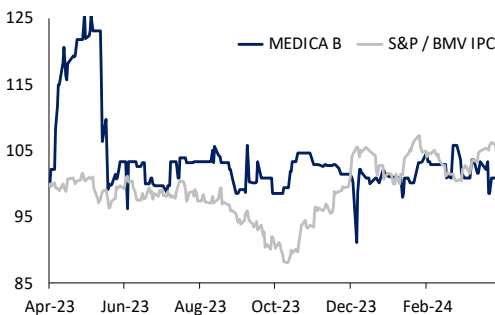


MÉDICA: 1Q24 Results

Stronger-than-expected operating results, but net profits fell 14.0%; we raised our target price to MXN\$70.0/share

MEDICA B	BUY
Target Price (MXN\$) [1]	\$ 70.00
Current Price (MXN\$)	\$ 40.60
Min / Max (L12M)	\$37.00 - 52.02
Expected Dividend (MXN\$)	\$ 1.30
Expected Return	75.6%
Market Cap (MXN\$ Mn)	4,382
Enterprise Value (MXN\$ Mn)	4,556
Oustanding Shares (Mn)	107.9
Float	37.5%
ADTV (MXN\$ Mn)	\$ 1.40

[1] P\$89.11 including land



Opinion and recommendation

MÉDICA reported a positive operating performance in 1Q24 with revenue and EBITDA exceeding our forecasts, but net profits below our expectations. Our recommendation remains BUY and we have raised our target price to MXN\$70.0/share, from MXN\$68.0/share, after this quarterly report.

1Q24 Results

MÉDICA recorded total revenues of MXN\$1.08 billion, up 0.7% as the company experienced greater demand for traditional hospital services (patients +3.3% in hospitalization, +5% in emergencies, +8% in gynecology and obstetrics and +4% in critical units; while surgeries -8%) and clinical and diagnostic services (magnetic resonance +16%, radio oncology +13.2%, imaging -6.5%), which offset the reduction in COVID-related revenues. 19. This figure was slightly higher than our MXN\$996 million estimate.

For the same reason, EBITDA remained stable at MXN\$223.4 million (against our MXN\$186.8 million projection) with a 20.7% margin in the current quarter, compared to 20.8% in 1Q23.

Net profits declined 14.0% to MXN\$121.9 million (vs. our P\$138.4 million expectation) due to lower interest earned. This was offset by a 16.3% tax reduction.

The financial structure remained solid with a net debt to EBITDA ratio of only 0.2x.

April 29th, 2024

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(Figures in Millions of MXN\$)	1Q24	1Q24E	Diff.	1Q23	Chg.
Revenues	1,080	996	8.4%	1,073	0.7%
EBITDA	223	187	19.6%	223	0.1%
EBITDA Margin	20.7%	18.8%		20.8%	
Financial Gains	16	16	-1.4%	47	-65.4%
Financial Cost	-20	-25	-21.1%	-23	-14.1%
Net Profit	122	138	-11.9%	142	-14.0%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	732	801	862	934	1,018	1,071
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-220	-240	-259	-280	-305	-321
NOPLAT	512	561	604	654	712	750
Depreciation	197	208	225	238	238	250
Working Capital Changes	-5	18	19	20	25	27
CAPEX	-273	-289	-307	-326	-346	-364
FCFF	432	498	540	585	629	795
Perpetuity Growth Rate						5.2%
PV of Explicit Period (2025 - 2029E)						1,869
Perpetuity Value						10,861
PV of Perpetuity Value						5,345
Enterprise Value						7,213
Net Debt						153
Treasury Shares						495
Market Value						7,556
Land Properties						2,062
Adjusted Market Value w/ Land Properties						9,618
Outstanding Shares						108
Target Price						P\$ 70.00
Adjusted Target Price with Land Properties						P\$ 89.11
Current Market Price						P\$ 40.60
Potential Return Incl. Dividends						75.6%
Forward EV/EBITDA						8.3x
Forward P/E						14.9x
Average Cost of Debt						7.0%
LT Tax Rate						30.0%
After-Tax Cost of Debt						4.9%
Cost of Equity						16.0%
Market Risk Premium						6.0%
Risk-Free Rate						10.3%
Beta						0.95
% Total Debt						31.3%
% Capital						68.7%
WACC						12.5%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	839	883	929	976	1,024
Target EV/EBITDA					
6.8x	51.36	54.15	57.09	60.03	63.11
7.3x	55.24	58.24	61.39	64.55	67.86
7.8x	59.13	62.33	65.70	69.07	72.60
8.3x	63.01	66.42	70.00	73.59	77.35
8.8x	66.90	70.51	74.31	78.11	82.10
9.3x	70.78	74.59	78.61	82.62	86.84

