

Turkey — Healthcare

MPARK

Health & Safety First

We are adding MLP Care to our Model Portfolio with TL47 Target Price and 46% potential upside. Our valuation is based on equal weighted DCF (20% rfr, 5.5% erp, 22% WACC) and 20% discount applied to 2022E peer median EV/EBITDA of 8.5x and P/E of 16.2x. Our 2022 revenue and EBITDA estimates are above 30% and 18% Rasyonet consensus, whereas our net income estimate is 4% below. Details of our valuation are on Page 3-4.

Beneficiary of increased health awareness in the covid-era. There is a significant ramp up in number of private medical healthcare patients in Turkey. Total number has quickly reached over 4.8 million in 2021 (+25% y/y), driven by a jump in top-up coverage to over 2.4 million from 134 thousand in 2015. Recent macro developments that resulted in Lira falling to historical lows versus hard currencies, suggest Turkey's competitiveness in medical tourism (11% of MLP Care revenues) has further improved and end of covid related restrictions would result in higher revenue growth this year.

High growth potential for 2022. We estimate 42% increase in MLP Care revenues to TL 8 billion this year, driven by higher outpatient treatments and medical tourism (normalization), plus pending tariff adjustments on inflation record high inflation (c40% y/y increase in average index). In fact the macro backdrop and demand outlook suggest upside risk to our revenue estimates. We expect EBITDA margin to remain around the same level (23%) as in 2020, due to cost inflation, driven mainly by higher personnel expenses. This would translate into TL1.8 billion EBITDA versus TL1.4 billion in 2021. Higher financial expenses due to rising interest rates would lead to TL404 million net income, still sharply higher than TL218 million estimate for 2021.

Turkey keen on healthcare investments private and public. Private hospitals share in total bed capacity is at 22%, but sector's share in inpatient treatments is at a higher 34% due to busier schedules in public hospitals and affordable pricing in private medical and top up insurance schemes. This has led to doubling of the said share of private hospitals from 15% in 2019. We expect this trend to continue, paving the way for quicker adjustments in Social Security System tariffs.

Lower debt, higher net income. MLP Care net debt / EBITDA ratio has fallen to 1.5x in 9M21, as a result of management focus in reduction of financial leverage and elimination of FX risk -via conversion of EUR 46.5 million debt to Lira in February 2021. The Company's net FX position is EUR 3 million as of the same period. We expect net debt / EBITDA (including rent contracts) fall to 0.7x by end of 2022, thanks to low levels of capital expenditures and working capital requirements and overall strong free cash flow generation performance. This would keep financial expenses under control in a rising yield environment.

MPARK	2018	2019	2020	2021E	2022E	2023E
Net Income (TL mn)	-128	36	65	218	404	698
Revenue (TL mn)	3,132	3,704	4,015	5,636	7,989	9,035
EBITDA (TL mn)	408	809	942	1,390	1,799	2,037
Net Debt/EBITDA (x)	2.9	2.5	2.2	1.5	0.7	0.2

Source: Company Data, INFO Research Estimates

BUY

Price: TL32.30

Price Target: TL47

Company Data

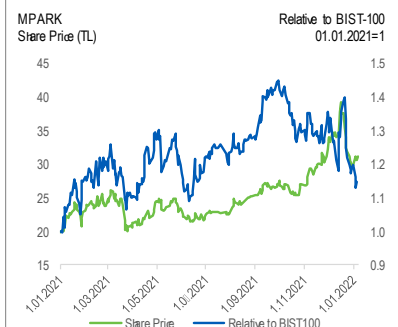
	MPARK
Stock Ticker	MPARK
Stock Rating	BUY
Price Target	47
Up/downside to PT	46%
Share Price	32.30
52-week range (TL)	19.44 - 40.48
No. of shares (mn)	208
Free Float	35%
MCAP (TL mn)	6,720
MCAP (USD mn)	489
Net Debt (TL mn)	1,967
3M ADV (USD mn)	1
3M ADV/FF MCAP (%)	0.6%

Valuation

	2020	21E	22E	23E
P/E (x)	103.5	30.8	16.6	9.6
EV/EBITDA (x)	9.3	6.3	4.9	4.3
P/B (x)	23.8	13.4	7.4	4.2
Div. Yield	0.0%	0.0%	0.0%	0.0%

Kaynak: INFO Research Estimates

Stock Performance



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Please read the disclaimer at the end of the report.

