Corporate Credit Rating

☒New ☐Update

Sector: Healthcare Services
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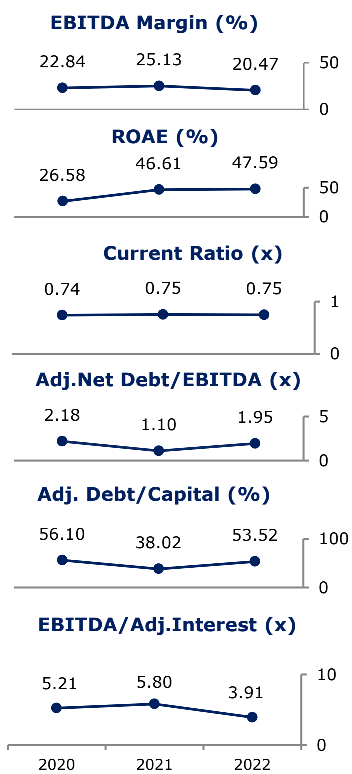
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**A- (tr)**	**J2 (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*



LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK TURİZM EĞİTİM HİZMETLERİ 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 high investment level category, assigned the Long-Term National Issuer Credit Rating as **'A- (tr)'** and the Short-Term National Issuer Credit Rating as **'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/Negative'** 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.

Lokman Hekim has 7 subsidiaries and has a total of 2,208 employees as of 3Q2023 (FYE2022: 2,342).

As of 3Q2023, 71.67% 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
• Consistent sales revenue and EBITDA generation capacity in FY2022 and expected to continue in 2023 financials, • Reasonable net debt to EBITDA multiplier in the analyzed periods, • Positive cash flow metrics in the analyzed periods despite free operating cash outflow in FY2022 due to CapEx, • Satisfactory equity level supported by internal resource generation capacity in the analyzed periods despite increasing dividend pay-out ratio limiting equity growth, • High level of compliance regarding corporate governance implementations, • Long-lasting presence in the sector dating back to 1996 and brand awareness together with participation in the Turquality programme.	• Net working capital deficit compelling liquidity management in the analyzed periods, • Low level of paid-in capital in comparison to the asset size, • Increasing costs in the healthcare sector suppressing the profitability of the Group, • Intense competition in the sector, • Leading economic indicators signal global economic slowdown whereas quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been assigned as **'A- (tr)'**. The Group's consistent sales revenue and EBITDA generation capacity, reasonable level of net debt to EBITDA multiplier, satisfactory equity level as well ongoing net working capital deficit, low level of paid-in capital 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 financial structure, sales and profitability performance, continuity of EBITDA generation capacity and debt structure 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.