MLPCARE

November 7, 2018

High Revenue and EBITDA Growth in the Q3 2018

MLP Sağlık Hizmetleri A.Ş. ("MLP Care")

MLP Sağlık Hizmetleri A.Ş. (BIST: MPARK), the largest private healthcare service provider in Turkey, today announces its financial results for the first nine months of 2018.

Summary Financials

(TL millon)	9M 2018	9M 2017	Change	Q3 2018	Q3 2017	Change
Revenue	**2,251**	**1,873**	**20.2%**	**782**	**625**	**25.0%**
Comparable[1] Revenue	**2,205**	**1,873**	**17.7%**	**755**	**625**	**20.7%**
Adj. EBITDA[2]	**353**	**282**	**24.9%**	**102**	**73**	**40.7%**
Adj. Margin (%)	15.7%	15.1%	59bps	13.1%	11.7%	146bps
Comparable[1] Adj. EBITDA	**375**	**282**	**32.8%**	**113**	**73**	**55.6%**
Adj. Margin (%)	17.0%	15.1%	193bps	15.0%	11.7%	336bps
Adj. EBITDAR[2]	**533**	**422**	**26.4%**	**170**	**120**	**41.6%**
Adj. Margin (%)	23.7%	22.5%	116bps	21.8%	19.2%	254bps
Net Profit/(Loss)	**(143)**	**(73)**	**95.6%**	**(135)**	**(53)**	**154.4%**
Net Profit/(Loss) Normalized for FX Losses	**142**	**15**	**859.5%**	**40**	**(16)**	**(347.4%)**
Net Cash from Operating Activities	**215**	**359**	**(40.1%)**	**(15)**	**93**	**(116.4%)**
Capital Expenditure	230	189	21.5%	63	30	109.8%
Operating Cash Flow / Adj EBITDA	**61.0%**	**127.2%**		**(14.9%)**	**127.7%**	

[1] Excluding the Mersin and Pendik hospitals opened in 2018

[2] Based on Reported EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) /EBITDAR (Earnings Before Interest, Taxes, Depreciation, Amortization and Rent Expenses) adjusted for one-time (income) / expenses, net and non-cash GAAP provision expenses

Financial Highlights

- ✓ Total revenues for the last 3 months reflect strong growth in all payor types, despite the festive holiday in July resulting in the loss of 7 business days and macro volatility in August and September due to sharp FX movements. In Q3 2018, revenues have increased to TL782 million growing 25.0% vs. Q3 2017. Revenues for the 9M period were TL2,251 million, up 20.2% vs. last year (9M 2017: TL1,873 million). Revenues have grown 32.1% y-o-y when managed university hospitals included.
- ✓ Adj. EBITDA increased by 40.7% in Q3 2018, bringing 9M 2018 growth to 24.9% compared to the same period of a year ago. Adj. EBITDA margin improved by 146bps to 13.1% in Q3 2018, bringing the 9M 2018 growth to 15.7%, up 59bps.
- ✓ When normalized from the negative EBITDA contribution from the new hospitals openings, comparable EBITDA increased by 55.6% in Q3 2018 (with EBITDA margin at 15.0%).
- ✓ A net loss of TL143 million was recorded in 9M 2018 due to the TL285 million of FX losses from the hard currency denominated debt, driven by the TL's depreciation (9M 2017 net loss: TL73 million, FX losses: TL88 million). Net profit normalized for FX losses increased from TL15 million to TL142 million.
- ✓ The net debt increased as of 9A 2018 versus H1 2018 due to TL's depreciation. However, we expect to maintain the strong EBITDA growth in Q4 2018 and a Net debt/Adj. EBITDA ratio within the range of 2.0-2.5x at the end of 2018.

- ✓ As of October 2018, total of EUR64 million in principal and interest payments of the Euro-denominated loans for the 2018-2020 period has been hedged using a cross currency swap transaction which has reduced further exposure to FX movements.

Operating Highlights

- ✓ Two new hospitals were opened in Istanbul (March 2018) and Mersin (May 2018) and the ramp up of these facilities is on track. Pendik hospital is expected to generate positive EBITDA by the end of 2018.
- ✓ Continued focus on medical tourism (up by 71.4% in 9M 2018) and top-up insurance (up by 92.0% in 9M 2018).
- ✓ All of the FX denominated hospital building lease agreements converted to TL as of October.

Dr. Muharrem Usta, Chairman and Chief Executive Officer of MLP Care, commented:

"I am pleased that we have grown significantly in all business segments in the third quarter and we are on track to exceed our year-end targets.

