, alongside a 2% increase in outpatient visits and a 1% rise in inpatient admissions year-on-year. Notably, both GOSI and MoH contracts contributed to substantial double-digit revenue growth. The growth from GOSI was boosted by increased referrals under the occupational hazards contract, while the MoH revenue benefited from higher prices following the Company's HIMSS certification in 1Q 2023 and increased referrals. The insurance segment saw a single-digit revenue increase in FY 2023.

However, these positive developments were partly offset by declining revenue from cash patients and the completion of the National Guard contract in 2Q 2023. The downturn in cash revenue was notably from the Bariatric business, impacted by enhanced insurance policy benefits, such as lower BMI requirements and the introduction of new weight loss medications, which shifted some of the cash revenue to insurance companies. In response, management is actively engaging with existing partners and refocusing on other cash revenue segments, including dental and cosmetic services. Additionally, the launch of home healthcare services and the executive health check offering initiatives have played a significant role in partially mitigating the decline.

⁵ Rawabi branch, previously referred as Riyadh Care Hospital (RCH); Malaz branch, previously referred as Care National Hospital (CNH).

Cost Trends

SAR million	4Q2023	4Q2022	Δ%	FY2023	FY2022	Δ%
Salaries and benefits	120	100	+20%	445	392	+14%
Medicines and consumables	60	53	+14%	198	172	+15%
D&A	12	8	+42%	40	33	+21%
Repairs and maintenance	2	7	-67%	14	17	-18%
Rent, utilities and other	(1)	5	NA	15	14	+6%
Total Cost of revenues	193	173	+12%	712	628	+13%
Selling & marketing	6	1	+4.7x	9	4	+91%
General & administrative	38	25	+57%	119	91	+30%
Provisions & other	5	(7)	NA	(4)	(3)	+30%
Total Operating Expenses	50	19	+2.6x	123	92	+33%
Total Expenses	243	192	+27%	835	721	+16%

In FY 2023, Care Medical's total expenses saw a 16% increase from the previous year, primarily due to a 13% rise in the cost of revenues. This rise was significantly impacted by higher payroll expenses, as well as increased costs associated with pharmaceuticals, and medical materials and consumables. Despite this uptick, the increase in expenses was relatively lower than revenue growth.

The year also witnessed a 33% surge in operating expenses, primarily fueled by elevated general & administrative expenses. These were largely due to higher professional fees associated with ongoing mergers and acquisitions (M&A) activities, and an increase in selling & marketing expenses. The impact of these rises was slightly mitigated by improved recoveries over the year, which led to the reversal of some provisions for doubtful accounts.

In 4Q 2023, management maintained stringent control over the cost of revenues, which grew by 12% year-on-year. Operating expenses during this quarter saw a significant increase, more than doubling due to heightened general & administrative and selling & marketing expenses, alongside additional provisions. The rise in general & administrative and selling & marketing expenses stemmed from elevated professional fees for M&A activities and other strategic projects, alongside further investments in marketing Care's refreshed brand identity. As a result, total expenses in 4Q 2023 expanded by 27% year-on-year.

EBITDA and Net Income

SAR million	4Q2023	4Q2022	Δ%	FY2023	FY2022	Δ%
EBITDA	73	71	+3%	302	243	+24%
Depreciation & amortization	(16)	(11)	+46%	(55)	(46)	+20%
Finance income / (cost)	5	1	+4.4x	18	1	+14.5x
Zakat expense	1	(6)	NA	(24)	(28)	-17%
Net Income	63	55	+14%	241	170	+42%

Care Medical's EBITDA for FY 2023 grew by 24% year-on-year, amounting to SAR 302 million.

The Company reported a finance income of SAR 18 million in FY 2023 driven by higher daily average deposits. This additionally supported the FY 2023 bottom line. Net profit of the Company for FY 2023 rose by 42% year-on-year, amounting to SAR 241 million.

