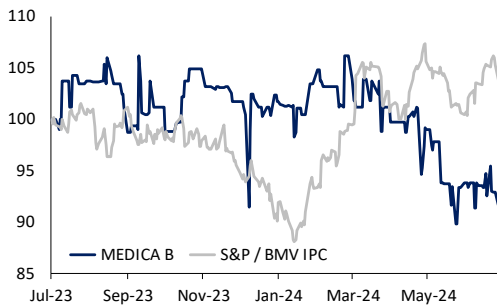


MÉDICA: 2Q24 Results

Stable revenues but lower margins due to extraordinary charges

MÉDICA B	BUY
Target Price (MXN\$) [1]	\$ 67.00
Current Price (MXN\$)	\$ 35.80
Min / Max (L12M)	\$35.80 - 43.20
Expected Dividend (MXN\$)	\$ 1.30
Expected Return	90.8%
Market Cap (MXN\$ Mn)	3,864
Enterprise Value (MXN\$ Mn)	4,102
Outstanding Shares (Mn)	107.9
Float	37.5%
ADTV (MXN\$ Mn)	\$ 0.44

[1] P\$85.13 including land



Opinion and recommendation

MÉDICA reported mixed quarterly results, with stable revenues but lower profitability due to an extraordinary charge. After including this report in our model, we are reiterating our BUY recommendation and adjusting our target price to MXN\$67.0/share, from MXN\$70.0/share. The valuation of MÉDICA shares remains very low with projected EV/EBITDA of 5.1x (2.6x including land) and estimated P/E of 9.0x.

2Q24 Results

MÉDICA's revenues remained stable at MXN\$1.074 billion, virtually in line with our expectations. Revenues from clinical services and diagnostic units increased 9.0% (CIDyT +12%, imaging +6.4%, PET-CT +4.4% and angiology -4.8%). Hospital segment revenues declined 5.3% due to a slight 2.2% decrease in the number of patients, -4.3% in urgencies and -8% in the number of surgeries.

Reported EBITDA fell 37.7% to MXN\$141.1 million, mainly as a result of a MXN\$92.9 million non-recurring expense related to settlement payments. Normalized EBITDA (excluding extraordinary items) was down 16.0% to MXN\$190.3 million (vs. MXN\$224.1 million E).

Reported net profits were 37.7% lower to MXN\$82.4 million. Normalized net profits decreased 18.6% to MXN\$107.7 million (vs. MXN\$123.7 million E).

Financial Structure

The financial structure remained solid with 0.3x net debt to EBITDA at the end of 2Q24, in line with the same period of the previous year.

July 30th, 2024

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(Figures in Millions of MXN\$)	2Q24	2Q24E	Diff.	2Q23	Chg.
Revenues	1,074	1,074	0.0%	1,068	0.6%
EBITDA	141	224	-36.9%	227	-37.7%
EBITDA Margin	13.1%	20.8%		21.2%	
Financial Gains	28	17	62.8%	27	4.6%
Financial Cost	-18	-18	-3.3%	-24	-25.3%
Net Profit	82	124	-33.3%	132	-37.7%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	688	750	792	850	922	968
Tax Rate	30%	30%	30%	30%	30%	30%
Tax Shield	-206	-225	-238	-255	-276	-290
NOPLAT	482	525	555	595	645	677
Depreciation	197	208	225	238	238	249
Working Capital Changes	3	19	20	24	27	28
CAPEX	-246	-247	-262	-278	-295	-310
FCFF	436	505	537	578	614	774
Perpetuity Growth Rate						5.0%
PV of Explicit Period (2025 - 2029E)						1,869
Perpetuity Value						10,421
PV of Perpetuity Value						5,166
Enterprise Value						7,036
Net Debt						106
Treasury Shares						303
Market Value						7,232
Land Properties						1,957
Adjusted Market Value w/ Land Properties						9,189
Outstanding Shares						108
Target Price						P\$ 67.00
Adjusted Target Price with Land Properties						P\$ 85.13
Current Market Price						P\$ 35.80
Potential Return Incl. Dividends						90.8%
Forward EV/EBITDA						8.2x
Forward P/E						15.0x
Average Cost of Debt						7.0%
LT Tax Rate						30.0%
After-Tax Cost of Debt						4.9%
Cost of Equity						15.9%
Market Risk Premium						6.0%
Risk-Free Rate						10.2%
Beta						0.95
% Total Debt						32.0%
% Capital						68.0%
WACC						12.4%

