JCR-ER JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

MLPCARE

Corporate Credit & Issue Rating

☐New ☒Update

Sector: Healthcare/Hospital Services
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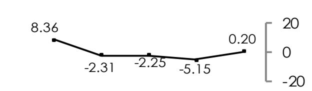
RATINGS

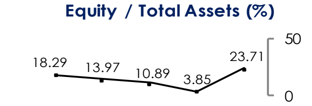
			Long	Short
International	Foreign Currency		BBB-	A-3
International	Local Currency		BBB-	A-3
International	Outlook	FC	Stable	Stable
International	Outlook	LC	Stable	Stable
International	Issue Rating		-	-
National	Local Rating (Trk)		BBB+	A-2
National	Outlook		Stable	Stable
National	Issue Rating (Trk)		BBB+	A-2
Sponsor Support			2	-
Stand-Alone			AB	-
Sovereign*	Foreign Currency		BBB-	-
Sovereign*	Local Currency		BBB-	-
Sovereign*	Outlook	FC	Stable	-
Sovereign*	Outlook	LC	Stable	-

*Affirmed by JCR on November 10, 2017

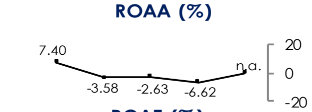
Net Profit Margin (%)



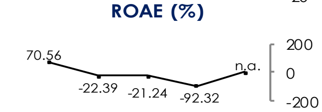
Equity / Total Assets (%)



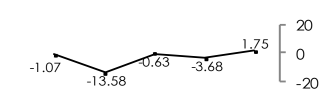
ROAA (%)



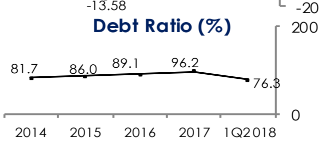
ROAE (%)



NWC / T. Assets (%)



Debt Ratio (%)



MLP Sağlık Hizmetleri A.Ş.

Financial Data	1Q2018**	2017*	2016*	2015*	2014*
Total Assets (000 USD)	741,102	721,476	692,005	791,850	868,304
Total Assets (000 TRY)	2,926,536	2,721,336	2,435,303	2,302,384	2,013,509
Equity (000 TRY)	693,936	104,670	265,239	321,744	368,237
Net Profit (000 TRY)	1,502	-132,782	-48,709	-42,622	126,971
Sales (000 TRY)	749,307	2,576,076	2,160,072	1,843,387	1,518,025
Net Profit Margin (%)	0.20	-5.15	-2.25	-2.31	8.36
ROAA (%)	n.a.	-6.62	-2.63	-3.58	7.40
ROAE (%)	n.a.	-92.32	-21.24	-22.39	70.56
Equity / Total Assets (%)	23.71	3.85	10.89	13.97	18.29
Net Working Capital / T. Assets (%)	1.75	-3.68	-0.63	-13.58	-1.07
Debt Ratio (%)	76.29	96.15	89.11	86.03	81.71
Asset Growth Rate (%)	n.a.	11.75	5.77	14.35	83.79

**End of year, **1st quarter results following IPO in Feb, 2018*

Company Overview

Established in 1993, **MLP Sağlık Hizmetleri A.Ş.** (referred to as **"MLP Sağlık"** or **"MLP Care"),** maintains its position as the largest private operator in the Turkish healthcare/hospital market, having recently added the VM Medical Park Pendik and Mersin Hospitals in March and May 2018 respectively bringing the total number of hospitals to 31 and bed capacity to approximately 6,000. The Company appeals to a wide spectrum of patients in different income segments through its brands of Medical Park, Medical Park VM and Liv and held 19 consolidated subsidiaries as of end March, 2018.

Following a period of sustained investment from FY2014 onwards supported by new hospital openings and acquisitions of existing hospitals, the Company undertook an Initial Public Offering (IPO) on the Borsa Istanbul (BIST) index in February, 2018 subsequent to which 35.01% of shares were listed under the trade name of "MPARK". The paid-in capital was increased to TRY 208mn subsequent to the IPO and the shares belonging to the funds representing Turkven Private Equity, Sancak, Usta and Elbası Families were reduced as accordingly with no single shareholder currently holding the majority of shares. Headquartered in Istanbul with presence in every geographical region across Turkey, Mr. Muharrem USTA continues his role as Chairman/CEO of the Company that employs approximately 18,000 personnel with nearly 2,200 doctors.

Strengths

- Leading private hospital operator with country-wide geographic coverage supported by broad socio-economic patient appeal addressed via established market brand names
- Significant reduction in net financial leverage achieved through the IPO along with an asset light business model that frees up capital to be deployed for further expansion
- Maintenance of the upward trend in revenue and EBITDA growth in FY2017 and the 1Q2018 with focus on operational efficiency
- Past growth trends and favorable future market dynamics supporting expansion of the Turkish healthcare market in the medium and long-term
- Revenue diversification via hard currency medical tourism revenues from a wide geographic base allowing the company to create natural FX hedge along with market leading position in the top-up insurance segment with robust growth rates in the FY2014-17 period
- Consolidation opportunities for established chains along with university affiliations enabling the Company to attract skilled and experienced doctors
- Notable improvement in transparency and compliance with Corporate Governance Practices stemming from listed shareholder structure in comparison to competitors

Constraints

- Despite the reduction in the foreign currency debt following the IPO, erosion in internal equity generation capacity stemming from FX related financing expenses in the current fiscal year
- Negative impact of unrevised Health Enforcement Declaration (SUT) prices over the examined period on the cost base of private hospitals leading to greater dependence on fee-paying patients
- Inherently high level of physician, materials and technological costs across the sector exerting pressure on core operating profitability
- Ongoing market volatility at the domestic and global level along with political uncertainty with upward pressure on borrowing costs and ability to raise funding at favorable terms for new hospital investments