MLPCARE

August 13, 2018

Strong Revenue and EBITDA Growth in the First Half

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 half of 2018.

Summary Financials

(TL millon)	H1 2018	H1 2017	Change	Q2 2018	Q2 2017	Change
Revenue	**1,470**	**1,248**	**17.7%**	**720**	**614**	**17.3%**
Adj. EBITDA[1]	**250**	**209**	**19.4%**	**110**	**102**	**8.4%**
Adj. Margin (%)	17.0%	16.8%	24bps	15.3%	16.5%	(124bps)
Comparable Adj. EBITDA[2]	**262**	**209**	**24.9%**	**120**	**102**	**17.8%**
Adj. Margin (%)	17.8%	16.8%	102bps	16.6%	16.5%	7bps
Adj. EBITDAR[1]	**363**	**302**	**20.3%**	**170**	**148**	**15.0%**
Adj. Margin (%)	24.7%	24.2%	53bps	23.6%	24.1%	(47bps)
Net Profit/(Loss)	**(8)**	**(20)**	**(59.5%)**	**(10)**	**(3)**	**243.8%**
Net Cash from Operating Activities	**230**	**266**	**(13.5%)**	**134**	**150**	**(10.2%)**
Capital Expenditure	167	159	4.9%	64	44	45.3%
Operating Cash Flow / Adj EBITDA	**92.1%**	**127.0%**		**122.0%**	**147.4%**	

[1] 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

[2] Based on Reported EBITDA without the negative EBITDA of new hospital openings in 2018 including Mersin and Pendik adjusted for one-time (income) / expenses, net and non-cash GAAP provision expenses

Financial Highlights

- ✓ Strong revenue growth of 17.3% in Q2 2018, supported by medical tourism, top-up insurance, self-pay, and other ancillary business revenue segments in spite of the shift of the Ramadan period towards the end of H1 2018 and early Presidential elections. In H1 2018, revenue increased by 17.7% to TL1,470 million (H1 2017: TL1,248 million).
- ✓ Adj. EBITDA increased by 8.4% in Q2 2018, bringing the H1 2018 growth to 19.4% and a TL250 million of Adj. EBITDA (H1 2017: TL209 million).
- ✓ Adj. EBITDA margin improved by 24bps to 17.0% in H1 2018 despite a lower margin in Q2 2018 due to new hospital openings.
- ✓ Comparable Q2 2018 Adj. EBITDA growth and Adj. EBITDA margin (without the negative EBITDA of new hospital openings in 2018 including Mersin and Pendik) are 17.8% and 16.6% respectively.
- ✓ Net loss came in at TL8 million in H1 2018 (H1 2017 net loss: TL20 million) due to FX losses of TL110 million in H1 2018.
- ✓ Net Debt/Adj. EBITDA[3] reduced to 2.1x as end of June 2018, compared to its level of 3.4x as of 2017-end.
- ✓ As of July 2018, all principal and interest payments of the EUR denominated syndicated loan for the 2018-2020 period were hedged.

[3] Last 12 Months

Operating Highlights

- ✓ Two new hospitals were opened in Istanbul (March 2018) and Mersin (May 2018) and ramp up of these hospitals is on track.
- ✓ Continued focus on maintaining the strong growth trend in medical tourism (up by 63.5% in H1 2018) and top-up insurance (up by 96.4% H1 2018).

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

"I am pleased that we have maintained the strong rate of growth in the margin accretive segments, including medical tourism and top-up insurance, in the second quarter and we are on track to exceed our year-end targets as before.

In the first half of the year, we opened two new hospitals in Istanbul and Mersin in line with our business plan. In the second half of the year, we will be focusing on operational improvements as well as the successful ramp-up of our new capacity.

We recently announced that we hedged FX denominated financial loan payments for the next two years. The capital injection after the IPO and hedging transactions have strengthened our balance sheet and will mitigate the impact of euro-denominated loans going forward.

We will continue to deliver best-in-class healthcare standards to all of our patients and stay focused on profitable growth."

