

Pure Health Holding

Strong organic growth and strategic acquisitions boosted the top-line growth

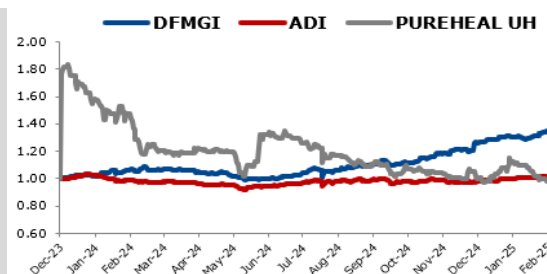
Current Price
AED 3.21

Target Price
AED 6.05

Upside/Downside (%)
+88%

Rating
BUY

- Pure Health strategically expanded its operational footprint with the 100.0% acquisition of Circle Health and SSMC, along with starting Sheikh Khalifa Hospital in Fujairah.
- The Company expanded its international presence by acquiring a 60% stake in Hellenic Healthcare Group for USD 2.3 Bn.
- The Company also plans to expand its healthcare infrastructure with the launch of PURA Longevity Clinics.
- The Company aims to generate at least 50% of revenue from international business.
- Pure Health expects revenue growth in the mid-to-high teens, with an EBITDA margin in the low 20s.



4Q24 Net Profit lower than our estimate

Pure Health Holding (PURE HEALTH/the Company) recorded a net profit of AED 279 Mn in 4Q24, compared to a net loss of AED 310 Mn in 4Q23, lower than our estimate of AED 542 Mn. The decline in net profit was primarily driven by a significant rise in the cost of sales, higher finance costs, and lower share from joint ventures, partially offset by a growth in revenue, an increase in other income and lower G&A and S&D expenses.

P&L Highlights

Pure Health's revenue grew 61.0% YOY to AED 6,892 Mn in 4Q24, fueled by a mix of organic expansion and strategic acquisitions both locally and internationally. Revenue from hospital and other related services grew significantly from AED 2,719 Mn in 4Q23 to AED 5,085 Mn in 4Q24, driven by higher patient volumes, improved pricing, strategic acquisitions, and new hospital commissions. Revenue from health insurance services increased 16.9% YOY to AED 1,785 Mn in 4Q24 supported by a 24.0% rise in gross written premiums, higher member base, enhanced premium rates, and stronger retention. Revenue from procurement and supply of medical related products increased 21.6% YOY to AED 1,347 Mn YOY in 4Q24 boosted by higher patient volumes, strategic partnerships, and agreements that enhanced operational efficiency across the Group. Revenue from diagnostic services rose 14.2% YOY to AED 332 Mn in 4Q24 supported by non-Covid related test which grew 14% YOY in 2024, partially offset by reduced COVID-related activities. Revenue from technology services and others grew from AED 76 Mn in 4Q23 to AED 223 Mn in 4Q24. The Company's cost of sales increased 60.8% YOY to AED 5,664 Mn in 4Q24. Thus, gross profit grew 61.5% YOY to AED 1,228 Mn in 4Q24. General and administrative expenses declined 3.6% YOY

Stock Information

Market Cap (AED, mn)	35,666.67
Paid Up Capital (mn)	#N/A N/A
52 Week High	4.79
52 Week Low	3.14
3M Avg. daily value (AED)	18,697,370

4Q24 Result Review (AED, mn)

Total Assets	48,575
Total Liabilities	28,839
Total Equity	19,736
EBITDA	993
Net Profit	279

Financial Ratios

Dividend Yield (12m)	#N/A N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	32.37
Price-to-Book Ratio (x)	1.85
Book Value (AED)	1.74
Return-on Equity (%)	7.08

Stock Performance

5 Days	-1.23%
1 Months	-12.53%
3 Months	-4.46%
6 Months	-15.97%
1 Year	-31.56%
Month to Date (MTD%)	-8.81%
Quarter to Date (QTD%)	-3.60%
Year to Date (YTD%)	-3.60%

