

Medicare Group (MCGS)

Recommendation	ACCUMULATE	Risk Rating	R-3
Share Price	QR5.505	Target Price	QR6.400
Implied Upside	16.3%	Old Target Price	QR7.300

1Q2026 Miss on Margin Compression; PT Cut on Seha Timing Doubt; Maintain Accumulate

Medicare Group's 1Q2026 net profit came in at QR10.0mn, declining 53.7% YoY and missing our estimate by 11.3%. The shortfall versus our projection was primarily driven by weaker operating leverage as revenue fell 12.9% YoY to QR111.2mn, while gross profit declined a steeper 28.1% YoY and gross margin compressed to 29.4% from 35.6% in 1Q2025. **The weak quarter was largely attributable to an acute March volume shock stemming from the regional conflict, with management indicating patient volumes were down by around 30% during the month**, particularly among residents and inpatients, while higher-margin elective surgeries and procedures were postponed. The impact from the US-funded patient-in-transit account was minimal relative to 4Q2025, with volumes only marginally lower. **While we are cutting our 12-month PT to QR6.400 from QR7.300 mainly due to pushing out our assumptions for the new Seha Phase 1 and a marginally higher WACC, we maintain our Accumulate rating.** We continue to see meaningful medium-term upside from eventual policy normalization, post-ceasefire volume recovery, cost-containment efforts, incremental HMC referrals, and the QR130mn old Seha court award, which we estimate carries a positive share price impact of QR0.33/share.

Highlights

- 1Q2026 earnings miss – lower margins and negative operating leverage weighed on profitability:** 1Q2026 NP at QR10.0mn fell 53.7% YoY and 28.2% QoQ, while also falling short of our QR11.3mn estimate. The earnings miss was amplified by a weaker gross margin outcome, with GPM falling to 29.4% vs 31.4% in 4Q2025 and 35.6% in 1Q2025; GPM was also below our 31.4% expectation. Operating profit declined 66.8% YoY to QR5.5mn, missing our estimate by 11.6%, while net margin compressed to 9.0% from 16.9%. Management noted that while operating income declined by 13%, operating costs declined by only 4.5% due to the fixed-cost nature of the model, especially staff costs. G&A, however, declined by 7% as cost-containment measures began to come through.
- March dislocation drove the top-line weakness; elective procedures were deferred:** Revenue in 1Q2026 came in at QR111.2mn, down 12.9% YoY and 12.1% QoQ, though still 4.4% ahead of our estimate. Management was clear that the principal drag came from the month of March, when the regional conflict sharply affected population mobility and care-seeking behavior. According to management, volumes fell by around 30% during March alone, with both inpatient and outpatient activity affected, though the pressure was somewhat more acute on the inpatient side as patients postponed non-urgent and elective procedures. Management believes volume disruption was an event-driven blip rather than a structural deterioration in the franchise.
- The weakness appears transitory, with April trends improving and HMC volumes still edging up:** Management indicated that volumes recovered after the ceasefire, with April month-to-date tracking a touch ahead YoY. Management stopped short of calling it major growth but did confirm year-on-year improvement and stated that volumes had recovered. In parallel, HMC-related inpatient referrals have shown a modest increase, even if not yet at a scale that materially shifts the earnings base. Normalizing domestic demand, some benefit from HMC inpatient flow, and better cost discipline, together create scope for sequential margin and earnings recovery over coming quarters if macro conditions remain stable.
- Seha remains the core medium-term call option, but timing uncertainty now warrants a lower PT:** Our PT cut to QR6.400 from QR7.300 is primarily a function of delaying our assumptions around the rollout of the new Seha Phase 1, which we no longer assume happens this year. Management said the market had earlier heard April and then 'this year' as possible implementation windows, but there has been no fresh announcement by the government. As a result, we are taking a more conservative stance on the timing of the volume inflection. We cut our 2026E revenue forecast by 21.0%, 2027E by 11.4%, and 2028E by 1.5%. At the profit line, our 2026E NP forecast is reduced by 48.9%, 2027E by 28.4%, and 2028E by 15.4%. This is mainly a timing reset rather than a thesis break.

