24/1, SEVASTOPOLSKY PROSPECT
MOSCOW, RUSSIA, 117209

+7 499 744 66 56
WWW.MCCLINICS.COM

MOTHER & CHILD
GROUP OF COMPANIES

# MD MEDICAL GROUP

# H1 2019
# IFRS RESULTS

September, 2019

# DISCLAIMER

## IMPORTANT NOTICE

The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

## FORWARD-LOOKING STATEMENTS

This presentation contains forward looking statements, which are based on the Company's current expectations and assumptions and may involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The forward looking statements contained in this presentation are based on past trends or activities and should not be taken as a representation that such trends or activities will continue in the future. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially, including, but not limited to: conditions in the market, market position of the Company, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and economic conditions; the Company's ability to obtain capital/additional finance; a reduction in demand by customers; an increase in competition; an unexpected decline in revenue or profitability; legislative, fiscal and regulatory developments, including, but not limited to, changes in environmental and health and safety regulations; exchange rate fluctuations; retention of senior management; the maintenance of labour relations; fluctuations in the cost of input costs; and operating and financial restrictions as a result of financing arrangements.

No statement in this presentation is intended to constitute a profit forecast, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company. Each forward looking statement relates only as of the date of the particular statement. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or otherwise by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

1

# KEY COMPANY RESULTS FOR H1 2019

# KEY COMPANY RESULTS FOR H1 2019

## FINANCIAL RESULTS

**7,825** RUB mln
REVENUE +10%

- **Revenue** increased by 10% to RUB 7,825 mln (H1 2018: RUB 7,130 mln)
- **EBITDA** increased by 15% to RUB 2,148 mln (H1 2018: RUB 1,865 mln)
- **EBITDA margin is** 27.5%: + 1.3 p.p. vs H1 2018
- **Net profit** for the period grew by 1% vs H1 2018 and amounted to RUB 1,238 mln
- **Net debt** amounted to RUB 4,106 mln

## OPERATIONAL RESULTS

**3,679** DELIVERIES +6%
**39,623** IN-PATIENT DAYS +18%

- **Total number of deliveries** increased by 6% to 3,679 vs H1 2018
- **Total number of IVF cycles** increased by 8% to 8,505 cycles vs H1 2018
- **Total number of in-patient days** increased by 18% to 39,623 vs H1 2018
- **Total number of out-patient treatments** increased by 9% to 856,436 vs H1 2018

## KEY EVENTS

- OPENING OF THE NEW OUT-PATIENT CLINIC IN VLADIVOSTOK
- OPENING OF THE HOSPITAL IN TYUMEN
- CONSTRUCTION OF THE LAPINO-2 HOSPITAL
- RENOVATION OF PMC

- **March:** Opening of Mother&Child Vladivostok with total area 358 sqm
- **April:** Opening of a new multi-disciplinary hospital in Tyumen. The new Tyumen hospital demonstrates the Group's continued commitment to build multi-functional medical centres in the Russian regions using a standard design model . The new 6-storey hospital has 164 beds and annual capacity of up to 2,500 deliveries, up to 1,200 IVF cycles, 220,000 out-patient visits and 8,500 surgical operations

**Events after the reporting date:**

- On 26 July 2019 changes in Tax Code of Russian Federation came into force through changes in Federal law 395-N. According to these changes medical companies are perpetually subject to a 0% income tax rate (previously the 0% income tax rate was an exemption for a period up to 5 years until 1 January 2020). These changes will have a material effect on the deferred taxes balances and net profit of the Group and also will effect the assessment of goodwill impairment. The management is in process of the evaluation of the effect

# FINANCIAL RESULTS FOR H1 2019

## FINANCIAL RESULTS GROUP

**7,825**

RUB MLN
REVENUE
+ 10% (6m2019/6m2018)

**2,148**

RUB MLN
EBITDA
+ 15% (6m2019/6m2018)

**27.5%**

EBITDA
MARGIN
+ 1,3 p.p. (6m2019/6m2018)

**40**

CLINICS/HOSPITALS
34 CLINICS
6 HOSPITALS
23 REGIONS

**1,238**

RUB MLN
NET PROFIT
+ 1% (6m2019/6m2018)

## FINANCIAL RESULTS LIKE-FOR-LIKE

**7,560**

RUB MLN
REVENUE
+ 6% (6m2019/6m2018)

**2,176**

RUB MLN
EBITDA
+17% (6m2019/6m2018)

**28.8%**

EBITDA
MARGIN
+ 2,6 p.p. (6m2019/6m2018)

**35**

CLINICS/HOSPITALS
30 CLINICS
5 HOSPITALS
19 REGIONS

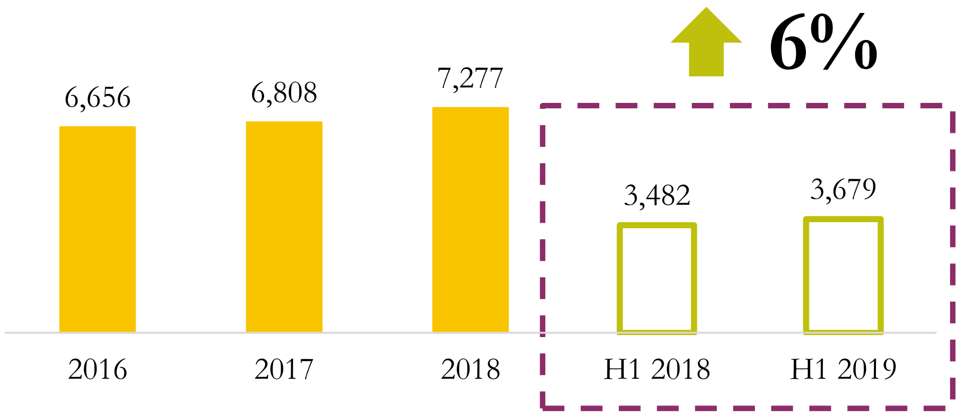
**1,375**

RUB MLN
NET PROFIT
+12% (6m2019/6m2018)

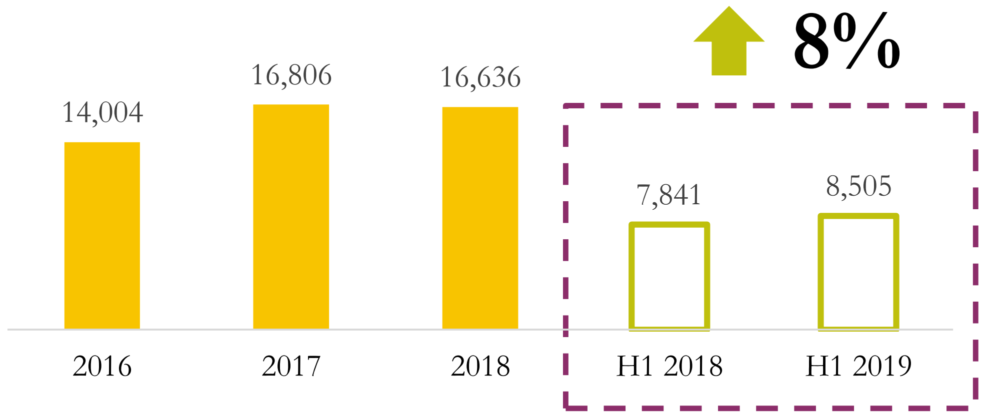
Source: IFRS reporting and management accounts

