

Strong Real Growth in Top-line and EBITDA Continues

MLP Sağlık Hizmetleri A.Ş. (“MLP Care”)

MLP Sağlık Hizmetleri A.Ş. (BIST: MPARK), the leading private healthcare service provider in Turkey, today announces its financial results for the full year ended December 31, 2019.

Summary Financials

(TL million)	2019	2018	Change	Q4 2019	Q4 2018	Change
Revenue	3,704	3,132	18.3%	988	880	12.2%
EBITDA ¹ without fx effect of other income/expenses from operating activities	560	421	32.8%	157	108	45.0%
EBITDA Margin (%)	15.1%	13.5%	166bps	15.9%	12.3%	359bps
Net Profit/(Loss) Before Tax	35	(162)	n.m.	94	46	101.8%
Net Profit/(Loss) ²	56			76		
Net Cash Flow from Operating						
Activities	409	332	23.3%	207	117	77.5%
Capital Expenditure	173	282	(38.5%)	50	52	(4.8%)
Operating Cash Flow / Adj EBITDA	70.6%	65.7%		123.3%	76.7%	

¹ Adj. EBITDA with foreign exchange gains/(losses) of other income/(expenses) from operating activities recorded 579, 505, 168, and TL152 million respectively in 2019, 2018, Q4 2019, and Q4 2018. Adj. EBITDA is based on Reported EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) adjusted for one-time (income) / expenses, net and non-cash GAAP provision expenses.

² Obligations under operational leases related to IFRS 16 are included in 2019.

Financial Highlights

- ✓ Revenues increased by 18% to TL 3,704 million (2018: TL 3,132 million) in 2019 on the back of strong growth both in domestic patients and foreign medical tourism operations. Therefore, the top-line growth was well above (by 6%) the inflation rate of 12% in the last 12 months. When revenues of managed hospitals are included, the nominal revenue growth in 2019 increases to 20% (real growth rate of 8%).
- ✓ In 2019, Adj. EBITDA (excluding foreign exchange effect of other income/expenses from operating activities) increased by 33%. Adjusted EBITDA margin rose 166 bps to 15.1% through cost cutting initiatives and the rapid ramp-up of hospitals opened in 2018.
- ✓ Net income of TL 56 million (including obligations under operational leases related to IFRS 16) was generated in 2019 on the back of strong operational performance and the goodwill recognized from the favourable acquisition of Maltepe Hospital.
- ✓ The net debt/Adj. EBITDA ratio stood at 2.5x in 2019 both excluding and including obligations under operational leases related to IFRS 16.

Operating Highlights

- ✓ Foreign medical tourism revenue (FMT) increased by 32% in 2019. In 2019, the share of FMT in total revenue increased to 12% (vs. 11% in 2018).
- ✓ In December 2019, MLP Care was admitted to the Turquality Support Program with Medical Park and Liv Hospital brands, a financial support program implemented by the Government since 2004 to help Turkish companies expand their brands internationally. We anticipate that the Turquality Support Program will contribute significantly to the advertising activities in target international markets and facilitate the further growth of our foreign medical tourism business.

- ✓ As part of its strategy to focus growth in metropolitans with large-scale hospitals, MLP Care has exited from three non-contributing, small scale hospitals in December 2019 for cash proceeds (In 9M 2019, the share of the exited hospitals in consolidated revenues was 3.4% and -1.0% in consolidated EBITDA). As part of this transaction, MLP Care has acquired the remaining 43% stake in Çanakkale hospital increasing its ownership to 100%. (In 9M 2019, the share of the Çanakkale hospital in consolidated revenues was 0.9% and 1.3% in consolidated EBITDA.)
- ✓ In December 2019, MLP Care's 80%-owned subsidiary, Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş., acquired a private hospital in Maltepe, one of the top ten highly populated districts in Istanbul with a population of 500 thousand people. Maltepe is expected to become one of the most prominent hospitals of the group.
- ✓ The 2018 vintage Pendik and Mersin hospitals, recorded TL6 million positive EBITDA in 2019 vs. negative TL26 million in 2018.

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

"2019 has been a year of operational efficiency and cash flow improvement. We managed to generate TL 56 million of net income despite high financing costs, on the back of strong growth in mature hospitals, the ramp-up of the estate added in 2018, and portfolio optimization through which we exited three small underperforming hospitals and added a new sizable hospital in Istanbul. We anticipate that our interest expense burden will decrease significantly in 2020 with the ongoing drop in interest rates in Turkish macro landscape and our EBITDA to net income conversion will increase.

