MLPCARE

March 7, 2019

Completed the Year with Growth above Expectations in 2018

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, 2018.

Summary Financials

(TL millon)	2018	2017	Change	Q4 2018	Q4 2017	Change
Revenue	**3,132**	**2,576**	**21.6%**	**880**	**703**	**25.3%**
Comparable[1] Revenue	**3,045**	**2,576**	**18.2%**	**840**	**703**	**19.5%**
Adj. EBITDA[2]	**505**	**409**	**23.5%**	**152**	**126**	**20.3%**
Adj. Margin (%)	16.1%	15.9%	25bps	17.3%	18.0%	(71bps)
Comparable[1] Adj. EBITDA	**530**	**409**	**29.7%**	**155**	**126**	**22.9%**
Adj. Margin (%)	17.4%	15.9%	155bps	18.5%	18.0%	51bps
Adj. EBITDAR[2]	**748**	**598**	**25.1%**	**215**	**176**	**22.2%**
Adj. Margin (%)	23.9%	23.2%	68bps	24.4%	25.0%	(62bps)
Net Profit/(Loss)	**(104)**	**(133)**	**(21.9%)**	**39**	**(60)**	**(165.7%)**
Net Profit/(Loss) Normalized for FX Losses (Including Hedging Cost)	**142**	**35**	**300.1%**	**(1)**	**21**	**(102.5%)**
Net Cash from Operating Activities	**332**	**536**	**(38.1%)**	**117**	**177**	**(34.0%)**
Capital Expenditure	282	236	19.2%	52	48	9.9%
Operating Cash Flow / Adj EBITDA	**65.7%**	**131.1%**		**76.6%**	**139.7%**	

[1] Excluding the contribution from 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

- ✓ In Q4 2018, revenues increased to TL880 million, up by 25.3% vs. Q4 2017. Revenues in 2018 were TL3,132 million, up by 21.6% vs. last year (2017: TL2,576 million). When revenues of managed hospitals were included, revenue growth in Q4 2018 was 29.1% and in 2018 was 27.7%.
- ✓ Adj. EBITDA increased by 20.3% in Q4 2018, bringing 2018 EBITDA growth to 23.5% vs. last year.
- ✓ When normalized for the negative EBITDA contribution from hospitals opened in 2018, comparable EBITDA growth was 22.9% in Q4 2018 and 29.7% in 2018.
- ✓ In 4Q 2018, a net profit of TL39 million was recorded due to strong operational performance, lower financial expenses and FX losses.
- ✓ A net loss of TL104 million was recorded in 2018 due to the TL245 million of FX losses from the hard currency denominated debt (2017: Net loss: TL133 million, FX losses: TL168 million). Net profit normalized for FX losses increased from TL35 million in 2017 to TL142 million in 2018.
- ✓ The net debt/Adj. EBITDA ratio declined to 2.5x at the end of 2018 compared to 3.4x a year ago.

Operating Highlights

- ✓ The ramp up of the new hospitals opened in 2018 is on track.
- ✓ Continued focus on maintaining strong growth in medical tourism (11% of in total revenues in 2018 vs. 7% last year).
- ✓ All of the FX denominated hospital building lease agreements converted to TL as of October 2018.
- ✓ Efficiency initiatives in place to improve margins.

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

"We are very pleased to complete 2018 with delivering operational results above expectations and fulfilling promises given to investors during the initial public offering.

We have focused on the successful ramp up of the two new hospitals opened in 2018 as well as operational improvements to increase patient satisfaction and effective cost management across all our hospitals. Our foreign medical tourism revenues maintained its high growth momentum in 2018. In the last quarter of 2018, we posted net profit thanks to continued growth in EBITDA and appreciation of TL.

We, as MLP Care, will continue to focus on initiatives for further operational efficiency and to create value for our patients and stakeholders as well as our country."

Revenue

	2018	2017	Change	Q4 2018	Q4 2017	Change
Total Revenue (TL million)	**3,132**	**2,576**	**21.6%**	**880**	**703**	**25.3%**
Domestic Patient Revenue	2,512	2,203	14.0%	678	592	14.6%
Inpatient Revenue	*1,499*	*1,339*	*11.9%*	*403*	*354*	*13.6%*
Outpatient Revenue	*1,013*	*864*	*17.3%*	*276*	*237*	*16.1%*
Foreign Medical Tourism Revenue	330	188	75.9%	106	57	86.2%
Other Ancillary Business	289	185	56.1%	96	54	77.7%

Domestic Patient Revenue: Revenues generated from domestic patients increased by 14.6% in Q4 2018 and 14.0% in 2018, driven by inpatient and outpatient revenue growth. The two new hospitals have also started contributing to the top-line.

