

**MLP Care Analyst Meeting**  
**Liv Hospital Ulus, March 7<sup>th</sup> 2018**

**MEDICALPARK**

**liv HOSPITAL**

**VM MEDICALPARK**

## **MLP Overview**

**Dr. Muharrem Usta – Chairman and CEO**

## Summary

Results above our expectations

Growth across all segments

Double digit growth in Net Sales and EBITDA

Declining leverage ratio and expected reduction in FX loss and interest expenses\*

## MLP: The #1 Private Hospital Group in Turkey

**29** Hospitals;  
More than the #2  
and #3 Competitors  
Combined

**5.300+** Beds;  
2x the size of 2<sup>nd</sup> Largest  
Competitor

**17** Cities  
**17.000+** Staff  
**2.000+** Doctors

**Addresses All Price  
Segments  
in the Turkish Market**

**3** JCI Accredited Hospitals  
**3** Centers of Excellence

Revenues: **2.6** billion TL  
EBITDA: **409** million TL<sup>1</sup>

<sup>1</sup> Adjusted EBITDA figures  
\* Figures on this page have been updated for Year End 2017 results.

## Strong Growth and Successful Financial Performance

Net Sales (TLm)

**%19**

CAGR 2014-2017

EBITDA<sup>1</sup> (TLm)

**%25**

CAGR 2014-2017

EBITDAR<sup>1</sup> (TLm)

**%26**

CAGR 2014-2017

- Acquisition of 6 hospitals (2 of which are in Istanbul)
- 2 greenfield hospitals in Ankara

- 2 brand new hospitals in Istanbul and Kocaeli

- Opening of a University Hospital in Istanbul

- Opening of a University Hospital in Istanbul and a greenfield hospital in Samsun

2014

2015

2016

2017



25

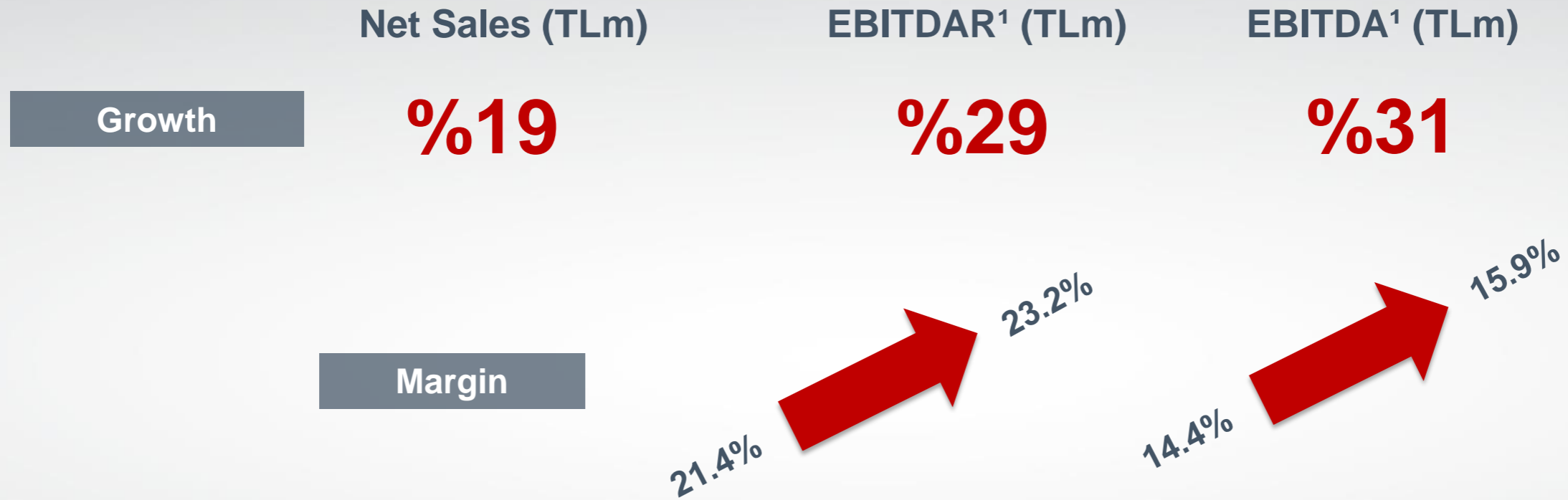
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<sup>1</sup> Adjusted figures

## Strong Financial Performance in 2017



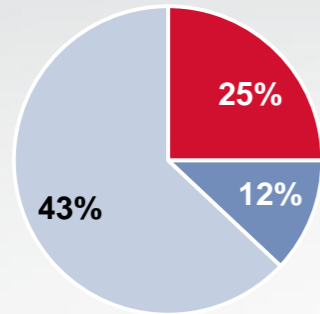
### *Healthy balance sheet post IPO*

- ✓ Net profit proforma for TL600m capital increase; TL47m (vs. reported net loss of TL 133m)
- ✓ Proforma Net debt / EBITDA: 1.9x (vs. reported ratio of 3.4x)

<sup>1</sup> EBITDA and EBITDAR figures have been adjusted for TFRS adjustments that have no cash impact on relevant period and one-off income/expense figures

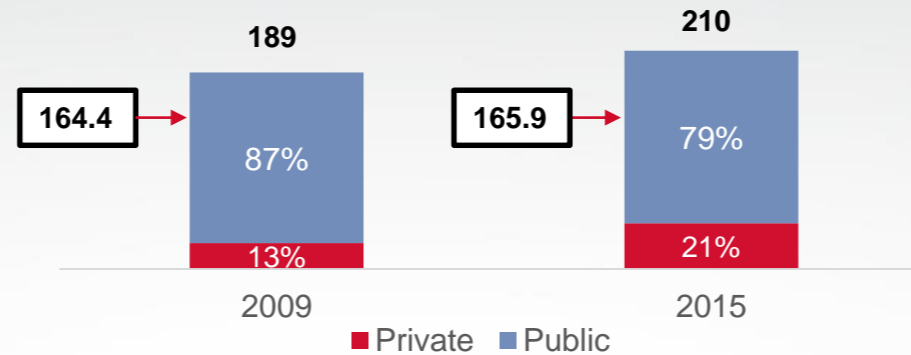
## Share of Private Hospitals is Increasing in Total Healthcare Market

Healthcare Expenditure by Provider



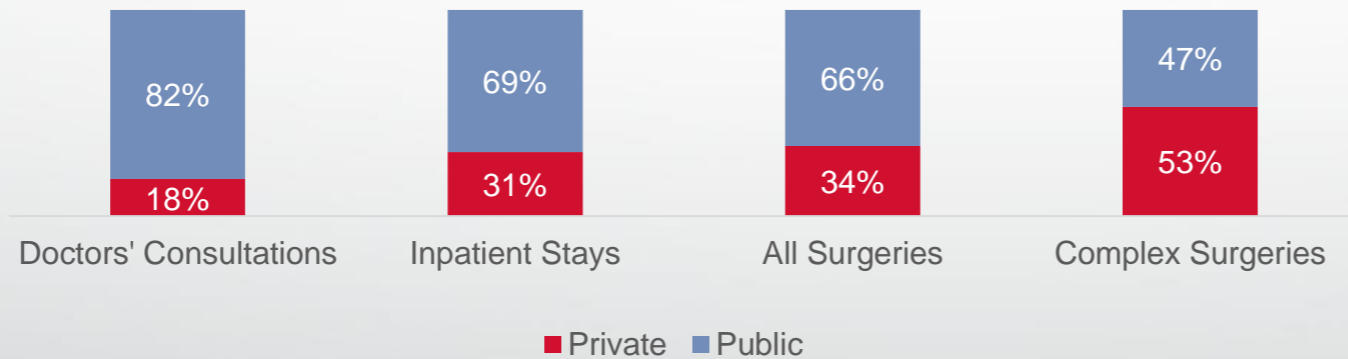
■ Private ■ University ■ Public

Total Number of Beds ('000)



■ Private ■ Public

## Healthcare Services Revenue Breakdown (2015)



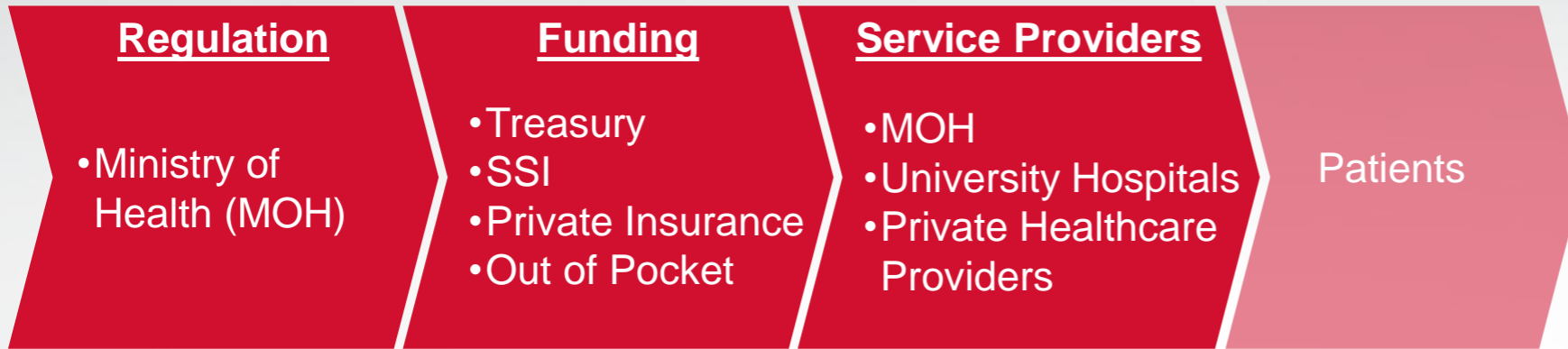
■ Private ■ Public

- Total Healthcare Expenditure: TL 76 billion (2015)
- Capacity expansion in the private sector
- Increase in share of private sector in complex surgeries
- PPPs are expected to get market share from state and small private hospital
- PPPs can increase the speed of consolidation in the market