to AED 1,126 Mn in 4Q24. Selling and distribution expenses declined 39.4% YOY to AED 14 Mn in 4Q24. The Company's net finance cost grew from AED 30 Mn in 4Q23 to AED 243 Mn in 4Q24. Pure Health's share from joint ventures indicated a slight improvement YOY, narrowing the loss from AED 12 Mn in 4Q23 to AED 11 Mn in 4Q24. Other income increased from AED 155 Mn in 4Q23 to AED 253 Mn in 4Q24. Furthermore, the Company's EBITDA rose to AED 993 Mn in 4Q24 compared to a negative EBITDA of AED 53 Mn in 4Q23, demonstrating improved efficiency across segments. Hospital segment EBITDA rose from negative EBITDA of AED 174 Mn in 4Q23 to AED 757 Mn in 4Q24, primarily driven by organic growth and synergies from recent acquisitions. Health insurance segment EBITDA increased 72.5% YOY to AED 97 Mn in 4Q24. Diagnostic services segment EBITDA declined 15.8% YOY to AED 83 Mn, while Procurement services EBITDA grew from AED 49 Mn in 4Q23 to AED 170 Mn in 4Q24. The Company's technology segment EBITDA stood at AED 23 Mn in 4Q24. Furthermore, shares attributable to non-controlling holders stood at a profit of AED 1 Mn in 4Q24 compared to a profit of AED 3 Mn in 4Q23.

Balance Sheet Highlights

Pure Health's total debt marginally decreased from AED 1,872 Mn in 3Q24 to AED 1,860 Mn in 4Q24. The Company's net cash generated from operating activities increased from AED 2,452 Mn in 4Q23 to AED 2,751 Mn in 4Q24. PURE HEALTH's Cash and cash equivalents stood at AED 8,789 Mn in 4Q24 compared to AED 8,708 Mn in 3Q24.

Target Price and Rating

We maintain our BUY rating on Pure Health with a target price of AED 6.05. Pure Health demonstrated solid growth in net profit driven by higher revenue and EBITDA owing to strong organic growth and strategic acquisitions both locally and internationally in 4Q24. The Company strategically expanded its operational footprint with the 100.0% acquisition of Circle Health and SSMC, along with starting Sheikh Khalifa Hospital in Fujairah. Both acquisitions significantly contributed to the Company's top-line growth in 4Q24. The company also positioned itself as a leading provider of complex medical procedures in the UAE following the acquisition of SEHA, which offers advanced treatments that were previously available only in Western markets. The Company plans to add 12-15 SEHA clinics in the UAE. Pure Health expanded its international presence by acquiring a 60% stake in Hellenic Healthcare Group for USD 2.3 Bn, solidifying its position as the largest private healthcare provider in Cyprus. Additionally, the Company plans to expand its healthcare infrastructure with the launch of PURA Longevity Clinics, a new cancer institute, and specialty services like bone marrow transplants, while also growing its UK footprint with new sites, specialties, and robotic surgeries. The Company is also set to launch the UAE's largest reference lab to streamline healthcare decisions and reduce reliance on overseas specialty testing. The Company's recent strategic plans and acquisitions are expected to further boost its revenue going forward. Pure Health expects revenue growth in the mid-to-high teens, with an EBITDA margin in the low 20s. The Company also aims to generate 50% of its revenue from international operations in the long term. PURE HEALTH also maintained a strong balance sheet with a healthy cash balance of AED 8.7 Bn in 4Q24, which is expected to support its inorganic growth. In addition, the Company is targeting the overall maintenance and growth capex to be less than 5.0% of total revenue over the midterm, which is expected to boost the free cash flow. Thus, based on the above-mentioned factors, we maintain our BUY rating for the stock.

Pure Health Holding PJSC – Relative valuation

(at CMP)	2023	2024	2025F
PE	NM	20.8	12.5
PB	NM	1.8	1.6
EV/EBITDA	NM	7.0	4.7

FABS Estimates & Co Data

* PURE HEALTH got listed on December 2023 on the ADX as a result previous financial won't be comparable.

Pure Health Holding PJSC

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Revenue	4,282	6,452	6,892	6,550	5.2%	61.0%	6.8%	16,399	25,848	57.6%
Cost of sales	-3,522	-4,416	-5,664	-4,393	28.9%	60.8%	28.3%	-12,976	-19,212	48.1%
Gross Profit	760	2,037	1,228	2,157	-43.1%	61.5%	-39.7%	3,423	6,636	93.9%
G&A & marketing exp	-1,168	-1,363	-1,126	-1,577	-28.6%	-3.6%	-17.4%	-2,718	-4,666	71.6%
S&D expenses	-23	-14	-14	-25	-44.3%	-39.4%	-4.7%	-44	-59	34.9%
Net Finance income	-30	-218	-243	-186	30.8%	NM	11.3%	-117	-848	NM
Share from JV	-12	27	-11	38	NM	-9.3%	NM	25	82	NM
Loss on deemed disposal of invt in an associate	0	-137	137	0	NM	NM	NM	0	0	NM
Other Income	155	142	253	180	NM	63.3%	78.9%	815	608	-25.4%
EBITDA	-53	970	993	1,055	-5.9%	NM	2.4%	2,434	4,119	69.2%
Profit before tax	-318	472	250	587	-57.5%	NM	-47.1%	1,384	1,778	28.5%
Income tax expense	11	-40	30	-46	NM	178.7%	NM	-419	-62	-85.2%
Profit before NCI	-307	432	279	542	-48.4%	NM	-35.3%	965	1,716	77.8%
Non-controlling interest	3	1	1	0	NM	-65.1%	NM	0	4	NM
Profit / (loss) after tax for the year	-310	431	279	542	-48.6%	NM	-35.3%	965	1,712	77.4%

