

Corporate Credit Rating & Issue Rating

New Update

Sector: Healthcare/Hospital Services

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Senior Chief Analyst

Orkun Inan

+90 212 352 56 73

orkun.inan@jcrer.com.tr

Assistant Analyst

Ezgi Özkan

+90 212 352 56 73

ezgi.ozkan@jcrer.com.tr

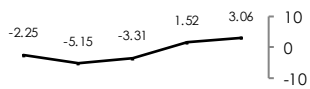
RATINGS

		Long Term	Short Term	
National	Local Rating	A- (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A-(Trk)	A-1(Trk)	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Sponsor Support	2	-		
Stand-Alone	AB	-		
Sovereign	Foreign	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

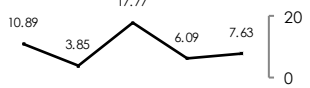
*Assigned by JCR on April 10, 2020

RATIOS

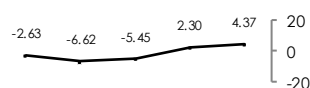
Net Profit Margin (%)



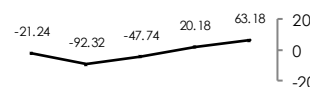
Equity / Total Assets (%)



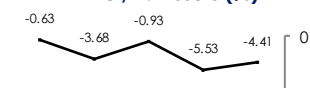
ROAA (%)



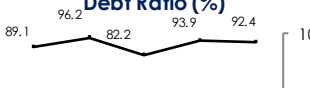
ROAE (%)



NWC / T. Assets (%)



Debt Ratio (%)



MLP Sağlık Hizmetleri A.Ş. and Its Subsidiaries

JCR Eurasia Rating evaluated the consolidated structure of “MLP Sağlık Hizmetleri A.Ş.” in an investment grade category at national level and upgraded the ratings as “**A- (Trk)**” on the Long-Term National Scale and “**A-1 (Trk)**” on the Short-Term National Scale with “**Stable**” outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “**BB+**/ **Negative**”.

MLP Sağlık Hizmetleri A.Ş. (hereinafter “the Group” or “MLP Sağlık”), the foundations of which were laid in 1993 with the establishment of the Sultangazi Hospital, sustained its expansion and is currently the leading private healthcare operator in Turkey with 30 hospitals in 15 different cities and bed capacity in excess of 6,000. 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 centers, the Group exited from the Arkaz Sağlık Hizmetleri A.S. with the exception of Çanakkale 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. MLP Sağlık opened its second hospital in Gaziantep with the Liv Hospital brand on September 28, 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 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 Elbasi Families represent the principle shareholders as of FYE2020. 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 approximately 18,000 employees including in excess of 2,200 doctors.

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

Strengths

- Leading position nationally in the private healthcare industry with a notable presence in Istanbul, supported by established brand-names and concepts,
- Maintenance of strong revenue and EBITDA growth throughout FY2020,
- Continuation of upward trend in profit margins with improvement in operational performance,
- Low level of net financial debt, underpinned by asset light expansion strategy and successful ramp-up of acquired hospitals,
- Diversification of income stream supporting predictable cash flow generation,
- Competitive advantage across the sector owing to listed structure and established track record in the domestic debt issuance market,
- Well managed business model.

Constraints

- Intense competition in the sector,
- Ongoing deficit of net working capital,
- Low level of equity comparison to the asset size,
- Sharp fall in the share of medical tourism revenues throughout FY2020 due to global travel restrictions stemming from pandemic conditions,
- Ongoing negative effect from the global Covid-19 pandemic.

Considering the mentioned drivers, the Company’s the Long-Term National Rating has been upgraded to “**A- (Trk)**” from “**BBB+ (Trk)**”. Leading position nationally in the private healthcare industry, strong revenue and EBITDA growth, upward trend in profit margins, low net financial leverage levels, established track record in the domestic bond market, as well as intense competition in the sector, net working capital levels, expected fall in the share of medical tourism revenues, corporate governance compliance level, transient impact of the ongoing Covid-19 pandemic; the Company’s outlook for Long and Short-Term National ratings has been determined as “**Stable**”. Level of debt ratio, profitability ratios, the attainability of the Company’s budgeted projections are to be monitored in the upcoming period. The macroeconomic indicators at national and international markets, as well as market conditions and possible negative effects of Covid-19 pandemic about the sector will be monitored.

It is considered that the controlling shareholders, Lightyear Healthcare B.V. and Hujori Financieringen B.V., representing Turkven Private Equity, along with the Sancak, Elbasi and Usta Families have the willingness to ensure long-term liquidity and equity should such a need arise and the experience to provide efficient operational support to MLP Sağlık Hizmetleri A.Ş. In this regard, the Company’s Sponsor Support Grade has been determined as (2). This grade signifies an adequate external support to the Company.

The Stand-Alone note is formed depending on the Company’s sustained growth potential, operational efficiency and effective market position. It is assumed that MLP Sağlık Hizmetleri A.Ş. has enough experience and accumulation of infrastructure to manage risks incurred in the balance sheet without shareholder support. In this respect, the Stand-alone rating of MLP Sağlık has been assigned as (**AB**) in JCR Eurasia Rating notation system.