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

MLPCARE

Corporate Credit & Issue Rating

☐New ☒Update

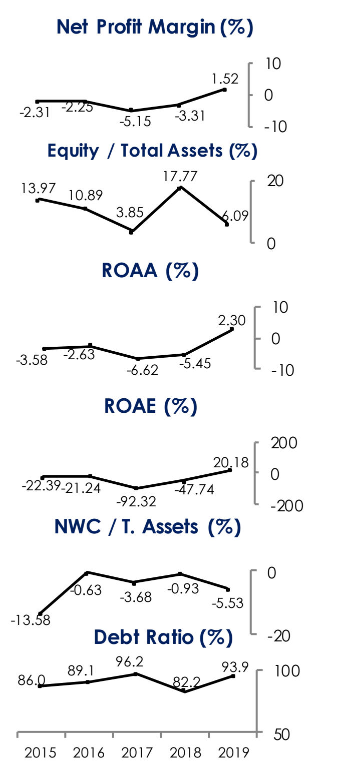
Sector: Healthcare/Hospital Services
Publishing Date: 22/04/2020

Analyst
Dincer SEMERCILER
+90 212 352 56 73
dincer.semerciler@jcrer.com.tr

RATINGS

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

*Assigned by JCR on April 10, 2020



MLP Sağlık Hizmetleri A.Ş.

Financial Data	2019*	2018*	2017*	2016*	2015*
Total Assets (000 USD)	658,982	615,651	721,476	692,005	791,850
Total Assets (000 TRY)	3,914,486	3,238,877	2,721,336	2,435,303	2,302,384
Equity (000 TRY)	238,405	575,691	104,670	265,239	321,744
Net Profit (000 TRY)	56,254	-103,680	-132,782	-48,709	-42,622
Sales (000 TRY)	3,703,598	3,131,559	2,576,076	2,160,072	1,843,387
Net Profit Margin (%)	1.52	-3.31	-5.15	-2.25	-2.31
ROAA (%)**	2.30	-5.45	-6.62	-2.63	-3.58
ROAE (%)**	20.18	-47.74	-92.32	-21.24	-22.39
Equity / Total Assets (%)	6.09	17.77	3.85	10.89	13.97
Net Working Capital / T. Assets (%)	-5.53	-0.93	-3.68	-0.63	-13.58
Debt Ratio (%)	93.91	82.23	96.15	89.11	86.03
Asset Growth Rate (%)	20.86	19.02	11.75	5.77	14.35

End of year based on pre-tax profit and average asset and equity figures of the last two years*

Company Overview

MLP Sağlık Hizmetleri A.Ş. (referred to as **"MLP Sağlık"**,**"MLP Care"** or **"the Group")**, the foundations of which were laid in 1993 with the establishment of the Sultangazi Hospital, sustained its continuous expansion and is currently the leading private healthcare operator in Turkey with 30 hospitals in 16 different cities and a bed capacity in excess of 5,900. The Company has a broad market appeal through the brands of Medical Park, Liv (Leading International Vision) Hospital and Medical Park VM (Value Added Medicine) concept addressing different price segments. In line with the strategy of opening medium-to-large scale hospitals in metropolitan centres, the Group exited from the Arkaz Sağlık Hizmetleri A.S. with the exception of Canakkale Hospital and completed the acquisition of a 125-bed hospital in Maltepe, Istanbul in FY2019 along with the acquisition of Medisis Hospital in Kecioren, Ankara in March, 2020. The Company's Medical Park and Liv Hospital brands were included within the Turquality Support Program in 2019.

In addition to its stronghold in the domestic private hospital industry and rising volume of patients from abroad, the Company is a fully-integrated operator in healthcare provision and offers services in the fields of complimentary health insurance, laboratory/screening along with catering through its 17 consolidated subsidiaries. Following the listing of 35.01% of Company shares on the Borsa Istanbul (BIST) index in February, 2018, funds representing Turkven Private Equity along with Sancak, Usta and Elbası Families represent the principle shareholders as of FYE2019. Headquartered in Istanbul, Dr. Muharrem USTA is the Chairman/CEO of the Group which maintains strong affiliations with various academic institutions and employs more than 12,000 permanent employees including in excess of 2,200 doctors.

Strengths

- Leading position nationally in the private healthcare industry with a notable presence in the Istanbul market supported by established brand-names and concepts
- Maintenance of strong revenue and EBITDA growth throughout FY2019 supported by cost-control measures and digital transformation
- Low net financial leverage levels stemming from asset light expansion strategy and turn-around in the performance of acquired hospitals
- Ongoing diversification of revenue composition supported particularly by medical tourism revenues and growth in the rapidly expanding top-up insurance market in FY2019
- Local healthcare market dynamics conducive to growth owing to convergence with OECD averages, consolidation opportunities under the current context and contribution of recent revisions to Health Enforcement Declaration tariffs to revenue streams
- Competitive advantage across the sector owing to listed structure and established track record in the domestic bond market

Constraints

- Transient impact of the ongoing Covid-19 pandemic on second quarter financials following the nation-wide declaration of private healthcare facilities as pandemic hospitals
- Increase in interest expenses in the completed fiscal year exerting pressure on net profitability with an expected improvement in FY2020 due to ongoing downward trend in TRY borrowing costs and re-financing
- Expected fall in the share of medical tourism revenues throughout FY2020 due to global travel restrictions stemming from pandemic conditions
- Rise in the share of short-term financial liabilities in FY2019 exerting pressure on net working capital levels
- Upward pressure exerted by heightened market volatility and subsequent TRY depreciation risk on medical inflation through import dependence for materials and FX losses