

Earnings Release

Care Medical announces 44% net profit growth to SAR 81 million in 1Q 2024

- 1Q 2024 saw a flat total patient count amounting to 165.9k, supported by increased referrals from the Ministry of Health (MoH) and the addition of the AlBalad and Haram branches.
- New facilities and the expansion of the Malaz branch boosted bed capacity to 946, marking a 44% increase from 1Q 2023.
- Revenue in 1Q 2024 increased by 14% to SAR 299 million, primarily due to refined pricing strategies and new branches.
- Total expenses rose by only 12% year-on-year, demonstrating disciplined cost control and contributing to positive operating leverage.
- The EBITDA margin reached 29.8% and the net profit margin improved to 27.2%.
- Net profit rose by 44% to SAR 81 million.
- Operations in 1Q 2024 generated SAR 46 million in cash flow, supported by efficient receivables management and key client payments.

Riyadh, 12 May 2024 – In the first quarter of 2024, Care Medical demonstrated consistent operational performance, reporting flat year-on-year patient numbers, totaling 165.9 thousand. This dynamic was supported by increased referrals from the Ministry of Health (MoH) and contributions from the newly added AlBalad and Haram branches counterbalanced by the conclusion of the National Guard contract in the second quarter of 2023. The new facilities alongside the expansion of the Malaz branch contributed to an overall increase in bed capacity to 946 beds, a 44% rise from 1Q 2023, with a total bed occupancy rate of 65%.

Revenue for 1Q 2024 rose by 14% to SAR 299 million, attributed largely to improved pricing strategies. Despite this revenue increase, total expenses were effectively managed, growing by only 12% compared to the same period last year. This disciplined approach to cost management contributed to a 25% surge in EBITDA, reaching SAR 89 million, and expanded the EBITDA margin by 2.6 percentage points to 29.8%. Furthermore, net profit significantly increased by 44%, reaching SAR 81 million, and the net profit margin improved by 5.7 percentage points to 27.2%.

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

"The first quarter of 2024 saw the full integration of our AlBalad and Haram branches into Care's operations, key steps in our strategic plan to enhance healthcare accessibility. These branches are

vital in bringing specialized medical care closer to those in need, reflecting our focus on practical and responsive healthcare solutions.

As we move forward, we are sharpening our operational focus and expanding into specialized medical services. These initiatives enhance Care's medical capabilities and reaffirm our commitment to improving healthcare standards and patient care throughout the Kingdom, directly addressing the most immediate health needs of our communities."

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

"In the first quarter of 2024, Care Medical's financial outcomes were strong, with a net profit of SAR 81 million, up 44% from last year. This increase was driven by our refined pricing strategies and the smooth integration of Care's new facilities, which have significantly contributed to a 14% rise in revenue to SAR 299 million. The team's focus on maintaining tight control over costs has effectively improved the company's EBITDA margin to 29.8%, demonstrating our efficient financial management.

Looking ahead, we are focused on further enhancing our operational efficiency and financial strength. The expansion of Care's services and ongoing investments in medical technology are key to improving our offerings and financial results. With these solid strategies in place, we are well-positioned to enhance shareholder value and continue our leadership in the healthcare sector, ensuring sustainable growth and profitability."

Strategy

As a premier healthcare provider in KSA, Care Medical relies on its deep experience and skilled team to maintain high performance at its medical facilities. Recent expansions include the AlBalad and Haram branches, each contributing uniquely to the network's capabilities. AlBalad, situated in Jeddah, specializes in long-term nursing, hospice, and palliative care, catering to patients requiring extended medical supervision and comfort-focused treatment. Located strategically to serve a critical need, the Haram branch, launched in December 2023, provides emergency medical services in the vicinity of Mecca's Grand Mosque, handling a wide array of urgent health situations for both residents and pilgrims.

The wide patient base, strengthened by growing government referrals, affirms Care Medical's trusted status within the Kingdom. The company's ongoing transformation strategy, initiated in 2021, has led to meaningful achievements, even amidst operational challenges. It has successfully improved margins and fostered a unified operational approach that enhances revenue and lowers costs while elevating customer satisfaction. By expanding services across KSA and tapping into new demographic groups, Care Medical continues to grow. With its strong brand and growing network, the company is actively working towards its strategic goals and positively impacting community health.