Table 1. Financials

Income Statement					Financial Analysis				
(TLmn)	2020	2021E	2022E	2023E		2020	2021E	2022E	2023E
Net Sales	4,015	5,636	7,989	9,035	Growth (%)				
Gross profit (loss)	956	1,502	1,940	2,213	Sales	8	40	42	13
Operating Expenses	-266	-442	-639	-723	EBITDA	16	47	29	13
Core EBIT	690	1,060	1,301	1,491	Net Profit	79	237	85	73
Inc.& Exp. from Other Operations	63	50	50	26	Margins (%)				
Reported EBIT	754	1,110	1,351	1,516	Gross Margin	24	27	24	24
Financial Income/Expenses	-684	-656	-683	-360	EBITDA Margin	23	25	23	23
Other income	116	0	4	5	EBIT Margin	17	19	16	16
PBT from continuing operations	186	454	673	1,161	Net Margin	2	4	5	8
Tax on Continuing Operations	-63	-162	-167	-289	Efficiency				
Net Profit	65	218	404	698	Receivables Days	104	85	92	93
					Inventory Days	12	10	12	12
EBITDA	942	1,390	1,799	2,037	Payables Days	115	110	115	115
					Working Capital/Net Sales (%)	7.4	3.2	3.8	4.2
					Profitability (%)				
Balance Sheet					ROA	1	4	7	11
(TLmn)	2020	2021E	2022E	2023E	ROE	23	44	45	44
Current Assets	2,185	2,730	3,656	4,334	ROIC	2	28	48	55
Cash and Marketable Securities	375	663	534	778	Leverage (x)				
ST Trade and Related Receivables	1,239	1,313	2,014	2,302	Asset/Equity	16.2	10.9	6.5	4.1
Inventories	113	113	199	224	Net Debt/EBITDA	2.2	1.5	0.7	0.2
Other Short-Term Assets	457	642	910	1,029	Capex/Revenues (%)	3.2	6.0	6.0	6.0
Long Term Assets	2,387	2,729	2,247	2,216					
TOTAL ASSETS	4,572	5,460	5,904	6,550					
Short Term Liabilities	2,387	2,975	3,402	3,252					
ST Financial Payables	978	1,234	795	309					
ST Trade and Other Payables	1,057	1,246	1,906	2,149					
Other Short-Term Liabilities	352	495	701	793					
Long Term Liabilities	1,836	1,911	1,495	1,521					
LT Financial Payables	1,514	1,502	959	928					
LT Trade and Other Payables	106	106	106	106					
Other Long-Term Liabilities	216	303	430	486					
Equity	282	501	905	1,603					
Minority Interest	66	73	101	174					
TOTAL LIABILITIES AND S.HOLDERS' EQUITY	4,572	5,460	5,904	6,550					

Source: Company Data, INFO Research Estimates

Table 2. Cash Flow

DCF	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
EBIT	190	216	543	690	1,060	1,301	1,491	1,711	1,973	2,245
+ Depreciation & amortisation	175	192	266	252	330	498	546	575	609	655
- Capex	-222	-277	-166	-128	-338	-479	-542	-610	-687	-760
- Change in working capital	0	-86	-64	-16	117	-127	-70	-84	-103	-112
- Taxes	-38	-48	-120	-152	-162	-167	-289	-367	-432	-487
- Other										
Free cash flow to firm (FCFF)	105	-2	460	646	1,006	1,026	1,135	1,225	1,360	1,540
Discount factor					1.00	0.82	0.68	0.56	0.46	0.37
Discounted cash flow for projected period	4,502				1,011	846	768	680	620	576
Discounted cash flow for perpetuity	5,349									
Enterprise value	9,851									
Latest Net Debt	1,967									
- Minority interest	116									
+ Participations	0									
Equity value	7,768									
12m Equity Value	9,465									
Implied Price Target (PT)	45.50									
Potential upside	41%									

WACC

Risk free rate	20.0%
Beta	0.87
Equity risk premium	5.5%
Cost of equity	24.8%
Cost of debt, after tax	18.8%
Debt ratio	48.4%
Weighted average cost of capital	21.8%
Terminal growth rate	10.0%

Source: Company Data, INFO Research Estimates

Table 3. Valuation

Method	Weight	Implied Value	Contribution
DCF	50%	9,465	4,733
Peer Comparison	50%	10,151	5,076
Target Value (TL mn)			9,808
Target Price (TL)			47
Current Price (TL)			32.30
Upside Potential			46%