In this quarter, we have focused on the successful ramp up of the two new hospitals added in Istanbul and Mersin. Operational improvements to increase patient satisfaction and effective cost management across all of our hospitals have continued and we have already begun to see the benefits.

Due to the difficult macro backdrop and the sharp FX volatility (with TL devaluation of 7% in July and a further 31% in August against euro), the noncash FX losses have been high, and therefore the strong growth we have achieved in operating profits did not fully translate into net income performance. However, we have taken further measures to reduce our FX exposure: i) We have grown our foreign medical tourism business by 83% in Q3 to increase our hard currency revenues. ii) We have also recently hedged our FX denominated principal and interest payments for the next two years. iii) Finally, we have converted all of our hospital building lease agreements into Turkish Lira in accordance with the legal regulations in October. With the reduced exposure to FX, we expect to see our operational success reflect to our bottom line performance in the forthcoming periods.

We continue to focus on delivery of best-in-class healthcare standards to our patients."

Revenue

	9M 2018	9M 2017	Change	Q3 2018	Q3 2017	Change
Total Revenue (TL million)	**2,251**	**1,873**	**20.2%**	**782**	**625**	**25.0%**
Domestic Patient Revenue	1,834	1,611	13.8%	608	531	14.6%
Inpatient Revenue	*1,096*	*985*	*11.3%*	*366*	*320*	*14.2%*
Outpatient Revenue	*738*	*626*	*17.8%*	*242*	*210*	*15.2%*
Foreign Medical Tourism Revenue	224	131	71.4%	99	54	82.7%
Other Ancillary Business	193	131	47.2%	74	40	84.8%

Domestic Patient Revenue: Revenues generated from domestic patients increased by 14.6% in Q3 2018 and 13.8% in 9M 2018, driven by inpatient and outpatient revenue growth. The inpatient revenue growth, which was 9.9% in H1 2018, reached to 14.2% in Q3 2018 supported by the higher number of protocols as well as price increases. Thus, the increase in the first nine month of the year was realized as 11.3%.

Outpatient revenue grew by 15.2% in Q3 2018 and 17.8% in 9M 2018, supported by strong pricing. Outpatient revenue share in total domestic patient revenue was 40% in 9M 2018, advanced by 1% compared to 9M 2017. The two new hospitals in Istanbul (Pendik) and Mersin have also started contributing to the top-line.

Foreign Medical Tourism Revenue: Strong growth in the medical tourism segment continued in the third quarter, bringing over 71.4% growth in 9M 2018. 39.1% of the revenue growth has been mainly driven by the case mix change and 32.4% by price and FX impact. We continue to seek to increase our exposure to hard currency revenues by expanding our footprint in international markets through our strong marketing efforts.

Other Ancillary Business: Revenue from other ancillary business accelerated in the third quarter on the back of increased contribution of management fees from university hospitals and strong growth of laboratory business. Currently, we have 5 university hospitals, of which 3 have management service contracts with us.

Cost of Service and Expenses (Including Mature and Developing Hospitals and Ancillary Business)

	9M 2018	9M 2017	Change (bps)	Q3 2018	Q3 2017	Change (bps)
(% of Revenues)	**84.3%**	**84.9%**	**(59)**	**86.9%**	**88.3%**	**(146)**
Material	22.8%	23.1%	(35)	23.6%	22.5%	107
Doctor	22.6%	22.9%	(27)	22.5%	23.5%	(102)
Personnel	18.5%	18.9%	(47)	17.7%	19.4%	(174)
Rent	8.0%	7.5%	57	8.7%	7.6%	109
Outso.medic.serv.purch.	4.8%	4.1%	71	5.0%	4.0%	94
All other exp.	7.6%	8.4%	(78)	9.6%	11.4%	(180)

Material consumption as a percentage of total revenue declined due to patient mix impact and decline in the share of lab business revenue (with higher material cost) in 9M 2018.

The cost of doctors as a percentage of total revenue declined despite the new hospital openings.

Personnel expenses as a percentage of total revenue declined 47 bps in 9M 2018 thanks to strong revenue growth in Q3 2018.

Rent expenses as a percentage of total revenue increased due to FX impact and new hospital openings. Pursuant to the legal regulation dated September 12, 2018, we have completed converting FX denominated hospital building lease agreements to Turkish Lira as of October. Thus, all of the FX denominated building lease agreements amounting 39% in H1 2018 were converted to TL.