Sources: IMS Health, Euromonitor International, OECD, Espicom Business Intelligence, MoH Statistics 2015 (Published in Dec-2016), TURKSTAT, TOBB report . Complex Surgeries: Organ transplants and other A1 surgeries. Analysis performed with 2014 figures. <sup>1</sup> Includes

## A System where all the Participants are Satisfied

### Key players and the Healthcare System



### General Health Services Regime Providing Patients with Options

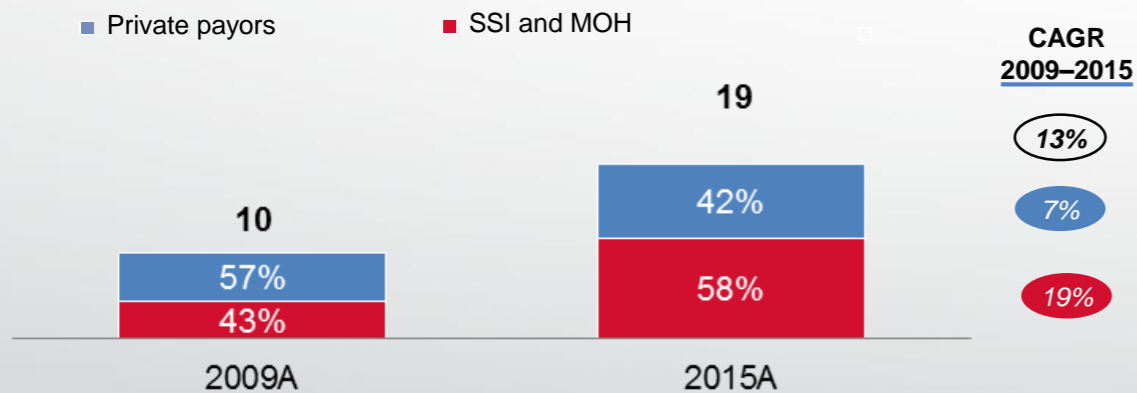
#### GHS\*

- ✓ Healthcare reforms started in 2004
- ✓ %98<sup>1</sup> of the Population is covered by the GHS
- \*General Health Services Insurance (Genel Sağlık Sigortası)

#### Patient's right to choose

- ✓ SSI pays according to SUT prices
- ✓ Private Hospitals are allowed to charge +%200<sup>3</sup> top-up on top of the SUT prices<sup>2</sup>
- ✓ Top-up Health Insurance is the fastest growing segment<sup>4</sup> of the Private Health Insurance market

### Healthcare expenditure by funding type (billion TL)

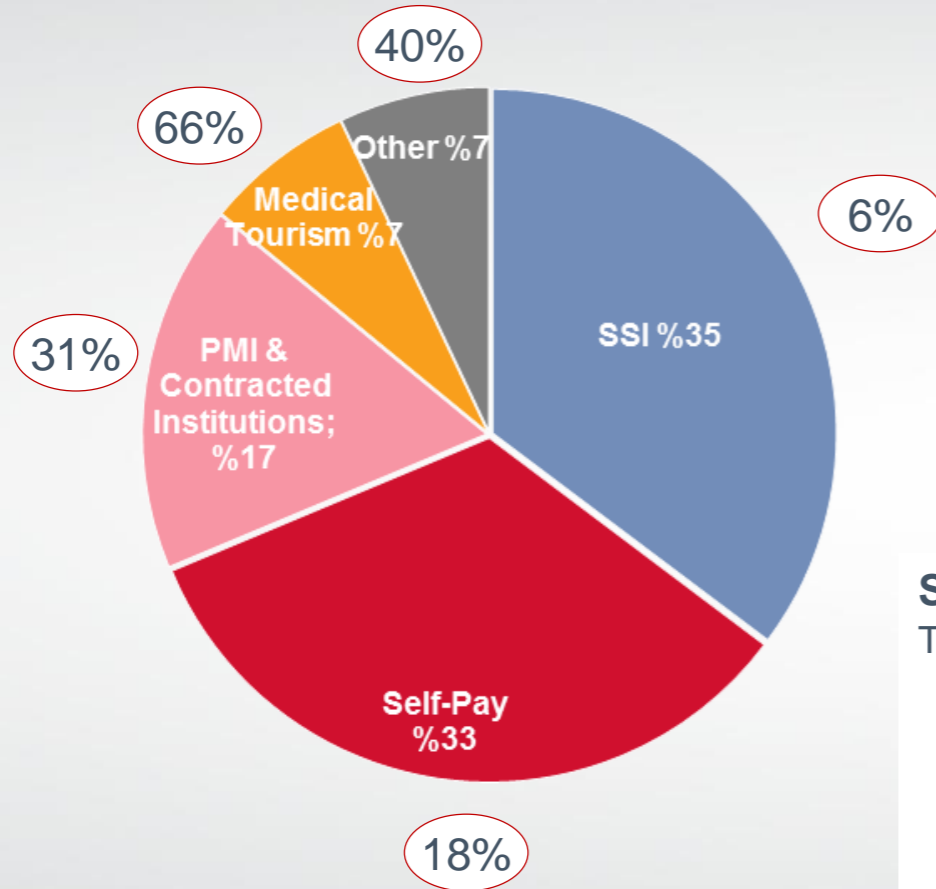


Sources: OECD healthcare systems review, Turkey 2008, TURKSTAT, TOBB Report  
<sup>1</sup> TOBB report; <sup>2</sup> SUT prices = SSI Price Tariffs; <sup>3</sup> Almost all services are eligible for %200+ (except for certain specific services); <sup>4</sup> 2014-2016 CAGR:%150 – Number of policies sold



## Growth Continues in All Payor Types

Revenue Breakdown by Payor Type

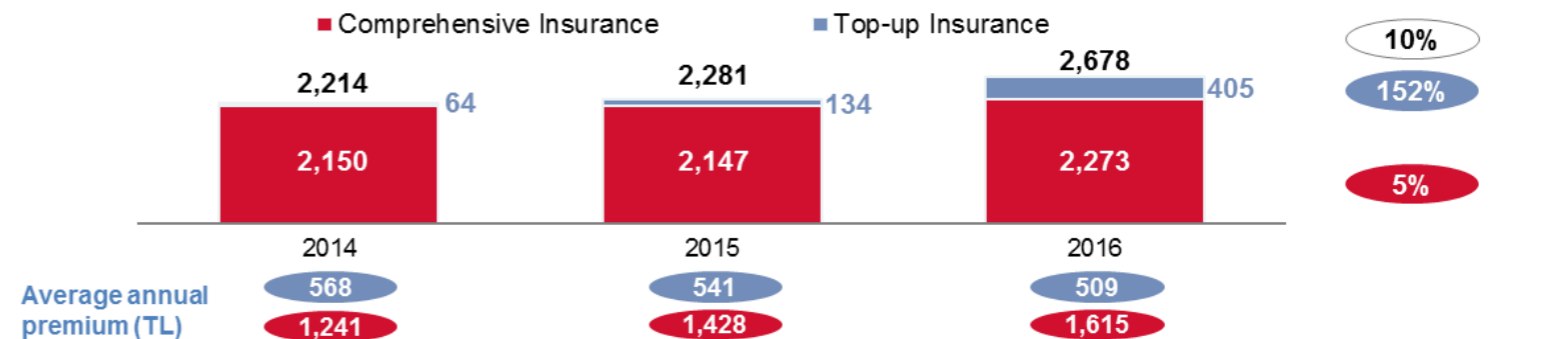


### Balanced Revenue Portfolio

- ✓ **SSI Insurance** provides access to the majority of Turkey's population
- ✓ **Revenue from PMI** grew by **6x** in the last five years
- ✓ **Revenue from Top-up Insurance** grew by more than **2x** in 2017
- ✓ **Medical Tourism** growing from a small and sustainable base

### Strong Growth in Top-up Insurance

Total # of Policies Sold ('000)



