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MEDICAL  **MedLife**



Q1 2020 Financial Results
Conference call presentation

15 May, 2020

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- Consolidated Statement of Financial Position
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Highlights Q1 2020

- Q1 2020 at a glance
- Key messages Q1 2020



Q1 2020 at a glance (1/5)

Covid`19 outbreak –unique epidemiological context, an unprecedented crisis

The first case of COVID`19 was officially registered on February 26, 2020

The threshold of 100 infected people was exceeded, 139 cases being registered until March 15

The state of emergency was declared in Romania on March 16, 2020, for 30 days, prolonged afterwards for another 30 days

All economic sectors have reduced their activity to a greater or lesser extent due to lockdown restrictions

As of April 22, more than 1 million suspended employment contracts have been registered (*)

Over 250,000 employment contracts have ended, the affected persons no longer benefiting from the measure of technical unemployment aid covered by the state (*)

Starting May 15, lockdown measures will be lifted gradually

Specialists anticipate another peak in infections by the end of the year and a period of at least 1-2 years until a vaccine that confers immunity to the new coronavirus is developed

Q1 2020 at a glance (2/5)

European Commission forecasts for the Romanian economy a drop by 6% in GDP in 2020, after several years of robust growth, while budget deficit to reach 9.2% of GDP

RON faced depreciation pressure, but was kept under control by NBR

The activity of the Romanian healthcare system, both public and private, was also restructured

Temporary suspension of the activity in the dental units; by exception, only emergency dental interventions were allowed. This measure has been adopted from March 22nd, 2020 until May 14th

Hospitalization for surgery and other hospital treatments and medical investigations, which were not urgent and which could have been rescheduled, have been suspended starting with March 23, 2020. Also, scheduled and programmable consultations both in ambulatory structures which are integrated in public and/or private hospitals and standalone ambulatory structures have been suspended.

Hospitals were not allowed to perform restructuring processes of staff as to assure sufficient infrastructure for Covid-19 patients, if the case. Moreover, regulators enforced reorganization of shifts and permanent rotation of the staff in order to limit the transmission risks of the disease and, in addition, also limited the inpatient unit accommodation capacity, adding furthermore, pressure on traffic.

Measures taken by the State to support the economy include:

- indemnity for technical unemployment for employees of companies affected by the crisis (amounting to 75% of the net salary, capped at 75% of the avg. salary in the economy, the difference being paid by the company);

Q1 2020 at a glance (3/5)

- Debt moratorium for individuals and companies affected by the crisis (based on declaration for individuals, decrease of 25% of revenues for companies) - grace period up to 9 months (not beyond YE 2020) & interest accrued (capitalized for consumer loans, repaid in 60 equal installments for housing loans);
- Flexibility for the payment of social and tax obligations;

Measures taken by MedLife to limit the negative financial effects of the pandemic:

Agreed reduction by 50% of the salaries of the management team for a period of 45 days; measure was extended to Board of Directors and Executive Committee only with 20% haircut of salaries by YE.

Reduced the costs related to the administrative departments by sending non-critical personnel into technical unemployment and decreasing the working hours for key administrative personnel from 5 to 4 working days, starting with March 26;

Negotiated with all landlords of premises in which MedLife Group operates for delaying or reducing the rent payments;

Moved headquarters into a new group-owned facility in Grivita, saving over EUR 75k per month in expenses.

Negotiated with secondary service providers which are not mandatory for MedLife Group during this period in order to suspend the collaboration;

^{7/} Additional finance from the Banks to ensure comfortable liquidity levels.

Q1 2020 at a glance (4/5)

Rapid MedLife adaptation, prepared to cope with challenges **Integrated business model, with diversified business lines**

3 RT- PCR fully equipped laboratories in Bucharest, Sfantu Gheorghe and Timisoara, with a total testing capacity of >1,000 tests per day

First study on the natural immunization of the Romanian population to COVID`19 on a sample of 1,005 medical and support staff from 15 cities where MedLife operates clinics and hospitals. For this study were used gradually for validation 4 test methods: molecular RT-PCR method, serological testing by Chemiluminescence method (two manufacturers with different equipment and kits: Maglumi, respectively Yhlo), and serological testing by ELISA method, as well as rapid tests for IgM and IgG antibodies

Partnership with the National Institute of Infectious Diseases Matei Bals and Colentina Hospital for the first study on infected patients on the dynamics of naturally occurring antibodies for COVID 19 and the validation of certain diagnostic tests

A new study on the natural immunization of the population in Suceava (the largest outbreak of infection in Romania) will be carried out

Signed an agreement with Abbott Diagnostics to purchase and process in the Group`s laboratories over 500,000 tests to detect antibodies for COVID-19, the total processing capacity being one million tests by the end of the year.

