MLPCARE

August 8, 2019

Strong Growth Continued in the Second Quarter of 2019

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 second quarter and the first half of 2019.

Summary Financials

(TL millon)	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Revenue	**1,822**	**1,470**	**24.0%**	**889**	**720**	**23.4%**
Adj. EBITDA[1]	**301**	**250**	**20.6%**	**133**	**110**	**20.7%**
Adj. Margin (%)	16.5%	17.0%	(47bps)	15.0%	15.3%	(34bps)
Adj. EBITDAR[1]	**441**	**363**	**21.3%**	**203**	**170**	**19.4%**
Adj. Margin (%)	24.2%	24.7%	(54bps)	22.8%	23.6%	(76bps)
EBITDA[2]	**283**	**206**	**37.6%**	**125**	**84**	**49.6%**
Margin (%)	15.5%	14.0%	154bps	14.1%	11.6%	246bps
Net Profit/(Loss) Before Tax	**(45)**	**(54)**	**(16.0%)**	**(57)**	**(23)**	**145.5%**
Net Profit/(Loss)	**(39)**	**(8)**	**382.2%**	**(42)**	**(10)**	**338.8%**
Net Profit/(Loss)[3]	**(25)**			**(39)**		
Net Cash from Operating Activities	**190**	**230**	**(17.4%)**	**164**	**134**	**22.2%**
Capital Expenditure	82	167	(51.0%)	41	64	(35.0%)
Operating Cash Flow / Adj EBITDA	**63.1%**	**92.1%**		**123.5%**	**122.0%**	

[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] EBITDA without other income/ (expenses) items

[3] Including obligations under operational leases related to IFRS 16

Financial Highlights

- ✓ In Q2 2019, revenues increased to TL889 million, up by 23% (Q2 2018: TL720 million). When revenues of managed hospitals are included, the revenue growth in Q2 2019 is at 25%. Thus, the real growth was well above the inflation rate of 15.7% in the last 12 months.
- ✓ In Q2 2019, Adj. EBITDA increased by 21%, bringing the EBITDA margin to 15.0%. Despite rising unit costs, the Adj. EBITDA margin in Q2 2019 was maintained at similar levels in Q2 2018. Excluding other income/ (expenses) items, the EBITDA growth was at 50%.
- ✓ Despite the good results in operations, net loss of TL42 million was recorded in Q2 2019 due to finance expenses of TL130 million.
- ✓ The net debt/Adj. EBITDA ratio was 2.5x in H1 2019 and 2.6x after including obligations under operational leases related to IFRS 16.

Operating Highlights

- ✓ Foreign medical tourism revenue (FMT) continued to grow rapidly with the support of strong marketing activities and increased by 62% in Q2 2019 in line with our expectations. Thus, the share of FMT in total revenue increased to 12%.
- ✓ Contrary to the negative EBITDA effect of TL11.5 million in the first six months of last year, Pendik and Mersin hospitals recorded only TL1.4 million negative EBITDA in H1 2019.

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

"In the second quarter of 2019, we recorded real growth above inflation in both revenue and EBITDA figures. Our foreign medical tourism (FMT) revenue continues to grow parallel to our expectations with the support of our successful advertising efforts.

While the healthcare insurance market in Turkey continues to grow rapidly, the number of people with top-up insurance increased over 1 million for the first time in June 2019. It has been a source of pride for us to maintain our strong position in this market. The agreement signed with Bupa Acıbadem Sigorta in April started to contribute positively to our growth trend in the private healthcare insurance segment.

In addition, we are excited to accelerate our studies in the fields of digitalisation and artificial intelligence as a result of our long-term strategy. As one of the leading companies in the healthcare sector, we believe that our efforts in these fields will be among the leading healthcare trends in our country and will inspire the sector."