○ Denotes growth in 2016 – 2017

## Clear Leader in Private Hospital Services

### JCI accreditation

Gold Standard in Global Health Services Market



Bahçelievler

Göztepe

İzmir

### SRC<sup>1</sup>

Global standard in surgical excellence



Colorectal Surgery  
#1 in the World



Robotic Surgery  
#1 Outside of the US (#4 in the World)



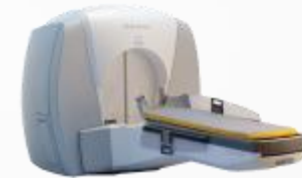
Metabolic and Bariatric Surgery  
100% Success Rate

- JCI standardized services; competitive advantage through surgical centers of excellence
- **40% of the bed** capacity is in the attractive market of Istanbul
- MLP has the highest number of beds almost in all cities it operates

### MLPCARE Network (number of hospitals and locations)



Gamma Knife

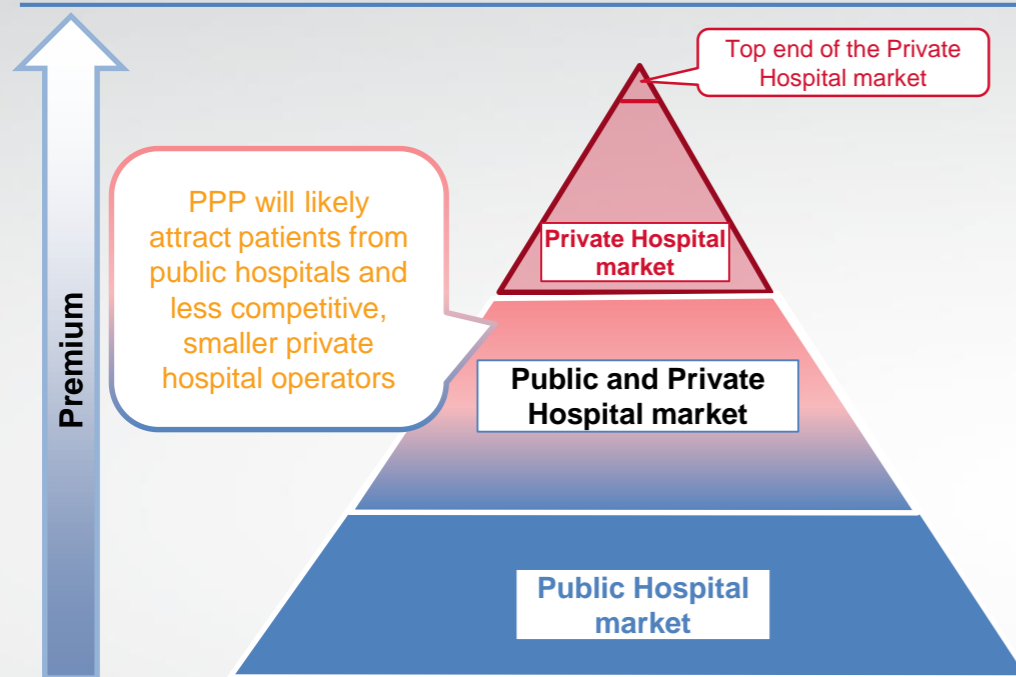


Da Vinci Robotic Surgery

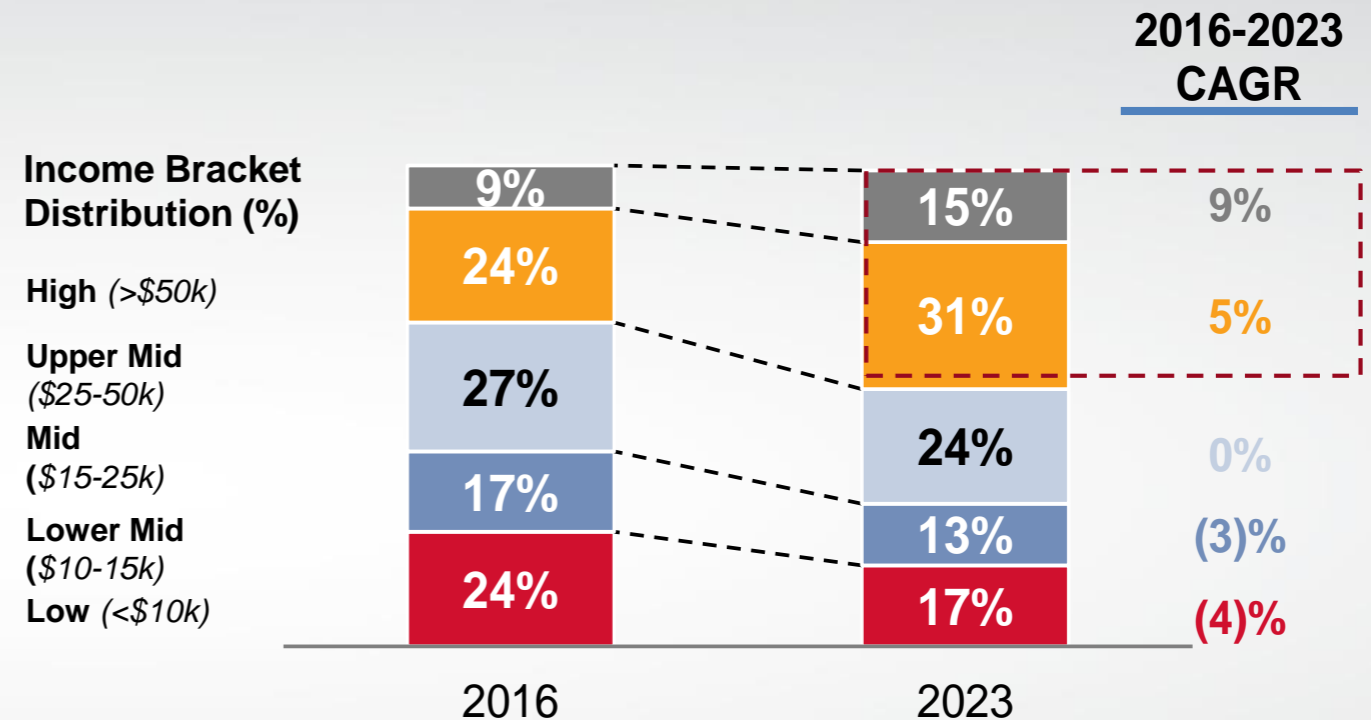


## Clear Leader in Private Hospital Provision

Turkish Healthcare Sector<sup>1</sup>



Growing Levels of Affluence in Turkey<sup>2</sup>



- ✓ Private hospital's **target population** is **significantly different** from what the PPP hospitals are expected to attract
- ✓ Emergence of large PPP hospitals can **accelerate consolidation** in the industry, resulting in smaller hospitals having just license value
- ✓ As such, MLP **is expected to be minimally impacted by the MoH's PPP initiative**

<sup>1</sup> Ministry of Health, Health statistics yearbook 2015, as of 2015 <sup>2</sup> IMS Health, Euromonitor International, OECD, Espicom Business Intelligence, MoH Statistics 2015 (published in Dec-2016), Turkish Statistical Institute, TOBB Report

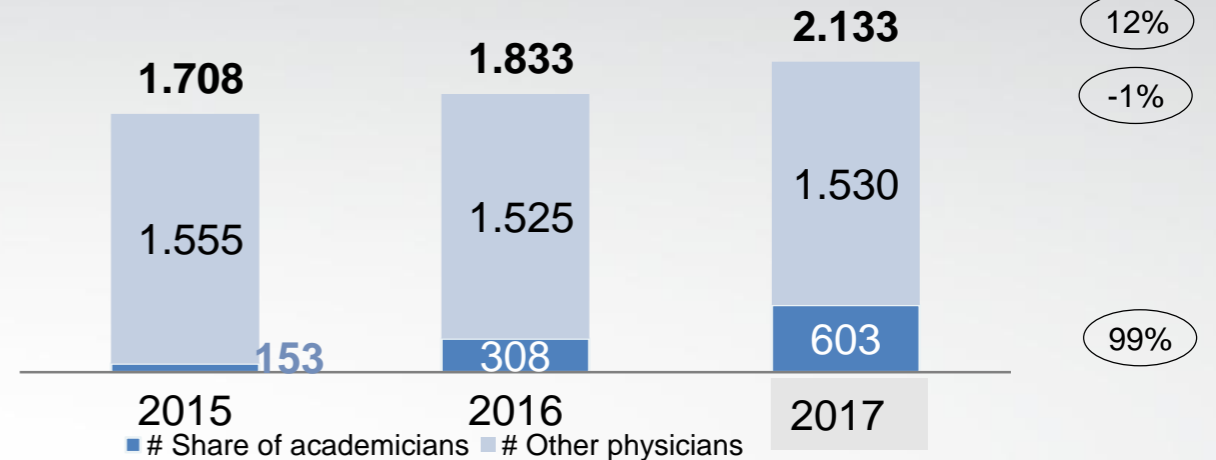
## Clinical Excellence and World Class Service Offering