We are very excited to be admitted to the Turquality Support Program which will add momentum to our growth in foreign medical tourism (FMT). Between 2016 and 2019, our FMT revenues grew with a CAGR of 57%, and its share in our total revenues increased from 5% to 12%. We expect this trend to continue.

As MLP Care, while focusing on sustainable growth, we will continue to take bold steps towards the digitalization of healthcare. Rather than merely keeping pace with the digital world, we seek to be one of the leading companies of this transformation process in our country and to undertake projects that will set an example, not only in our country but also in all nearby geographies."

Revenue

	2019	2018	Change	Q4 2019	Q4 2018	Change
Total Revenue (TL million)	3,704	3,132	18.3%	988	880	12.2%
Domestic Patient Revenue	2,962	2,512	17.9%	815	678	20.2%
<i>Inpatient Revenue</i>	<i>1,747</i>	<i>1,499</i>	<i>16.6%</i>	<i>475</i>	<i>403</i>	<i>17.9%</i>
<i>Outpatient Revenue</i>	<i>1,215</i>	<i>1,013</i>	<i>19.9%</i>	<i>340</i>	<i>276</i>	<i>23.5%</i>
Foreign Medical Tourism Revenue	435	330	31.8%	105	106	(0.5%)
Other Ancillary Business	306	289	5.9%	67	96	(29.8%)

Domestic Patient Revenue: Revenues generated from domestic patients increased by 20.2% in Q4 2019 and 17.9% in 2019, driven by both inpatient and outpatient revenue growth.

The inpatient revenue grew by 17.9% in Q4 2019, on the back of the 9.0% increase in average price and 8.2% increase in volume. In 2019, average price increased by 11.8% and volume increased by 4.3%.

The outpatient revenue grew by 23.5% in Q4 2019, mainly driven by 16.2% increase in outpatient average revenue per visit and 6.3% increase in outpatient volume. In 2019, average price increased by 17.2% and volume increased by 2.3%.

Foreign Medical Tourism Revenue: While the FMT revenue in Q4 2019 increased by 2.5% on the back of price & FX impact, it decreased by 3.0% due to the decrease in the number of patients caused by regional geopolitical risks. In addition, FMT revenue increased by 31.8% in 2019 with the contribution of both the price and FX impact by 20.1% and the number of patients by 11.7%. With the decrease in the regional turbulences, we aim to grow the share of our hard currency revenues in total revenues by increasing our effective advertising activities in target international markets with the contribution of state-sponsored Turquality Support Program that Medical Park and Liv Hospital brands were recently accepted.

Other Ancillary Business: Revenue from other ancillary business decreased by 29.8% in Q4 2019 due to non-renewal of the tender for the laboratory business with the preference of our group. On the other hand, management fees from university hospitals increased by 57.8% in the same period as capacity utilization rises. (Currently, we have 5 university hospitals, of which 3 have management service contracts with us).

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

	2019	2018	Change (bps)	Q4 2019	Q4 2018	Change (bps)
(% of Revenues)	84.4%	83.9%	48	83.0%	82.7%	30
Material	23.3%	23.5%	(21)	22.5%	25.4%	(293)
Doctor	21.2%	22.5%	(134)	21.8%	22.3%	(49)
Personnel	17.5%	17.8%	(22)	17.2%	15.9%	133
Rent	7.6%	7.8%	(14)	7.3%	7.1%	24
Outso.serv.purch.	5.2%	4.9%	28	5.5%	5.2%	26
All other exp.	9.5%	7.4%	210	8.7%	6.8%	190

Material consumption as a percentage of total revenue decreased by 293 bps in Q4 2019 and 21 bps in 2019 due to revenue growth, cost controls, and efficiency initiatives.

Doctor costs as a percentage of total revenue declined by 49 bps to 21.8% in Q4 2019 and 134 bps to 21.2% in 2019 due to increase in hospital revenues and doctor efficiency initiatives.

Personnel expenses as a percentage of total revenue increased by 133 bps to 17.2% in Q4 2019 due to the opening of VM Medical Park Maltepe Hospital. However, thanks to efficiency initiatives it decreased by 22 bps to 17.5% in 2019.

Rent expenses as a percentage of total revenue increased by 24 bps to 7.3% in Q4 2019 due to the inflation adjustment of rent costs and opening of VM Medical Park Maltepe Hospital. However, it decreased by 14 bps to 7.6% in 2019 due to conversion of the FX denominated hospital building lease agreements to Turkish Lira in 2018.

Outsourced services purchases that consists of expenses in other ancillary businesses (laboratory, imaging, cleaning, catering, security etc.) percentage of the total revenue stayed flat in 2019.