Launch of own Research Division with the aim to find local solutions for the current epidemiological context



Q1 2020 at a glance (5/5)

Supporting our clients

Launched online medical platform where **patients** can get in touch by videoconference with doctors from many specialties for consultation, diagnosis and treatment, including psychological counseling;

24/7 Medical Hotline

Prevention and Best Practices Guide to support the **Romanian companies** in resuming their activities in conditions of maximum safety

Developed new products for the corporate clients:

- Epidemiological screening packages for resumption of business activity,
- MedLife branded medical tents for medical triage of employees, at the clients' headquarters,
- Medical workshops at the company's headquarters or remotely & personalized reports on the health of their employees and risk factors
- Online gym class

Fully supporting the efforts of the authorities in order to fight the pandemic and relaunch the Romanian economy

Key messages Q1 2020

Strong Balance Sheet

with all large hospitals buildings **owned** by the Group

solid liquidity position

operating profit and EBITDA remained stable

determined by strong operating performance in January and February that compensated to a great extent the drop in sales that started in the second half of March, along with enforcements regulated once the State of Emergency was declared and Military Ordinances restructuring the healthcare system were issued

Operating cash flow before working capital changes

in line with EBITDA

Reduced CAPEX

with all non-critical projects postponed

Pro-forma figures

508m RON Tangible assets

808m RON Total Non-current assets

88m RON Cash and cash equivalents

18.9m RON operating profit stable vs 15m RON in Q1 2019

45.2m RON EBITDA vs 38.3m RON in Q1 2019

34.6m RON EBITDA bf. IFRS 16 vs. 29.3m RON in Q1 2019

17.6% EBITDA margin vs 16.6% in Q1 2019

13.5% EBITDA margin bf. IFRS 16 vs 12.7% in Q1 2019

44.3m RON, 22% higher vs Q1 2019

6m RON net cash used in investing activities in Q1 2020

Financial overview

- Consolidated Statement of Profit and Loss
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flow

Consolidated Statement of Profit and Loss (1/3)

Description	Q1 2019 IFRS	Q1 2020 IFRS	%VAR	Pro-forma adj.	Q1 2020 Pro-forma	%VAR
Sales	231,022,320	264,164,778	14.3%	(7,764,880)	256,399,898	11.0%
Other operating income	2,026,049	881,106	-56.5%	-	881,106	-56.5%
OPERATING INCOME	233,048,369	265,045,884	13.7%	(7,764,880)	257,281,004	10.4%
OPERATING EXPENSES	(218,005,747)	(246,722,831)	13.2%	8,408,004	(238,314,827)	9.3%
OPERATING PROFIT	15,042,622	18,323,053	21.8%	643,123	18,966,176	26.1%
EBITDA	38,339,524	44,568,844	16.2%	643,123	45,211,967	17.9%
EBITDA before IFRS 16	29,305,604	34,054,155	16.2%	643,123	34,697,278	18.4%
Net finance cost	(4,785,542)	(5,022,253)	4.9%	-	(5,022,253)	4.9%
Other financial expenses	(6,318,848)	(3,846,566)	-39.1%	-	(3,846,566)	-39.1%
FINANCIAL RESULT	(11,104,390)	(8,868,819)	-20.1%	-	(8,868,819)	-20.1%
RESULT BEFORE TAXES	3,938,232	9,454,235	140.1 %	643,123	10,097,358	156.4 %
Income tax expense	(1,568,883)	(3,028,978)	93.1 %	(102,900)	(3,131,877)	99.6 %
NET RESULT	2,369,349	6,425,257	171.2%	540,224	6,965,480	194.0%
Other comprehensive income	-	(739,004)	0.0%	-	(739,004)	0.0%
Total comprehensive income	2,369,349	5,686,253	140.0%	540,224	6,226,477	162.8%

Q1 2020 Pro-forma vs. Q1 2019 IFRS

- ❑ Sales increased by **11.0%**, to 256.3m RON, like2like growth of 7%
- ❑ OPEX increased by **9.3%**, to 238.3m RON
- ❑ EBIT increased by **26.1%** to 18.9m RON, a margin expansion of 0.9 p.p. to **7.4%** (from 6.5%)
- ❑ EBITDA increased by **17.9%** to 45.2m RON, a margin expansion of 1p.p. to **17.6%** (from 16.6%)
- ❑ EBITDA *before IFRS 16* increased by **18.4%** to 34.6m RON, a margin expansion of 0.8 p.p. to **13.5%** (from 12.7%)
- ❑ Split of **Pro-forma EBITDA**: 91% Group Owners and 9% NCI
- ❑ **20.1%** decrease in financial result due to decreased FX losses as compared to prior period
- ❑ **99.6%** increase in Income tax expense due to additional **1.1m RON deferred tax expense**
- ❑ **Net Result** increased by **194%**, to 6.9m RON
- ❑ Split of **Net Result**: 85% to Group Owners and 15% to NCI
- ❑ Loss of 739k RON in **OCI** due to loss on revaluation of own shares
- ❑ **Pro-forma adj.** include:
 1. Reclass of subsidies in amount of 7.7m RON received from the NHIH in relation to the National Health Program
 2. 643k RON one-off expenses