Revenue

	H1 2019	H1 2018	Change	Q2 2019	Q2 2018	Change
Total Revenue (TL million)	**1,822**	**1,470**	**24.0%**	**889**	**720**	**23.4%**
Domestic Patient Revenue	1,431	1,226	16.8%	699	589	18.5%
Inpatient Revenue	*848*	*730*	*16.2%*	*418*	*353*	*18.3%*
Outpatient Revenue	*583*	*495*	*17.7%*	*281*	*236*	*18.9%*
Foreign Medical Tourism Revenue	213	125	69.9%	107	66	62.1%
Other Ancillary Business	178	119	50.0%	83	65	28.1%

Domestic Patient Revenue: Revenues generated from domestic patients increased by 18.5% in Q2 2019 and 16.8% in H1 2019, driven by both inpatient and outpatient revenue growth.

The inpatient revenue grew by 18.3% in Q2 2019, on the back of the 16.9% increase in average price and 1.2% increase in volume. In H1 2019, average price increased by 12.4% and volume increased by 3.4%.

The outpatient revenue grew by 18.9% in Q2 2019, mainly driven by 15.1% increase in outpatient average revenue per visit and 3.3% increase in outpatient volume. In H1 2019, average price increased by 16.8% and volume increased by 0.8%.

Foreign Medical Tourism Revenue: In Q2 2019, 38.7% of the FMT revenue growth was mainly driven by price and FX impact and 23.5% by volume (H1 2019: price and FX 41.7%, volume 28.2%). We target to grow the share of hard currency revenues by expanding our FMT business by effective advertising efforts in the target international markets.

Other Ancillary Business: Revenue from other ancillary business accelerated in the Q2 2019 on the back of increased management fees from university hospitals as capacity utilization rises and the 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)

	H1 2019 [1]	H1 2019	H1 2018	Change (bps)	Q2 2019	Q2 2018	Change (bps)
(% of Revenues)	**76.6%**	**83.5%**	**83.0%**	**47**	**85.0%**	**84.7%**	**34**
Material	24.0%	24.0%	22.3%	166	23.9%	22.9%	107
Doctor	20.7%	20.7%	22.7%	(203)	21.3%	23.2%	(189)
Personnel	17.5%	17.5%	18.9%	(140)	17.8%	19.1%	(130)
Rent	0.8%	7.6%	7.7%	(7)	7.9%	8.3%	(42)
Outso.medic.serv.purch.	5.1%	5.1%	4.7%	42	5.3%	4.9%	38
All other exp.	8.4%	8.5%	6.6%	189	8.8%	6.3%	251

[1] Including obligations under operational leases related to IFRS 16

Material consumption as a percentage of total revenue increased by 107 bps in Q2 2019 and 166 bps in H1 2019 due to the inflation adjustment for drugs by 26% in February 2019, which accounts around 30% of the total material costs and the increase in share of lab business revenues in our total revenues.

Doctor costs as a percentage of total revenue declined by 189 bps to 21.3% in Q2 2019 and 203 bps to 20.7% in H1 2019 due to increase in hospital revenues and efficiency initiatives.

Personnel expenses as a percentage of total revenue declined by 130 bps to 17.8% in Q2 2019 and 140 bps to 17.5% in H1 2019 due to the efficient cost management.

Rent expenses as a percentage of total revenue declined by 42 bps to 7.9% in Q2 2019 and 7 bps to 7.6% in H1 2019 due to conversion of the FX denominated hospital building lease agreements to Turkish Lira in 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 20.3% to TL73 million in Q2 2019 on the back of strong operational performance and lower depreciation as a percentage of revenues. In H1 2019, the EBIT number improved by 15.2% to TL181 million. Including obligations under operational leases related to IFRS 16 the EBIT was TL124 million in Q2 2019 and TL282 million in H1 2019.

The Adj. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) number increased by 20.7% to TL133 million in Q2 2019. Additionally, Adj. EBITDA margin came in at 15.0%, decreasing by 34 bps. In H1 2019, the Adj. EBITDA number increased by 20.6% to TL301 million and Adj. EBITDA margin decreased by 47 bps to 16.5%.

Including obligations under operational leases related to IFRS 16, the Adj. EBITDA number came in at TL197 million and the Adj. EBITDA margin was 22.1% in Q2 2019. Additionally, in H1 2019, the Adj. EBITDA number came in at TL427 million and the Adj. EBITDA margin was 23.4%.

