

## Accelerated Digitalisation Approach and Efficient Cost Management

### 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 third quarter and the first nine months of 2020.

(All figures in this fact sheet include the impact of IFRS 16 unless otherwise stated.)

#### Summary Financials

(TL million)	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>Revenue</b>	<b>2,814</b>	<b>2,716</b>	<b>3.6%</b>	<b>1,075</b>	<b>893</b>	<b>20.4%</b>
<b>EBITDA<sup>1</sup></b>	<b>766</b>	<b>601</b>	<b>27.4%</b>	<b>312</b>	<b>174</b>	<b>79.4%</b>
EBITDA margin (%)	27.2%	22.1%	509bps	29.0%	19.4%	953bps
<b>EBITDA<sup>1</sup> without fx impact of other income/expenses from operating activities</b>	<b>693</b>	<b>592</b>	<b>17.0%</b>	<b>279</b>	<b>186</b>	<b>49.6%</b>
EBITDA margin (%)	24.6%	21.8%	282bps	25.9%	20.8%	506bps
<b>Net Profit/(Loss) Before Tax</b>	<b>89</b>	<b>(25)</b>	<b>n.m.</b>	<b>25</b>	<b>2</b>	<b>n.m.</b>
<b>Net Profit/(Loss)</b>	<b>52</b>	<b>(20)</b>	<b>n.m.</b>	<b>13</b>	<b>5</b>	<b>173.6%</b>
<b>Net Profit/(Loss) Normalized for FX Losses from Debt (Including Hedging Cost)</b>	<b>296</b>	<b>21</b>	<b>n.m.</b>	<b>153</b>	<b>(10)</b>	<b>n.m.</b>
<b>Net Cash Flow from Operating Activities</b>	<b>688</b>	<b>391</b>	<b>75.8%</b>	<b>329</b>	<b>75</b>	<b>336.9%</b>
Capital Expenditure	108	123	(12.2%)	52	42	23.5%
<b>Operating Cash Flow / Adj EBITDA</b>	<b>89.8%</b>	<b>65.1%</b>	<b>2,471bps</b>	<b>105.8%</b>	<b>43.4%</b>	<b>6,234bps</b>

<sup>1</sup> 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.

#### Financial Highlights

- ✓ Along with normalization steps following the pandemic precautions in Turkey, revenues increased by 20% to TL 1,075 million in Q3 2020 (Q3 2019: TL 893 million). Due to the normalization in Q3 2020 and the strong growth of foreign medical tourism revenues in the pre-pandemic period, the revenue in 9M 2020 increased by 4% to TL 2,814 million (9M 2019: TL 2,716 million).
- ✓ Due to effective cost management measures taken, the Adj. EBITDA came in at TL 312 million and the Adj. EBITDA margin at 29.0%. Therefore, in 9M 2020, Adj. EBITDA increased to TL 766 million and the Adj. EBITDA margin to 27.2%.
- ✓ On the back of the improvement in operational performance, the gain on bargain purchase of Ankara VM Hospital, and fixed asset sales revenue obtained from the sale of Uşak Hospital a net profit of TL 52 million was generated in 9M 2020 (9M 2019: TL 20 million loss). Net profit was TL 13 million in Q3 2020 (Q3 2019: TL 5 million profit).
- ✓ The net debt/Adj. EBITDA ratio, which was 2.5x in Q2 2020, was successfully decreased to 2.1x in Q3 2020 with strong cash generation.
- ✓ On August 6, 2020, EUR 12 million (equivalent of TL 99 million) was collected from the Government of Libya, which the Company had a old-dated receivable. Negotiations regarding the remaining receivables are ongoing.

