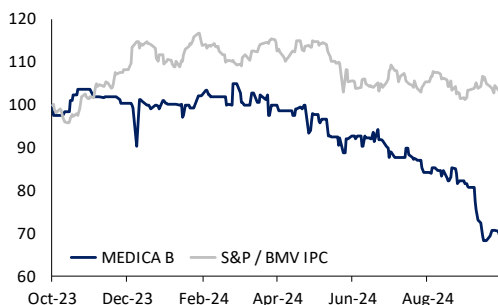


MÉDICA: 3Q24 Results

Positive quarter with stronger-than-expected revenues, EBITDA and net profits

MEDICA B	BUY
Target Price (MXN\$) [1]	\$ 68.00
Current Price (MXN\$)	\$ 29.00
Min / Max (L12M)	\$27.30 - 43.20
Expected Dividend (MXN\$)	\$ 1.30
Expected Return	139.0%
Market Cap (MXN\$ Mn)	3,130
Enterprise Value (MXN\$ Mn)	3,156
Oustanding Shares (Mn)	107.9
Float	37.5%
ADTV (MXN\$ Mn)	\$ 0.83

[1] P\$86.13 including land



Opinion and recommendation

MÉDICA reported positive quarterly results that exceeded our projections in terms of revenue, EBITDA and net profits due to a stronger-than-expected performance in both hospital services and diagnostics. We reiterate our BUY recommendation and we are raising our target price to MXN\$68.0/share (MXN\$86.13/share including land), from MXN\$67.0/share.

We recommend taking advantage of the recent adjustment in MÉDICA's stock price. The valuation is low with an EV/EBITDA of 3.4x (1.2x including land) and a P/E of 6.1x, in both cases estimated for 2025, based on our updated model.

3Q24 Results

Total revenues increased 16.8% YoY to MXN\$1.11 billion. This figure compared favorably against our MXN\$1.0 billion expectation. The strong performance was primarily driven by a 21.3% rise in hospital services supported by an 8 percentage point improvement in occupancy levels, and growth of 6.4% in emergency services and 3% in surgeries. Meanwhile, diagnostic revenues rose 16.8% driven by increases of 37% in nuclear medicine studies and 16% in PET-CT.

As a result of a higher revenues, normalized EBITDA (excluding extraordinary effects in 2024 and 2023) grew 22.6% YoY to MXN\$209 million, also exceeding our MXN\$204 million forecast. EBITDA margin expanded 0.9 percentage points to 18.7%. Normalized net income was up 35.0% YoY to MXN\$119 million (vs. MXN\$116 million E) due to favorable operating results and FX gains.

October 28th, 2024

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MÉDICA's total debt remained at MXN\$1.0 billion, which became short-term debt from the current quarter, while the cash position increased 45% to MXN\$974 million due to the free cash flow generation. Leverage thus stood at a minimum level of 0.03x at the end of the current quarter, compared to 0.35x in 3Q23.

On the other hand, the company announced it has completed the remodeling of Tower II with 200 offices through a MXN\$40 million investment. Additionally, in August it obtained the certification of the "New Unique Quality Model" ("NUQM") by the General Health Council for a 2-year period. More than 6 thousand hospitals are part of the program. Only two private hospitals received such certification.

(Figures in Millions of MXN\$)	3Q24	3Q24E	Diff.	3Q23	Chg.
Revenues	1,117	1,024	9.1%	956	16.8%
EBITDA	209	204	2.2%	170	22.5%
<i>EBITDA Margin</i>	<i>18.7%</i>	<i>19.9%</i>		<i>17.8%</i>	
Net Profit	119	116	2.4%	88	35.1%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	713	777	821	880	954	1,005
Tax Rate	28%	28%	28%	28%	28%	30%
Tax Shield	-199	-217	-230	-246	-267	-301
NOPLAT	513	559	591	634	687	703
Depreciation	197	208	225	238	238	250
Working Capital Changes	-52	13	14	17	20	21
CAPEX	-255	-256	-271	-288	-305	-322
FCFF	404	525	559	601	639	783
Perpetuity Growth Rate						5.3%
PV of Explicit Period (2025 - 2029E)						1,887
Perpetuity Value						10,605
PV of Perpetuity Value						5,182
Enterprise Value						7,069
Net Debt						-25
Treasury Shares						245
Market Value						7,340
Land Properties						1,957
Adjusted Market Value w/ Land Properties						9,297
Outstanding Shares						108
Target Price						P\$ 68.00
Adjusted Target Price with Land Properties						P\$ 86.13
Current Market Price						P\$ 29.00
Potential Return Incl. Dividends						139.2%
Forward EV/EBITDA						8.0x
Forward P/E						13.9x
Average Cost of Debt						7.0%
LT Tax Rate						30.0%
After-Tax Cost of Debt						4.9%
Cost of Equity						16.2%
Market Risk Premium						6.0%
Risk-Free Rate						10.5%
Beta						0.95
% Total Debt						31.2%
% Capital						68.8%
WACC						12.7%