Source: Info Research Estimates

Table 4. Peer Multiples

RT Ticker	Company Name	Mcap (USD mn)	2021(E)		2022(E)	
			P/E	EV/EBITDA	P/E	EV/EBITDA
LHC:ZA	Life Healthcare Group Holdings Limited	2,142	18.9	9.1	15.2	6.8
MEI:ZA	Mediclinic International Plc	3,240	13.1	9.1	12.4	8.4
NTC:ZA	Netcare Limited	1,489	11.6	5.3	20.8	9.1
4007:SA	Al Hammadi Company For Development And Investment	1,331	34.2	11.5	43.8	11.5
CLHO:EG	Cleopatra Hospital Co	511	19.3	9.6	16.2	8.5
MDMG:RUM	Gdr Md Medical Group Inv. Plc	821	10.5	7.7	9.8	7.1
5225:MY	Ihh Healthcare Bhd	14,086	43.2	17.8	36.4	15.8
	Median		18.9	9.1	16.2	8.5
MPARK	Mlp Saglik Hizmetleri	489	30.8	6.3	16.6	4.9
			-39%	44%	-3%	74%

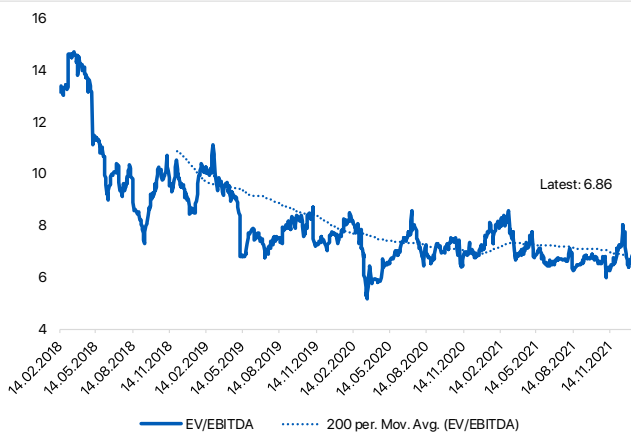
Source: Equity RT, Info Research Estimates

Table 5. Peer Performance

	Absolute Return in Local Currency (%)				Relative Return in Local Currency (%)			
	YTD	1M	3M	12M	YTD	1M	3M	12M
Life Healthcare Group Holdings Limited	-4.6	-2.6	0.8	33.7	-4.9	-4.7	-11.8	16.1
Mediclinic International Plc	1.4	10.3	8.4	14.8	1.1	7.9	-5.2	-0.2
Netcare Limited	2.3	11.3	-0.9	29.5	2.0	8.9	-13.3	12.5
Al Hammadi Company For Development /	3.2	6.7	10.3	50.9	1.9	2.1	11.8	15.3
Cleopatra Hospital Co	3.9	8.0	19.5	4.6	3.1	3.4	4.6	-4.9
Gdr Md Medical Group Inv. Plc	1.9	-0.4	-0.1	84.0	2.8	1.2	12.8	69.4
Ihh Healthcare Bhd	-8.2	2.6	1.7	21.0	-6.7	-0.2	3.0	28.1
Mlp Saglik Hizmetleri	8.2	-7.2	19.6	44.8	-1.2	-7.3	-17.7	9.7