Revenue

	H1 2018	H1 2017	Change	Q2 2018	Q2 2017	Change
Total Revenue (TL million)	**1,470**	**1,248**	**17.7%**	**720**	**614**	**17.3%**
Domestic Patient Revenue	1,226	1,081	13.4%	589	529	11.4%
Foreign Medical Tourism Revenue	125	77	63.5%	66	41	60.2%
Other Ancillary Business	119	91	30.6%	65	44	48.0%

Domestic Patient Revenue: Revenues generated from domestic patients increased by 11.4% in Q2 2018 and 13.4% in H1 2018, driven by inpatient and outpatient revenue growth. Inpatient revenues grew by 8.0% in Q2 2018 and 9.9% in H1 2018, supported by higher number of protocols as well as price increases. Outpatient revenue grew by 16.8% in Q2 2018 and 19.0% in H1 2018, driven by strong pricing. Outpatient revenue share in total domestic patient revenue was 39% in H1 2018, advanced by 1% compared to H1 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 second quarter, bringing over 60% growth in H1 2018. Both inpatient and outpatient numbers were strong with 43.2% and 19.2% growth in H1 2018 respectively. The revenue growth has been mainly driven by the case mix shifting towards operations at higher price points along with patient numbers 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 second 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)

	H1 2018	H1 2017	Change (bps)	Q2 2018	Q2 2017	Change (bps)
(% of Revenues)						
Material	22.3%	23.4%	(109)	22.9%	23.4%	(52)
Doctor	22.7%	22.6%	11	23.2%	23.1%	5
Personnel	18.9%	18.7%	19	19.1%	18.4%	74
Rent	7.7%	7.4%	30	8.3%	7.5%	78
Outso.medic.serv.purch.	4.7%	4.1%	59	4.9%	4.2%	77
All other exp.	6.6%	6.9%	(32)	6.3%	6.9%	(58)

Material consumption as a percentage of total revenue declined both in the quarter and the first half, helped by a favorable patient mix in the hospitals and a decline in the share of laboratory services business revenues (with higher material costs) in total revenues.

The cost of doctors as a percentage of total revenue was almost flat despite the new hospital openings.

Personnel expenses as a percentage of total revenue was stable, as the 14% minimum salary increase in January 2018 and the impact of new hospital openings was covered through strong revenue growth above inflation.

Outsourced medical services purchased as a percentage of total revenue was higher due to increased outsourced medical services from third parties, such as laboratory, imaging, cleaning, catering, security, etc.

Rent expenses as a percentage of total revenue increased due to FX impact (representing c. 39% of total rent expenses) and new hospital openings.

EBIT and EBITDA

The EBIT margin improved by 154bps to 10.7% in H1 2018 despite some contraction in the second quarter. Second quarter numbers were impacted by the shift of Ramadan period, early Presidential elections and new hospital openings. In addition, depreciation and amortization expenses as a percentage of revenues declined from 6.7% in H1 2017 to 6.1% in H1 2018. Adj. EBITDA margin improved by 24bps to 17.0% in H1 2018.

Cash Flow

The operating cash flow / EBITDA ratio was 92% in H1 2018. The slight decline in absolute operating cash flow balance by 13.5% to TL230 million in H1 2018 was due to an increase in inventories related to seasonal procurement regarding laboratory business. Maintenance-related capital expenditures as a percentage of revenues was almost stable at 2.9% in H1 2018 and H1 2017. Free cash flow came in at TL71 million in Q2 2018, an improvement from a negative TL7 million in Q1 2018.

Profit for the Period

The improvement in operating profitability, coupled with deferred tax income of TL53 million reduced the net loss to TL8 million in H1 2018, compared to a TL20 million loss in H1 2017. Financial expenses increased by TL69 million in H1 2018, mainly due to a TL59 million impact from the depreciation of the Turkish lira against the euro, whereas interest expenses only increased by TL10 million in H1 2018 as net debt was substantially reduced in March 2018.

Borrowings and Indebtedness

Net Debt by currency (TL million)	H1 2018	Vertical Percentage	2017	Vertical Percentage	Change
TL	527	55%	459	33%	14.8%
USD + Euro	281	29%	923	67%	(69.6%)
USD + Euro (Hedged)	149	16%	-	-	n.m
Total	**957**	**100%**	**1,381**	**100%**	**(30.7%)**

As announced prior to 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 TL957 million as of H1 2018 with the cash injection of TL600 million from the IPO proceeds. Consequently, Net Debt/ LTM Adj. EBITDA reduced to 2.1x as end of June 2018, compared to 3.4x at 2017-end.

As the end of H1 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	34%	14%	15%	15%	11%	9%	0%

Currency risk management

As of July 2018, all principal and interest payments of the euro-denominated loans for the 2018-2020 period amounting EUR35.6 million of the total EUR98.7 million debt service for the 2018-2024 period has been hedged using a cross currency swap transaction.