Operational and Financial Review

Operating Indicator Highlights

	1Q2024	1Q2023	YoY, %	1Q2024 LfL	YoY, %
Inpatient Admissions	4,810	5,461	-12%	4,770	-13%
Outpatient Visits	161,115	160,290	+1%	156,826	-2%
Total Patients	165,925	165,751	+0%	161,596	-3%
Inpatient Days	56,032	50,891	+10%	40,609	-20%
Bed Capacity	946	655	+44%	717	+9%
Bed Occupancy Rate (%)	65.0%	87.2%	-22.2 ppts	62.2%	-25.0 ppts
Average Length of Stay (days)	11.6	9.3	+25%	8.5	-9%
Number of surgeries	4,095	4,924	-17%	4,095	-17%

Note: 1Q2024 indicators include the results of Rawabi branch; Malaz branch; Haram branch (Jiwar), launched in December 2023; and AlBalad branch (formerly Chronic Care), acquired in 4Q 2023. 1Q2024 LfL (like-for-like) and 1Q2023 indicators include only the results of Rawabi branch, Malaz branch.

In 1Q 2024, Care Medical recorded a flat year-on-year total patient count, amounting to 165,925. This was attributed to a 1% growth in outpatient visits, tempered by a 12% decline in inpatient admissions. The increase in outpatient visits primarily stemmed from the newly acquired AlBalad and Haram branches, despite facing reduced footfall at Rawabi and Malaz branches due to the end of the National Guard contract in the second quarter of 2023. Nonetheless, growth from an enhanced business relationship with the Ministry of Health and insurance companies helped mitigate some of the impacts.

The lower number of admissions driven by reduced footfall in Rawabi and Malaz branches also contributed to a lower number of surgeries in 1Q 2024, amounting to 4,095 procedures (-17% year-on-year).

Despite the decrease in inpatient admissions, there was a 10% increase in inpatient days in 1Q 2024, largely driven by the AlBalad branch's focus on long-term nursing, hospice, and palliative care. This specialization resulted in a significant increase in the average length of stay for all Care Medical facilities, rising to 11.6 days – a 25% growth year-on-year. In contrast, Rawabi and Malaz branches, which are full-service healthcare institutions, saw their average length of stay decrease to 8.5 days, reflecting a 9% reduction from the previous year. This reduction aligns with an industry-wide trend towards shorter hospital stays due to technological advancements in medicine, a heightened focus on outpatient care, and more effective management of patient care.

The completion of the National Guard contract influenced the shorter stays, contributing to pressure on the bed occupancy rates, which amounted to 62.2% for Rawabi and Malaz branches in 1Q 2024 (-25.0 percentage points from 1Q 2023), further exacerbated by a 9% expansion in the bed capacity for the two full-service healthcare institutions in 1Q 2024. The bed occupancy rates across all Care Medical facilities amounted to 65.0% in 1Q 2024, down 22.2 percentage points year-on-year.

In response to operational pressures following the termination of the National Guard contract, Care Medical strategically redistributed existing bed capacity to better serve other large clients, aiming to maximize average revenue per bed. After the quarter end, Care secured a three-year long-term care contract with Prince Sultan Military Medical City amounting to SAR 381 million.

Income Statement Highlights

SAR million	1Q2024	1Q2023	YoY, %
Revenue	299	261	+14%
Cost of revenue	(188)	(172)	+10%
Gross profit	110	90	+23%
Selling & marketing	(1)	(1)	+123%
General & administrative	(31)	(29)	+8%
Provisions & other	(7)	(2)	+251%
Total operating expenses	(38)	(30)	+26%
Operating profit (EBIT)	72	60	+21%
EBITDA	89	71	+25%
Net profit	81	56	+44%
Gross profit Margin	36.9%	34.4%	+2.5 pts
EBIT Margin	24.2%	22.9%	+1.3 pts
EBITDA Margin	29.8%	27.2%	+2.6 pts
Net profit Margin	27.2%	21.5%	+5.7 pts
ROAE	21.8%	17.4%	+4.3 pts
ROAA	14.6%	12.8%	+1.8 pts

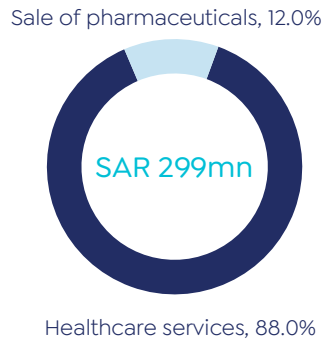
In 1Q 2024, Care Medical's revenue climbed to SAR 299 million, a 14% increase from the previous year, driven largely by higher average pricing and an uptick in outpatient visits. The revenue boost was further supported by the new AlBalad and Haram branches. The increase in pricing largely resulted from the enhanced partnership with the Ministry of Health (MoH) and was supported by the company's HIMSS certification achieved in the first quarter of the previous year.

The cost of revenue for Care Medical in the same period rose by 10% year-on-year to SAR 188 million. Operating expenses also saw an expansion of 26%, mainly due to an increase in general & administrative expenses and additional expected credit loss provisions. Despite this rise in costs, the increase in revenue was sufficient to provide positive operating leverage, enhancing overall profitability. As a result, EBITDA for the quarter grew by 25% year-on-year to SAR 89 million, improving the EBITDA margin by 2.6 percentage points from the previous year to 29.8%.

