

Corporate Credit Rating

New Update

Sector: Healthcare Services

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign *	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Lokman Hekim Engürüsağ Sağlık Turizm Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of "Lokman Hekim Engürüsağ Sağlık Turizm Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş." in the investment grade category with high credit quality, revised the Long-Term National Issuer Credit Rating to 'A (tr)' from 'A- (tr)' and the Short-Term National Issuer Credit Rating to 'J1 (tr)' from 'J2 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Stable', in line with the sovereign ratings and outlooks of Republic of Türkiye.

"Lokman Hekim Engürüsağ Sağlık Turizm Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş." (hereinafter referred to as "Lokman Hekim" or "the Group" or "the Company") was established in 1996 in Ankara, Türkiye. The Group operates in the healthcare sector with 6 hospitals, 2 medical centres, fully equipped laboratories and advanced medical units.

The Group has a total of 2,316 employees, as of FYE2024 (FYE2023: 2,360).

As of FYE2024, 71.44% of shares are publicly traded on the Borsa Istanbul (BIST) with the ticker symbol "LKMNH".

Key rating drivers, as strengths and constraints, are provided below.

Strengths

Constraints

- Improvement in sales revenue and core profitability margins in the analyzed period,
 - Satisfactory net debt to EBITDA multiplier in the reviewed period,
 - Positive cash flow from operations in the analyzed period, despite CapEx and regular dividend payments pressuring UCF metric,
 - High level of equity in comparison with asset size supported by paid-in capital increase through retained earnings in FY2024,
 - Compliance with corporate governance principles thanks to having publicly traded shares,
 - Long operating history dating back to 1996 and brand awareness together with participation in the Turquality programme,
 - Growth potential of the healthcare service export considering policies within the scope of medium-term program of the Turkish government.
- Net working capital deficit pressuring efficiency indicators, despite slight recovery as of FYE2024,
 - Short-term weighted debt structure limiting interest coverage ratios over the years,
 - Intense competition in the sector,
 - As actions for a global soft-landing gain prominence, decisions with the potential to adversely affect global trade are engendering considerable uncertainty.

Considering the aforementioned factors, the Group's Long-Term National Issuer Credit Rating has been revised to 'A (tr)' from 'A- (tr)'. Improvement in sales revenue, satisfactory net debt to EBITDA multiplier and brand identity as well as net working capital deficit, low coverage ratios and slowdown signal in the global economy have been evaluated as important indicators for the stability of the ratings and the outlooks for Long- and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Group's debt and equity level, liquidity and profitability indicators will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