Consolidated Statement of Profit and Loss (2/3)

Operational KPIs

Business line	Info	Q1 2019	Q1 2020	%VAR
		IFRS	IFRS	
Clinics	Revenue	67,709,964	83,931,695	24.0%
Clinics	Visits	435,603	513,144	17.8%
Clinics	Avg fee	155.4	163.6	5.3%
Stomatology	Revenue	14,375,414	15,431,961	7.3%
Stomatology	Visits	29,632	27,657	-6.7%
Stomatology	Avg fee	485.1	558.0	15.0%
Hospitals	Revenue	52,713,276	57,044,996	8.2%
Hospitals	Patients	20,816	20,772	-0.2%
Hospitals	Avg fee	2,532.4	2,746.3	8.4%
Laboratories	Revenue	38,105,024	43,404,778	13.9%
Laboratories	Analyses	1,496,320	1,519,966	1.6%
Laboratories	Avg fee	25.5	28.6	12.0%
Corporate	Revenue	45,581,978	48,017,114	5.3%
Corporate	Subscriptions	650,193	683,031	5.1%
Corporate	Avg fee	70.1	70.3	0.3%
Pharmacies	Revenue	9,750,143	12,632,608	29.6%
Pharmacies	Clients	69,700	77,107	10.6%
Pharmacies	Sales per client	139.9	163.8	17.1%
Others	Revenue	2,786,521	3,701,627	32.8%
Total		231,022,320	264,164,779	14.3%

The increase of **14.3%** Q1 2020 vs Q1 2019 (on IFRS) and of **11%** Q1 2020 vs Q1 2019 (Pro-forma) is the effect of:

- Acquisitions made subsequent to Q1 2019
- strong operating performance in January and February
- drop in sales of approx. 25% in March, in response to the State of Emergency and Military Ordinances restructuring the healthcare system, effect felt in the second part of the month

Consolidated Statement of Profit and Loss (3/3)