The total hedged portion is 36% 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.

Following the hedging transactions, the current foreign currency portion of the total net debt declined to 29% from 45% as end of June 2018. The weighted average interest cost of debt (including hedging transaction) stood at 15% as of June 2018.

EBITDA RECONCILIATION

TL million	H1 2018	H1 2017	Q2 2018	Q2 2017
Net Profit / (Loss)	(8)	(20)	(10)	(3)
Tax income from operations	(46)	(8)	(14)	0
Depreciation and amortization of tangible and intangible fixed assets	90	84	46	42
Total interest expenses, net of interest income and gain on financial derivatives	199	139	80	60
Net (gains) / losses from the disposal of tangible and intangible assets	(0)	(0)	(0)	(0)
Reported EBITDA	**235**	**194**	**102**	**100**
Rent expenses	113	93	60	46
Reported EBITDAR	**348**	**287**	**162**	**146**
Net one-off (gains) / losses	11	7	9	0
Non-cash GAAP provision expenses	4	9	(1)	2
Adjusted EBITDA	**250**	**209**	**110**	**102**
Rent expenses	113	93	60	46
Adjusted EBITDAR	**363**	**302**	**170**	**148**
Adjusted EBITDA Margin (%)	**17.0%**	**16.8%**	**15.3%**	**16.5%**
Adjusted EBITDAR Margin (%)	**24.7%**	**24.2%**	**23.6%**	**24.1%**

SUMMARY CONSOLIDATED INCOME STATEMENT

	Reviewed	Reviewed				
TL million	**H1 2018**	**H1 2017**	**Change (%)**	**Q2 2018**	**Q2 2017**	**Change (%)**
Revenue	1,470	1,248	17.7%	720	614	17.3%
Cost of service (-)	(1,231)	(1,055)	16.6%	(619)	(522)	18.7%
Gross Profit	**239**	**193**	**24.0%**	**101**	**93**	**9.2%**
General administration expenses (-)	(123)	(83)	48.4%	(63)	(40)	57.4%
Other income from operations	157	162	(3.2%)	90	47	92.8%
Other expenses from operations (-)	(116)	(158)	(26.6%)	(67)	(39)	69.5%
EBIT	**157**	**114**	**37.7%**	**60**	**59**	**1.8%**
EBIT margin	*10.7%*	*9.1%*	*154bps*	*8.4%*	*9.6%*	*(127 bps)*
Finance expenses (-)	(211)	(142)	48.3%	(84)	(62)	35.5%
Net profit / (loss) before tax	**(54)**	**(28)**	**n.m.**	**(23)**	**(2)**	**n.m.**
Tax income / (expense) from operations	46	8	**n.m.**	14	(1)	**n.m.**
Net profit / (loss)	**(8)**	**(20)**	**n.m.**	**(10)**	**(3)**	**n.m.**

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Reviewed June 30, 2018	Audited December 31, 2017
Cash and cash equivalents	372	218
Trade receivables	787	750
Inventory	75	51
Short term other assets	171	142
Current assets	**1,404**	**1,161**
Fixed assets	1,290	1,220
Deferred tax assets	257	197
Long term other assets	158	143
Non-current assets	**1,706**	**1,560**
Total Assets	**3,110**	**2,721**
Trade payables	701	670
Short term other liabilities	223	168
Short term financial liabilities (incl. leases)	457	423
Current liabilities	**1,380**	**1,261**
Long term other liabilities	56	55
Deferred tax liabilities	130	124
Long term financial liabilities (incl. leases)	872	1,176
Non-current liabilities	**1,059**	**1,355**
Shareholders' equity	579	16
Non-controlling interest	92	88
Total liabilities & equity	**3,110**	**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 June 30, 2018, we had more than 17,500 personnel, including over 2,100 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

H1 2018 Results Presentation & Webcast will be held on August 14, 2018 at 4:30 p.m. (Istanbul), 2:30 p.m. (London) and 09:30 a.m. (New York).

Audio Conference:

- Singapore Toll: +6564298400 PIN: 15612207#
- Turkey Toll: +902123755127 PIN: 15612207#
- United Kingdom Toll: +442071943759 PIN: 15612207#
- United States Toll: +1 6467224916 PIN: 15612207#

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

Webcast:
http://event.on24.com/wcc/r/1799158-1/ECC81A60E8AC5A584CE3CABAB0C7A5D4?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://www.mlpcare.com/en/ or you may contact:

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