**Top academic physicians choose MLP Care for:**

- ✓ Strong and reliable brand
- ✓ Leading market share
- ✓ State-of-the-art infrastructure
- ✓ University affiliations
- ✓ Vast exposure to complex cases

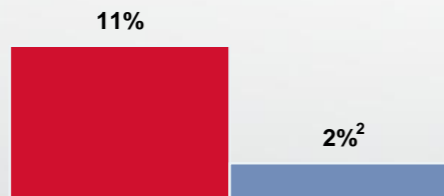
**603 of the 2,133 are academicians...**

### Growth continues with Academicians



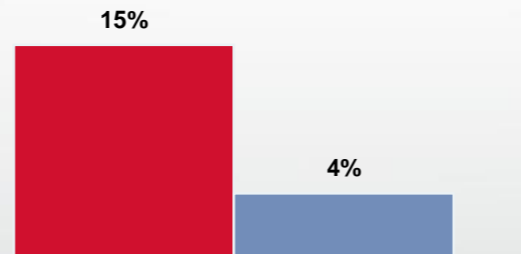
### Growing market share with patient volumes

#### MLP Share in beds<sup>1</sup>



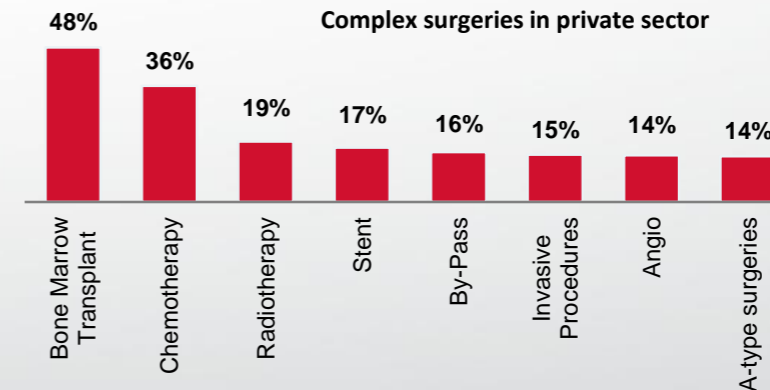
■ MLP share in private beds  
■ MLP share in total beds

#### MLP Share in inpatients<sup>1</sup>



■ MLP share in inpatients in the private sector  
■ MLP share in total inpatients

#### MLP Share in complex surgeries<sup>1</sup>



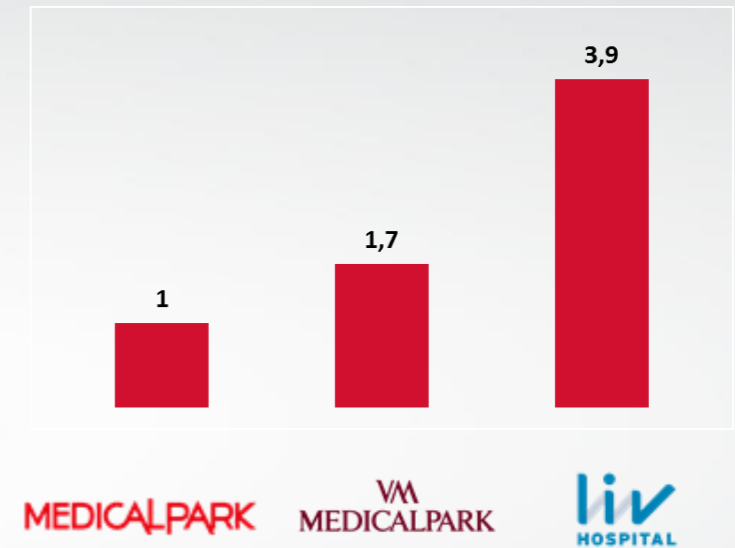
Source: Turkish Ministry of Health. 1 Data as of 2017. 2 Assumes growth in beds based on 7.2% 2013-2015 private beds CAGR and 1.9% 2013-2015 total beds CAGR applied to 2015 MoH figures

## Unique Business Model Addressing Multiple Price Points

### General Overview of the Concept and Positioning



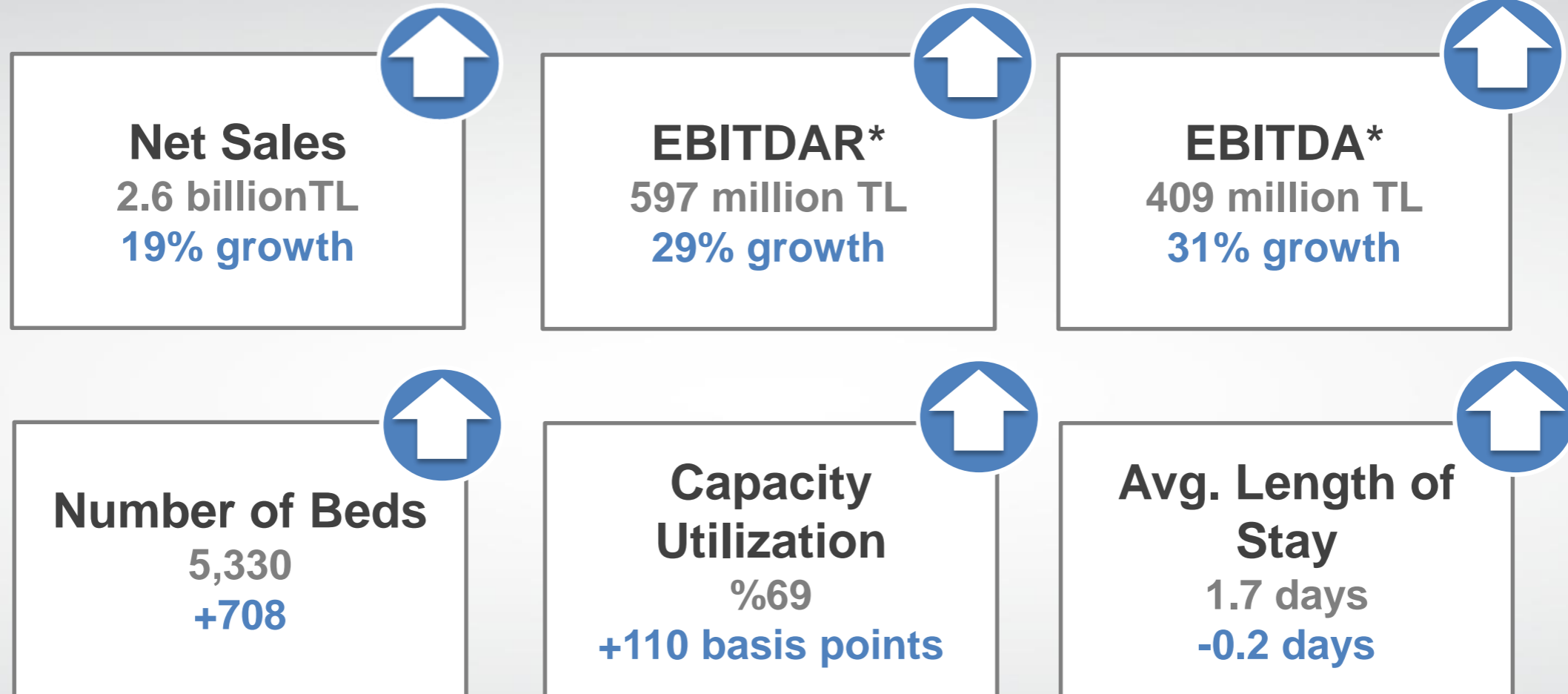
### Relative Average Price per Payor Type



○ Number of hospitals including a particular concept

Note: Three hospitals (Ereğli, Avcılar and Çanakkale) are operated under the brand of "Anadolu Hastanesi", instead of Medical Park

## Exceptional Operational and Financial Performance in 2017



\*EBITDA and EBITDAR figures have been adjusted for non-recurring FX gain/losses and non-cash GAAP provision expenses

## Two New Hospitals Commenced Operations in 2017

MLP Florya University Hospital

Samsun Liv



### Location

- İstanbul

- Samsun

### Opening Date

- March 2017

- June 2017

### Key Statistics

- 250 beds
- 50,714 m2
- 68 doctors
- 6 operating rooms
- 445 staff

- 75 beds
- 6,800 m2
- 45 doctors
- 2 operating rooms
- 190 staff

## Financial Performance Burcu Öztürk – CFO



## Strong Growth in All Segment Revenues



**Domestic Patient Revenues**  
TL 2.203 m  
**15% growth**

### *Strong Growth In Line With Our Strategy*

- ✓ Inpatient revenues grew 13%
- ✓ Outpatient revenues grew 18%



**Medical Tourism Revenues**  
TL 188 m  
**66% growth**

### *Attractive for Foreign Patients*

- ✓ Share of patients from Europe in total Medical Tourism: 40%
- ✓ Middle East & Africa: 29%
- ✓ Former CIS and the rest: 31%