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	458	482	508	533	560
Target P/E					
11.9x	50.44	53.10	55.89	58.68	61.62
12.9x	54.69	57.56	60.59	63.62	66.80
13.9x	58.93	62.03	65.30	68.56	71.99
14.9x	63.18	66.50	70.00	73.50	77.18
15.9x	67.42	70.97	74.70	78.44	82.36
16.9x	71.67	75.44	79.41	83.38	87.55

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	4,130	4,233	4,398	4,667	4,953	5,258	5,582
Cost of Sales	-2,670	-2,715	-2,801	-2,959	-3,126	-3,302	-3,505
Gross Profit	1,460	1,518	1,596	1,708	1,828	1,956	2,076
<i>Gross Margin</i>	35.3%	35.9%	36.3%	36.6%	36.9%	37.2%	37.2%
General Expenses	-869	-837	-822	-859	-911	-967	-1,005
Operating Profit	727	700	732	801	862	934	1,018
<i>Operating Margin</i>	17.6%	16.5%	16.6%	17.2%	17.4%	17.8%	18.2%
Depreciation and Amortization	-175	-183	-197	-208	-225	-238	-238
EBITDA	908	883	929	1,010	1,087	1,172	1,255
<i>EBITDA Margin</i>	22.0%	20.9%	21.1%	21.6%	21.9%	22.3%	22.5%
Financial Gains	100	68	84	93	110	137	164
Financial Cost	-86	-77	-91	-98	-110	-128	-143
Pre-Tax Profit	742	691	725	796	862	943	1,039
Tax & Profit Sharing	-184	-207	-218	-239	-259	-283	-312
<i>Tax & Profit Sharing Rate</i>	24.8%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Net Profit	635	484	508	557	604	660	727
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	4,128	4,340	4,503	4,907	5,296	5,722	6,147
Current Assets	1,272	1,366	1,454	1,776	2,083	2,421	2,737
LT Assets	2,856	2,974	3,050	3,130	3,213	3,301	3,410
TOTAL LIABILITIES	2,091	2,170	2,281	2,596	2,864	3,126	3,334
ST Liabilities	1,040	1,116	1,227	1,542	1,809	2,071	2,280
LT Liabilities	1,051	1,054	1,054	1,054	1,054	1,054	1,054
TOTAL DEBT	1,016	997	1,069	1,333	1,547	1,752	1,895
NET DEBT	311	153	182	156	98	3	-130
TOTAL CAPITAL	2,037	2,186	2,238	2,326	2,448	2,612	2,828
Stockholder's Equity	2,036	2,185	2,237	2,325	2,447	2,611	2,827
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
NET PROFIT	635	484	508	557	604	660	727
Inv. Related Activities	79	226	221	228	236	235	221
Pre-Tax Cash Flow	705	649	597	645	686	725	760
Working Capital Changes	-351	36	-5	18	19	20	25
Operating Cash Flow	353	685	592	663	705	745	786
Investment Cash Flow	234	-197	-165	-169	-165	-153	-142
Financing Cash Flow	-1,104	-349	-384	-205	-268	-291	-368
Net Incr. (Decr.) in Cash & Temp. Inv.	-517	139	43	290	272	301	276
Beg. of Period Cash and Temp. Inv.	1,221	705	844	887	1,177	1,448	1,749
End of Period Cash and Temp. Inv.	705	844	887	1,177	1,448	1,749	2,026

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