

Corporate Credit Rating

New Update

Sector: Healthcare Services
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Analyst

Ezgi Çiçek Yılmaz
+90 212 352 56 73
ezgi.yilmaz@jcrer.com.tr

Assistant Analyst

Ezgi Özkan
+90 212 352 56 73
ezgi.ozkan@jcrer.com.tr

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

* Assigned by JCR on Aug 18, 2022

MEDİCANA HASTANE İŞLETMECİLİĞİ A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "**Medicana Hastane İşletmeciliği A.Ş.**" in investment level category with very high credit quality and affirmed the Long-Term National Issuer Credit Rating at '**AA- (tr)**' and the Short-Term National Issuer Credit Rating at '**J1+(tr)**' with '**Stable**' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' in line with international ratings and outlooks of Republic of Türkiye.

Medicana Hastane İşletmeciliği A.Ş. (hereinafter "**the Company**" or "**Medicana**"), was established in 1998 under the name of "İşıl Sağlık Hizmetleri A.Ş.". In 2018, the Company has changed its title to "Medicana Hastane İşletmeciliği A.Ş.". As of December 31, 2022, the Company operates with 15 hospitals across 7 cities and revenues of TRY 5.3bn along with approximately 8.8k personnel. Medicana has reached a bed capacity of approximately 2,000. The Company operates in every service of the market with brand awareness and reduces the risk of concentration on a particular geography. In addition, the Company has a notable presence in Istanbul with 6 hospitals. Medicana has 3 subsidiaries under the name of Medicana Samsun Özel Sağlık Hizmetleri A.Ş., Medicana İnşaat Matbaacılık Tekstil Turizm Gıda Eğitim ve Sağlık Hiz. San ve Tic. A.Ş and Kuzmed Sağlık Hizmetleri A.Ş. Medicana and its consolidated subsidiaries are hereinafter referred to as "**the Group**".

Medicana's main shareholders are Mr. Hüseyin Bozkurt and Mr. Mihail Bakistanlı with the shares of 78.58% and 13.10% share ownership as of FYE2022, respectively. Medicana's headquarter is located in Üsküdar/İstanbul, Türkiye. Medicana employed 1,069 doctor and 7,703 employees as of FYE2022. (FYE2021: 7,839).

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

Strengths

Constraints

- Remarkable growth in sales revenue in FY2022,
 - Satisfactory level of gross profit and EBITDA generation capacity despite decreasing margins in FY2022,
 - Cash surplus in short-term and low level of net debt to EBITDA multiplier in the analysed period,
 - High equity level supported by internal equity generation, despite noteworthy contribution of non-cash revaluation gains,
 - Improvement in cash flow metrics even though negative FOCF in FY2022 due to investments,
 - Increase in bed capacity thanks to new investments in Türkiye,
 - A nationally important position in the private healthcare sector and brand awareness together with participation in the Turquality programme.
- 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,
 - Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at '**AA- (tr)**'. Prominent market position nationally in the private healthcare industry, strong revenue and EBITDA growth, maintaining profit margins, low financial leverage metrics 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 level of leverage indicators, profitability ratios, cash flow generation capacity, sectorial regulations and the attainability of the Group's budgeted projections 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.