All other expenses (energy, foreign and domestic marketing expenses etc.) increased by 190 bps in Q4 2019 and 210 bps in 2019 on the back of increase in energy costs and marketing expenses related to FMT revenues.

EBITDA

The Adj. EBITDA (without foreign exchange effect of other income/expenses from operating activities) number increased by 45.0% to TL157 million in Q4 2019. Adj. EBITDA margin came in at 15.9%, increasing by 359 bps. In 2019, the Adj. EBITDA (without foreign exchange effect of other income/expenses from operating activities) number increased by 32.8% to TL560 million and adj. EBITDA margin increased by 166 bps to 15.1%.

The Adj. EBITDA number with foreign exchange effect of other income/expenses from operating activities increased by 10.3% to TL168 million in Q4 2019. In 2019, the Adj. EBITDA number increased by 14.8% to TL579 million.

Including obligations under operational leases related to IFRS 16, the Adj. EBITDA number came in at TL233 million and the Adj. EBITDA margin was 23.6% in Q4 2019. Additionally, in 2019, the Adj. EBITDA number came in at TL834 million and the Adj. EBITDA margin was 22.5%.

Cash Flow

The operating cash flow increased from TL117 million in Q4 2018 to TL207 million in Q4 2019 as a result of the improvement in the cash cycle. Thus, the operating cash flow / EBITDA ratio came in at 123.3% in Q4 2019 and 70.6% in 2019 (Q4 2018: 76.7%, 2018: 65.7%).

Maintenance-related capital expenditures as a percentage of revenues was at 1.5% in Q4 2019 and 1.6% in 2019. Total capital expenditures as a percentage of revenues was at 5.0% in Q4 2019 and 4.7% in 2019 due to lack of new hospital openings that requires high capital expenditure in 2019 (Q4 2018: 5.9%, 2018: 9.0%).

Profit for the Period

On the back of strong operational performance and the goodwill recognized from the favourable acquisition of Maltepe Hospital, TL 56 million net profit (including obligations under operational leases related to IFRS 16) was generated in 2019, and TL 76 million in Q4 2019. Net profit was recorded in spite of the high financial expenditure of TL125 million in Q4 2019 and TL415 million in 2019. The main reasons behind the TL135 million increase in interest expenses in 2019 were the increase in the borrowing interest of TL loans from 12.3% in 2018 to 18.6% in 2019. Due to the downward momentum in TL interest rates, finance expenses are expected to decrease in the upcoming periods.

Borrowings and Indebtedness

Net Debt by Currency (TL million)	2019	Vertical Percentage	2018	Vertical Percentage	Change
TL	881	60%	521	42%	69.0%
USD + Euro	434	30%	437	35%	(0.5%)
Euro (Hedged)	149	10%	285	23%	(47.7%)
Total	1,465	100%	1,243	100%	17.8%

The net debt/Adj. EBITDA ratio was at 2.5x in 2019. Related ratio was also 2.5x including obligations under operational leases related to IFRS 16.

When excluding IFRS 16 impact, net debt decreased by TL39 million in Q4 2019 compared to Q3 2019 and decreased to TL1,465 million. Thus, Net Debt / Adjusted EBITDA ratio was 2.5x.

Currency risk management

The company has total EUR129 million gross principal and interest debt service pertaining to the foreign currency denominated bank loan and financial leasing. As of December 31, 2019, EUR25 million of total debt service including principal and interest for the 2020 period was hedged using a cross currency swap transaction.

The total hedged portion was 20% of the total euro-denominated loans principal and interest payments. With this transaction, currency risk for the 12-month period has been mitigated.

EBITDA RECONCILIATION

TL million	2019 ¹	2019	2018	Q4 2019 ¹	Q4 2019	Q4 2018
Net profit / (loss)	56	18	(104)	76	65	39
Tax (income) from operations	26	16	(59)	31	28	7
Depreciation and amortization of tangible and intangible fixed assets	266	216	192	68	55	51
Total interest expenses/(income) and fair value differences of derivative instruments	543	386	443	158	120	4
Net (gains) / losses from the disposal of tangible and intangible assets and income from negative goodwill	(131)	(131)	(1)	(129)	(129)	(0)
Reported EBITDA	760	506	471	205	140	101
Rent expenses	31	283	243	8	72	62
Reported EBITDAR	791	788	714	213	212	164
Net one-off (gains) / losses	48	48	26	19	19	46
Non-cash GAAP provision expenses	26	26	7	9	9	5
Adjusted EBITDA	834	579	505	233	168	152
Adjusted EBITDA Margin (%)	22.5%	15.6%	16.1%	23.6%	17.0%	17.3%
Foreign exchange gains/(losses) from operations	19	19	83	11	11	44
Adjusted EBITDA²	814	560	421	222	157	108
Adjusted EBITDA Margin (%)²	22.0%	15.1%	13.5%	22.5%	15.9%	12.3%
Adjusted EBITDAR	864	862	748	241	240	215
Adjusted EBITDAR Margin (%)	23.3%	23.3%	23.9%	24.4%	24.3%	24.4%