Outsourced medical services purchased (laboratory, imaging, cleaning, catering, security etc.) as a percentage of total revenue increased in parallel with the increase in other ancillary businesses.

EBIT and EBITDA

The EBIT (Earnings Before Interest, Taxes) number improved by 148.0% to TL89 million in Q3 2018 on the back of the FX denominated revenue generated from medical tourism as well as the improvement in gross profit margin despite the new hospital openings. The EBIT number improved by 64.0% to TL246 million in 9M 2018.

The EBITDA number increased by 40.7% to TL102 million in Q3 2018 and 24.9% to TL353 million in 9M 2018. EBITDA margin improved by 146 bps to 13.1% in Q3 2018, mainly due to the improvement in the gross profit margin. In addition, EBITDA margin was realized as 15.7% in 9M 2018.

Comparable Q3 2018 Adj. EBITDA growth and Adj. EBITDA margin (without the negative EBITDA of new hospital openings in 2018 including Mersin and Pendik) are 55.6% and 15.0% respectively.

Cash Flow

The operating cash flow / EBITDA ratio was 61.0% in 9M 2018. Operating cash flow decreased by 40.1% to TL215 million in 9M 2018 due to the increase in inpatient accruals based on revenue growth. Maintenance-related capital expenditures as a percentage of revenues was at 2.5% in 9M 2017 and now increased to 2.9% in 9M 2018.

Profit for the Period

Operating profitability increased to TL246 million in 9M 2018 on the back of the FX denominated revenue generated by foreign medical tourism and strong revenue growth (9M 2017: TL150 million). On the other hand, TL455 million of financial expenses was generated due to the depreciation of the Turkish Lira against the Euro (9M 2017: TL238 million). On the back of positive impact of deferred tax revenue of TL76 million, the net loss realized as TL143 million in 9M 2018.

Borrowings and Indebtedness

Net Debt by currency (TL million)	9M 2018	Vertical Percentage	2017	Vertical Percentage	Change
TL	587	46%	459	33%	28.0%
USD + Euro	417	32%	923	67%	(54.8%)
USD + Euro (Hedged)	283	22%	-	-	100%
Total	**1,288**	**100%**	**1,381**	**100%**	**(6.8%)**

*Additional EUR12.8 million of financial leases has been hedged in October 2018.

As announced at the time of the IPO, the funds generated were used to pay back part of the Euro-based syndicated loans in early March 2018. Accordingly, net debt was reduced significantly to TL1,288 million as of 9M 2018 with the cash injection of TL600 million from the IPO proceeds despite the FX increase.

As the end of 9M 2018 average due date of the total debt is 3.2 years and repayment schedule is as below.

Due Date	To be paid within 1 year	To be paid between 1-2 years	To be paid between 2-3 years	To be paid between 3-4 years	To be paid between 4-5 years	To be paid between 5-6 years	To be paid between 6-7 years
Percentage of Debt*	33%	15%	16%	15%	12%	9%	0%

*Of the total repayments to be paid within 1 year, TL 182 million is composed of revolving loans and bonds. Without this impact, percentage of debt to be paid within 1 year would be 22%.

Currency risk management

The company has total EUR138 million gross principal debt service pertaining to bank loan and financial leasing. As of September 30, 2018, EUR41 million of total debt service for the 2018-2020 period has been hedged using a cross currency swap transaction.

After the period end of September 30 2018, an additional EUR13 million has been hedged and total hedged balance of principal payments increased to EUR54 million.

The total hedged portion is 41% of the total euro-denominated loans. With this transaction, currency risk for the 24-month period is mitigated. New hedging transactions will be evaluated every 6 months according to the market conditions.

EBITDA RECONCILIATION

TL million	9M 2018	9M 2017	Q3 2018	Q3 2017
Net profit / (loss)	**(143)**	**(73)**	**(135)**	**(53)**
Tax income from operations	(66)	(15)	(20)	(7)
Depreciation and amortization of tangible and intangible fixed assets	141	128	51	45
Total interest expenses, net of interest income and gain on financial derivatives	438	232	239	93
Net (gains) / losses from the disposal of tangible and intangible assets	(1)	(0)	(1)	0
Reported EBITDA	**370**	**272**	**134**	**78**
Rent expenses	181	140	68	47
Reported EBITDAR	**551**	**412**	**202**	**125**
Net one-off (gains) / losses	(20)	7	(31)	-
Non-cash GAAP provision expenses	3	4	(1)	(5)
Adjusted EBITDA	**353**	**282**	**102**	**73**
Rent expenses	181	140	68	47
Adjusted EBITDAR	**533**	**422**	**170**	**120**
Adjusted EBITDA Margin (%)	**15.7%**	**15.1%**	**13.1%**	**11.7%**
Adjusted EBITDAR Margin (%)	**23.7%**	**22.5%**	**21.8%**	**19.2%**