# OPERATIONAL RESULTS

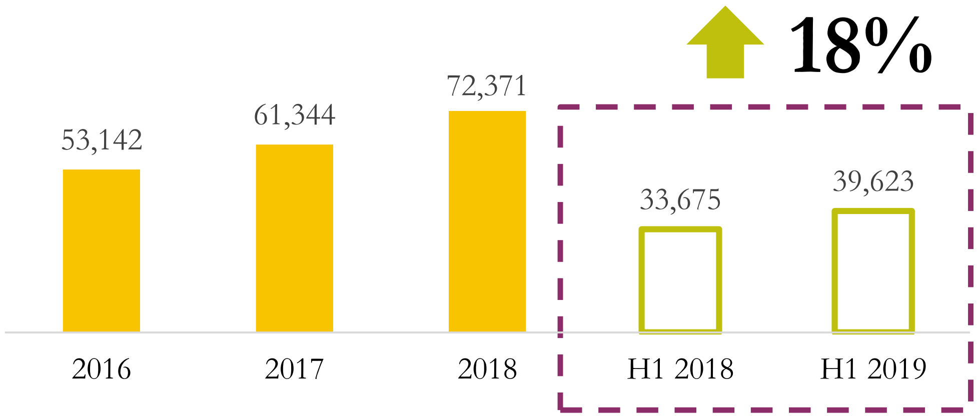
## Deliveries



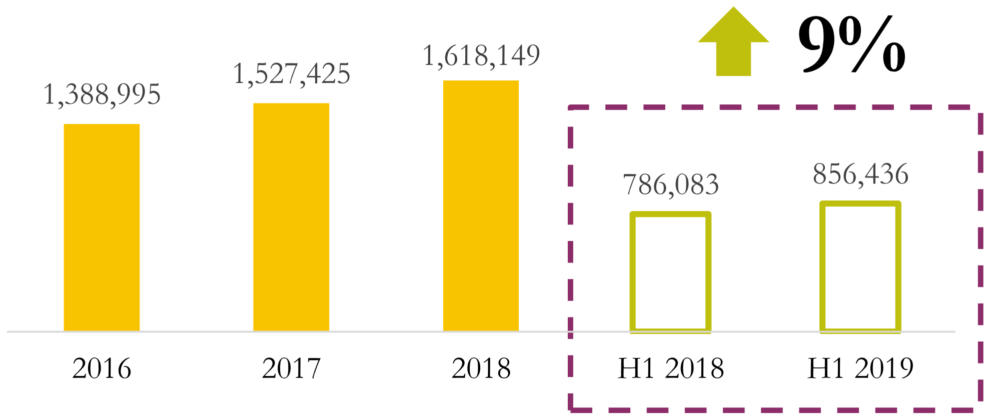

## IVF cycles




## In-patient days



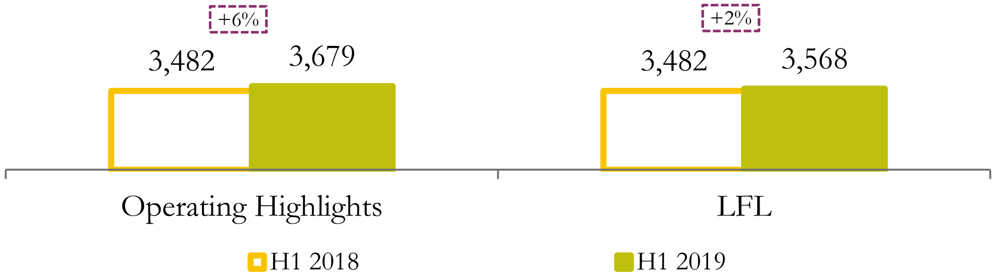

## Out-patient treatments



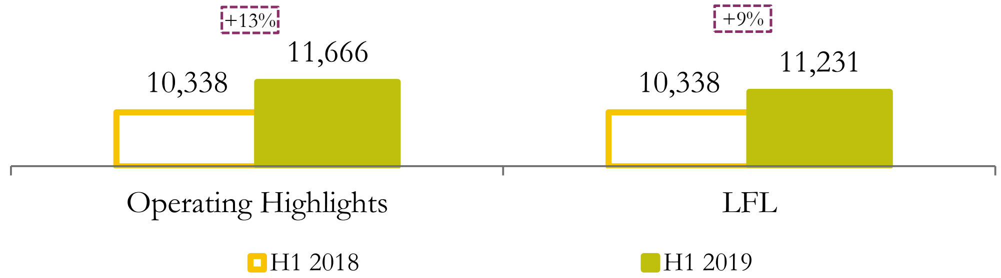

Source: management accounts

# BREAKDOWN OF OPERATIONAL RESULTS FOR H1 2019

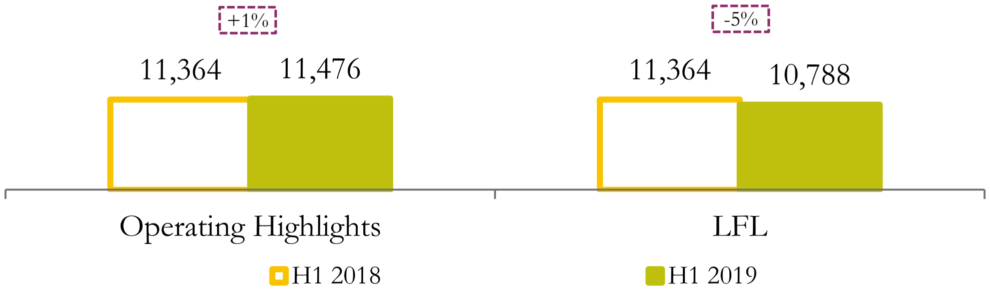
## Deliveries



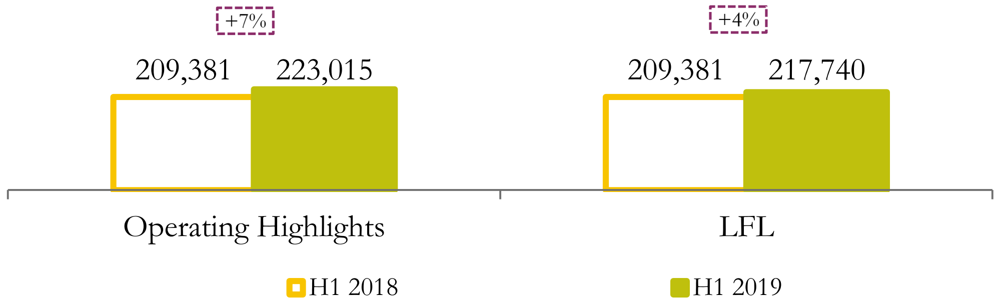

## Paediatrics in-patient days



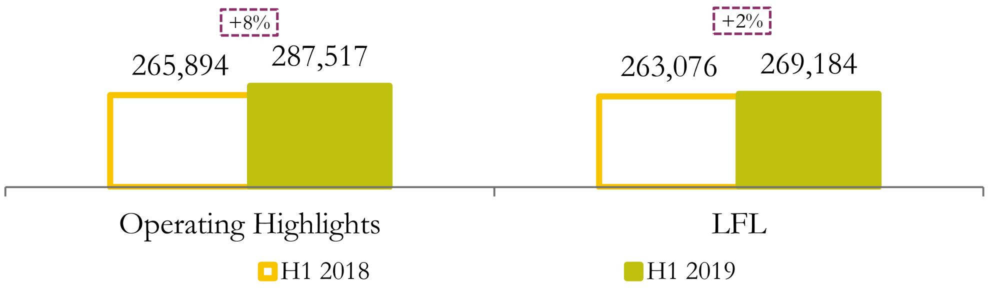

## OBGYN in-patient days (except deliveries)



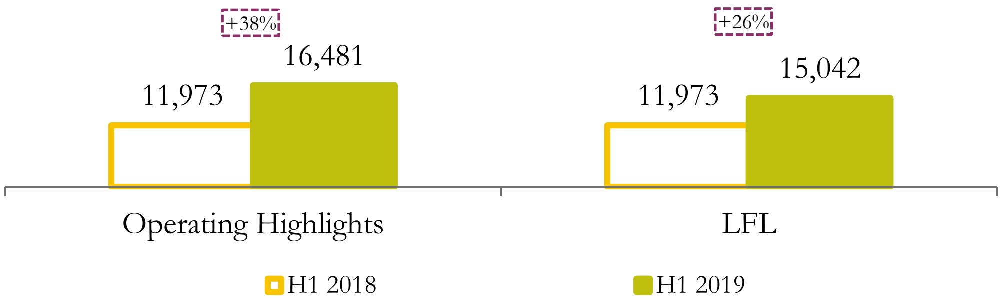

## Paediatrics out-patient treatments



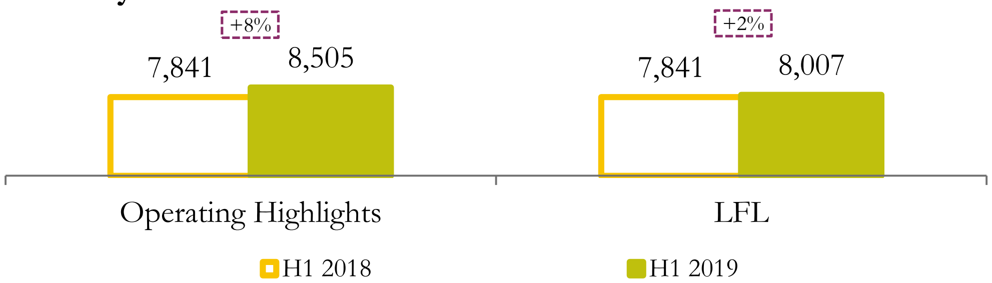

## OBGYN out-patient treatments



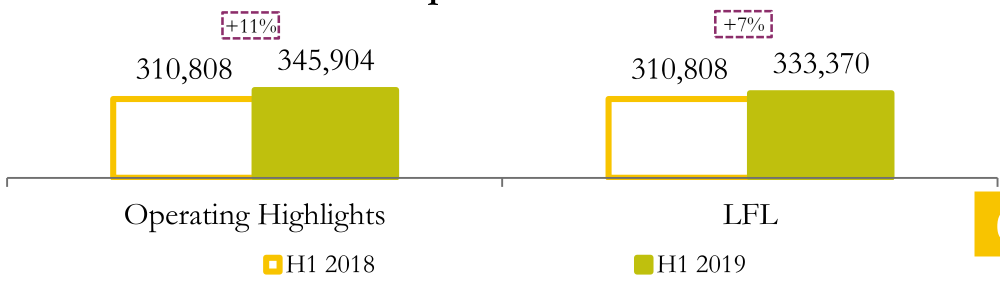

## Other medical services in-patient days




## IVF cycles

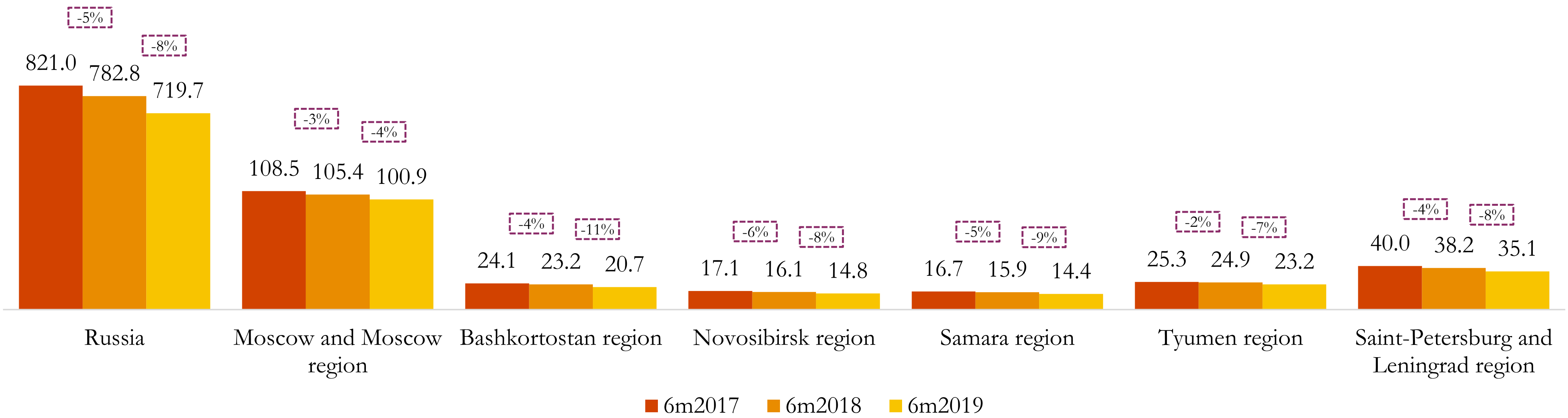



## Other medical services out-patient treatments

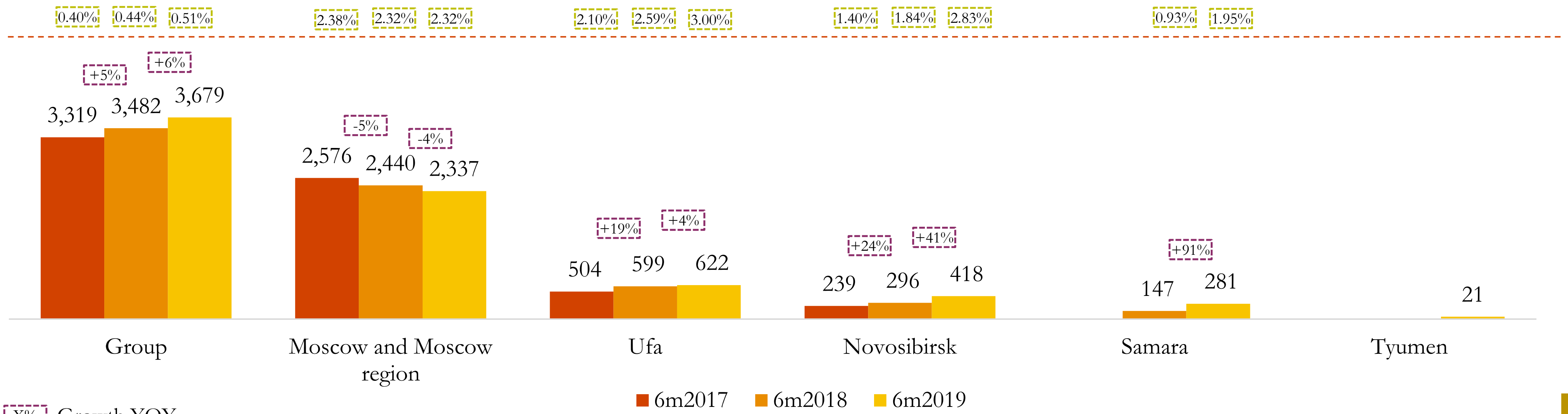