**Ancillary Business**  
TL 185 m  
**40% growth**

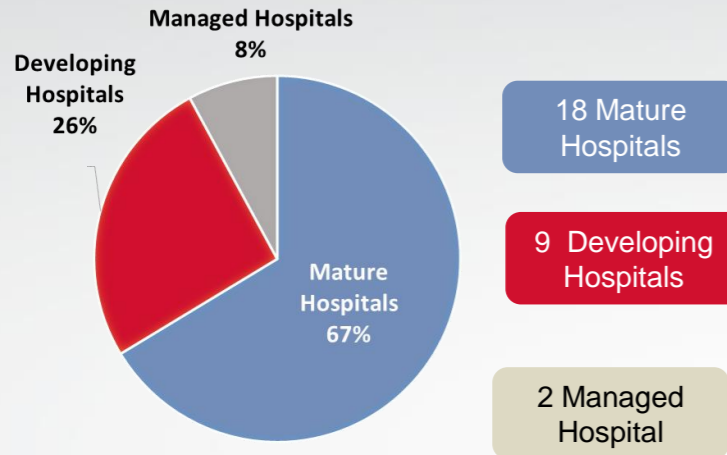
### *Growth Continues in Ancillary Businesses*

- ✓ Higher laboratory revenues in line with higher # of hospitals
- ✓ Growth in contribution of revenues from managed hospitals

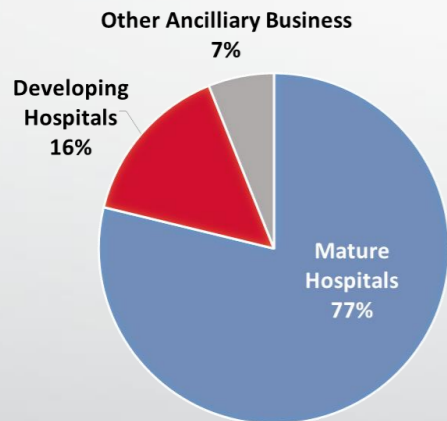
## Exceptional Operational and Financial Performance

### General Overview

#### Breakdown of Beds - 2017



#### Revenue Breakdown - 2017

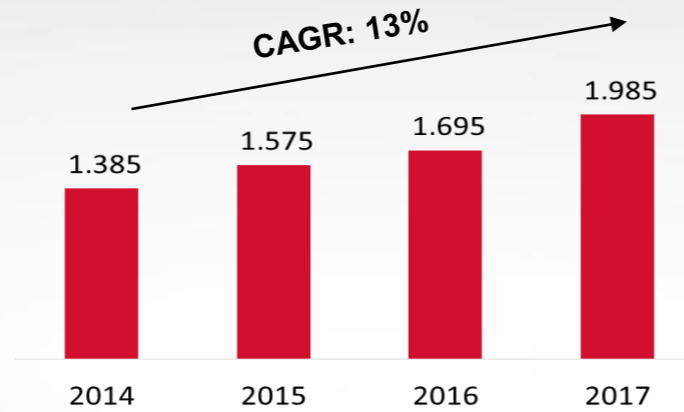


Total: TL2.576 million

### Mature Hospitals

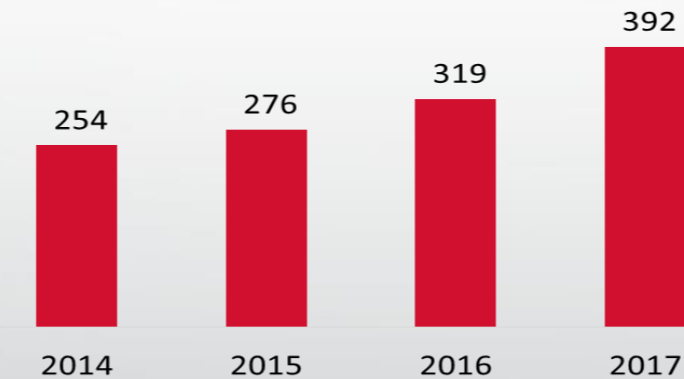
#### Revenue<sup>2</sup> (millionTL) / Growth (%)

14% 8% 17%



#### Contribution<sup>2</sup> (million TL) / Margin (%)

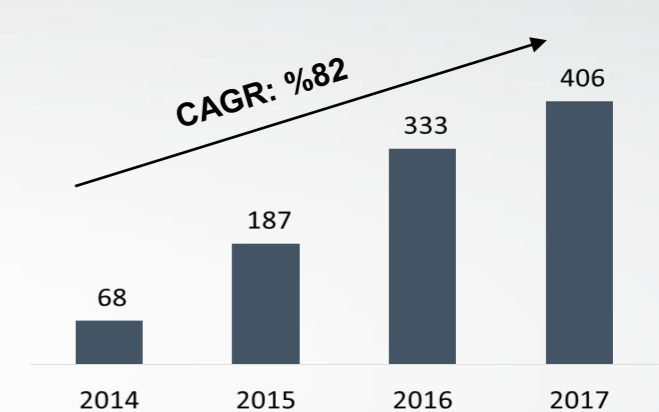
18.4% 17.5% 18.8% 19.7%



### Developing Hospitals

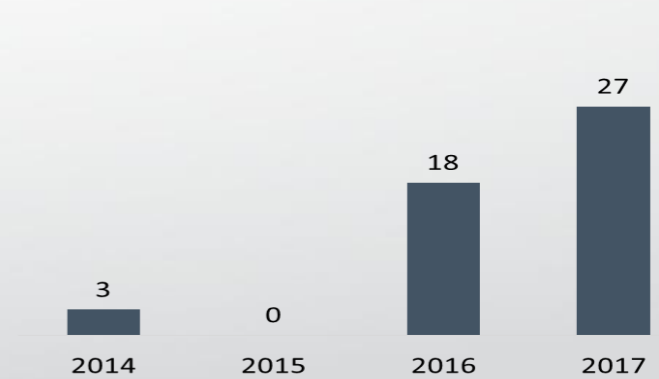
#### Revenue<sup>2</sup> (millionTL) / Growth (%)

176% 78% 22%



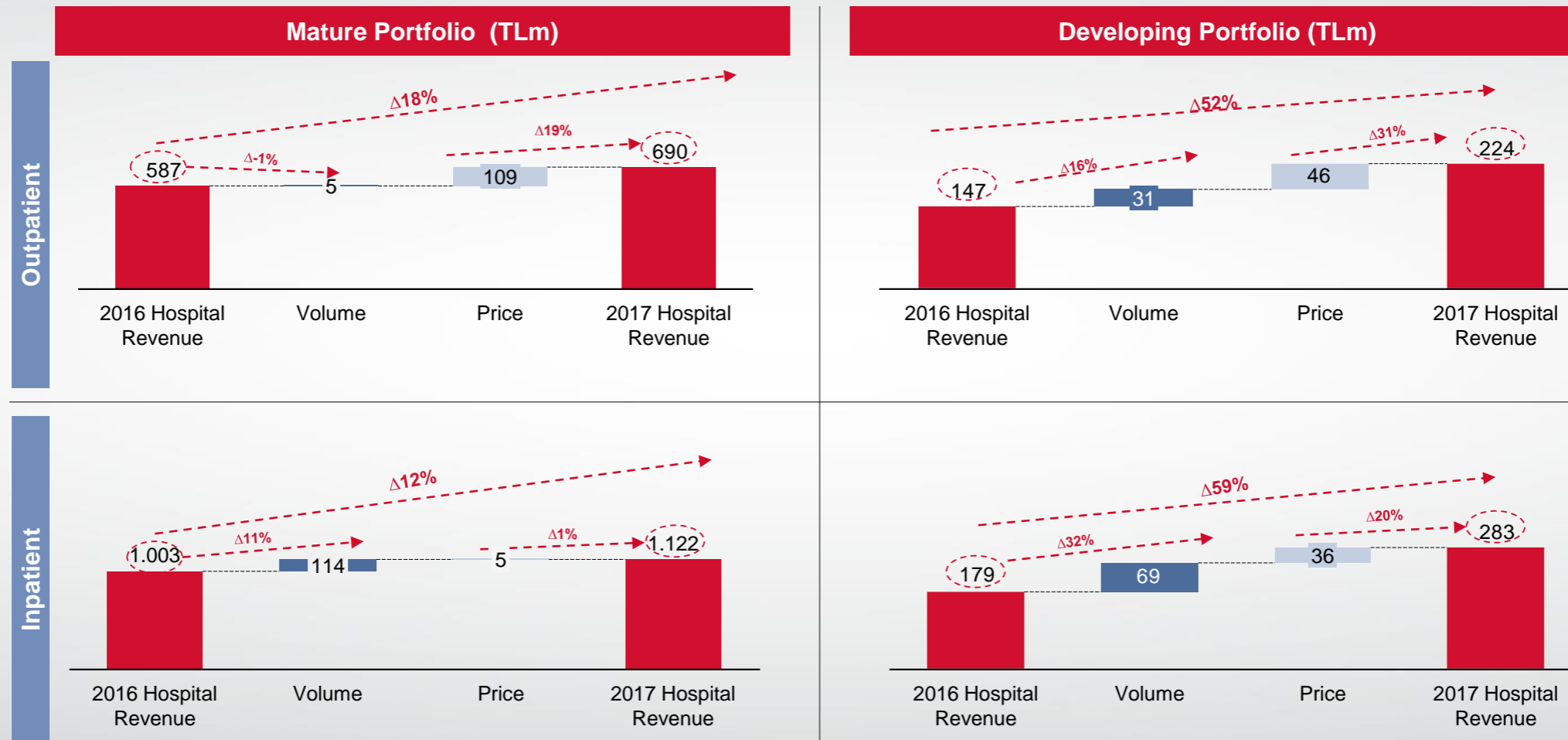
#### Contribution<sup>2</sup> (million TL) / Margin (%)

4.8% 0.2% 5.5% 6.6%



Note: Revenue and Contribution from Managed Hospitals is not consolidated in Hospital Revenues and included as part of Other Ancillary Business. Mature refers to hospitals opened, or acquired as well as integrated in the MLP IT system, prior to 2015, and Developing refers to hospitals opened / acquired / integrated after 2015. <sup>1</sup> Hospital counts by Estate as part of current MLP portfolio as at Dec-2017. <sup>2</sup> Excludes headquarters costs and contribution from Other Ancillary Business.