The inpatient revenue grew by 13.6% in Q4 2018, mainly driven by increasing inpatient average revenue per protocol. In 2018, inpatient revenue grew by 11.9%, driven by the increase in both average pricing and volume.

Outpatient revenue grew by 16.1% in Q4 2018, mainly driven by increasing outpatient average revenue per visit. In 2018, despite the decrease in outpatient volume, outpatient revenue grew by 17.3%, mainly driven by the increase in average pricing.

Foreign Medical Tourism Revenue: Strong growth in the medical tourism segment continued in the fourth quarter, bringing over 75.9% growth in 2018. 35.0% of the revenue growth was mainly driven by price and FX impact and 40.9% by number of patients and case mix change. We continue to seek to increase our exposure to hard currency revenues by expanding our strong marketing efforts.

Other Ancillary Business: Revenue from other ancillary business accelerated in the Q4 2018 on the back of increased contribution of management fees from university hospitals thanks to increased capacity utilization 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 Hospitals and Ancillary Business)

	2018	2017	Change (bps)	Q4 2018	Q4 2017	Change (bps)
(% of Revenues)	**83.9%**	**84.1%**	**(25)**	**82.7%**	**82.0%**	**71**
Material	23.5%	22.9%	55	25.4%	22.5%	290
Doctor	22.5%	22.9%	(39)	22.3%	23.0%	(69)
Personnel	17.8%	18.6%	(81)	15.9%	17.5%	(164)
Rent	7.8%	7.3%	43	7.1%	7.0%	9
Outso.medic.serv.purch.	4.9%	4.2%	72	5.2%	4.5%	74
All other exp.	7.4%	8.1%	(76)	6.8%	7.4%	(69)

Material consumption as a percentage of total revenue slightly increased due to patient mix and increase in the share of lab business revenues.

Despite the new hospital openings, doctor cost as a percentage of total revenue declined to 22.5% in 2018 due to increase in capacity utilization.

Personnel expenses as a percentage of total revenue declined 81 bps to 17.8% in 2018 due to strong revenue growth and efficient cost management.

Rent expenses as a percentage of total revenue increased due to FX devaluation and new hospital openings. Pursuant to the amendment of the decree on the Protection of the Value of Turkish Currency dated September 12, 2018, we completed converting FX denominated hospital building lease agreements to Turkish Lira as of October 2018.

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 41.8% to TL301 million in 2018 on the back of strong operational performance and lower depreciation as percentage of revenues.

The Adj. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) number increased by 20.3% to TL152 million in Q4 2018 and 23.5% to TL505 million in 2018. In Q4 2018, Adj. EBITDA margin came in at 17.3%. In addition, Adj. EBITDA margin improved by 25 bps to 16.1% in 2018.

Comparable Q4 2018 Adj. EBITDA growth and Adj. EBITDA margin (without the negative EBITDA of new hospitals opened in 2018) were 22.9% and 18.5%, respectively.

Cash Flow

The operating cash flow / EBITDA ratio was 65.7% in 2018. Operating cash flow decreased by 38.1% to TL332 million in 2018 due to the increase in current trade receivables in line with revenue growth and new hospital openings. Maintenance-related capital expenditures as a percentage of revenues was at 2.7% in 2018.

Profit for the Period

Despite a net profit of TL39 million posted in 4Q 2018, a net loss of TL104 million realized in 2018 due to finance expenses of TL464 million driven by FX losses (including hedging cost) by TL245 million.

Borrowings and Indebtedness

Net Debt by currency (TL million)	2018	Vertical Percentage	2017	Vertical Percentage	Change
TL	521	42%	459	33%	13.7%
USD + Euro	437	35%	923	67%	(52.7%)
USD + Euro (Hedged)	285	23%	-	-	n.m.
Total	**1,243**	**100%**	**1,381**	**100%**	**(10.0%)**

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/ Adj. EBITDA ratio was reduced significantly to 2.5x in 2018 from 3.4x with the cash injection of TL600 million from the IPO proceeds despite the FX appreciation.

Currency risk management

The company has total EUR161 million gross principal and interest debt service pertaining to foreign currency denominated bank loan and financial leasing. As of December 31, 2018, EUR56 million of total debt service including principal and interest for the 2019-2020 period (for a total of EUR72 million) was hedged using a cross currency swap transaction.

The total hedged portion was 36% of the total euro-denominated loans principal and interest payments. With this transaction, currency risk for the 24-month period has been mitigated.