# NUMBER OF BIRTHS BY REGIONS IN RUSSIA

**Number of births by regions in Russia 6m2017/6m2018/6m2019, thsd deliveries**




**Number of deliveries by region 6m2017/6m2018/6m2019, MD Medical Group**



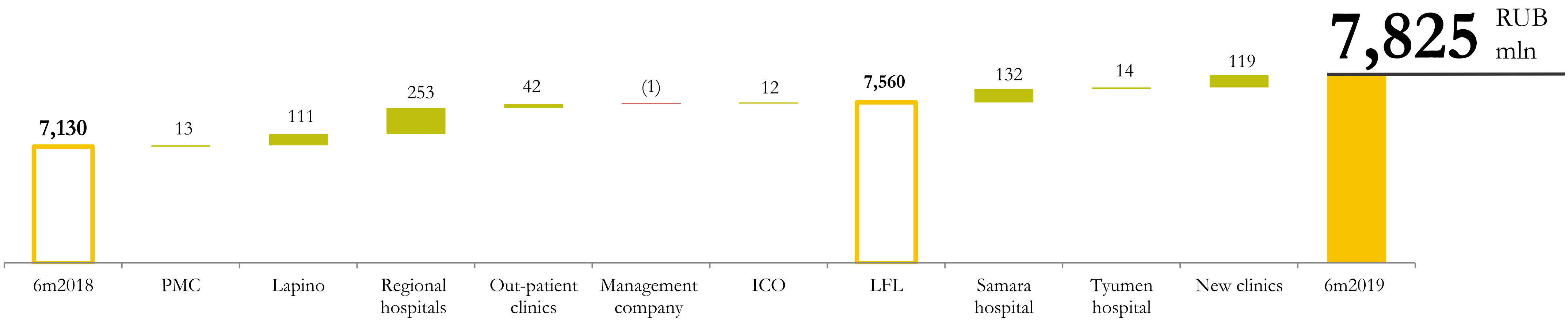

X% Growth YOY

X% Group's market share by regions of presence

Source: Rosstat and management accounts

# REVENUE STRUCTURE FOR H1 2019

## Revenue bridge analysis 6m2019/6m2018, RUB mln




## Average tickets, RUB thsd

| Indicator | 6m2019 | 6m2018 | Changes |
|---|---|---|---|
| **Deliveries** | **307** | **307** | **+0%** |
| Moscow | 398 | 377 | +6% |
| Regions | 147 | 145 | +1% |
| **IVF** | **210** | **203** | **+3%** |
| Commercial | 297 | 285 | +4% |
| MHI | 134 | 122 | +10% |
| **In-patient** | **37.7** | **37.2** | **+1%** |
| Moscow | 49.1 | 46.7 | +5% |
| Regions | 28.6 | 28.9 | -1% |
| **Out-patient** | **2.9** | **2.9** | **+0%** |

## Revenue dynamics by type of revenue, RUB mln

| Type of revenue | 6m2019 | 6m2018 | Changes |
|---|---|---|---|