## Balanced Price and Volume Growth

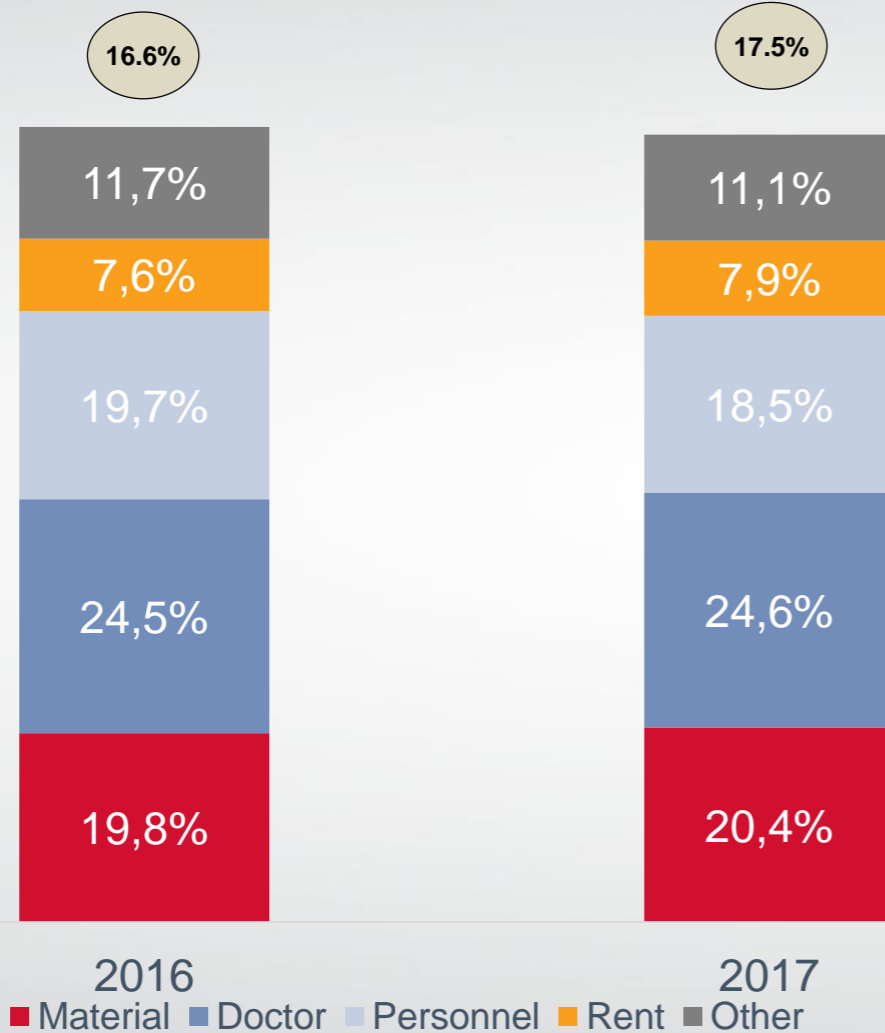


Note: Analysis based on domestic revenues excluding medical tourism. 2016 and 2017 numbers of developing hospitals include managed university hospitals in order to make the comparison meaningful.

## Smart Cost Management

Hospital Cost Comparison as % of Sales

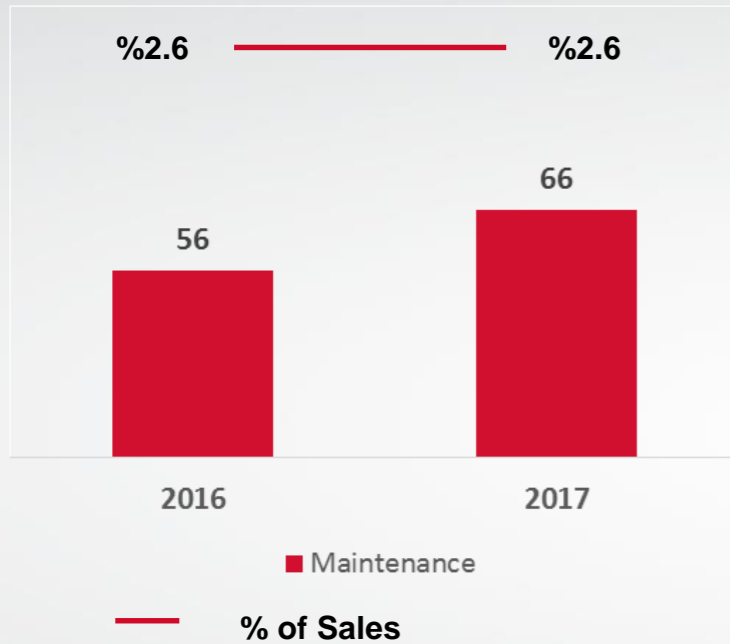
Contribution Margin



- ✓ **Material:** Slight increase due to change in the revenue mix
- ✓ **Doctor:** Flat as doctor cost is ca. 95% variable
- ✓ **Personnel:** Decline on the back of operational leverage
- ✓ **Rent:** New hospital openings and FX impact

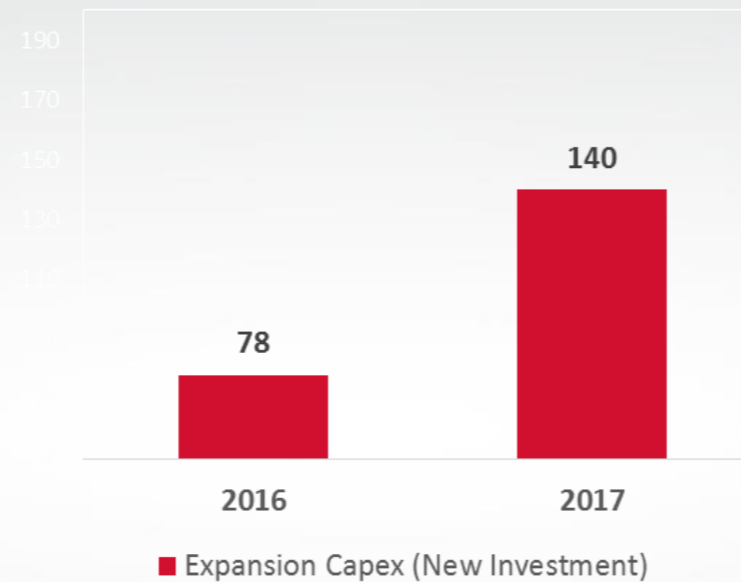
## Strong Cash Flow

### Maintenance Capex <sup>1</sup> (TLm)



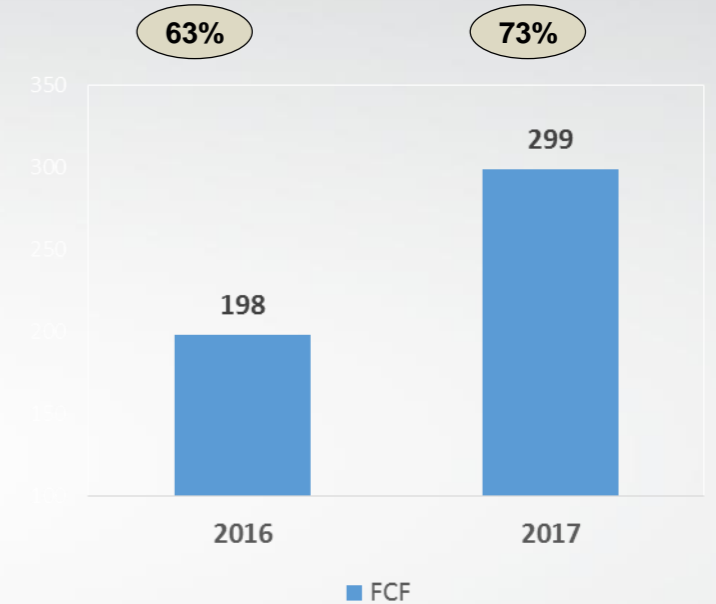
✓ Remained flat as a percentage of revenues at **2.6%**

