

Corporate Credit &
Issue Rating

New Update

Sector: Healthcare/Hospital
Services

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RATINGS

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

*Affirmed by JCR on November 27, 2018

MLP Sağlık Hizmetleri A.Ş.

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	615,651	721,476	692,005	791,850	868,304
Total Assets (000 TRY)	3,238,877	2,721,336	2,435,303	2,302,384	2,013,509
Equity (000 TRY)	575,691	104,670	265,239	321,744	368,237
Net Profit (000 TRY)	-103,680	-132,782	-48,709	-42,622	126,971
Sales (000 TRY)	3,131,559	2,576,076	2,160,072	1,843,387	1,518,025
Net Profit Margin (%)	-3.31	-5.15	-2.25	-2.31	8.36
ROAA (%)**	-5.45	-6.62	-2.63	-3.58	7.40
ROAE (%)**	-47.74	-92.32	-21.24	-22.39	70.56
Equity / Total Assets (%)	17.77	3.85	10.89	13.97	18.29
Net Working Capital / T. Assets (%)	-1.14	-3.83	-0.70	-13.58	-1.07
Debt Ratio (%)	82.23	96.15	89.11	86.03	81.71
Asset Growth Rate (%)	19.02	11.75	5.77	14.35	83.79

*End of year,**based on pre-tax profit and avg. asset and equity figures for the last two periods

Company Overview

With roots dating back to the establishment of Sultangazi Hospital in 1993, MLP Sağlık Hizmetleri A.Ş. (referred to as “MLP Sağlık”, “MLP Care” or “the Group”) is currently positioned as the leading hospital operator in the Turkish private healthcare market with 31 hospitals across 17 different cities in every region and bed capacity in excess of 6,000. Through the brands of Medical Park, Liv (Leading International Vision) and Medical Park VM (Value Added Medicine) concept which enjoy high market recognition, the Company addresses the different price segments and appeals to a broad spectrum of patients. VM Medical Park Pendik and Mersin hospitals were the most recent additions to the Company’s investment portfolio that were operationalised in March and May 2018 respectively.

In addition to the provision of acute hospital care for domestic and international patients, the Company provides services in the fields of complimentary (top-up) health insurance, laboratory/screening along with catering services through its subsidiaries. Following a period of sustained expansion over the last 5 years driven by acquisitions and new hospital openings, shares corresponding to 35.01% of the Company’s paid-in capital were listed on the Borsa Istanbul (BIST) Index in February, 2018 and are traded under the trade name of “MPARK”. As of FYE2018, the principle shareholders of the Group include funds representing Turkven Private Equity along with Sancak, Usta and Elbasi Families. Headquartered in Istanbul, Dr. Muharrem USTA is the Chairman/CEO of the Group which employs nearly 20,000 personnel as of FYE2018 including in excess of 2,200 doctors.

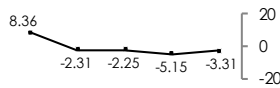
Strengths

- Leading position in the national private healthcare industry by a notable margin through unique business model addressing different pricing segments
- Sustained revenue and EBITDA growth in FY2018 despite substantial market volatility with ongoing diversification from non-SSI sources
- Ongoing downward trend in net financial leverage post IPO and notable reduction in foreign currency risk through hedging for the FY2019-20 period and robust performance in the medical tourism segment
- Strong growth dynamics of the unsaturated Turkish healthcare market in the medium and long-term and consolidation opportunities for large scale players
- Notable investment in high quality service provision and ability to recruit competitive workforce through university affiliations along with growing presence in the top-up insurance market
- Positive impact of revisions to Health Enforcement Declaration (SUT) price tariffs across complex procedures in FY2018 on Company profitability
- High level of compliance with Corporate Governance Practices owing to listed status in comparison to other large-scale operators in the sector

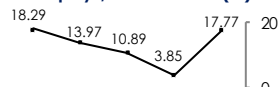
Constraints

- Despite the generation of profits in the 4Q2018, formation of losses in FY2018 stemming from FX related losses in the completed financial year
- Notable TRY devaluation driving medical inflation with respect to material costs characterized by a high level of import dependence along with increase in rent costs from new hospital openings
- Pressure on working capital and operating cash flow in FY2018 associated with operational expansion
- Significant rise in the cost of borrowing in the domestic financial markets since 2H2018
- Need to simplify corporate structure involving many subsidiaries harboring potential for efficiency savings

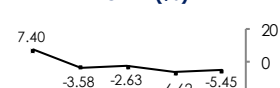
Net Profit Margin (%)



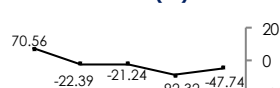
Equity / Total Assets (%)



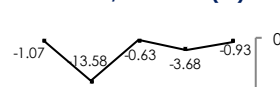
ROAA (%)



ROAE (%)



NWC / T. Assets (%)



Debt Ratio (%)