| OBGYN (excl. deliveries) | 1,523 | 1,394 | +9% |
| Deliveries | 1,129 | 1,071 | +5% |
| IVF | 1,789 | 1,592 | +12% |
| Paediatrics | 952 | 907 | +5% |
| Other medical services | 2,213 | 1,942 | +14% |
| Other revenue | 219 | 224 | -2% |
| **Total** | **7,825** | **7,130** | **+10%** |

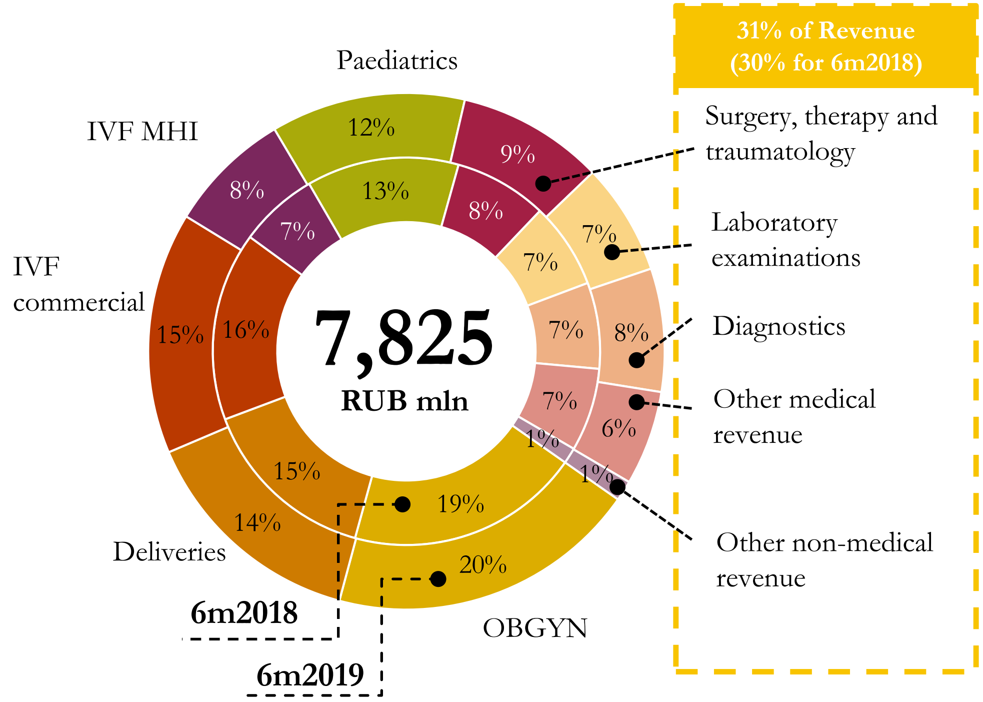
Source: IFRS reporting

# REVENUE CHANGE AND STRUCTURE BY TYPES

## Revenue change by types of services 6m2019/6m2018

| Change, RUB mln | | |
|---|---|---|
| **695** | Group | 10% |
| 166 | Surgery, therapy and traumatology | 30% |
| 135 | IVF MHI | 29% |
| 91 | Diagnostics | 18% |
| 87 | OBGYN outpatient | 10% |
| 61 | IVF commercial | 5% |
| 58 | Deliveries | 5% |
| 46 | Paediatrics outpatient | 7% |
| 41 | OBGYN inpatient | 9% |
| 36 | Laboratory examinations | 7% |
| 7 | Rehabilitation and physiotherapy | 9% |
| 5 | Other revenue | 5% |
| (1) | Paediatrics inpatient | 0% |
| (18) | Drug store | -13% |
| (19) | Other medical revenue | -7% |