Driven by improved financial performance and the reversal of some Zakat provisions, net profit for 1Q 2024 surged by 44% year-on-year to SAR 81 million. This substantial growth translated into a net profit margin of 27.2%, marking a significant improvement of 5.7 percentage points compared to 1Q 2023.

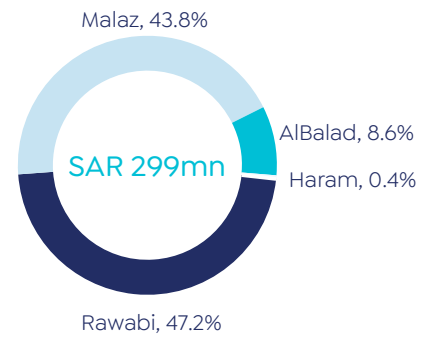
Total Revenue by segment, 1Q 2024

(SAR mn)



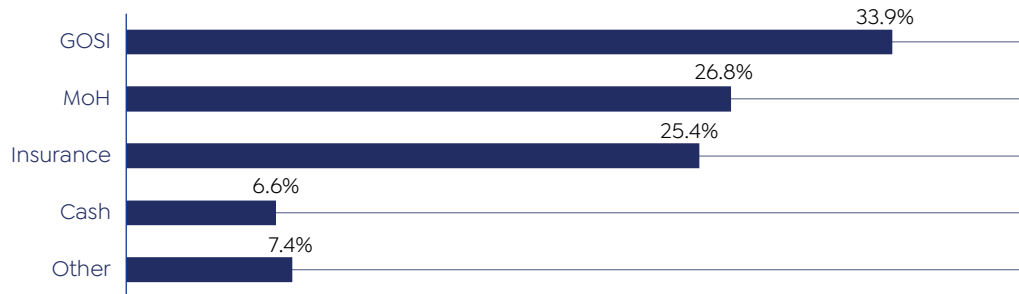
Total Revenue by hospital, 1Q 2024

(SAR mn)



Total Revenue by payer, 1Q 2024

(SAR mn)



In 1Q 2024, Care Medical achieved a total revenue of SAR 299 million, marking a 14% increase from the previous year, with 88% of this revenue derived from healthcare services. The Rawabi branch was a major contributor, accounting for 47% of the total revenue in 1Q 2024. Year-on-year, healthcare services revenue grew by 14%.

This revenue growth was fueled by enhanced pricing strategies and a modest 1% increase in outpatient visits, supplemented by the addition of the AlBalad and Haram branches. Revenue growth was particularly strong in contracts with the Ministry of Health (MoH), which experienced double-digit increases, enhanced by higher pricing following the company's HIMSS certification in 1Q 2023 and an uptick in referrals. While GOSI revenue saw single-digit growth, driven by increased occupational hazard referrals, the insurance segments also reported a double-digit increase, benefiting from increased patient visits and an improved policy uptake. Conversely, cash segment growth was more modest, registering low single-digit increase.

The overall positive revenue trends were tempered by the discontinuation of the National Guard contract in the second quarter of the previous year. To counteract slower growth in the cash segment, management has intensified engagements with existing partners and shifted focus towards other cash-generating services such as dental and cosmetic treatments. The introduction of home healthcare services and an executive health check program in 2023 have also been important in offsetting revenue declines, contributing to a more diversified service offering. Additionally, Care opened an oncology center at Rawabi branch in March 2024, which will serve both insurance and cash patients, further enhancing the company's portfolio.

Cost Trends

SAR million	1Q2024	1Q2023	YoY, %
Salaries and benefits	127	104	+22%
Medicines and consumables	43	49	-12%
D&A	12	8	+55%
Repairs and maintenance	3	4	-24%
Rent, utilities and other	3	7	-54%
Total Cost of revenues	188	172	+10%
Selling & marketing	1	1	+123%
General & administrative	31	29	+8%
Provisions & other	5	0	+12.3x
Total Operating Expenses	38	30	+26%
Total Expenses	226	201	+12%

In 1Q 2024, Care Medical experienced a 12% increase in total expenses, driven mainly by a 10% rise in costs of revenue, reflecting higher payroll costs. However, this increase was mitigated somewhat by reduced expenditures on pharmaceuticals and medical materials. Notably, the rate of expense growth remained below that of revenue, demonstrating improved operational efficiency.

Operating expenses rose in 1Q 2024 by 26% year-on-year, largely due to increases in general and administrative expenses. These were significantly influenced by rising payroll and office expenses, although offset partially by reduced professional fees. Despite these reductions, professional fees remained substantial due to active mergers and acquisitions activities. Additionally, a minor uptick in selling and marketing expenses contributed to higher costs. Lower recovery rates over the quarter led to an increase in provisions for doubtful accounts, contributing to higher total expenses.