### Operating Highlights

- ✓ In line with its strategy, the Company continued its efforts to focus growth in metropolitans with large-scale hospitals and optimize portfolio by divesting nonperforming assets.
  - Maltepe Hospital, taken over in December 2019, ramped-up quickly and generated cumulative positive EBITDA in the last 9 months.
  - Ankara Hospital, taken over in March 2020, also ramped up quickly and generated cumulative positive EBITDA in the last 7 months.
  - MLP Care's second hospital in Gaziantep was opened on September 28, 2020 under the Liv Hospital brand. The hospital, which has a total bed capacity of 258, will mainly target patients coming from the Middle East as well as from European and Balkan countries.
  - MLP Care has exited from its underperforming Uşak Hospital as of August 7, 2020. In 2019, the share of the Uşak Hospital in consolidated revenues and EBITDA was 1.4% and 0.3% respectively. As a result of the sale, a total of TL 33.3 million fixed asset sales revenue obtained.
- ✓ As a result of the accelerated digitalization efforts, invoices started to be issued with Robotic Process Automation. Currently, 4 of our hospitals use this system to issue c.30% of their invoices. The system will be distributed to the wider group going forward. In 2020, the Company has also implemented effective human resources management and planning. This program, has automated all personnel planning and compensation calculation activities. Additionally, various other automation procedures are realized in doctor, material, and other various cost management processes.
- ✓ **Precautions Taken Regarding the COVID-19 Pandemic:** (1) Currently, all our hospitals implement treatment protocols for COVID-19 patients, in coordination with Ministry of Health of Turkey. (2) Considering the nature of COVID-19 and transmission parameters, all kinds of precautions have been taken including implementation of disinfection procedures for the protection of our employees and hospitals. (3) Starting from April, Government's Incentive of Short-time Work Program has been utilized. Employees have been gradually shifted to a full-time working cycle. (4) Remote work practices were initiated for the head office employees. (5) Negotiations were held with suppliers and hospital property landlords and discounts were received to enable sustainable cash flow. (6) In order to increase the liquidity position of the Company, long term credit loan of TL 330 million has been withdrawn, consisting of an investment loan of TL 80 million and a 3-year Net Working Capital loan of TL 250 million. The newly withdrawn facility with a special interest discount for the healthcare sector, had an interest rate of TR LIBOR + 2.5% (first 6 months) and 3.5% (remaining period) i.e. significantly lower than the Company's existing structured facility rate of TR LIBOR +5.8%. (7) Since we are a pandemic hospital, all Social Security Institution (SSI), Withholding Tax, VAT payments for the period of March-June have been postponed to October 2020 by the government.

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

*"Bearing the responsibility of having the largest established capacity amongst the private healthcare providers in Turkey, we have been striving to protect our personnel against the pandemic and to provide highest quality service to our patients since the first COVID-19 case appeared in our country in March.*

*We continued to improve our operational performance in the third quarter on the back of effective cost discipline. We increased our cash position and strengthened our balance sheet against potential Covid-driven headwinds with the sale of underperforming Uşak Hospital and the collection of Libya receivables in August.*

*In line with our long term strategy of expanding in metropolitans through large scale hospitals, we have opened a new Liv Hospital in Gaziantep at the end of September. Liv Hospital Gaziantep, will play a major role in introducing high quality healthcare services of Liv Hospital brand to the medical tourism patients coming from the region.*

*As a result of the accelerated digitalization efforts with the pandemic, we started issuing invoices with Robotic Process Automation. With this project, we became the first healthcare provider that uses this technology in Turkey. When all stages of the project are completed, nearly 4 million invoices (c.45% of total invoices) will be issued without human intervention per year, therefore our employees will be able to use their time more effectively, in more value added areas for our patients.*

*Our Group; from the very beginning, has fulfilled its all responsibilities in combating the pandemic and supported this struggle with utmost devotion. Hereby, I would like to express my pride and gratitude once again to our personnel for their commitment and dedication.”*

## Revenue

	9M 2020	9M 2019	Change	Q3 2020	Q3 2019	Change
<b>Total Revenue (TL million)</b>	<b>2,814</b>	<b>2,716</b>	<b>3.6%</b>	<b>1,075</b>	<b>893</b>	<b>20.4%</b>
Domestic Patient Revenue	2,395	2,147	11.5%	916	716	27.9%
<i>Inpatient Revenue</i>	1,464	1,273	15.0%	538	424	26.8%
<i>Outpatient Revenue</i>	931	875	6.4%	378	292	29.4%
Foreign Medical Tourism Revenue	226	330	(31.3%)	91	117	(21.9%)
Other Ancillary Business	193	239	(19.3%)	68	60	13.2%

**Domestic Patient Revenue:** Revenues generated from domestic patients increased by 11.5% in 9M 2020 and 27.9% in Q3 2020 on the back of the growth in both inpatient and outpatient revenues. The growth in the volume of both inpatients and outpatients improved in Q3 2020 compared to Q2 2020.