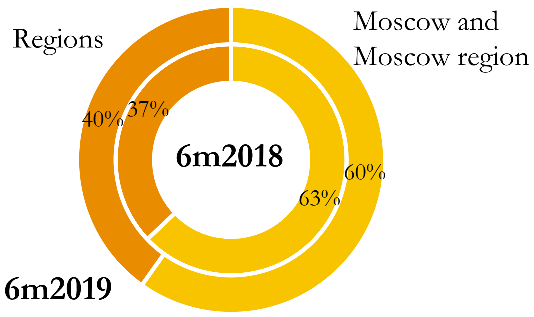
## Revenue structure by types and payers



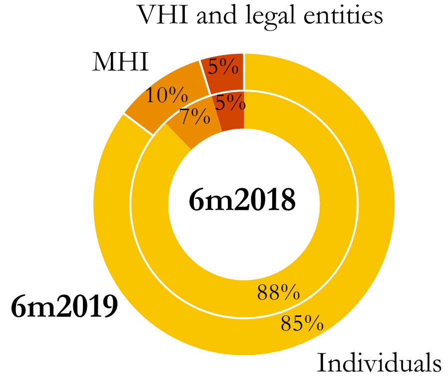

## Highlights

- Growth in Surgery, Therapy and Traumatology is due to the growth of operational indicators of these services in the Lapino and Novosibirsk hospitals, and continuing ramp-up of capacities in the Samara hospital
- Growth of MHI IVF cycles is due to the increase of this service in all clinics and hospitals of the Group, especially in the Samara hospital, the Khodynka clinic and in Avicenna hospital
- Growth in Laboratory and Diagnostics is due to the increase of operational indicators in the Lapino and Samara hospitals and the development of the liquid cytology laboratory
- The OBGYN out-patient`s growth is due to the opening of the new clinics in Tula and Kazan, as well as the continuing ramp-up of capacities of the clinic in Nizhny Novgorod and the hospital in Samara