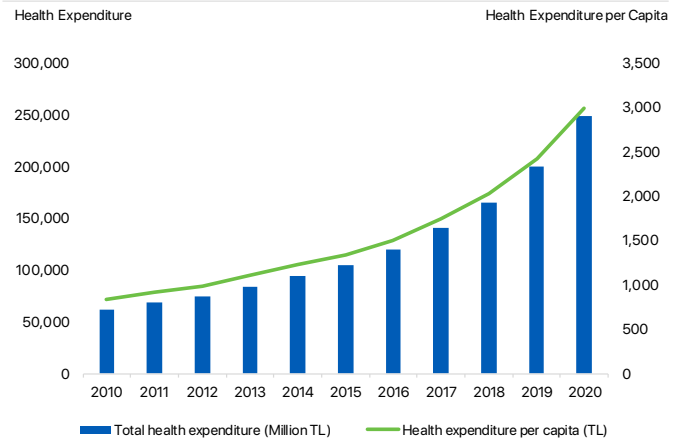
Source: Equity RT

Table 6. Historical EV/EBITDA Multiple



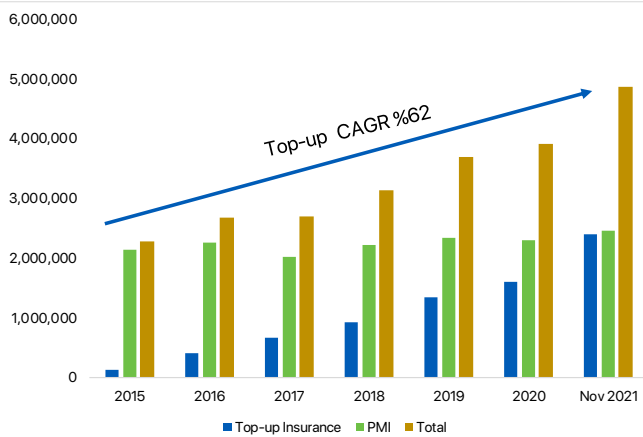
Source: Equity RT

Table 7. Turkey Total Healthcare Expenditure



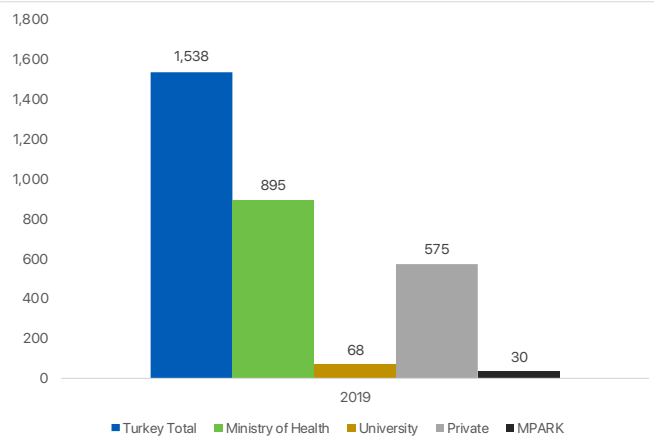
Source: TSI

Table 8. Number of People with Insurance in Turkey



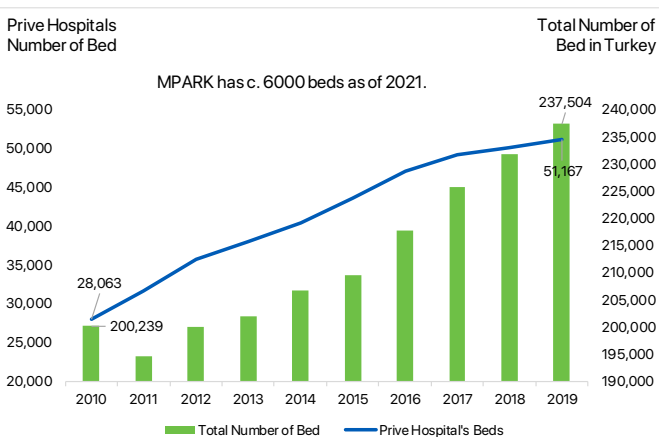
Source: IAT

Table 9. Number of Hospitals by Sector



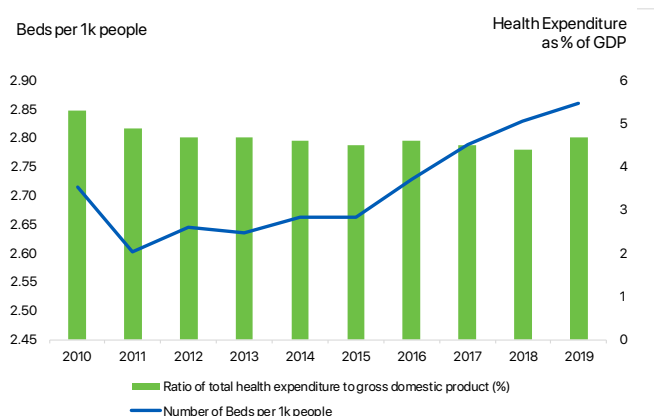
Source: TSI, Company Data

Table 10. Number of Beds in Turkey



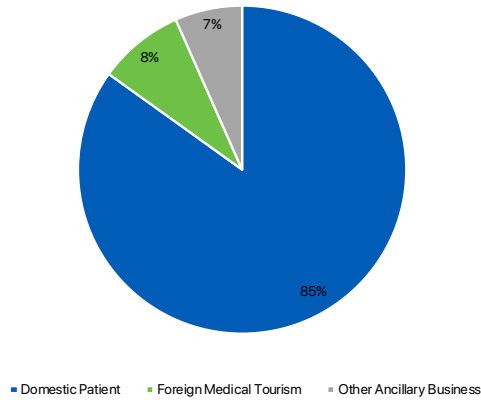
Source: TSI

Table 11. Number of Beds and Health Expenditure as % of GDP



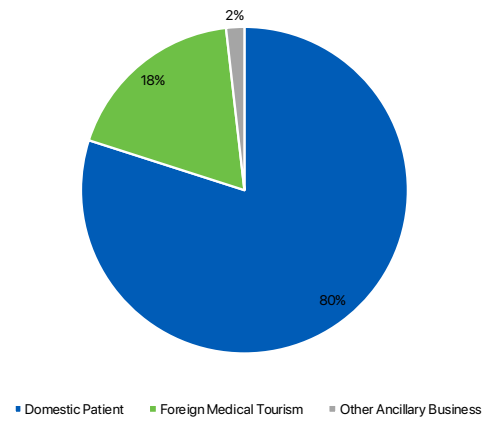
Source: TSI

Table 12. MPARK Revenue Breakdown (2020)