The inpatient revenues grew by 26.8% in Q3 2020 and 15.0% in 9M 2020. Despite the decrease in the volume, the shift of hospital weight in the portfolio towards metropolitans, the increase in the percentage of complicated treatments in the total, and the SUT price revisions in March were effective in this growth.

The outpatient revenues grew by 29.4% in Q3 2020 and 6.4% in 9M 2020. Both the shift of hospital weight in the portfolio towards metropolitans and the SUT price revisions in March supported this growth.

**Foreign Medical Tourism (FMT) Revenue:** FMT revenue declined by 21.9% and 31.3% in Q3 2020 and 9M 2020, respectively, with the start of flight restrictions due to the pandemic in March 2020. The recovery process started with the gradual opening of flights all over the world in June. Both FMT revenue and the number of foreign patients improved in Q3 2020 compared to Q2 2020.

**Other Ancillary Business:** Revenues from other ancillary business decreased by 19.3% in 9M 2020 due to voluntary non-renewal of the tender for the laboratory business as we are dedicated to focus on core business and decrease in management consultancy revenues from university hospitals in the first half of the year due to the pandemic impact. In Q3 2020, it increased by 13.2%, due to the decrease in the base effect of the laboratory business and the increase in management consultancy revenues from university hospitals. (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)

	9M 2020	9M 2019	Change (bps)	Q3 2020	Q3 2019	Change (bps)
<b>(% of Revenues)</b>	<b>72.8%</b>	<b>77.9%</b>	<b>(509)</b>	<b>71.0%</b>	<b>80.6%</b>	<b>(953)</b>
Material	22.4%	23.6%	(115)	22.2%	22.8%	(61)
Doctor	20.6%	21.0%	(42)	20.7%	21.5%	(87)
Personnel	16.5%	17.6%	(119)	15.9%	18.0%	(207)
Rent	0.9%	0.8%	6	0.7%	0.9%	(23)
Outso. Serv. Purch.	7.2%	5.1%	214	7.2%	5.0%	219
All other exp.	5.2%	9.7%	(452)	4.4%	12.4%	(794)

Material consumption as a percentage of total revenue decreased by 61 bps in Q3 2020 and 115 bps in 9M 2020 due to decrease in the share of laboratory business, which has high cost.

Doctor costs as a percentage of total revenue decreased by 87 bps to 20.7% in Q3 2020 and by 42 bps to 20.6% in 9M 2020 due to the revenue decrease during the pandemic.

Personnel expenses as a percentage of total revenue decreased by 207 bps to 15.9% in Q3 2020 and by 119 bps to 16.5% in 9M 2020 due to better resource management and utilization of Short-time Work Program.

Outsourced services purchases that consists of laboratory, imaging, cleaning, catering, security expenses increased by 219 bps to 7.2% in Q3 2020 and by 214 bps to 7.2% in 9M 2020 as percentage of the total revenue due to the increased volume of such services received.

All other expenses (energy, foreign and domestic marketing expenses etc.) decreased by 794 bps to 4.4% in Q3 2020 and by 452 bps to 5.2% in 9M 2020 primarily due to the increase in the effect of operational FX difference income on total expenses and decrease in the marketing expenses related to FMT revenues.

**EBITDA**

The Adj. EBITDA number increased by 79.4% to TL 312 million in Q3 2020. On the other hand, Adj. EBITDA margin came in at 29.0% on the back of strong operational performance and cost saving measures. In 9M 2020, the Adj. EBITDA number increased by 27.4% to TL 766 million and the Adj. EBITDA margin increased to 27.2%.

The Adj. EBITDA (without foreign exchange effect of other income/expenses from operating activities) number increased by 49.6% to TL 279 million in Q3 2020. On the other hand, Adj. EBITDA margin increased by 506 bps to 25.9% in Q3 2020. In 9M 2020, the Adj. EBITDA number increased by 17.0% to TL 693 million and the Adj. EBITDA margin increased to 24.6%.

### Cash Flow

The operating cash flow was TL 329 million in Q3 2020. Thus, the operating cash flow/EBITDA ratio came in at 105.8% in Q3 2020. In 9M 2020, the operating cash flow increased to TL 688 million and the operating cash flow/EBITDA ratio increased to 89.8%.