## Revenue structure,
**Moscow and regions**




## Revenue structure by payers

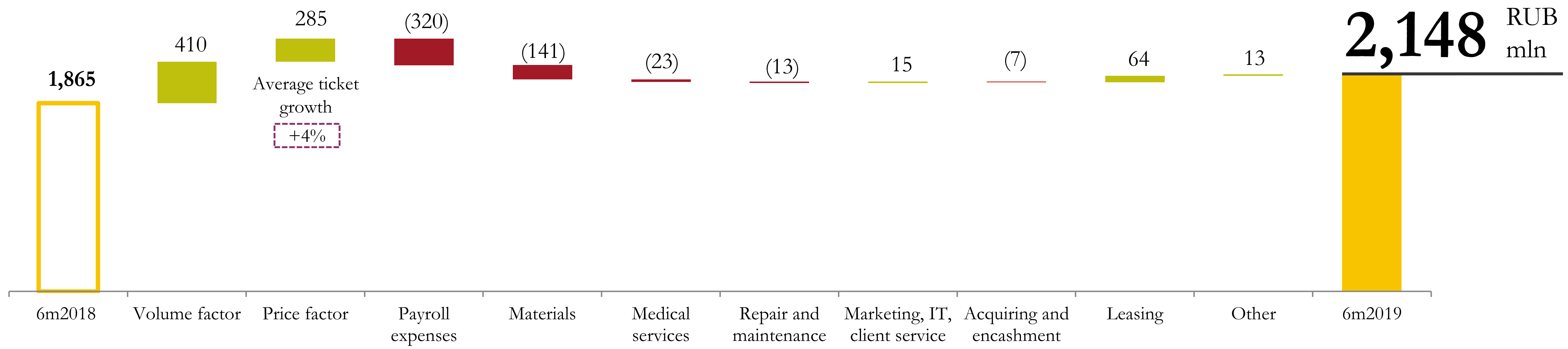



Source: IFRS reporting and management accounts

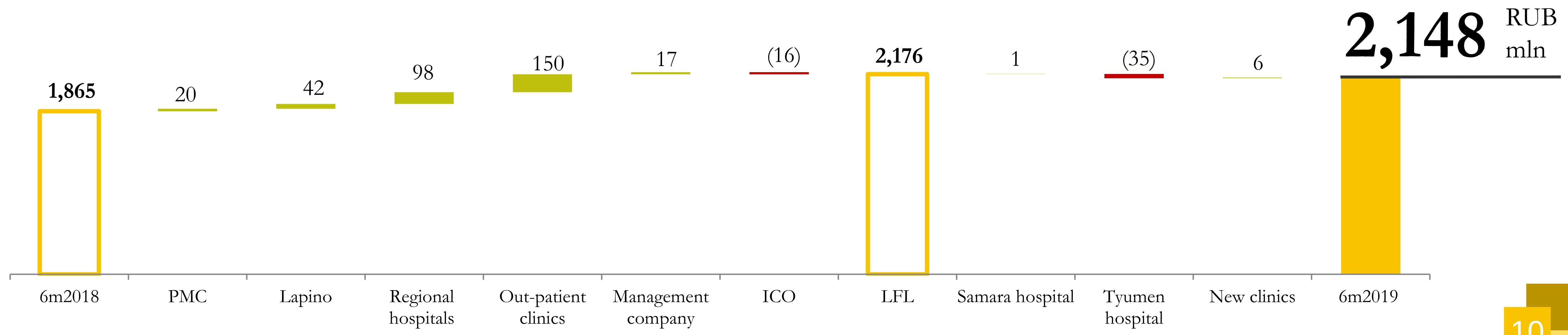
# EBITDA STRUCTURE

## EBITDA decomposition bridge 6m2019/ 6m2018, RUB mln

Change +283




## EBITDA structure 6m2019/6m2018, RUB mln

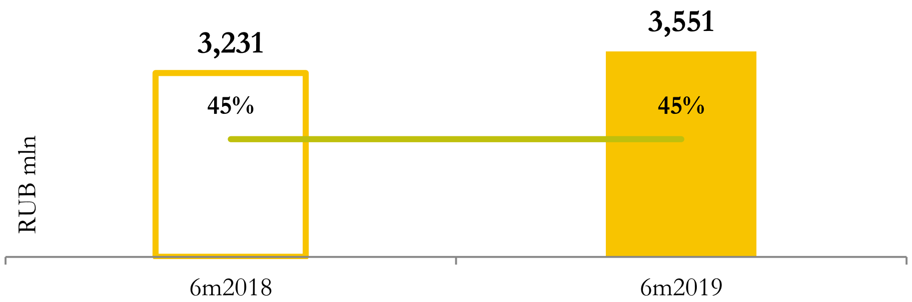



Source: IFRS reporting

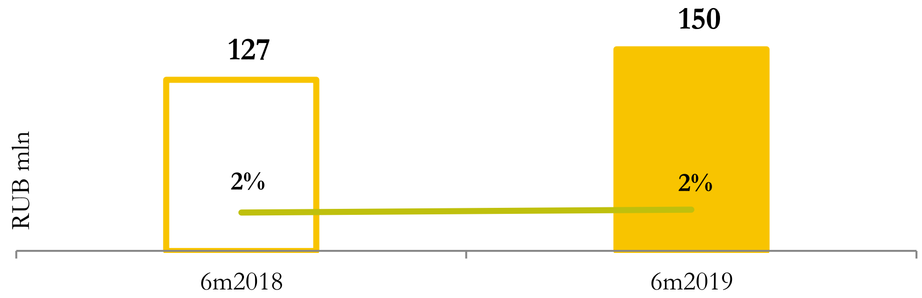
# KEY EXPENSES DYNAMICS

## Dynamics of the major expenses, % of revenue

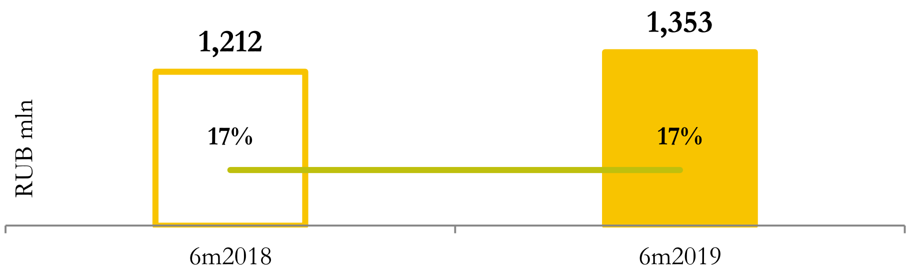
### Payroll + Social contributions



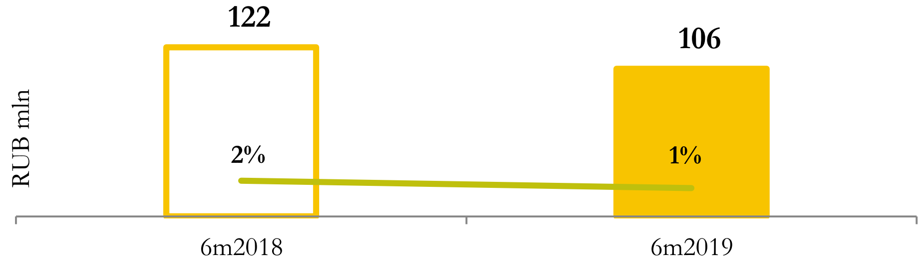

### Medical services



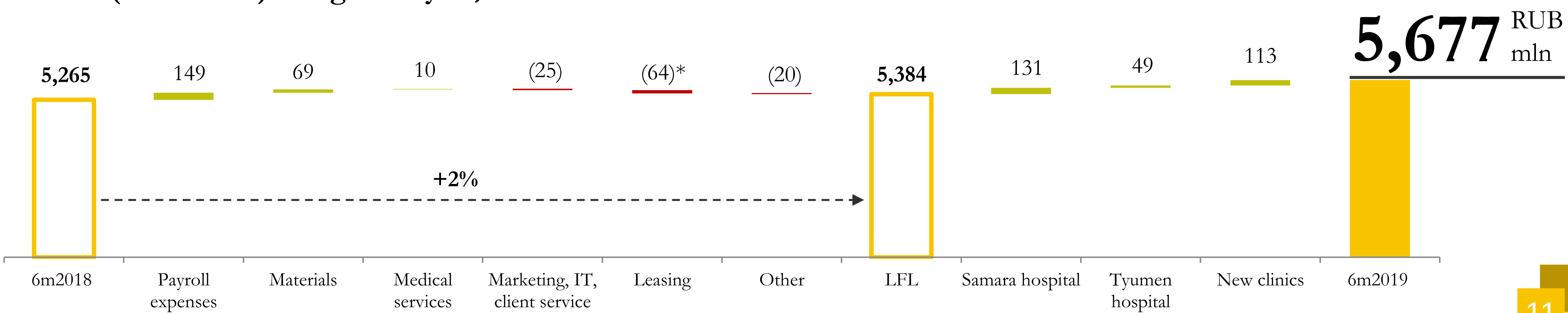

### Material expenses




### Functional expenses (Marketing, IT, client service)




## OPEX (excl. D&A) bridge analysis, RUB mln

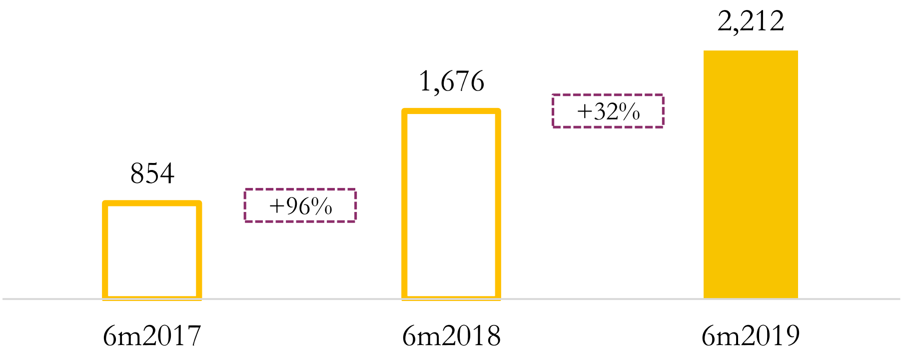



Source: IFRS reporting

*First application of IFRS 16 Leases starting 1 January 2019

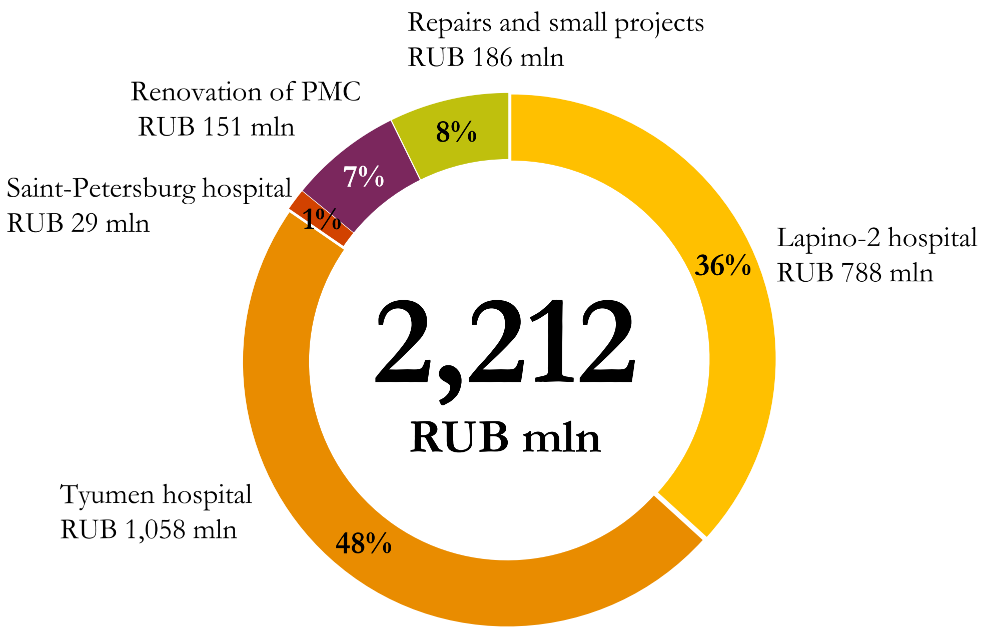
# CAPEX HIGHLIGHTS AND CASH FLOW

## CAPEX dynamics, RUB mln

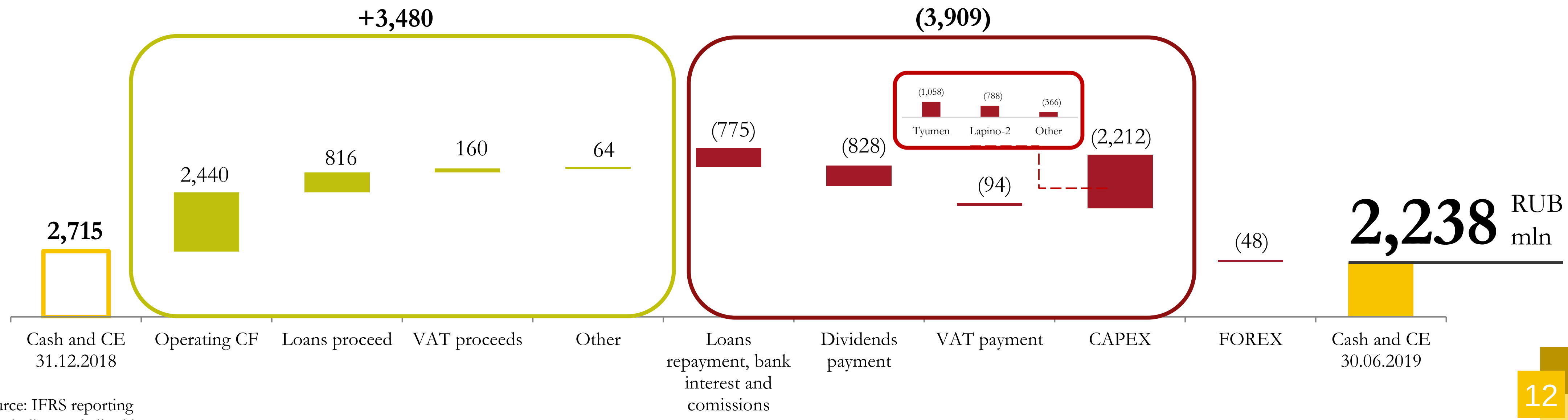



CAPEX amounted to RUB 2,212 mln, including compounded interest. Key investments included the completion of construction and purchase of equipment for Tyumen hospital, construction of Lapino-2, as well as renovation of the Perinatal Medical Center (PMC) aimed at expanding the range of services offered.

