

Medicare Group (MCGS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR6.395	Target Price	QR7.300
Implied Upside	14.2%	Old Target Price	QR5.962

3Q2025 Miss On Lower Revenue; Policy Tailwinds On The Horizon; Boosting Target Price

Medicare Group's 3Q2025 net profit came in at QR20.8mn, falling 15.8% YoY and missing our estimate. The shortfall vs. our projection was driven by a combination of a top-line miss and consequent subdued gross margins relative to expectations. However, earnings improved 6.2% QoQ from QR19.6mn in 2Q2025, aided by slightly better margins. Revenue declined 4.6%/9.6% YoY/QoQ, with the HMC referral program only making a marginal contribution. Although cost pressures have eased sequentially, the gross profit margin remained lower YoY due to persistently sticky/higher operating costs, notably utilities. We are trimming our FY2025e given the 9M/3Q miss. Meanwhile, management is now more upbeat about the new national insurance scheme (Seha) that it believes will be rolled out next year given some engagement it has had with the authorities. We remind readers that the new Seha Phase 1 is imminent: This more lucrative Phase 1 is set to encompass ~260k uninsured Qatari nationals, not currently covered by employer-sponsored schemes, and is tipped to offer high-value, government-backed premiums. During the old Seha program, MCGS full year top-line peaked at QR861mn (FY2015) vs QR523mn last year; but this is new program is likely to be more contained in nature. We also note that management expects more beds to come online by end of this year, raising capacity to 209 beds from 180. With still several unknowns, specifically on how new Seha (Phase 1) will impact MCGS's occupancy levels, we have tweaked our model to absorb this elevated uncertainty. We have employed Monte-Carlo simulation together with a triangular distribution assumption to iterate a range of possible occupancy level outcomes that Al Ahli could realize – from ~60% levels in our current model all the way to full capacity. We assume ~80% capacity as the most likely outcome. (NB: From our understanding of the nature of this Seha Phase 1 program, the elevated capacity levels for MCGS is only assumed for the three years between 2026 and 2028.) Therefore, we raise our PT to QR7.300 and reiterate our Accumulate rating.

Highlights

- 3Q2025 earnings miss – weaker revenue & consequent negative operating leverage:** Net profit for 3Q2025 was QR20.8mn, which lagged our estimate of QR25.0mn and was down 15.8% YoY from QR24.7mn in 3Q2024. On a sequential basis, net profit improved +6.2% QoQ (vs. QR19.6mn in 2Q2025) as operating profitability stabilized. The earnings miss was primarily due to a top-line shortfall and compressed gross margins relative to assumptions. Gross profit fell 11.6% YoY to QR44.4mn, with the gross profit margin at 37.7% (vs. 40.7% a year ago). While 3Q's gross margin did tick up from 35.8% in 2Q2025, it remained below our ~39-40% expectation, reflecting sustained cost pressures (higher utility and sticky medications and surgical costs). However, admin costs were well contained, declining 6.6% YoY. NP margin came in at 17.7% in 3Q2025 (vs. 19.9% expected), from 20.0% in 3Q2024.
- Revenue softness drags results: Revenue in 3Q2025 was QR117.9mn, down 4.6% YoY (from QR123.5mn in 3Q2024) and -9.6% QoQ (vs. QR130.5mn in 2Q2025).** This was roughly 6% below our estimate of ~QR125mn for the quarter. The YoY decline was attributed to weaker inpatient volumes. We note that 9M2025 revenue is down 1.7% YoY (QR376.1mn vs. QR382.4mn in 9M2024), tracking behind our full-year expectations. We adjust our model to reflect the 9M2025 miss, but we maintain our 4Q estimates.
- MCGS's management signaled strong optimism that the insurance mandate will be a game-changer for patient volumes.** Once implemented, a large segment of the population that previously relied solely on public facilities (or paid out-of-pocket) will have access to private hospitals through insurance coverage. This could drive a surge in demand for services at Al-Ahli Hospital, boosting occupancy and revenue. It's worth noting that during the prior Seha program (mid-2010s), MCGS's annual revenue peaked at ~QR861mn (2015), compared to QR523mn in 2024 (when no broad insurance was in effect). While the new scheme may be more measured in scope (and will roll out gradually), it underscores the scale of potential upside over the medium term. Management expects Phase 1 in 2026 to be an inflection point, with a meaningful uptick in Qataris seeking private healthcare once they are covered by the scheme.
- Relationship with QLM, Qatar's largest medical insurer, seems to be on the mend:** QLMI had earlier announced the removal of MCGS from its network with effect from mid-November, which was subsequently extended to end of the year. However, we understand that talks are still underway and MCGS management is confident that the issue will be resolved before the end of the year.