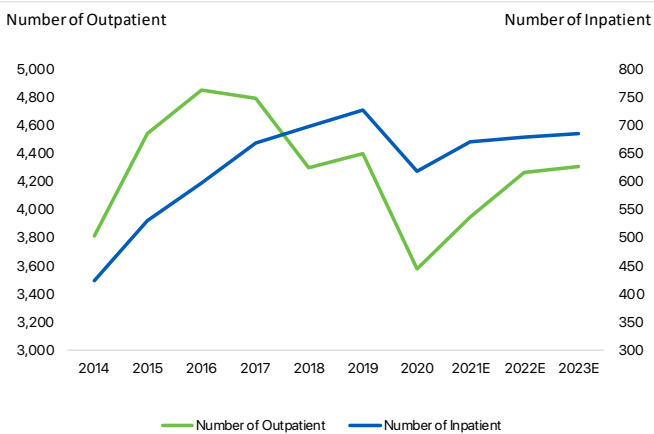
Source: Company Data

Table 13. MPARK Revenue Breakdown (2022E)



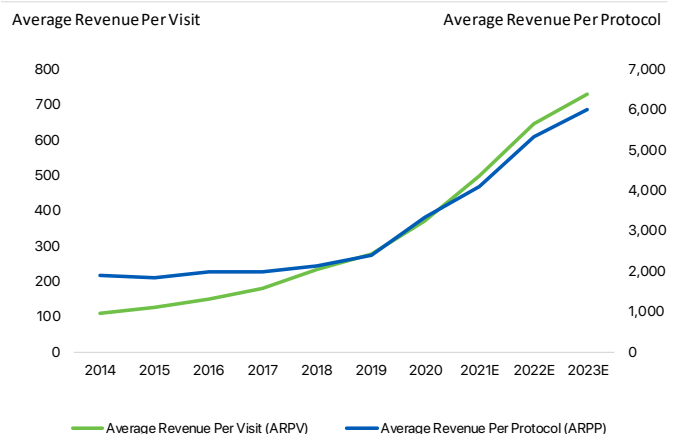
Source: Info Research Estimates

Table 14. MPARK Number of Inpatient and Outpatient



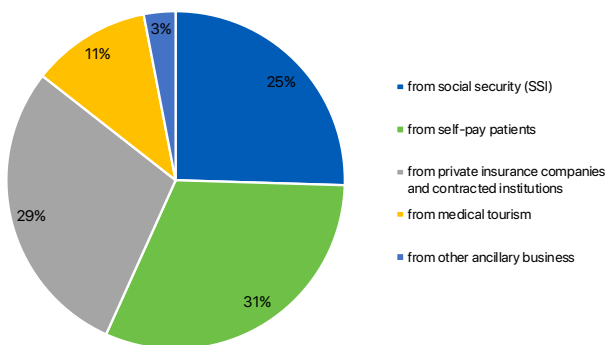
Source: Company Data, Info Research Estimates

Table 15. MPARK avg. Revenue per Visitor&Protocol



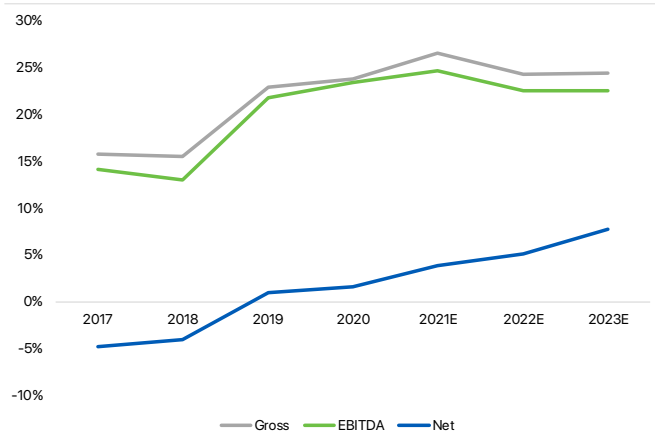
Source: Company Data, Info Research Estimates

Table 16. MPARK Revenue Breakdown by Payor



Source: Company Data

Table 17. Margins



Source: Company Data, Info Research Estimates

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