Maintenance-related capital expenditures as a percentage of revenues was at 2.1% in Q3 2020 and 2.0% in 9M 2020 (Q3 2019: 1.5% and 9M 2019: 1.6%). Total capital expenditures as a percentage of revenues was at 4.8% in Q3 2020 and 3.9% in 9M 2020 due to lack of new hospital openings that requires high capital expenditure (Q3 2019: 4.7% and 9M 2019: 4.5%).

### Profit/(Loss) for the Period

Due to the strong operational performance, cost savings and the fixed asset sales revenue obtained as a result of the transfer of Uşak Hospital, a net profit of TL 13 million was generated in Q3 2020 (Q3 2019: TL 5 million profit). The net profit was recorded in spite of financial expenditure of TL 245 million in Q3 2020. On the other hand, TL 52 million net profit was recorded in spite of the high financial expenditure of TL 576 million in 9M 2020.

As the average Euro rate increased by 33.4% in Q3 2020, foreign exchange expenses increased to TL 140 million in Q3 2020 and to TL 244 million in 9M 2020. Excluding FX loss, net profit was TL 153 million in Q3 2020 and TL 296 million in 9M 2020. On the other hand, interest expenses decreased by 8.0% in Q3 2020 and by 9.7% in 9M 2020 as the borrowing interest of TL loans has a decreasing trend.

### Borrowings and Indebtedness

Net Debt by Currency (TL million)	9M 2020	Vertical Percentage	2019	Vertical Percentage	Change
TL	957	46%	881	43%	8.6%
USD + Euro	432	21%	434	21%	(0.6%)
Euro (Hedged)	88	4%	149	7%	(40.9%)
<b>Total loan, financial leasing</b>	<b>1,476</b>	<b>71%</b>	<b>1,465</b>	<b>71%</b>	<b>0.8%</b>
TL (IFRS 16)	539	26%	542	26%	(0.7%)
USD + Euro (IFRS 16)	73	4%	59	3%	23.0%
<b>Total lease liabilities (IFRS16)</b>	<b>612</b>	<b>29%</b>	<b>602</b>	<b>29%</b>	<b>1.6%</b>
<b>Total net debt</b>	<b>2,088</b>	<b>100%</b>	<b>2,066</b>	<b>100%</b>	<b>1.0%</b>

The net debt/Adj. EBITDA ratio was 2.1x in Q3 2020.

### Currency risk management

The company has total EUR 103 million gross principal and interest debt service pertaining to the foreign currency denominated bank loan, financial leasing and IFRS 16 lease liabilities. As of September 30, 2020, EUR 10 million of total debt service including principal and interest for the 2020 period was hedged using a cross currency swap transaction. Including IFRS 16 effect, the net foreign currency denominated debt amount after hedging is EUR 55 million in total (EUR 47 million excluding IFRS 16 effect). The Company partially created natural hedge in balance sheet through keeping cash in hand in EUR denominated terms, therefore open FX net debt amount was decreased by EUR 31 million from EUR 78 million at June 30, 2020 to EUR 47 million at September 30, 2020.

## EBITDA RECONCILIATION

TL million	9M 2020	9M 2019	Q3 2020	Q3 2019
<b>Net profit / (loss)</b>	<b>52</b>	<b>(20)</b>	<b>13</b>	<b>5</b>
Tax (income) from operations	37	(5)	12	(3)
Depreciation and amortization of tangible and intangible fixed assets	188	198	62	69
Total interest expenses/(income) and fair value differences of derivative instruments	557	385	239	92
Net (gains) / losses from the disposal of tangible and intangible assets and income from negative goodwill	(117)	(2)	(32)	(1)
<b>Reported EBITDA</b>	<b>717</b>	<b>556</b>	<b>294</b>	<b>162</b>
Net one-off (gains) / losses	38	29	14	7
Non-cash GAAP provision expenses	11	17	4	4
<b>Adjusted EBITDA</b>	<b>766</b>	<b>601</b>	<b>312</b>	<b>174</b>
<b>Adjusted EBITDA Margin (%)</b>	<b>27.2%</b>	<b>22.1%</b>	<b>29.0%</b>	<b>19.4%</b>
Foreign exchange gains/(losses) from operations	73	9	33	(12)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>693</b>	<b>592</b>	<b>279</b>	<b>186</b>
<b>Adjusted EBITDA Margin (%)<sup>1</sup></b>	<b>24.6%</b>	<b>21.8%</b>	<b>25.9%</b>	<b>20.8%</b>