EBITDA and Net Profit

SAR million	1Q2024	1Q2023	YoY, %
EBITDA	89	71	+25%
Depreciation & amortization	(17)	(11)	+50%
Finance income / (cost)	2	3	-42%
Zakat expense	7	(7)	NA
Net Profit	81	56	+44%

Care Medical's EBITDA for 1Q 2024 grew by 25% year-on-year, amounting to SAR 89 million.

The company reported a finance income of SAR 2 million in 1Q 2024 driven by deposit income. This, alongside a reversal of SAR 16 million in Zakat provisions following the finalization of 2021 and 2022 assessments by ZATCA, additionally supported the 1Q 2024 bottom line. Net profit of the company for 1Q 2024 rose by 44% year-on-year, amounting to SAR 81 million.

Cash Flow Highlights

SAR million	1Q2024	1Q2023	YoY, %
Net Profit before zakat	74	63	+17%
Non-cash adjustments	28	18	+54%
Working capital changes	(16)	12	NA
Zakat and end-of-service benefits	(40)	(4)	+10.8x
Net cash, operations	46	90	-48%
Capex	(168)	(12)	+13.9x
Net cash, investing activities	(168)	(12)	+13.9x
Net cash, financing activities	(6)	0	NA
Net changes in cash	(128)	78	NA

In 1Q 2024, Care Medical's cash flow from operations was SAR 46 million, representing a 48% decline from 1Q 2023. This reduction was primarily due to an increase in working capital requirements, particularly in trade payables. The decrease was further impacted by the payment of SAR 32 million in Zakat charges relating to final assessments of 2021 and 2022, though this was partially offset by additional finance income.

Capital expenditure during the quarter amounted to SAR 168 million, reflecting the planned expansion in Jeddah, as well as additional investments in renovation of Rawabi branch and medical equipment purchases.

Considering these factors, the company saw a net decrease in cash and cash equivalents of SAR 128 million in 1Q 2024. By March 31, 2024, Care Medical's cash reserves amounted to SAR 181 million, positioning the company well for continued operational and strategic initiatives.

Following the end of the quarter, on April 22, 2024, a dividend of SAR 2.0 per share was declared, signaling the company's focus to further improve shareholder returns.

Balance Sheet Highlights

SAR million	1Q2024	4Q2023	Ytd, %
Total Non-Current Assets	1,088	936	+16%
Total Current Assets	1,144	1,278	-11%
Total Assets	2,232	2,214	+1%
Total Equity	1,535	1,453	+6%
Total Non-Current Liabilities	411	413	-1%
Total Current Liabilities	286	348	-18%
Total Liabilities	697	761	-8%
Cash & cash equivalents	181	309	-41%
Net debt	(248)	(319)	-22%
Days Sales Outstanding ¹	151	196	-23%
Days Payable Outstanding ¹	112	115	-3%
Days Inventory Outstanding ¹	97	77	+26%
Cash Conversion Cycle ¹	136	157	-14%

As of 31 March 2024, Care Medical's total assets grew by 1% year-to-date, amounting to SAR 2,232 million. The primary catalyst behind this growth in non-current assets was the acquisition of land in Jeddah. Current assets decreased in 1Q 2024 following lower cash and equivalents and trade receivables.

Total liabilities for the company declined 8% year-to-date, standing at SAR 697 million as of 31 March 2024. This decrease was largely driven by current liabilities decline by 18% year-to-date due to reduction in Zakat provision associated with finalizing the assessments for 2021 and 2022 and a net reversal of the corresponding provision. Additionally, trade payables have declined due to the timing differences and lease liabilities were lower due to amortization.

The company maintained a negative net debt position of SAR 248 million as of 31 March 2024.

Key cash conversion cycle¹ indicators showed considerable improvement in 1Q 2024. The days sales outstanding metric improved by 23% to 151 days in 1Q 2024 YTD compared to the 4Q 2023 YTD. This improvement was somewhat counterbalanced by the longer inventory turnover and slightly shorter days payable outstanding. The overall enhancement in the cash conversion cycle was substantial, with the indicator standing at 136 days in 1Q 2024 YTD versus 157 days in 4Q 2023 YTD.

¹ 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 1Q 2024 financial results with analysts and investors on Tuesday, 14 May 2024, at 3:30 pm Riyadh time (1:30 pm London, 4:30 pm Dubai, 8:30 am New York).

Webcast link: [Care Medical 1Q 2024 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's assets include two state-of-the-art full-service healthcare facilities in Riyadh, Rawabi branch and Malaz branch, as well as Haram branch, an emergency department in Mecca's Grand Mosque area, and Jeddah-based AlBalad branch, which specializes in long-term nursing, hospice, and palliative care. Care's 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 profit of SAR 241 million (22.3% margin).

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