## CAPEX structure 6m2019*




## Cashflow bridge analysis, RUB mln



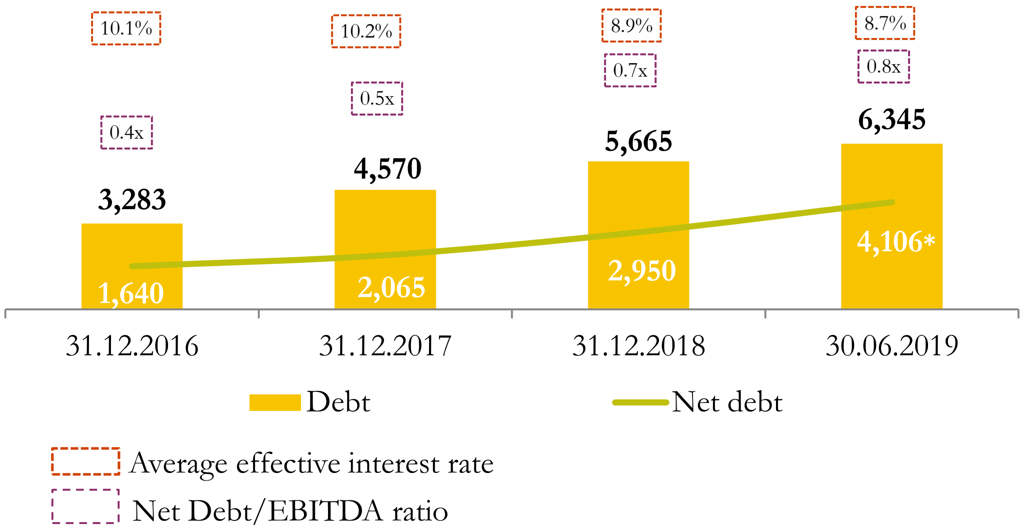

Source: IFRS reporting

* Including capitalised interest expenses

# CAPEX DEBT & NET WORKING CAPITAL (NWC)

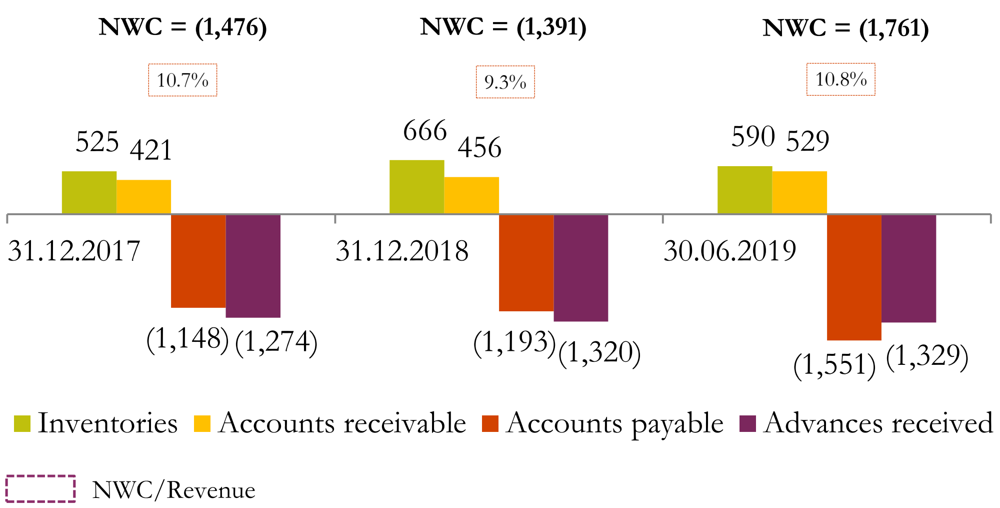
- At 30 June 2019 the Group's debt increased by 12% in comparison as off 31 December 2018 and amounted to RUB 6,345 mln
- The Company's cash & cash equivalents decreased by 18%
- The net debt position as of June 30, 2019 was RUB 4,106 mln which is 39% higher than the amount at December 31, 2018. Net debt to EBITDA ratio is 0.8x*
- The company works with negative working capital as a source of additional financing. Net working capital decreased by 27% vs December 31, 2018 to RUB (1,761) mln and amounted to 10.8% of revenue H1 2019. The decrease in net working capital to revenue ratio is explained by the launch of new big projects, mainly the Tyumen hospital
- New projects are financed by the optimal structure of borrowed funds and equity. Borrowed funds are raised at an attractive rate for a comfortable long-term period. An effective capital structure guarantees a balanced business development