SUMMARY CONSOLIDATED INCOME STATEMENT

TL million	Unaudited 9M 2018	Audited 9M 2017	Change (%)	Q3 2018	Q3 2017	Change (%)
Revenue	2,251	1,873	20.2%	782	625	25.0%
Cost of service (-)	(1,902)	(1,593)	19.4%	(671)	(537)	25.0%
Gross Profit	**349**	**281**	**24.4%**	**110**	**88**	**25.4%**
General administration expenses (-)	(189)	(136)	38.9%	(66)	(53)	24.2%
Other income from operations	467	255	82.8%	310	94	231.3%
Other expenses from operations (-)	(382)	(250)	52.7%	(266)	(92)	188.6%
Operating profit/(Loss)	**245**	**150**	**63.5%**	**88**	**36**	**144.9%**
Income from investing activities	2	1	137.2%	1	0	**1,326.5%**
Expense from investing activities (-)	(0)	(0)	2.2%	(0)	(0)	31.2%
EBIT	**246**	**150**	**64.0%**	**89**	**36**	**148.0%**
EBIT margin	*10.9%*	*8.0%*	*292bps*	*11.4%*	*5.8%*	*567bps*
Finance expenses (-)	(455)	(238)	91.0%	(244)	(96)	154.3%
Net profit / (loss) before tax	**(209)**	**(88)**	**137.2%**	**(155)**	**(60)**	**158.0%**
Tax income / (expense) from operations	66	15	340.4%	20	7	185.6%
Net profit / (loss)	**(143)**	**(73)**	**95.6%**	**(135)**	**(53)**	**154.4%**

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Unaudited September 30, 2018	Audited December 31, 2017
Cash and cash equivalents	283	218
Trade receivables	886	750
Inventory	82	51
Short term other assets	303	142
Current assets	**1,553**	**1,161**
Fixed assets	1,303	1,220
Deferred tax assets	294	197
Long term other assets	173	143
Non-current assets	**1,770**	**1,560**
Total Assets	**3,323**	**2,721**
Trade payables	725	670
Short term other liabilities	247	169
Short term financial liabilities (incl. leases)	529	423
Current liabilities	**1,501**	**1,261**
Long term other liabilities	59	55
Deferred tax liabilities	144	124
Long term financial liabilities (incl. leases)	1,084	1,176
Non-current liabilities	**1,288**	**1,355**
Shareholders' equity	442	16
Non-controlling interest	92	88
Equity	**535**	**105**
Total liabilities & equity	**3,323**	**2,721**

ABOUT MLP CARE

We are the largest private healthcare service provider in Turkey in terms of number of hospitals, beds and geographic scope based on our footprint of 31 hospitals and 5,900+ beds in 17 cities across the country. We treat more than 2 million people per year, with our patients primarily drawn from the upper-mid segments of the market. We provide a full range of healthcare services from gynaecology, cardiology, oncology, orthopaedics, intensive care to complex treatments such as organ and bone marrow transplants. As of September 30, 2018, we had more than 18,000 personnel, including over 2,000 physicians, managed by a head office team which integrates field operations, sets strategy and monitors real-time performance across all 31 hospitals.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements concerning our future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

WEBCAST

Q3 2018 Results Presentation & Webcast will be held on November 7, 2018 at 4:30 p.m. (Istanbul), 1:30 p.m. (London) and 08:30 a.m. (New York).

Audio Conference:

- Singapore Toll: +6564298400 PIN: 14953473#
- Turkey Toll: +902123755127 PIN: 14953473#
- United Kingdom Toll: +442071943759 PIN: 14953473#
- United States Toll: +1 6467224916 PIN: 14953473#

(Participants will have to quote the above code when dialling into the conference)

Webcast:
http://event.on24.com/wcc/r/1854470-1/7A4C56EE0EE0D78BCC21644D76AE473C

Replay: On demand webcast will be available on the above link for 12 months
The presentation will be available prior to the conference call at our website.

ENQUIRIES

For financial reports and further information regarding MLP Care, please visit our website at http://investor.mlpcare.com/en/ or you may contact:

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