Sensitivity Analysis of the Target Price, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	799	841	885	929	976
Target EV/EBITDA					
6.7x	49.33	51.95	54.70	57.46	60.35
7.2x	53.03	55.84	58.80	61.76	64.87
7.7x	56.73	59.74	62.90	66.07	69.39
8.2x	60.43	63.63	67.00	70.37	73.91
8.7x	64.13	67.53	71.10	74.68	78.43
9.2x	67.83	71.42	75.20	78.98	82.95

Sensitivity Analysis Table of the Target Price, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	435	458	482	506	531
Target P/E					
12.0x	48.38	50.93	53.61	56.29	59.11
13.0x	52.41	55.17	58.08	60.98	64.03
14.0x	56.44	59.41	62.54	65.67	68.95
15.0x	60.47	63.65	67.00	70.35	73.87
16.0x	64.50	67.89	71.47	75.04	78.79
17.0x	68.53	72.13	75.93	79.73	83.71

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	4,130	4,233	4,397	4,665	4,950	5,253	5,575
Cost of Sales	-2,670	-2,804	-2,924	-3,088	-3,262	-3,457	-3,668
Gross Profit	1,460	1,429	1,473	1,577	1,688	1,797	1,907
<i>Gross Margin</i>	35.3%	33.8%	33.5%	33.8%	34.1%	34.2%	34.2%
General Expenses	-869	-779	-743	-779	-842	-893	-931
Operating Profit	727	548	688	750	792	850	922
<i>Operating Margin</i>	17.6%	12.9%	15.6%	16.1%	16.0%	16.2%	16.5%
Depreciation and Amortization	-179	-186	-197	-208	-225	-238	-238
EBITDA	908	778	885	958	1,017	1,087	1,159
<i>EBITDA Margin</i>	22.0%	18.4%	20.1%	20.5%	20.6%	20.7%	20.8%
Financial Gains	100	83	87	102	122	143	174
Financial Cost	-86	-75	-86	-122	-132	-138	-151
Pre-Tax Profit	742	555	688	730	783	855	944
Tax & Profit Sharing	-184	-165	-206	-219	-235	-256	-283
<i>Tax & Profit Sharing Rate</i>	24.8%	29.8%	30.0%	30.0%	30.0%	30.0%	30.0%
Net Profit	635	429	482	511	548	598	661
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	4,128	4,393	4,612	4,891	5,243	5,523	6,012
Current Assets	1,272	1,485	1,655	1,896	2,210	2,450	2,880
LT Assets	2,856	2,908	2,957	2,995	3,033	3,074	3,132
TOTAL LIABILITIES	2,091	2,203	2,314	2,464	2,659	2,742	2,980
ST Liabilities	1,040	1,151	1,261	1,412	1,606	1,689	1,927
LT Liabilities	1,051	1,053	1,053	1,053	1,053	1,053	1,053
TOTAL DEBT	1,016	1,039	1,108	1,205	1,343	1,364	1,533
NET DEBT	311	106	44	-65	-205	-386	-605
TOTAL CAPITAL	2,037	2,205	2,314	2,443	2,600	2,797	3,048
Stockholder's Equity	2,036	2,204	2,312	2,441	2,599	2,796	3,046
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
NET PROFIT	635	429	482	511	548	598	661
Inv. Related Activities	79	122	67	70	76	79	64
Pre-Tax Cash Flow	705	546	568	589	619	657	685
Working Capital Changes	-351	10	3	19	20	24	27
Operating Cash Flow	353	556	571	608	639	681	711
Investment Cash Flow	234	-77	-135	-117	-108	-99	-82
Financing Cash Flow	-1,104	-250	-304	-285	-253	-380	-241
Net Incr. (Decr.) in Cash & Temp. Inv.	-517	228	132	206	278	201	389
Beg. of Period Cash and Temp. Inv.	1,221	705	933	1,064	1,271	1,548	1,749
End of Period Cash and Temp. Inv.	705	933	1,064	1,271	1,548	1,749	2,138

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