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

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	821	864	910	955	1,003
Target EV/EBITDA					
6.5x	50.04	52.63	55.36	58.09	60.95
7.0x	53.84	56.64	59.57	62.51	65.60
7.5x	57.65	60.64	63.79	66.94	70.24
8.0x	61.45	64.64	68.00	71.36	74.89
8.5x	65.25	68.65	72.22	75.79	79.54
9.0x	69.06	72.65	76.43	80.21	84.18

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

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	476	501	528	554	582
Target P/E					
10.9x	48.14	50.67	53.34	56.00	58.80
11.9x	52.55	55.31	58.23	61.14	64.19
12.9x	56.96	59.96	63.11	66.27	69.58
13.9x	61.37	64.60	68.00	71.40	74.97
14.9x	65.78	69.25	72.89	76.54	80.36
15.9x	70.20	73.89	77.78	81.67	85.75

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	4,130	4,376	4,546	4,823	5,117	5,430	5,762
Cost of Sales	-2,670	-2,898	-3,023	-3,193	-3,372	-3,573	-3,791
Gross Profit	1,460	1,477	1,523	1,630	1,745	1,857	1,971
<i>Gross Margin</i>	<i>35.3%</i>	<i>33.8%</i>	<i>33.5%</i>	<i>33.8%</i>	<i>34.1%</i>	<i>34.2%</i>	<i>34.2%</i>
General Expenses	-869	-861	-768	-805	-870	-923	-962
Operating Profit	727	541	713	777	821	880	954
<i>Operating Margin</i>	<i>17.6%</i>	<i>12.4%</i>	<i>15.7%</i>	<i>16.1%</i>	<i>16.0%</i>	<i>16.2%</i>	<i>16.6%</i>
Depreciation and Amortization	-179	-188	-197	-208	-225	-238	-238
EBITDA	908	773	910	985	1,046	1,117	1,192
<i>EBITDA Margin</i>	<i>22.0%</i>	<i>17.7%</i>	<i>20.0%</i>	<i>20.4%</i>	<i>20.4%</i>	<i>20.6%</i>	<i>20.7%</i>
Financial Gains	100	100	102	112	129	149	175
Financial Cost	-86	-77	-82	-104	-101	-97	-94
Pre-Tax Profit	742	564	733	785	849	932	1,035
Tax & Profit Sharing	-184	-161	-205	-220	-238	-261	-290
<i>Tax & Profit Sharing Rate</i>	<i>24.8%</i>	<i>28.6%</i>	<i>28.0%</i>	<i>28.0%</i>	<i>28.0%</i>	<i>28.0%</i>	<i>28.0%</i>
Net Profit	635	441	528	566	611	671	745
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	4,128	4,461	4,662	4,910	5,176	5,521	5,912
Current Assets	1,272	1,556	1,700	1,901	2,120	2,415	2,738
LT Assets	2,856	2,905	2,962	3,010	3,056	3,106	3,174
TOTAL LIABILITIES	2,091	2,188	2,218	2,264	2,290	2,345	2,380
ST Liabilities	1,040	2,135	2,165	2,211	2,237	2,292	2,327
LT Liabilities	1,051	53	53	53	53	53	53
TOTAL DEBT	1,016	1,035	1,027	1,025	1,000	997	971
NET DEBT	311	-25	-88	-256	-463	-721	-1,028
TOTAL CAPITAL	2,037	2,287	2,459	2,661	2,900	3,191	3,547
Stockholder's Equity	2,036	2,286	2,458	2,660	2,899	3,189	3,545
CASH FLOW STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
NET PROFIT	635	441	528	566	611	671	745
Inv. Related Activities	79	207	236	246	261	271	269
Pre-Tax Cash Flow	705	629	599	633	675	723	768
Working Capital Changes	-351	-74	-52	13	14	17	20
Operating Cash Flow	353	555	547	647	689	741	788
Investment Cash Flow	234	-24	-129	-115	-110	-103	-91
Financing Cash Flow	-1,104	-175	-364	-366	-397	-383	-416
Net Incr. (Decr.) in Cash & Temp. Inv.	-517	356	54	166	182	255	281
Beg. of Period Cash and Temp. Inv.	1,221	705	1,061	1,115	1,281	1,463	1,718
End of Period Cash and Temp. Inv.	705	1,061	1,115	1,281	1,463	1,718	1,999

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