Catalysts

- Catalysts:** (1) Phased rollout of the "new" health insurance policy (2) Margin lift from cost-cutting initiatives including the closure of Al-Wakra Clinics (3) Contingent QR109mn receivable cash windfall from Medicare's court case vs. the government on "old Seha" (4) Ongoing marketing efforts and renovations and upgrade of hospital facilities (5) Improving yield dynamics as global interest rates decline.

Recommendation, Valuation and Risks

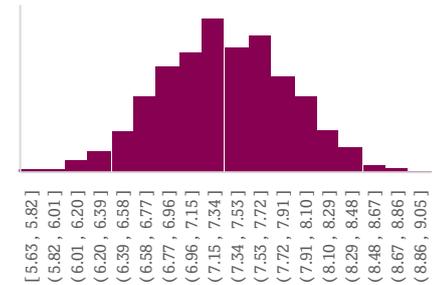
- Recommendation and Valuation:** We maintain our Accumulate rating but raise our weighted 12-month PT to QR7.300, which implies a 14.2% upside potential. MCGS's short- to medium-term outlook has been invigorated by the imminent rollout of the new Seha Phase 1, while longer-term prospects are anchored by favorable population dynamics.
- Key risks:** (1) Escalating competitive pressure as both private and public bed-count increases (2) Further write-downs/offers of the Seha receivable (3) Low stock liquidity (5) Global disease outbreak.

Key Data

Current Market Price	QR6.395
Dividend Yield (%)	3.1
Bloomberg Ticker	MCGS QD
ADR/GDR Ticker	N/A
Reuters Ticker	MCGS.QA
ISIN	QA0006929754
Sector*	Consumer Goods
52wk High/52wk Low (QR)	7.213/4.215
3-m Average Vol. (mn)	1.6
Mkt. Cap. (\$ bn/QR bn)	0.5/1.8
EV (\$ bn/QR bn)	0.5/1.9
Shares O/S (mn)	281.4
FO Limit* (%)	100.0
FO (Institutional)* (%)	17.4
1-Year Total Return (%)	46.8
Fiscal Year-End	December 31

Source: Bloomberg (as of October 20, 2025), *Qatar Exchange (as of October 20, 2025); Note: FO is foreign ownership

Target Price Probabilistic Distribution - Varying Occupancy Levels (60 - 100%)



Source: QNB FS Research; Note: MCGS PT simulation results based on varying occupancy levels expected due to the new Seha Phase 1; ~80% occupancy level is assumed as the most likely outcome, utilizing a triangular distribution; 1K iterations ran.

Key Financial Data and Estimates

Group	2024A	2025E	2026E
EPS (QR)	0.21	0.31	0.61
DPS (QR)	0.20	0.29	0.43
P/E (x)	30.0	20.5	10.4
EV/EBITDA (x)	17.5	18.1	9.8
DY (%)	3.1%	4.6%	6.7%

Source: Company data, QNB FS Research; Note: All data based on current number of shares; These estimates may not reflect the most recent quarter

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Financial Statements and Forecasts

3Q2025 Condensed Income Statement vs. Estimates (QR)

	3Q24a	2Q25	3Q25	3Q25e	YoY	QoQ	vs. Est.
REVENUE	123,542,467	130,461,756	117,900,308	118,539,105	-4.6%	-9.6%	-0.5%
GROSS PROFIT	50,235,039	46,744,474	44,410,767	42,674,021	-11.6%	-5.0%	4.1%
GP M	40.7%	35.8%	37.7%	36.0%			
OPERATING PROFIT	21,270,537	17,425,621	17,366,147	15,939,914	-18.4%	-0.3%	8.9%
PROFIT FOR THE PERIOD	24,746,445	19,618,140	20,838,740	19,557,550	-15.8%	6.2%	6.6%
NP M	20.0%	15.0%	17.7%	16.5%			