### Capex of New Hospitals (TLm)



✓ Continued new hospital investments

### Free Cash Flow (TLm)

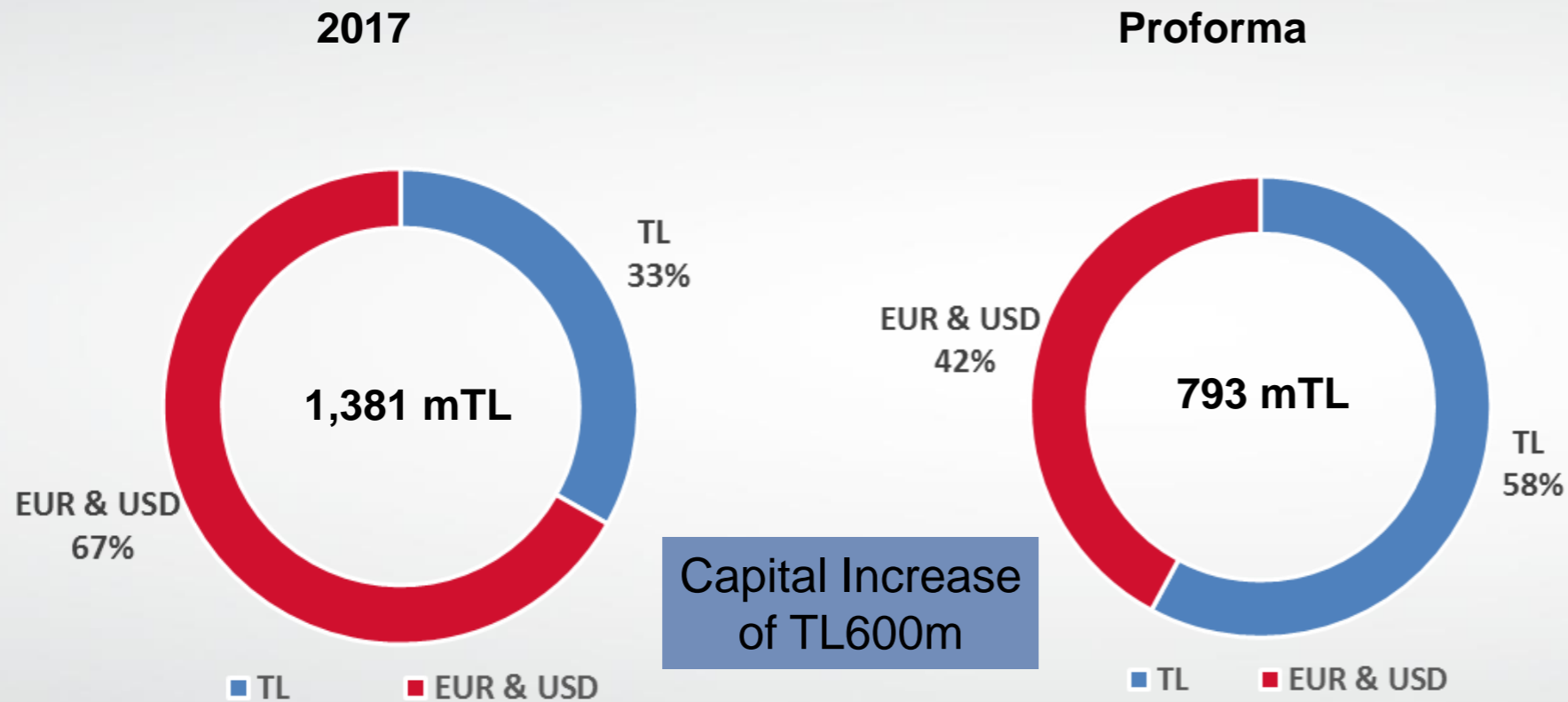


✓ Strong free cash flow generation maintained

x% FCF / EBITDA

## Deleveraging After Capital Injection Post IPO

### Net Debt Currency Breakdown



✓ Proforma Net Debt / EBITDA declines from **3.4x** to **1.9x**

(m TL)	2016	2017
<b>Net profit/(loss)</b>	<b>(49)</b>	<b>(133)</b>
FX gains/(losses)	(85)	(168)
IPO related costs	-	(12)
<b>Net profit / (loss) w/o FX and IPO impact</b>	<b>36</b>	<b>47</b>

**Closing**

**Dr. Muharrem Usta – Chairman and CEO**

## Outstanding Platform for Further Growth

Pendik (2018)



Mersin (2018)



### Location

- İstanbul

- Mersin

### Plan

- Opened in Q1-18

- 62,000 sqm

- Building construction complete

- License already available

- To be opened in 2018

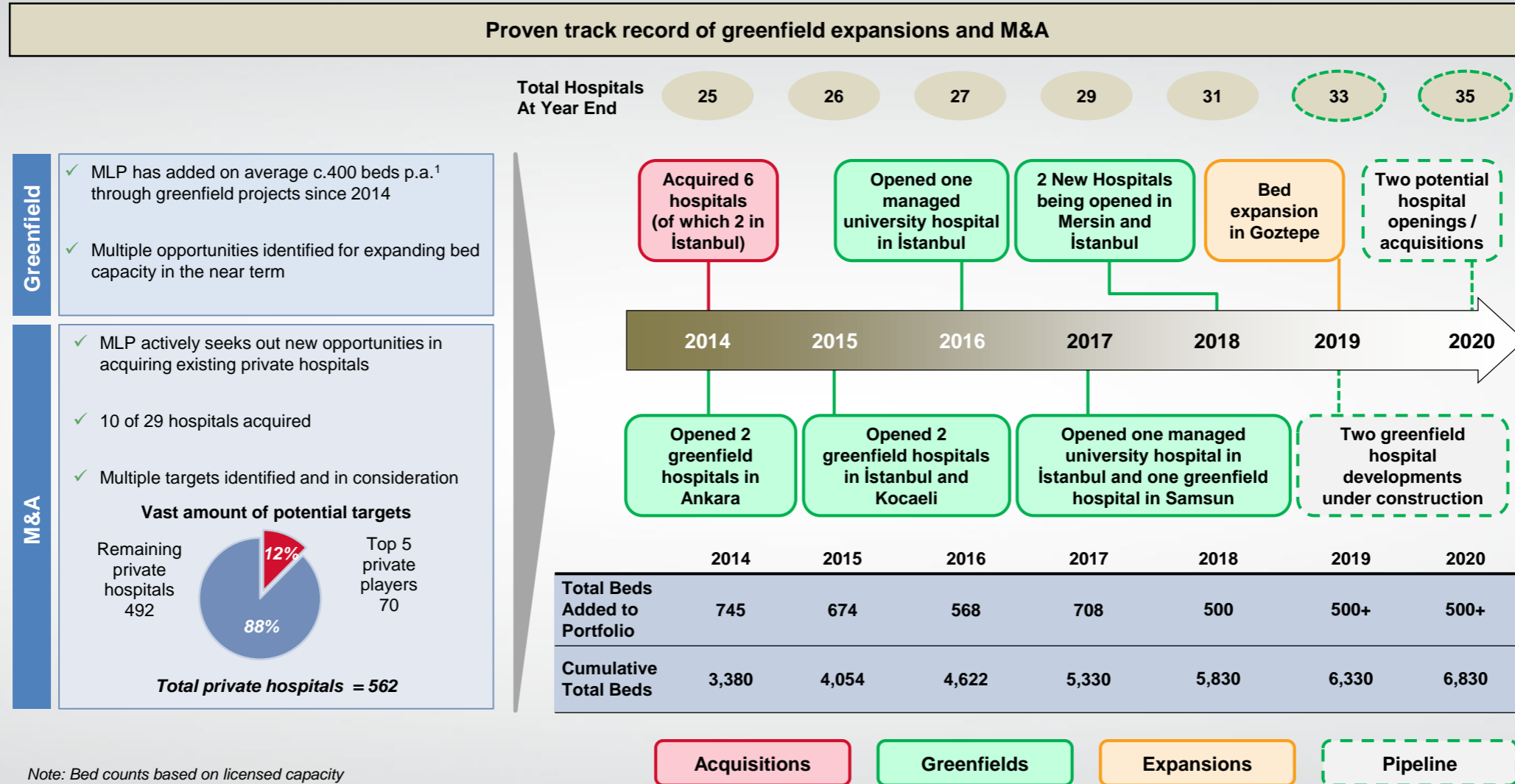
- 35,604 sqm

- Building construction complete

- License already available



## Outstanding Platform for Further Growth



*Note: Bed counts based on licensed capacity  
<sup>1</sup> 2014-2017 average.*

**Thank You**

## Historical P&L Statements

TLm	2016 FY	2017 FY
Revenue	2,160	2,576
Cost of service (-)	(1,854)	(2,171)
<b>Gross Profit</b>	<b>306</b>	<b>405</b>
General administration expenses (-)	(127)	(215)
Other income	198	380
Other expenses from operations (-)	(169)	(358)
<b>Operating Income</b>	<b>210</b>	<b>213</b>
Finance expenses (-)	(2741)	(383)
<b>Net profile (loss) before tax</b>	<b>(62)</b>	<b>(171)</b>
Tax income / (expense) from operations	14	38
<b>Net profit / (loss)</b>	<b>(49)</b>	<b>(133)</b>