Catalysts

- Catalysts:** (1) Eventual rollout of the new Seha Phase 1. (2) Margin lift from ongoing cost-containment initiatives. (3) Incremental contribution from the HMC referral relationship. (4) Execution and potential monetization of the QR130mn old Seha court award. (5) Operationalization of the newly completed centers together with the addition of 22 beds through retrofitting.

Recommendation, Valuation and Risks

- Recommendation and Valuation:** *We maintain our Accumulate rating but cut our weighted 12-month PT to QR6.400.* Our valuation continues to balance the stock's defensive cash-generative characteristics and dividend support against near-term earnings softness and policy-timing uncertainty. The downgrade in PT is driven mainly by later assumed Seha implementation and a marginally higher WACC, partly offset by better post-ceasefire volume trends, early benefits from cost containment, modest HMC inpatient improvement, and the expected positive value from the old Seha legal award.
- Key risks:** (1) Further delays to the new Seha rollout. (2) Slower-than-expected recovery in patient traffic after the March disruption; (3) rising competition from both private and public healthcare providers; (4) margin pressure from still-sticky operating costs; (5) lower-than-expected monetization or collection timing of the old Seha court award; and (6) low stock liquidity.

Key Data

Current Market Price	QR5.505
Dividend Yield (%)	4.0
Bloomberg Ticker	MCGS QD
ADR/GDR Ticker	N/A
Reuters Ticker	MCGS.QA
ISIN	QA0006929754
Sector*	Consumer Goods
52wk High/52wk Low (QR)	7.213/4.500
3-m Average Vol. (mn)	0.94
Mkt. Cap. (\$ bn/QR bn)	0.4/1.5
EV (\$ bn/QR bn)	0.4/1.6
Shares O/S (mn)	281.4
FO Limit* (%)	100.0
FO (Institutional)* (%)	16.6
1-Year Total Return (%)	25.5
Fiscal Year-End	December 31

Source: Bloomberg (as of April 26, 2026),*Qatar Exchange (as of April 23, 2026); Note: FO is foreign ownership

Key Financial Data and Estimates

Group	2025A	2026E	2027E
EPS (QR)	0.27	0.24	0.53
DPS (QR)	0.22	0.22	0.47
P/E (x)	20.4	22.5	10.5
EV/EBITDA (x)	18.3	20.0	9.8
DY (%)	4.0%	4.0%	8.6%

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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Highlights (continued)

- **Capacity and margin optionality remain intact:** Management reiterated that works on the new physiotherapy, orthopedic and ENT centers are complete and that the facilities will become operational very soon. As these clinics move into the new building, rooms in the original building that had been converted into clinics can be restored for inpatient use, adding 22 beds. In addition, cost-containment initiatives are beginning to show up in the numbers, with lower G&A in 1Q2026 and management signaling further positive margin effects in upcoming quarters.

Financial Statements and Forecasts

1Q2026 Condensed Income Statement vs. Estimates (QR)

	1Q25	4Q25	1Q26	1Q26e	YoY	QoQ	vs. Est.
REVENUE	127,753,041	126,486,221	111,233,322	106,531,102	-12.9%	-12.1%	4.4%
GROSS PROFIT	45,442,705	39,722,052	32,653,924	33,455,296	-28.1%	-17.8%	-2.4%
GP M	35.6%	31.4%	29.4%	31.4%			
OPERATING PROFIT	16,573,247	11,372,716	5,509,591	6,229,370	-66.8%	-51.6%	-11.6%
PROFIT FOR THE PERIOD	21,616,000	13,938,720	10,003,000	11,272,123	-53.7%	-28.2%	6.6%
NP M	16.9%	11.0%	9.0%	10.6%			