Cash Flow Highlights

SAR million	4Q2023	4Q2022	Δ%	FY2023	FY2022	Δ%
Net Profit before zakat	62	61	+2%	265	199	+33%
Non-cash adjustments	20	9	+2.1x	54	68	-20%
Working capital changes	(115)	140	NA	158	(23)	NA
Zakat and end-of-service benefits	15	(4)	NA	(10)	(26)	-63%
Net cash, operations	(18)	206	NA	467	217	+2.2x
Capex	(184)	(8)	+22.4x	(240)	(212)	+13%
Net cash, investing activities	(119)	(8)	+14.5x	(625)	(212)	+3.0x
Net cash, financing activities	175	(0)	NA	138	(51)	NA
Net changes in cash	39	198	-80%	(21)	(46)	-55%

Following robust performance, the Company delivered significantly improved cash flow from operations in FY 2023, amounting to SAR 467 million, 2.2x higher compared to FY 2022. 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. In FY 2023 the Company successfully secured substantial payments from GOSI, amounting to SAR 780 million, including SAR 450 million related to receivables up until 2022.

Capital expenditure in FY 2023 reached SAR 240 million, which largely reflects finalization of the Chronic Care Specialized Medical Hospital Company acquisition carried out in 4Q 2023 for SAR 204 million. Chronic Care is a specialist in long-term and transitional care, with a total of 169 operational beds. Earlier in the year, the acquisition of Jiwar Medical Services Company was finalized at a cost

of SAR 25 million. The improved cash position enabled the Company to place SAR 385 million in time deposits in 2023.

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 21 million during FY 2023. As a result, by 31 December 2023, the Company's cash reserves totaled SAR 309 million.

Balance Sheet Highlights

SAR million	4Q2023	4Q2022	Δ%	3Q2023	Δ%
Total Non-Current Assets	936	657	+43%	754	+24%
Total Current Assets	1,278	1,056	+21%	1,157	+10%
Total Assets	2,214	1,713	+29%	1,911	+16%
Total Equity	1,453	1,264	+15%	1,396	+4%
Total Non-Current Liabilities	413	163	+2.5x	184	+2.2x
Total Current Liabilities	348	286	+22%	331	+5%
Total Liabilities	761	449	+69%	515	+48%
Cash & cash equivalents	309	329	-6%	270	+14%
Net debt	(319)	(246)	+30%	(608)	-48%
Days Sales Outstanding ⁶	196	251	-22%	178	+10%
Days Payable Outstanding ³	115	112	+3%	115	+1%
Days Inventory Outstanding ³	77	80	-4%	73	+5%
Cash Conversion Cycle ³	157	219	-28%	137	+15%

As of 31 December 2023, Care Medical's total assets grew by 29% year-to-date, amounting to SAR 2,214 million. The primary catalyst behind this growth in non-current assets was the acquisition of assets related to the Chronic Care Specialized Medical Hospital Company and Jiwari Medical Services Company transactions. A boost in current assets was also noted, largely due to improved collections in 2Q and 3Q 2023.

Total liabilities for the Company rose 69% year-to-date, standing at SAR 761 million as of 31 December 2023. This increase was largely driven by the acquisition of new long-term debt to facilitate the purchase of Chronic Care, and an uptick in lease liabilities associated with the acquisitions of Chronic Care and Jiwari, particularly related to the companies' right-of-use leased assets.

⁶ Based on YTD indicators. DPO, DSO, and DIO are calculated based on Care methodology.

The Company maintained a negative net debt position of SAR 319 million as of 31 December 2023.

Key cash conversion cycle⁷ indicators showed considerable improvement in 2023. The days sales outstanding metric improved by 22% to 196 days in 4Q 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 157 days in 4Q 2023 YTD versus 219 days in 4Q 2022 YTD.

Earnings Call

The Company is holding an earnings call to discuss FY 2023 financial results with analysts and investors on Tuesday, 27 February 2024, at 3:30 pm Riyadh time (12:30 pm London, 4:30 pm Dubai, 7:30 am New York).

Webcast link: [Care Medical 4Q 2023 webcast](#)

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⁷ Based on YTD indicators. DPO, DSO, and DIO are calculated based on Care methodology.

About Care

Care Medical (Care, Tadawul: 4005) is a leading healthcare provider based in Riyadh, Kingdom of Saudi Arabia. The Company's key assets include 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 2023. Its dedicated team of c3,500 healthcare practitioners, administrators, and support staff attended to 651.2 thousand patients and performed 18.8 thousand complex surgeries in 2023. The Company posted revenue of SAR 1,082 million in 2023 (+18% year-on-year), an EBITDA of SAR 302 million (27.9% margin), and a net income of SAR 241 million (22.3% margin).

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