## Historical Balance Sheet

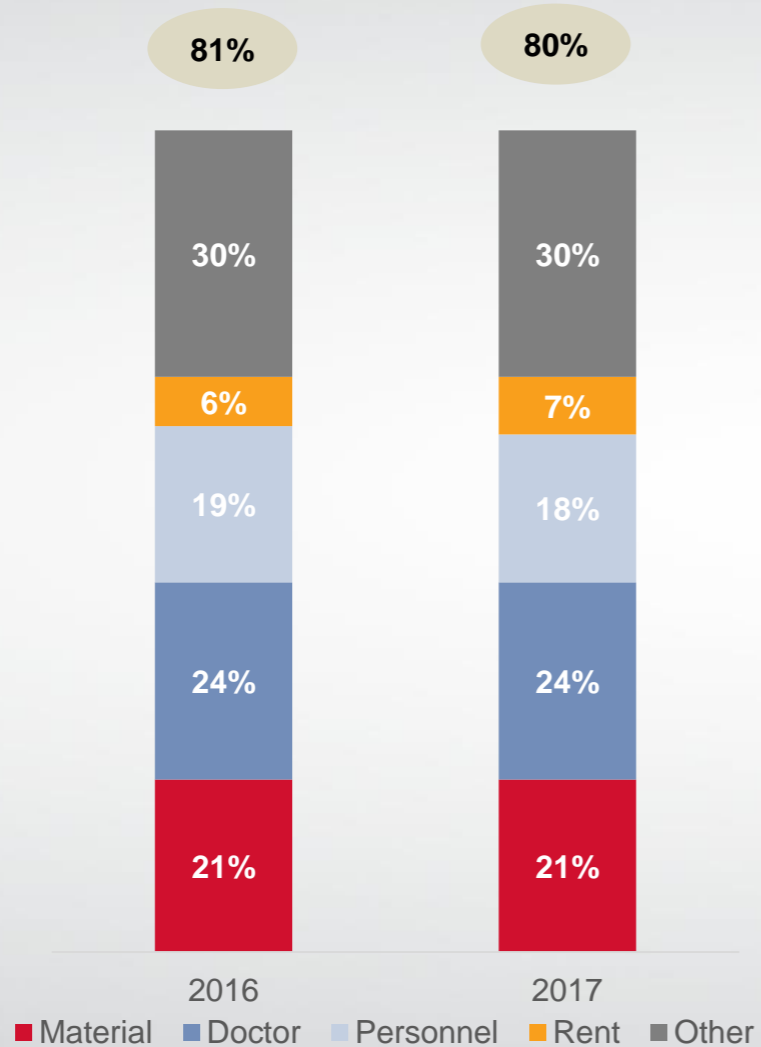
TLM	2016 Dec 31	2017 Dec 31
Cash and cash equivalents	111	218
Trade receivables	724	750
Inventory	45	51
Short term other assets	136	142
<b>Short term assets</b>	<b>1,016</b>	<b>1,161</b>
Fixed assets	1,173	1,220
Deferred tax assets	146	197
Long term other assets	101	143
<b>Long term assets</b>	<b>1,420</b>	<b>1,560</b>
<b>Total Assets</b>	<b>2,435</b>	<b>2,721</b>
Trade payables	449	670
Short term other liabilities	175	168
Short term financial liabilities (incl. leases)	408	423
<b>Short term liabilities</b>	<b>1,031</b>	<b>1,261</b>
Long term other liabilities	53	55
Deferred tax liabilities	124	124
Long term financial liabilities (incl. leases)	962	1,176
<b>Long term liabilities</b>	<b>1,139</b>	<b>1,355</b>
Shareholders' equity	175	16
Non-controlling interest	90	88
<b>Total liabilities &amp; equity</b>	<b>2,435</b>	<b>2,721</b>

## Reconciliation from Reported EBITDA to Adjusted EBITDA

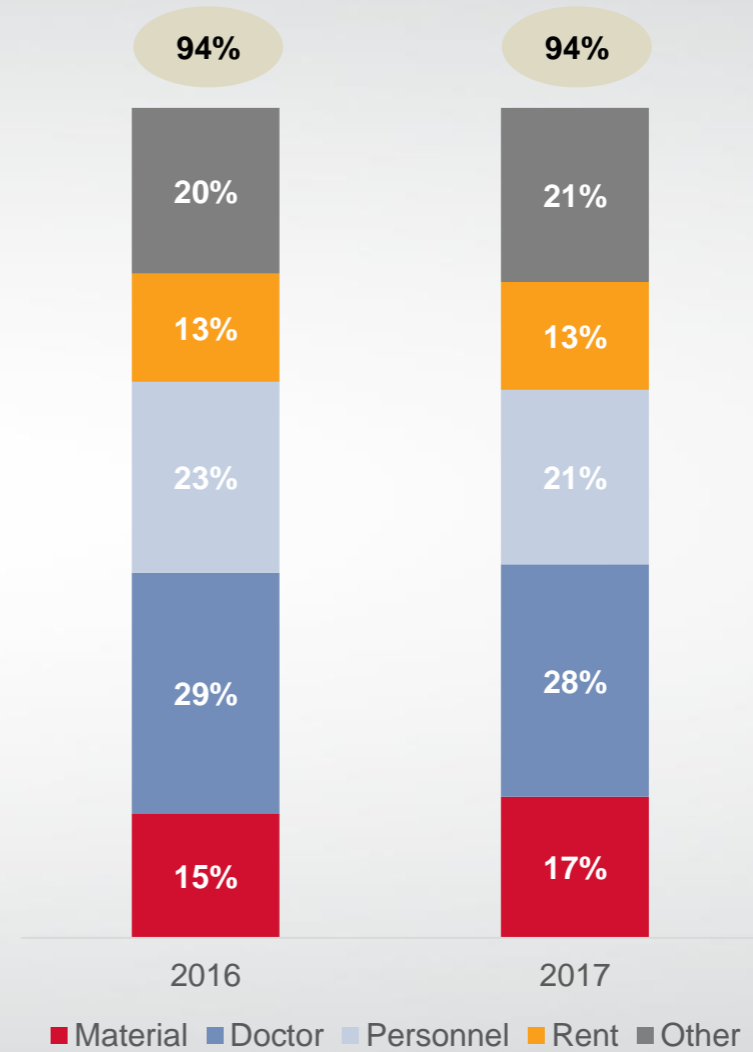
TLm	2016A	2017A
<b>Net Profit / (Loss) Before Taxes</b>	<b>(49)</b>	<b>(133)</b>
Depreciation and Amortization of Tangible and Intangible Fixed Assets	153	175
Total Interest Expenses, Net of Interest Income and Gain on Financial Derivatives	263	374
Net (Gains) / Losses from the Disposal of Tangible and Intangible Assets and Income from Negative Goodwill	1	(0)
<b>Reported EBITDA</b>	<b>354</b>	<b>379</b>
Net One-off (Gains) / Losses	(47)	19
<i>o/w One-off Net Operational FX (Gains) / Losses</i>	<i>(44)</i>	<i>0</i>
<i>o/w One-off Revenues</i>	<i>(3)</i>	<i>19</i>
Non-cash GAAP Provision Expenses	5	11
<b>Adjusted EBITDA</b>	<b>312</b>	<b>409</b>

## Cost Comparison as a % of Sales

### Mature Hospitals



### Developing Hospitals



## Reconciliation from Contribution to Adjusted EBITDA

TLm	2016A	2017A
<b>Hospital Contribution</b>		
Mature	319	392
Developing	18	27
<b>A Total Hospital Contribution</b>	<b>337</b>	<b>418</b>
<b>Other Ancillary Business Contribution<sup>1</sup></b>		
Other Ancillary Business Revenues	133	185
Other Ancillary Business Costs	(114)	(149)
<b>B Total Other Ancillary Business Contribution</b>	<b>18</b>	<b>36</b>
<b>C HQ Expenses</b>	<b>(43)</b>	<b>(46)</b>
<b>Adjusted EBITDA</b> <b>A + B + C</b>	<b>312</b>	<b>409</b>

*Note: Revenue and Contribution from Managed Hospitals is not consolidated in Hospital Revenues and included as part of Other Ancillary Business*

*<sup>1</sup> Other Ancillary business includes Laboratory, Imaging and Management service income from university hospital management operations*

## Outstanding Platform For Further Growth

Quick and successful ramp up in greenfields as well as acquisitions with typical range of 12-18 months to EBITDA-neutral hospitals