The EBITDA growth excluding other income/ (expenses) items was 49.6% in Q2 2019 and 37.6% in H1 2019.

Cash Flow

The operating cash flow increased from TL26 million in Q1 2019 to TL164 million in Q2 2019 as a result of the improvement in the cash cycle. Thus, the operating cash flow / EBITDA ratio significantly improved to 123.5% in Q2 2019 (Q1 2019: 15.4%).

Maintenance-related capital expenditures as a percentage of revenues was at 1.8% in Q2 2019 and 1.7% in H1 2019. Total capital expenditures as a percentage of revenues was at 4.7% in Q2 2019 and 4.5% in H1 2019 due to lack of new hospital openings in 2019 (Q2 2018: 8.8%, H1 2018: 11.4%).

Profit for the Period

Due to the finance expenses of TL130 million, a net loss of TL42 million recorded in Q2 2019. In H1 2019, due to the finance expenses of TL226 million, a net loss of TL39 million was recorded. The main reasons behind the TL75 million increase in interest expenses in H1 2019 were the increase in the borrowing interest of TL loans from 18.4% in H1 2018 to 26.03% in H1 2019 and the addition of the hedging cost of EUR denominated loans paid in 2019. The interest rate of EUR denominated loans remained constant at 5.5%.

Including obligations under operational leases related to IFRS 16, a net loss of TL39 million recorded in Q2 2019 and TL25 million recorded in H1 2019.

Borrowings and Indebtedness

Net Debt by Currency (TL million)	H1 2019	Vertical Percentage	2018	Vertical Percentage	Change
TL	710	50%	521	42%	36.2%
USD + Euro	477	34%	437	35%	9.3%
Euro (Hedged)	220	16%	285	23%	(22.7%)
Total	**1,408**	**100%**	**1,243**	**100%**	**13.3%**

The net debt/ Adj. EBITDA ratio was 2.5x in H1 2019 supported by the positive contribution of hedging despite the TL depreciation. When the impact of the operational leases included, the ratio came in at 2.6x.

Currency risk management

The company has total EUR146 million gross principal and interest debt service pertaining to the foreign currency denominated bank loan and financial leasing. As of June 30, 2019, EUR39 million of total debt service including principal and interest for the 2019-2020 period was hedged using a cross currency swap transaction.

The total hedged portion was 28% of the total euro-denominated loans principal and interest payments. With this transaction, currency risk for the 18-month period has been mitigated.

EBITDA RECONCILIATION

TL million	H1 2019[1]	H1 2019	H1 2018	Q2 2019[1]	Q2 2019	Q2 2018
Net profit / (loss)	**(25)**	**(39)**	**(8)**	**(39)**	**(42)**	**(10)**
Tax (income) from operations	(3)	(6)	(46)	(9)	(15)	(14)
Depreciation and amortization of tangible and intangible fixed assets	129	105	90	65	53	46
Total interest expenses, net of interest income and gain on financial derivatives	293	209	199	165	122	80
Net (gains) / losses from the disposal of tangible and intangible assets	(1)	(1)	(0)	(1)	(1)	(0)
Reported EBITDA	**394**	**268**	**235**	**181**	**117**	**102**
Rent expenses	15	139	113	7	70	60
Reported EBITDAR	**408**	**407**	**348**	**188**	**187**	**162**
Net one-off (gains) / losses	21	21	11	14	14	9
Non-cash GAAP provision expenses	12	12	4	1	1	(1)
Adjusted EBITDA	**427**	**301**	**250**	**197**	**133**	**110**
Adjusted EBITDAR	**442**	**441**	**363**	**204**	**203**	**170**
Adjusted EBITDA Margin (%)	**23.4%**	**16.5%**	**17.0%**	**22.1%**	**15.0%**	**15.3%**
Adjusted EBITDAR Margin (%)	**24.3%**	**24.2%**	**24.7%**	**22.9%**	**22.8%**	**23.6%**