<sup>1</sup> Adj. EBITDA and Adj. EBITDA margin without foreign exchange gains/(losses) from other income/(expenses) from operating activities

## SUMMARY CONSOLIDATED INCOME STATEMENT

TL million	Unaudited			Unaudited		
	9M 2020	9M 2019	Change (%)	Q3 2020	Q3 2019	Change (%)
<b>Revenue</b>	<b>2,814</b>	<b>2,716</b>	<b>3.6%</b>	<b>1,075</b>	<b>893</b>	<b>20.4%</b>
Cost of service (-)	(2,150)	(2,098)	2.4%	(799)	(698)	14.5%
<b>Gross profit</b>	<b>664</b>	<b>617</b>	<b>7.6%</b>	<b>277</b>	<b>196</b>	<b>41.3%</b>
General administration expenses (-)	(181)	(218)	(16.8%)	(68)	(74)	(8.2%)
Other income from operations	366	242	51.4%	205	97	111.8%
Other expenses from operations (-)	(302)	(260)	15.8%	(176)	(118)	49.0%
<b>Operating profit/(loss)</b>	<b>548</b>	<b>381</b>	<b>43.6%</b>	<b>238</b>	<b>100</b>	<b>137.1%</b>
Income from investing activities	119	2	n.m.	34	1	n.m.
Expense from investing activities (-)	(2)	--	100.0%	(2)	--	100.0%
<b>EBIT</b>	<b>664</b>	<b>383</b>	<b>73.3%</b>	<b>270</b>	<b>101</b>	<b>166.6%</b>
<i>EBIT margin</i>	23.6%	14.1%	950bps	25.1%	11.3%	1,376bps
Interest expenses (-)	(331)	(367)	(9.7%)	(105)	(114)	(8.0%)
Net foreign exchange profit / (loss) (including hedging cost)	(244)	(42)	486.5%	(140)	15	n.m.
<b>Net profit / (loss) before tax</b>	<b>89</b>	<b>(25)</b>	<b>n.m.</b>	<b>25</b>	<b>2</b>	<b>n.m.</b>
Tax income / (expense) from operations	(37)	5	n.m.	(12)	3	n.m.
<b>Net profit / (loss)</b>	<b>52</b>	<b>(20)</b>	<b>n.m.</b>	<b>13</b>	<b>5</b>	<b>173.6%</b>

## SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Unaudited September 30, 2020	Unaudited September 30, 2019	Audited December 31, 2019
Cash and cash equivalents	492	231	306
Trade receivables	1,115	966	991
Inventory	112	83	90
Short term other assets	479	312	335
<b>Current assets</b>	<b>2,198</b>	<b>1,592</b>	<b>1,722</b>
Tangible and intangible fixed assets	1,431	1,266	1,327
Right of use assets	250	215	235
Deferred tax assets	415	396	398
Long term other assets	243	230	232
<b>Non-current assets</b>	<b>2,339</b>	<b>2,106</b>	<b>2,193</b>
<b>Total assets</b>	<b>4,537</b>	<b>3,698</b>	<b>3,914</b>
Trade payables	905	736	821
Short term other liabilities	431	276	256
Short term financial liabilities (incl. financial and operational leases)	888	833	861
<b>Current liabilities</b>	<b>2,224</b>	<b>1,845</b>	<b>1,938</b>
Long term other liabilities	140	52	95
Deferred tax liabilities	187	138	155
Long term financial liabilities (incl. financial and operational leases)	1,705	1,457	1,488
<b>Non-current liabilities</b>	<b>2,031</b>	<b>1,647</b>	<b>1,738</b>
Shareholders' equity	245	157	230
Non-controlling interest	37	50	8
<b>Equity</b>	<b>282</b>	<b>207</b>	<b>238</b>
<b>Total liabilities &amp; equity</b>	<b>4,537</b>	<b>3,698</b>	<b>3,914</b>



**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 30 hospitals and around 6,000 beds in 15 cities across the country as of reporting date. 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. We have approximately 18,000 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 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.

**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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