Source: Company data, QNBFS Research

QNB FS Estimates Revision

	2024A		2025E			2026E			2027E		
	Current	Previous	Current	Previous	Δ	Current	Previous	Δ	Current	Previous	Δ
REVENUE	523,491,870	519,204,360	554,228,514	554,228,514	-6.3%	672,692,892	595,255,701	13.0%	750,196,394	622,135,103	20.6%
GROSS PROFIT	196,683,631	189,580,144	210,509,001	210,509,001	-9.9%	297,839,244	230,826,860	29.0%	350,876,071	245,708,386	42.8%
EBITDA	108,019,433	103,450,474	119,431,389	119,431,389	-13.4%	190,085,972	137,001,631	38.7%	232,438,415	149,385,620	55.6%
OPERATING PROFIT	82,617,218	76,576,477	92,903,755	92,903,755	-17.6%	161,563,437	110,238,472	46.6%	202,148,021	122,368,763	65.2%
PROFIT FOR THE PERIOD (LFL)	94,152,828	87,917,505	104,244,784	104,244,784	-15.7%	173,021,208	121,696,244	42.2%	212,159,632	132,380,374	60.3%
PROFIT FOR THE PERIOD	60,056,920	87,917,505	104,244,784	104,244,784	-15.7%	173,021,208	121,696,244	42.2%	212,159,632	132,380,374	60.3%

Source: Company data, QNBFS Research

Condensed Income Statement

	2024A	2025E	2026E	2027E	2028E
REVENUE	523,491,870	519,204,360	672,692,892	750,196,394	821,192,846
GROSS PROFIT	196,683,631	189,580,144	297,839,244	350,876,071	398,753,833
EBITDA	108,019,433	103,450,474	190,085,972	232,438,415	271,337,506
OPERATING PROFIT	82,617,218	76,576,477	161,563,437	202,148,021	239,236,187
PROFIT FOR THE PERIOD (LFL)	94,152,828	87,917,505	173,021,208	212,159,632	249,505,763
PROFIT FOR THE PERIOD	60,056,920	87,917,505	173,021,208	212,159,632	249,505,763

Source: Company data, QNBFS Research

Balance Sheet

	2024A	2025E	2026E	2027E	2028E
Property and equipment	1,041,449,857	1,059,375,860	1,100,853,325	1,140,562,931	1,178,461,611
Investments at fair value through other comprehensive income	73,401,634	73,401,634	73,401,634	73,401,634	73,401,634
Investment property	26,244,000	26,244,000	26,244,000	26,244,000	26,244,000
Total Non-Current Assets	1,141,095,491	1,159,021,494	1,200,498,959	1,240,208,565	1,278,107,245
Inventories	31,253,873	31,934,586	41,375,171	46,142,162	50,508,924
Accounts Receivable and Prepayments	131,641,714	129,937,518	190,946,023	221,752,057	249,971,673
Cash and cash equivalents	108,792,159	78,308,385	47,506,549	46,452,142	59,843,510
Total Current Assets	271,687,746	240,180,489	279,827,743	314,346,360	360,324,107
Total Assets	1,412,783,237	1,399,201,983	1,480,326,702	1,554,554,925	1,638,431,352
EQUITY AND LIABILITIES					
Share Capital	281,441,000	281,441,000	281,441,000	281,441,000	281,441,000
Legal Reserve	128,586,417	137,378,168	154,680,288	175,896,252	200,846,828
Fair Value Reserve	22,036,690	22,036,690	22,036,690	22,036,690	22,036,690
Revaluation reserve	521,092,396	521,092,396	521,092,396	521,092,396	521,092,396
Retained Earnings	55,981,067	79,381,504	152,941,434	222,770,257	298,813,702
Total Equity	1,009,137,570	1,041,329,757	1,132,191,809	1,223,236,595	1,324,230,616
Bank facilities	151,394,292	119,660,538	92,465,610	65,270,682	38,075,754
Employees' end of service benefits	88,808,832	96,400,610	104,164,578	112,094,308	120,193,378
Total Non-Current Liabilities	240,203,124	216,061,148	196,630,188	177,364,990	158,269,132
Accounts payable and accruals	129,546,099	115,019,666	130,802,106	139,339,552	147,406,629
Bank facilities st	33,896,444	26,791,411	20,702,599	14,613,788	8,524,976
Total Current Liabilities	163,442,543	141,811,078	151,504,705	153,953,339	155,931,604
Total Liabilities	403,645,667	357,872,226	348,134,893	331,318,330	314,200,737
Total Equity and Liabilities	1,412,783,237	1,399,201,983	1,480,326,702	1,554,554,925	1,638,431,352