[1] Including obligations under operational leases related to IFRS 16

SUMMARY CONSOLIDATED INCOME STATEMENT

TL million	Reviewed H1 2019[1]	Reviewed H1 2019	Reviewed 1Y 2018	Change (%)	Q2 2019[1]	Q2 2019	Q2 2018	Change (%)
Revenue	1,822	1,822	1,470	24.0%	889	889	720	23.4%
Cost of service (-)	(1,401)	(1,500)	(1,231)	21.9%	(694)	(744)	(619)	20.2%
Gross profit	**422**	**322**	**239**	**34.7%**	**195**	**144**	**101**	**43.0%**
General administration expenses (-)	(143)	(144)	(123)	16.6%	(72)	(72)	(63)	13.3%
Other income from operations	145	145	157	(7.5%)	83	83	90	(8.1%)
Other expenses from operations (-)	(142)	(144)	(116)	24.0%	(82)	(83)	(67)	24.0%
Operating profit/(loss)	**281**	**180**	**157**	**14.6%**	**123**	**72**	**60**	**19.4%**
Income from investing activities	1	1	0	236.0%	1	1	0	264.6%
Expense from investing activities (-)	--	--	(0)	(100.0%)	--	--	(0)	(100.0%)
EBIT	**282**	**181**	**157**	**15.2%**	**124**	**73**	**60**	**20.3%**
EBIT margin	*15.5%*	*9.9%*	*10.7%*	*(76bps)*	*13.9%*	*8.2%*	*8.4%*	*(21bps)*
Interest expenses (-)	(253)	(176)	(101)	74.8%	(144)	(106)	(33)	217.2%
Net foreign exchange profit / (loss) (including hedging cost)	(56)	(50)	(110)	(54.8%)	(28)	(24)	(50)	(52.7%)
Net profit / (loss) before tax	**(27)**	**(46)**	**(54)**	**(16.0%)**	**(49)**	**(57)**	**(23)**	**145.5%**
Tax income / (expense) from operations	3	6	46	(86.4%)	9	15	14	8.6%
Net profit / (loss)	**(25)**	**(39)**	**(8)**	**382.2%**	**(39)**	**(42)**	**(10)**	**338.8%**

[1] Including obligations under operational leases related to IFRS 16

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Reviewed June 30, 2019 [1]	Reviewed June 30, 2019	Audited December 31, 2018
Cash and cash equivalents	260	260	223
Trade receivables	981	981	899
Inventory	89	89	80
Short term other assets	269	269	276
Current assets	**1,599**	**1,599**	**1,479**
Tangible and intangible fixed assets	1,281	1,281	1,305
Right of use assets	231	--	--
Deferred tax assets	385	303	282
Long term other assets	226	226	173
Non-current assets	**2,122**	**1,810**	**1,760**
Total assets	**3,722**	**3,409**	**3,239**
Trade payables	783	783	808
Short term other liabilities	258	258	246
Short term financial liabilities (incl. financial and operational leases)	791	676	455
Current liabilities	**1,831**	**1,717**	**1,509**
Long term other liabilities	54	54	55
Deferred tax liabilities	137	137	136
Long term financial liabilities (incl. financial and operational leases)	1,496	970	964
Non-current liabilities	**1,686**	**1,161**	**1,154**
Shareholders' equity	163	417	474
Non-controlling interest	41	114	101
Equity	**204**	**532**	**576**
Total liabilities & equity	**3,722**	**3,409**	**3,239**

[1] Including 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 31 hospitals and more than 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 June 30, 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 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 2019 Results Presentation & Webcast will be held on August 9, 2019 at 4:30 p.m. (Istanbul), 2:30 p.m. (London) and 9:30 a.m. (New York).

Audio Conference:

- Singapore Toll: +6564298400 PIN: 79948385#
- Turkey Toll: +902123755127 PIN: 79948385#
- United Kingdom Toll: +442071943759 PIN: 79948385#
- United States Toll: +1 6467224916 PIN: 79948385#

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

Webcast:
http://event.on24.com/wcc/r/2035087-1/A822A1F0569CE4927EA9CD974C21CBC1?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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