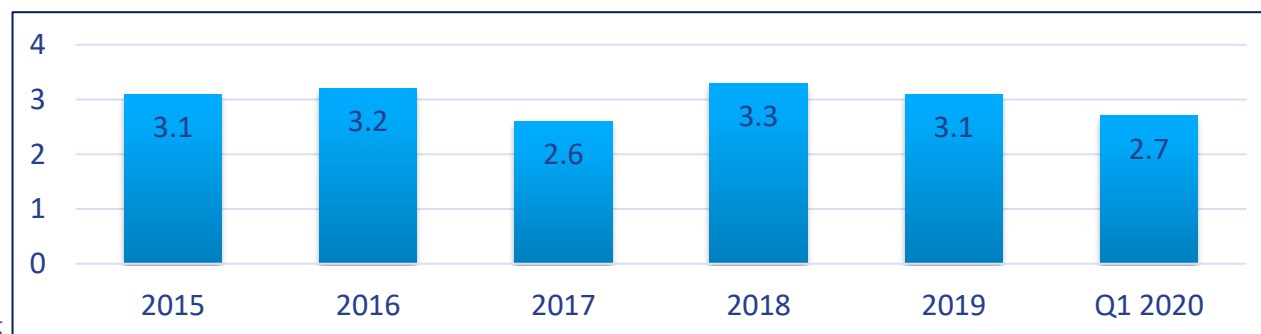
OPEX Evolution

Description				% of OPERATING EXPENSES			% of SALES		
	Q1 2019	Q1 2020	%VAR	Q1 2019	Q1 2020	Change	Q1 2019	Q1 2020	Change
	IFRS	IFRS		IFRS	IFRS		IFRS		
Consumable materials and repair materials	36,689,703	41,623,485	13.4%	16.8%	16.9%	0 p.p	15.9%	15.8%	-0.1 p.p
Commodities	7,800,694	9,855,800	26.3%	3.6%	4.0%	0.4 p.p	3.4%	3.7%	0.4 p.p
Utilities	3,227,505	3,675,435	13.9%	1.5%	1.5%	0 p.p	1.4%	1.4%	0 p.p
Repairs maintenance	2,720,633	2,853,841	4.9%	1.2%	1.2%	-0.1 p.p	1.2%	1.1%	-0.1 p.p
Rent	1,842,203	2,088,731	13.4%	0.8%	0.8%	0 p.p	0.8%	0.8%	0 p.p
Insurance premiums	682,537	787,441	15.4%	0.3%	0.3%	0 p.p	0.3%	0.3%	0 p.p
Promotion expense	3,326,851	2,304,963	-30.7%	1.5%	0.9%	-0.6 p.p	1.4%	0.9%	-0.6 p.p
Communications	910,930	1,089,226	19.6%	0.4%	0.4%	0 p.p	0.4%	0.4%	0 p.p
Third party expenses & Salaries expenses, out of which:	133,215,209	154,092,993	15.7%	61.1%	62.5%	1.3 p.p	57.7%	58.3%	0.7 p.p
<i>Third party expenses (including doctor's agreements)</i>	<i>60,960,784</i>	<i>74,068,671</i>	<i>21.5%</i>	<i>28.0%</i>	<i>30.0%</i>	<i>2.1 p.p</i>	<i>26.4%</i>	<i>28.0%</i>	<i>1.7 p.p</i>
<i>Salary and related expenses (including social contrib.)</i>	<i>72,254,425</i>	<i>80,024,322</i>	<i>10.8%</i>	<i>33.1%</i>	<i>32.4%</i>	<i>-0.7 p.p</i>	<i>31.3%</i>	<i>30.3%</i>	<i>-1 p.p</i>
Depreciation	23,296,903	26,245,791	12.7%	10.7%	10.6%	0 p.p	10.1%	9.9%	-0.1 p.p
Other administration and operating expenses	4,292,580	2,105,125	-51.0%	2.0%	0.9%	-1.1 p.p	1.9%	0.8%	-1.1 p.p
OPERATING EXPENSES	218,005,747	246,722,831	13.2%	100%	100%	0 p.p	94.4%	93.4%	-1 p.p

Consolidated Statement of Financial Position (1/2)

Description	December 31, 2019 IFRS	March 31, 2020 IFRS	%VAR
Non-current assets	811,596,971	808,021,287	-0.4%
Current assets, excluding Cash and cash equivalents	172,090,253	168,638,518	-2.0%
Cash and cash equivalents	38,886,218	88,249,580	126.9%
TOTAL ASSETS	1,022,573,442	1,064,909,385	4.1%
Current liabilities	340,941,966	358,671,936	5.2%
Long term liabilities	451,609,561	469,690,315	4.0%
Deferred tax liability	19,756,346	20,849,765	5.5%
TOTAL LIABILITIES	812,307,874	849,212,016	4.5%
Equity attributable to owners of the Group	187,085,058	191,521,961	2.4%
Non-controlling interests	23,180,511	24,175,408	4.3%
EQUITY	210,265,569	215,697,369	2.6%

Net debt to Pro-forma EBITDA ratio



Consolidated Statement of Cash Flow

Description	Q1 2019	Q1 2020
Net income before taxes	3,938,232	9,454,235
Adjustments for non-monetary items	32,523,733	34,848,169
Operating cash flow before working capital and other monetary changes	36,461,966	44,302,404
Cash generated from working capital changes	(317,210)	(2,733,975)
Other monetary changes (income tax and net interest paid)	(3,344,342)	(2,703,447)
Net cash from operating activities	32,800,414	38,864,982
Net cash used in investing activities	(23,775,309)	(6,092,972)
Net cash from/ (used in) financing activities	(3,555,380)	16,591,352
Net change in cash and cash equivalents	5,469,725	49,363,362
Cash and cash equivalents beginning of the period	34,206,159	38,886,218
Cash and cash equivalents end of the period	39,675,884	88,249,580

	3 months ended March 31,	
	2020	2019
Cash flow from financing activities		
Increase in Loans	30,512,599	1,217,607
Payment of loans	(953,433)	(704,802)
Financial Lease payments	(1,524,900)	1,628,233
Repayment of the lease liabilities - IFRS 16	(9,630,483)	(8,022,441)
Payments for purchase of treasury shares	(1,812,431)	2,326,023
Net cash from/ (used in) financing activities	16,591,352	(3,555,380)

Financing activities & liquidity side:

- 14m EUR undrawn facility was converted in working capital Covid`19 facility, out of which 5m EUR were drawn and available in accounts as at March 31, 2020
- Additional exposure of 20m EUR approved by the Banks for the development of several projects in the context of COVID-19, projects related to the area of prevention, research, refurbishment and not only, but also for acquisitions



Q&A Session

Thank you!