FABS estimate & Co Data

PURE HEALTH - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Gross profit	17.8%	31.6%	17.8%	6	-1,374	20.9%	25.7%	480
EBITDA	-1.2%	15.0%	14.4%	1,565	-63	14.8%	15.9%	109
Net profit	-7.2%	6.7%	4.0%	1,127	-263	5.9%	6.6%	74

FABS estimate & Co Data

Valuation:

We have used a blend of Discounted Cash Flow (DCF) and Sum-of-the-parts (SOTP) valuation methods to arrive at Pure Health's fair value. We have assigned 70% weight to DCF and 30% to SOTP. In SOTP valuation, we have used the Comparable Company Method (CCM) (EV/EBITDA and PB) to value the firm. Since the Company operates into multiple segments, each segment is valued separately using the peers of the segment.

Valuation Method	Target	Weight	Weighted Value
DCF Method	5.79	70.0%	4.05
Relative Valuation (RV)	6.65	30.0%	2.00
Weighted Average Valuation (AED)			6.05
Current market price (AED)			3.21
Upside/Downside (%)			+88.5%

1) DCF Method:

PURE HEALTH is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 9.0%. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield of 4.5%, Country risk premium of 4.0%, and Beta of 1.00. After applying all these, we arrived at the cost of equity of 9.2%. We have used a 10-year US Government Yield and added an average 10-year CDS Spread of the Abu Dhabi Government to arrive at an appropriate risk-free rate. We assumed the cost of debt of 5.3% and adjusted it for the tax rate to arrive after the tax-adjusted cost of debt of 5.1%. We used a debt-to-equity ratio of 0.05x for the valuation. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	16,848
Terminal value (AED, Mn)	49,457
FV to Common shareholders (AED, Mn)	64,364
No. of share (Mn)	11,111
Current Market Price (AED)	3.21
Fair Value per share (AED)	5.79

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	3,176	4,123	4,821	5,541	6,201	6,917
(+/-) Depreciation & amortization	1,808	1,769	1,744	1,734	1,733	1,743
(+/-) CAPEX	-709	-776	-847	-931	-999	-1,074
(+/-) Working Capital	-1,369	-2,342	-2,183	-1,466	-2,900	-2,793
Free Cash Flow to Firm (FCFF)	2,906	2,775	3,535	4,878	4,034	4,793
Discounting Factor	0.93	0.85	0.78	0.72	0.66	0.60
Discounted FCFF	2,696	2,362	2,760	3,493	2,650	2,888

Source: FAB Securities

2) Relative Valuation:

In the SOTP valuation, we have used PB multiple to value the Health Insurance Services segment and EV/EBITDA to value other segments of the Company. The EV/EBITDA multiple allows us to compare companies of various sizes with different capital structures. Since the Company operates into multiple segments, each segment is valued separately using the peers of the segment. The value of all segments is summed up to arrive at the total enterprise value of the firm and, after that includes the value of net debt, valuation of JVs, and value of non-controlling interest to arrive at the value of equity. All segments are valued based on FY2025 financials in line with median market multiple.

(All Figures in Million AED)	Method	Peer Multiple
Hospital and other healthcare-related services	EV/EBITDA	61,220
Diagnostic Services	EV/EBITDA	4,718
Health insurance services	PB	8,890
Procurement and supply of medical-related products	EV/EBITDA	4,671
Technology services and others	EV/EBITDA	1,055
Adjustments & eliminations		-4,722
Enterprise Value		75,831
Net (Debt)/Cash		-3,562
Valuation of JVs		1,643
Minority Interest		-22
Equity Value		73,890

