



SISTEMUL MEDICAL
MedLife

**H1 2023 RESULTS CONFERENCE CALL
TRANSCRIPT**

Friday, August 25, 2023, 4 p.m. EET

Speakers:

Mr. Mihai Marcu, Chairman of the Board & CEO MedLife Group

***Mr. Dorin Preda, Board Member & Director of Finance and Treasury
MedLife Group***

Ms. Alina Irinoiu, CFO MedLife Group

Operator:

The first question is from Rapanu Caius with BCR. Please go ahead.

Caius Rapanu: Hello. Thank you very much for the presentation. Congrats for the results. I just wanted to make sure if I understand correctly, in the sense that you are looking at margins for the second half of the year to be consistent with the first half and not necessarily with the previous years, is that correct? And where do you see them all going after that in 2024? Thank you.

Alina Irinoiu: Hello. Yes, what we mentioned is that if we are looking at the business in 2022, you will notice that quarter-by-quarter, we have a decrease from 17.2 to 14, to 13, to 10. Looking back, for example, in 2019 when we take out COVID, we had a different seasonality of the business, which is normal for our business. We have a first quarter with increased margins, let's say. The second is lower, the third is better, the fourth is lower.

What we are noticing now is that after the constant decrease in 2022, we are turning back to the model and we are looking back at the seasonal adjustments that we were used to in this business, and we expect a positive adjustment in the quarter to come. We revert to the trend, let's say.

What you mentioned is that, yes, as compared to the past quarter, we expect a positive trend in the second half of 2023. In the second half of 2023, we expect a positive trend in terms of EBITDA. Regarding 2024, would be quite early to make assumptions right now, because, of course, it depends, and it will reflect the positive impact of the organic projects that we are launching.

I would say, just to give you a flavour, that we are still engaging in increasing the margins, but by how much would be very difficult to state now. But expect our efforts to be directed to improving the margins and consolidating the business. Of course, it's a large group, so don't expect big jumps from the start, but consolidating slowly would be the direction.

Caius Rapanu: Thank you very much.

Alina Irinoiu: Okay. Thank you.

Operator: The next question is from the line of Bram Buring with Wood & Co. Please go ahead.

Bram Buring: Hello, everyone. Just to follow-up on that last question, would you say that going between this third quarter and the second quarter is the inflection point at which margins are gradually going to improve? That's the first question.

And the second one is, how much capex for M&A do you have left to spend in the second half of the year?

Alina Irinoiu: Hi Bram, I will start with the second question. I would say that M&A is not on our table now. Of course, we are looking at the market. And if there is any opportunity or the development of the group requires such M&A transactions, then we might follow. So, we don't have a CAPEX dedicated for M&A, or budget allocated for M&A. I would say that we rather have the increase in line that we have announced at the end of last year. That would be a reference.

Bram Buring: Okay. Just to interrupt. So, you don't have anything that you have to spend

in the second half, it's all included?

Alina Irinoiu: Yes, we don't have a budget allocated for M&A in the second half. So, as I said, we don't have a specific CAPEX budget allocated to M&As in the second half. We are not looking at M&A transactions as we used to in 2022, because we focused more on the organic development of the business. We are looking at the market conditions and market trends. If there is any specific transaction which the group needs in terms of development, we might pursue it. But we don't have a plan to allocate a dedicated budget for M&A for this year.

And the first question regarding the decrease, can you repeat this again?

Bram Buring: The question was rather, have we hit an inflection point where we see margins compressing and we know why? You're consolidating new businesses. Have we hit the inflection point when, on the whole, the margins are going to expand rather than continue to retract?

Alina Irinoiu: Yes. I would say that this is our view on the margins and the evolution of the group. That we reached the point where, going further, we will see positive adjustments of the trend.

Bram Buring: That's excellent. Thank you very much.

Operator: The next question is from the line of Ciubotaru, Cristina with Raiffeisen. Please, go ahead.

Cristina Ciubotaru: Hello, everyone. I have a question regarding the new finance. (...inaudible). Thank you.

Alina Irinoiu: I'm sorry, Christina, but your line wasn't very clear and I couldn't understand the question. I'm sorry to ask you to repeat it again, much louder, if it's possible?

Cristina Ciubotaru: Can you hear me now better?

Alina Irinoiu: Let's say a bit better.

Cristina Ciubotaru: Okay. My question was regarding the finance cost, if you are in discussions with the banks to refinance any existing debt?

Alina Irinoiu: So, the question was regarding the finance cost and if we had discussions to refinance the debt. Actually, no, because we had discussions with the banks regarding the current interest rates in the market. We are still very well positioned because we did this refinance at the end of last year when the interest rates were better in terms of fixed margin.

Indeed, we have this variable component which can't be changed, Euribor. But the good part in this is that we have already taken the hit with the increase. Analyzing the evolution of Euribor for the period to come, it seems that what is in store for the end of this year won't be an important adjustment anymore. And we expect to see a slowdown and hopefully a decrease by the end of next year.

But in terms of refinancing, we have the assurance that regarding the fixed margin applied by the banks, what we have and negotiated at the end of last year is a good margin in the market right now.

Cristina Ciubotaru: I understand. Thank you.

Alina Irinoiu: Thank you.

Operator: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to management for any closing comments. Thank you.

Mihai Marcu: Thank you. I will add a few words for the final, as usual. First, I will answer the last question raised by Bram. Thank you for that.

So, yes, we think that the inflection of the decrease in the margin was at the end of 2022 and we see signs, consistent signs, that the trend is going back. It's not as fast as we wanted, but the trend is positive and it's firm on that direction, starting with the first quarter of this year, and it still stands on.

The market is robust. Demand is still on the market. There are voices on the market saying that the market will grow with only 3% to 5%. That was quite surprising to us, because the demand is there and we can see in some segments a slowdown, but aggregated, taking into account the various incomes of MedLife today, no, it is the same as last year and we don't see any signs that goes down and that's important.

The last one is going to be about acquisition, also subject to a question today. The cost is still high, so we will not necessarily jump on acquisition today. We don't have any acquisition at scale in view, maybe some very small on the second brand of Sfanta Maria.

There is not a good market for acquisitions today, because after the COVID situation, some of the companies were weak and others in the medical sector have made lots of profits and still they would like to have the same, as if they were still in the COVID era, and MedLife will not be the buyer in this kind of situation.

Also, we are not in the mood to make acquisition, because we would like to consolidate and to take over this margin, which we were discussing about in all the conferences. We still hope to be back, not necessarily to 17 or 18, which we reached during the COVID, but 15 should be manageable and that is our focus at this time.

So, this is today for us. Thank you very much for participating in the conference. Have a good day and have a nice weekend. Thank you and goodbye.