Source: Company data, QNBFS Research

Summarized Cashflow Statement

	2024A	2025E	2026E	2027E	2028E
Cash Flow from Operating Activities	110,060,450	108,880,331	154,641,061	223,344,178	265,186,851
Cash Flow from Investing Activities	(134,016,414)	(3,800,000)	(50,000,000)	(43,000,000)	(70,000,000)
Cash Flow from Financing Activities	32,248,486	(94,564,104)	(115,442,897)	(154,398,586)	(181,795,483)
Change in Cash	8,292,522	10,516,226	(10,801,837)	25,945,593	13,391,368
Opening Cash	12,499,637	20,792,159	31,308,385	20,506,549	46,452,142
Cash End of Period	20,792,159	31,308,385	20,506,549	46,452,142	59,843,510

Source: Company data, QNBFS Research

Ratios

	2024A	2025E	2026E	2027E	2028E
GROWTH METRICS					
Revenue	7.7%	-0.8%	29.6%	11.5%	9.5%
Gross Profit	11.7%	-3.6%	57.1%	17.8%	13.6%
EBITDA	15.9%	-3.5%	83.7%	22.3%	16.7%
Operating Profit	21.9%	-7.3%	111.0%	25.1%	18.3%
Net Profit	-8.6%	46.4%	96.8%	22.6%	17.6%
Net Profit - Sustainable	43.3%	-6.6%	96.8%	22.6%	17.6%
EPS (QR/share)	21.3%	31.2%	61.5%	75.4%	88.7%
DPS (QR/share)	19.8%	29.2%	43.0%	52.8%	62.1%
OPERATING RATIOS					
Gross Margin	37.6%	36.5%	44.3%	46.8%	48.6%
EBITDA Margin	20.5%	19.9%	28.3%	31.0%	33.0%
EBIT Margin	15.8%	14.7%	24.0%	26.9%	29.1%
Net Profit Margin	18.0%	16.9%	25.7%	28.3%	30.4%
RETURN RATIOS					
RoE	9.3%	8.4%	15.3%	17.3%	18.8%
RoIC	7.6%	6.9%	13.5%	16.1%	18.2%
RoA	5.8%	5.5%	10.9%	13.0%	14.6%
VALUATION RATIOS					
EV/Sales	3.6	3.6	2.8	2.4	2.2
EV/EBITDA	17.5	18.1	9.8	7.9	6.6
EV/EBIT	22.7	24.4	11.5	9.1	7.5
PE Ratio	30.0	20.5	10.4	8.5	7.2
PEG Ratio	0.5	0.5	1.1	8.5	-
P/CF	16.4	16.5	11.6	8.1	6.8
P/B	1.8	1.7	1.6	1.5	1.4
Dividend Yield	3.1%	4.6%	6.7%	8.3%	9.7%
FCF Yield	3.1%	3.6%	4.7%	8.5%	10.8%
LEVERAGE RATIOS					
Debt/Equity Ratio	18.4%	14.1%	10.0%	6.5%	3.5%
Net Debt/Equity Ratio	7.6%	6.5%	5.8%	2.7%	-1.0%
Net Debt/Capital Ratio	8.5%	7.1%	6.1%	2.8%	-1.0%
Net Debt/EBITDA	71.3%	65.9%	34.5%	14.4%	-4.9%
Interest coverage	N.M.	N.M.	N.M.	N.M.	N.M.
LIQUIDITY RATIOS					
Current Ratio	1.7	1.7	1.8	2.0	2.3
Quick Ratio	1.5	1.5	1.6	1.7	2.0
WORKING CAPITAL DAYS					
Inventory Days	140	159	155	154	154
Average Collection Period	127	127	127	127	127
Average Collection Period	145	145	145	145	145
Payables Days	145	145	145	145	145

Source: Company data, QNBFS Research

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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