¹ Including obligations under operational leases related to IFRS 16

² Adj. EBITDA and Adj. EBITDA margin without foreign exchange gains/(losses) from other income/(expenses) from operating activities

SUMMARY CONSOLIDATED INCOME STATEMENT

TL million	Audited 2019 ¹	Audited 2019	Audited 2018	Change (%)	Q4 2019 ¹	Q4 2019	Q4 2018	Change (%)
Revenue	3,704	3,704	3,132	18.3%	988	988	880	12.2%
Cost of service (-)	(2,852)	(3,053)	(2,644)	15.5%	(754)	(804)	(742)	8.4%
Gross profit	852	651	488	33.5%	234	184	138	32.9%
General administration expenses (-)	(309)	(309)	(271)	14.2%	(91)	(91)	(82)	12.0%
Other income from operations	333	333	599	(44.3%)	92	92	132	(30.6%)
Other expenses from operations (-)	(354)	(356)	(515)	(30.8%)	(93)	(94)	(134)	(29.7%)
Operating profit/(loss)	523	319	300	6.2%	142	90	55	63.2%
Income from investing activities	132	132	2	100.0%	130	130	0	100.0%
Expense from investing activities (-)	(2)	(2)	(0)	100.0%	(2)	(2)	(0)	100.0%
EBIT	654	450	301	49.2%	270	219	55	296.5%
<i>EBIT margin</i>	<i>17.7%</i>	<i>12.1%</i>	<i>9.6%</i>	<i>251bps</i>	<i>27.4%</i>	<i>22.1%</i>	<i>6.3%</i>	<i>1,587bps</i>
Interest expenses (-)	(502)	(353)	(218)	61.6%	(135)	(99)	(49)	104.7%
Net foreign exchange profit / (loss) (including hedging cost)	(69)	(62)	(245)	(74.9%)	(28)	(26)	40	n.m.
Net profit / (loss) before tax	82	35	(162)	n.m.	108	94	46	101.8%
Tax income / (expense) from operations	(26)	(16)	59	n.m.	(31)	(28)	(7)	298.9%
Net profit / (loss)	56	18	(104)	n.m.	76	65	39	66.1%

¹Including obligations under operational leases related to IFRS 16

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Audited December 31, 2019 ¹	Audited December 31, 2019	Audited December 31, 2018
Cash and cash equivalents	306	306	223
Trade receivables	991	991	899
Inventory	90	90	80
Short term other assets	335	335	276
Current assets	1,722	1,722	1,479
Tangible and intangible fixed assets	1,327	1,327	1,305
Right of use assets	235	--	--
Deferred tax assets	398	325	282
Long term other assets	232	232	173
Non-current assets	2,193	1,884	1,760
Total assets	3,914	3,606	3,239
Trade payables	821	821	808
Short term other liabilities	256	256	246
Short term financial liabilities (incl. financial and operational leases)	861	752	455
Current liabilities	1,938	1,829	1,509
Long term other liabilities	95	95	55
Deferred tax liabilities	155	155	136
Long term financial liabilities (incl. financial and operational leases)	1,488	995	964
Non-current liabilities	1,738	1,245	1,154
Shareholders' equity	230	451	474
Non-controlling interest	8	81	101
Equity	238	532	576
Total liabilities & equity	3,914	3,606	3,239

¹Including obligations under operational leases related to IFRS 16

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 29 hospitals and around 6,000 beds in 16 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 December 31, 2019, we have approximately 20,000 personnel, including over 2,200 physicians, managed by a head office team which integrates field operations, sets strategy and monitors real-time performance across all 29 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

FY 2019 Results Presentation & Webcast will be held on March 6, 2020 at 4:30 p.m. (Istanbul), 1:30 p.m. (London) and 8:30 a.m. (New York).

Audio Conference:

- Singapore Toll: +6564298400 PIN: 13978721 #
- Turkey Toll: +902123755127 PIN: 13978721 #
- United Kingdom Toll: +442071943759 PIN: 13978721 #
- United States Toll: +1 6467224916 PIN: 13978721 #

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

Webcast:

<https://event.onlineseminarsolutions.com/wcc/r/2190733-1/DB52F01BE2479CEBEB7C3ED74CCDF8A1?partnerref=rss-events>

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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