Source: Company data, QNBFS Research

QNB FS Estimates Revision

	2025A		2026E		2027E		2028E			
	Current	Previous	Current	Previous	Current	Previous	Current	Previous		
REVENUE	502,601,326	474,062,045	600,380,448	▲	675,183,971	761,925,759	▲	812,137,701	824,126,474	▲
GROSS PROFIT	176,319,998	164,326,112	244,858,518	-32.9%	295,870,206	359,211,108	-17.6%	392,050,549	400,946,488	-2.2%
EBITDA	89,136,758	83,126,720	151,754,481	-45.2%	170,426,528	238,448,081	-28.5%	236,560,499	272,960,301	-13.3%
OPERATING PROFIT	62,737,731	56,151,388	123,231,946	-54.4%	141,802,103	208,157,687	-31.9%	206,731,406	240,858,982	-14.2%
PROFIT FOR THE PERIOD (LFL)	76,011,600	68,877,913	134,689,718	▲	147,798,873	206,400,157	▲	212,451,313	251,128,558	▲
PROFIT FOR THE PERIOD	76,011,600	68,877,913	134,689,718	▲	147,798,873	206,400,157	▲	212,451,313	251,128,558	▲

Source: Company data, QNBFS Research

Condensed Income Statement

	2025A	2026E	2027E	2028E	2029E
REVENUE	502,601,326	474,062,045	675,183,971	812,137,701	853,830,665
GROSS PROFIT	176,319,998	164,326,112	295,870,206	392,050,549	418,626,311
EBITDA	89,136,758	83,126,720	170,426,528	236,560,499	254,362,384
OPERATING PROFIT	62,737,731	56,151,388	141,802,103	206,731,406	223,793,382
PROFIT FOR THE PERIOD	76,011,600	68,877,913	147,798,873	212,451,313	230,427,441

Source: Company data, QNBFS Research

Balance Sheet

	2025A	2026E	2027E	2028E	2029E
Property and equipment	1,075,037,550	1,118,062,218	1,159,437,793	1,179,608,700	1,179,039,698
Investments at fair value through other comprehensive income	76,765,285	76,765,285	76,765,285	76,765,285	76,765,285
Investment property	26,242,000	26,242,000	26,242,000	26,242,000	26,242,000
Total Non-Current Assets	1,178,044,835	1,221,069,503	1,262,445,078	1,282,615,985	1,282,046,983
Inventories	27,023,381	25,007,502	35,616,992	42,841,512	45,040,880
Accounts Receivable and Prepayments	114,623,486	103,811,981	180,002,787	231,884,823	247,679,324
Cash and cash equivalents	64,451,917	40,605,949	30,691,688	52,406,165	86,075,751
Short term deposits	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Total Current Assets	206,098,784	169,425,431	246,311,467	327,132,500	378,795,956
Total Assets	1,384,143,619	1,390,494,934	1,508,756,545	1,609,748,484	1,660,842,939
EQUITY AND LIABILITIES					
Share Capital	281,441,000	281,441,000	281,441,000	281,441,000	281,441,000
Legal Reserve	136,187,577	143,075,368	157,855,256	179,100,387	202,143,131
Fair Value Reserve	25,400,341	25,400,341	25,400,341	25,400,341	25,400,341
Revaluation reserve	518,218,065	518,218,065	518,218,065	518,218,065	518,218,065
Retained Earnings	69,640,230	69,713,332	140,742,196	198,929,392	215,107,907
Total Equity	1,030,887,213	1,037,848,106	1,123,656,857	1,203,089,184	1,242,310,444
Bank facilities	121,428,584	121,428,584	121,428,584	121,428,584	121,428,584
Employees' end of service benefits	78,458,175	84,176,989	90,017,262	95,981,602	102,072,671
Total Non-Current Liabilities	199,886,759	205,605,573	211,445,846	217,410,186	223,501,255
Accounts payable and accruals	124,798,223	118,469,832	145,082,417	160,677,690	166,459,816
Bank facilities	28,571,424	28,571,424	28,571,424	28,571,424	28,571,424
Total Current Liabilities	153,369,647	147,041,256	173,653,841	189,249,114	195,031,240
Total Liabilities	353,256,406	352,646,829	385,099,688	406,659,300	418,532,495
Total Equity and Liabilities	1,384,143,619	1,390,494,934	1,508,756,545	1,609,748,484	1,660,842,939