EBITDA RECONCILIATION

TL million	2018	2017	Q4 2018	Q4 2017
Net profit / (loss)	**(104)**	**(133)**	**39**	**(60)**
Tax income from operations	(59)	(38)	7	(23)
Depreciation and amortization of tangible and intangible fixed assets	192	175	51	47
Total interest expenses, net of interest income and gain on financial derivatives	443	374	4	142
Net (gains) / losses from the disposal of tangible and intangible assets	(1)	0	(0)	0
Reported EBITDA	**471**	**379**	**101**	**107**
Rent expenses	243	189	62	49
Reported EBITDAR	**714**	**568**	**164**	**156**
Net one-off (gains) / losses	26	19	46	12
Non-cash GAAP provision expenses	7	11	5	8
Adjusted EBITDA	**505**	**409**	**152**	**126**
Rent expenses	243	189	62	49
Adjusted EBITDAR	**748**	**598**	**215**	**176**
Adjusted EBITDA Margin (%)	**16.1%**	**15.9%**	**17.3%**	**18.0%**
Adjusted EBITDAR Margin (%)	**23.9%**	**23.2%**	**24.4%**	**25.0%**

SUMMARY CONSOLIDATED INCOME STATEMENT

TL million	Audited 2018	Audited 2017	Change (%)	Q4 2018	Q4 2017	Change (%)
Revenue	3,132	2,576	21.6%	880	703	25.3%
Cost of service (-)	(2,644)	(2,171)	21.8%	(742)	(578)	28.4%
Gross profit	**488**	**405**	**20.2%**	**138**	**125**	**10.8%**
General administration expenses (-)	(271)	(215)	26.0%	(82)	(79)	3.6%
Other income from operations	599	380	57.6%	132	125	5.9%
Other expenses from operations (-)	(515)	(358)	44.0%	(134)	(108)	23.9%
Operating profit/(loss)	**300**	**213**	**41.1%**	**55**	**63**	**(12.2%)**
Income from investing activities	2	1	61.2%	0	0	**(78.7%)**
Expense from investing activities (-)	(0)	(1)	(64.2%)	(0)	(1)	(93.5%)
EBIT	**301**	**213**	**41.8%**	**55**	**62**	**(11.5%)**
EBIT margin	*9.6%*	*8.3%*	*138bps*	*6.3%*	*8.9%*	*(260bps)*
Finance expenses (-)	(218)	(215)	1.6%	(49)	(65)	(25.0%)
Net foreign exchange profit / (loss) (including hedging cost)	(245)	(168)	45.9%	40	(80)	(149.5%)
Net profit / (loss) before tax	**(162)**	**(171)**	**(4.9%)**	**46**	**(83)**	**(156.0%)**
Tax income / (expense) from operations	59	38	54.7%	(7)	23	(130.9%)
Net profit / (loss)	**(104)**	**(133)**	**(21.9%)**	**39**	**(60)**	**(165.7%)**

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Audited December 31, 2018	Audited December 31, 2017
Cash and cash equivalents	223	218
Trade receivables	899	750
Inventory	80	51
Short term other assets	276	142
Current assets	**1,479**	**1,161**
Tangible and intangible fixed assets	1,305	1,220
Deferred tax assets	282	197
Long term other assets	173	143
Non-current assets	**1,760**	**1,560**
Total Assets	**3,239**	**2,721**
Trade payables	808	670
Short term other liabilities	246	169
Short term financial liabilities (incl. leases)	455	423
Current liabilities	**1,509**	**1,261**
Long term other liabilities	55	55
Deferred tax liabilities	136	124
Long term financial liabilities (incl. leases)	964	1,176
Non-current liabilities	**1,154**	**1,355**
Shareholders' equity	474	16
Non-controlling interest	101	88
Equity	**576**	**105**
Total liabilities & equity	**3,239**	**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 around 6,000 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 December 31, 2018, we had more than 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 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

FY 2018 Results Presentation & Webcast will be held on March 8, 2019 at 4:30 p.m. (Istanbul), 1:30 p.m. (London) and 08:30 a.m. (New York).

Audio Conference:

- Singapore Toll: +6564298400 PIN: 53946445#
- Turkey Toll: +902123755127 PIN: 53946445#
- United Kingdom Toll: +442071943759 PIN: 53946445#
- United States Toll: +1 6467224916 PIN: 53946445#

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

Webcast:
http://event.on24.com/wcc/r/1925901-1/6459E47063F033CC663A43DE6E776025?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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