Source: FAB Securities

Hospital and other healthcare related services

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
IHH Healthcare Berhad	14,409	13.9x	13.0x	31.7x	31.0x
Al Hammadi Holding Company	1,850	15.3x	15.6x	21.6x	23.1x
Burjeel Holdings PLC	2,239	9.6x	8.8x	16.0x	13.1x
Ramsay Health	5,133	8.7x	8.0x	27.0x	21.1x
Mouwasat Medical Services Company	4,508	16.5x	14.4x	23.5x	19.7x
Middle East Healthcare Company	2,055	14.7x	13.4x	31.5x	24.7x
Dr Sulaiman Al Habib Medical	27,543	31.5x	26.4x	39.5x	32.6x
Nahdi Medical Co	4,099	10.3x	9.7x	18.6x	17.8x
Average		15.1x	13.7x	26.2x	22.9x
Median		14.3x	13.2x	25.3x	22.1x
Max		15.6x	14.7x	31.5x	26.3x
Min		10.1x	9.4x	20.9x	19.2x

Source: FAB Securities

Diagnostic Services

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Labcorp Holdings Inc	20,557	11.0x	10.3x	15.4x	14.0x
Quest Diagnostics Inc	18,733	11.6x	11.0x	17.4x	16.0x
Guangzhou Kingmed Diagnost-A	2,357	14.1x	10.5x	51.6x	24.5x
Sonic Healthcare Ltd	8,855	10.3x	9.2x	26.5x	22.4x
Hangzhou Tigermed Consulti-A	6,094	27.7x	20.3x	99.6x	26.4x
Radnet Inc	4,540	20.5x	18.7x	98.6x	82.7x
Synlab AG	2,641	7.8x	7.4x	30.9x	38.1x
Meinian Onehealth Healthca-A	3,835	23.5x	18.3x	53.4x	32.5x
Metropolis Healthcare Ltd	994	25.7x	21.8x	52.8x	39.8x
Average		16.9x	14.2x	49.6x	33.0x
Median		14.1x	11.0x	51.6x	26.4x
Max		23.5x	18.7x	53.4x	38.1x
Min		11.0x	10.3x	26.5x	22.4x

Source: FAB Securities

Health insurance services

Company	Market (USD Mn)	P/B (x)		P/E (x)	
		Current	2025F	2025F	2026F
Bupa Arabia for Cooperative Insurance Co	7,208	5.3x	4.5x	16.7x	16.0x
The Company for Cooperative Insurance	6,085	5.3x	5.0x	22.3x	19.6x
Abu Dhabi National Insurance Company PJSC	1,033	1.1x	NA	NA	NA
Islamic Arab Insurance Co. (Salama) PJSC	105	0.7x	0.7x	18.0x	NA
Average		3.1x	3.4x	19.0x	17.8x
Median		3.2x	4.5x	18.0x	17.8x
Max		5.3x	4.8x	20.1x	18.7x
Min		1.0x	2.6x	17.4x	16.9x

Source: FAB Securities

Procurement and supply of medical related products

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Mckesson Corp	74,405	14.3x	13.1x	18.1x	16.1x
Cencora Inc	47,050	11.8x	10.9x	15.8x	14.4x
Cardinal Health Inc	30,488	10.8x	9.6x	15.9x	14.1x
Henry Schein Inc	9,476	12.4x	11.6x	15.3x	13.9x
Amplifon SPA	6,369	13.3x	11.9x	31.3x	25.6x
Galenica AG	4,540	15.9x	14.9x	23.8x	21.9x
Shanghai Pharmaceuticals-A	9,147	8.0x	7.2x	15.1x	13.2x
Owens & Minor Inc	574	5.2x	4.5x	5.0x	4.2x
Average		11.4x	10.5x	17.5x	15.4x
Median		12.1x	11.3x	15.8x	14.3x
Max		13.5x	12.2x	19.5x	17.6x
Min		10.1x	9.0x	15.2x	13.7x

Source: FAB Securities

Technology services and others

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Al Moammar Information Systems Company	1,157	NA	NA	30.7x	NA
Arabian Internet and Communication Services	10,145	19.0x	16.4x	24.8x	21.9x
Accenture	242,686	18.4x	17.1x	30.4x	27.8x
Wipro limited	36,880	15.6x	14.7x	24.9x	23.4x
Infosys Limited	88,088	18.8x	17.0x	28.8x	25.6x
IBM	241,591	16.7x	15.9x	24.4x	22.9x
Average		17.7x	16.2x	27.3x	24.3x
Median		18.4x	16.4x	26.9x	23.4x
Max		18.8x	17.0x	30.0x	25.6x
Min		16.7x	15.9x	24.9x	22.9x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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