Source: Company data, QNBFS Research

Summarized Cashflow Statement

	2025A	2026E	2027E	2028E	2029E
Cash Flow from Operating Activities	95,159,989	108,071,052	122,075,860	204,733,462	254,875,768

Cash Flow from Investing Activities	(20,392,805)	(70,000,000)	(70,000,000)	(50,000,000)	(30,000,000)
Cash Flow from Financing Activities	(91,107,426)	(61,917,020)	(61,990,122)	(133,018,986)	(191,206,182)
Change in Cash	(16,340,242)	(23,845,968)	(9,914,261)	21,714,477	33,669,587
Opening Cash	20,792,159	4,451,917	(19,394,051)	(29,308,312)	(7,593,835)
Cash End of Period	64,451,917	(19,394,051)	(29,308,312)	(7,593,835)	26,075,751

Source: Company data, QNBFS Research

Ratios

	2024A	2025E	2026E	2027E	2028E
GROWTH METRICS					
Revenue	-4.0%	-5.7%	42.4%	20.3%	5.1%
Gross Profit	-10.4%	-6.8%	80.1%	32.5%	6.8%
EBITDA	-16.9%	-6.7%	105.0%	38.8%	7.5%
Operating Profit	-24.1%	-10.5%	152.5%	45.8%	8.3%
Net Profit	26.6%	-9.4%	114.6%	43.7%	8.5%
Net Profit - Sustainable	-19.3%	-9.4%	114.6%	43.7%	8.5%
EPS (QR/share)	26.6%	-9.4%	114.6%	43.7%	8.5%
DPS (QR/share)	11.1%	0.1%	114.6%	43.7%	14.5%
OPERATING RATIOS					
Gross Margin	35.1%	34.7%	43.8%	48.3%	49.0%
EBITDA Margin	17.7%	17.5%	25.2%	29.1%	29.8%
EBIT Margin	12.5%	11.8%	21.0%	25.5%	26.2%
Net Profit Margin	15.1%	14.5%	21.9%	26.2%	27.0%
RETURN RATIOS					
RoE	7.4%	6.6%	13.2%	17.7%	18.5%
RoIC	5.6%	4.9%	11.4%	15.9%	17.1%
RoA	4.5%	4.0%	9.4%	12.8%	13.5%
VALUATION RATIOS					
EV/Sales	3.3	3.5	2.5	2.0	1.9
EV/EBITDA	18.3	20.0	9.8	7.0	6.3
EV/EBIT	26.1	29.5	11.8	8.0	7.2
PE Ratio	20.4	22.5	10.5	7.3	6.7
PEG Ratio	0.5	0.5	4.9	-	-
P/CF	16.3	14.3	12.7	7.6	6.1
P/B	1.5	1.5	1.4	1.3	1.2
Dividend Yield	4.0%	4.0%	8.6%	12.3%	14.1%
FCF Yield	2.3%	2.5%	3.4%	10.0%	14.5%
LEVERAGE RATIOS					
Debt/Equity Ratio	14.6%	14.5%	13.3%	12.5%	12.1%
Net Debt/Equity Ratio	8.3%	10.5%	10.6%	8.1%	5.1%
Net Debt/Capital Ratio	8.9%	11.0%	10.9%	8.5%	5.5%
Net Debt/EBITDA	96.0%	131.6%	70.0%	41.3%	25.1%
Interest coverage	N.M.	N.M.	87.0	126.9	137.3
LIQUIDITY RATIOS					
Current Ratio	1.3	1.2	1.4	1.7	1.9
Quick Ratio	1.2	1.0	1.2	1.5	1.7
WORKING CAPITAL DAYS					
Inventory Days	126	126	128	129	129
Average Collection Period	108	108	108	108	108
Average Collection Period	138	138	138	138	138
Payables Days	140	140	140	140	140

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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