## Debt and net debt dynamics, RUB mln

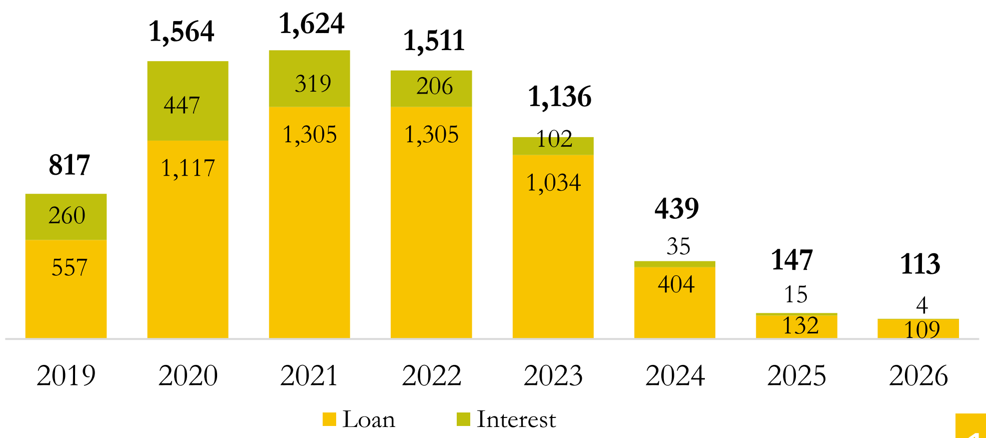



*Significant factor in Debt growth was the first application of IFRS 16 Leases amounted RUB 357 mln

## Net working capital (NWC), RUB mln




## Bank loans repayment schedule, RUB mln




Source: IFRS reporting

*Extrapolated (estimated) EBITDA for 2019

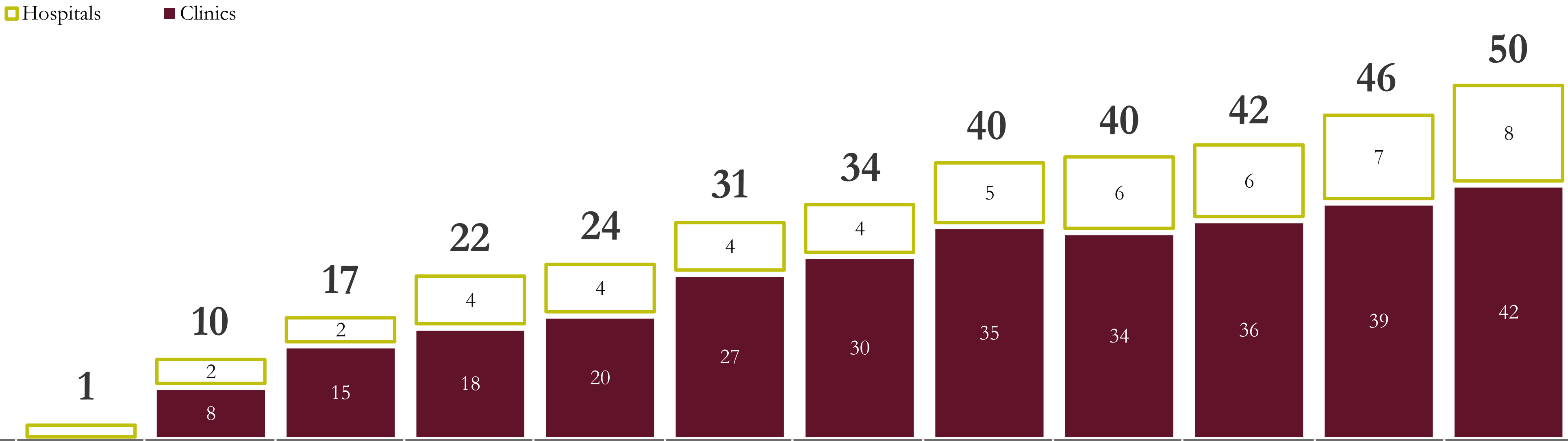
# 2

# STRATEGIC OUTLOOK

# 40 MODERN MEDICAL FACILITIES ACROSS RUSSIA

| 40 | 6 | 34 | 26 | ≈ 7,500 |
|---|---|---|---|---|
| MEDICAL CENTRES | HOSPITALS | CLINICS | CITIES | EMPLOYEES |

# EXPANSION STRATEGY




| | 2006 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | H1 2019 | H2 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New hospitals** | PMC | Lapino | | Ufa | | | Novosibirsk - 2 | Samara | Tyumen | PMC renovation (surgery and new IVF departments) | Lapino-2 | St Petersburg |
| **New clinics** | | Perm | Yaroslav | | Ryazan | Kostroma, Odintsovo, Khodynskoe field | Tyumen, Voronezh | Nizhny Novgorod, Vladimir, Kostroma, Lefortovo (Moscow), Volgograd, Tula, Kazan, expansion of M&C Yugo-Zapad | Vladivostok | 2 out-patient regional clinics | 3 out-patient clinics | 3 out-patient clinics |
| **M&A** | | | IDK (Samara)<br>Clinic in Irkutsk | Avicenna (Novosibirsk) | Medica (Novokuznetsk) | AMG (Krasnoyarsk, Omsk, Barnaul and Novosibirsk) | | | | | | |

To optimise costs and consolidate patients at multi-disciplinary hospitals, the Group in H1 2019 has ceased operations at two out-patient clinics in Ufa and Samara.

# H1 2019 KEY EVENT:
# LAUNCH OF A MULTIFUNCTIONAL HOSPITAL IN TYUMEN

## CAPEX

**3.2** RUB bln

### Multifunctional hospital

**New hospital will render services for the whole family in different types of medical services:**

- Obstetrics
- Gynecology
- IVF
- Paediatrics
- Diagnostics
- Laboratory
- Surgery
- Other medical services

### Project schedule

**21 June 2017**
The ceremony of the laying of the first stone in the construction of new multifunctional clinical hospital in Tyumen

**April 2019**
Solemn ceremony of hospital opening

| | | | | | |
|---|---|---|---|---|---|
| **15,000** | **164** | **2,500** | **1,200** | **8,500** | **220,000** |
| sq m | beds | deliveries | IVF cycles | surgeries | out-patient treatments |

# RENOVATION OF PMC
# OFFICIAL OPENING IS PLANNED IN H2 2019

## New services

**Launch of 4 new surgical units:**

- General surgery
- Urology
- Traumatology
- Cardiology

**3,250 operations** – total capacity of the surgical department

**12** – total number of beds in new units

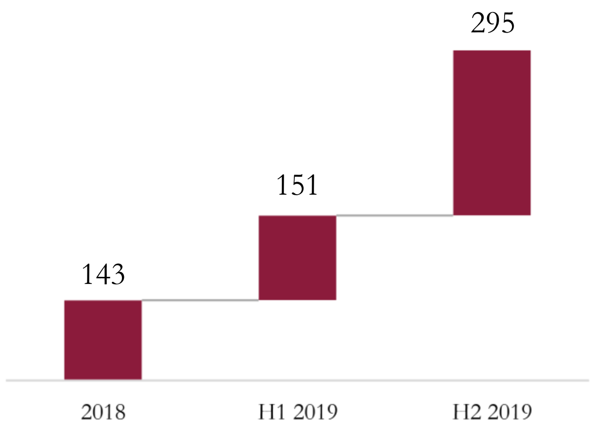
- 7 beds were redetected from the pregnancy pathology unit
- 5 new beds

The surgical department will perform operations including under **the MHI system**

**New IVF department:**

- Best-in-class department on Russian market
- Featuring state-of-the art equipment
- The department will provide IVF cycles only on commercial basis

## CAPEX, RUB mln




Total CAPEX

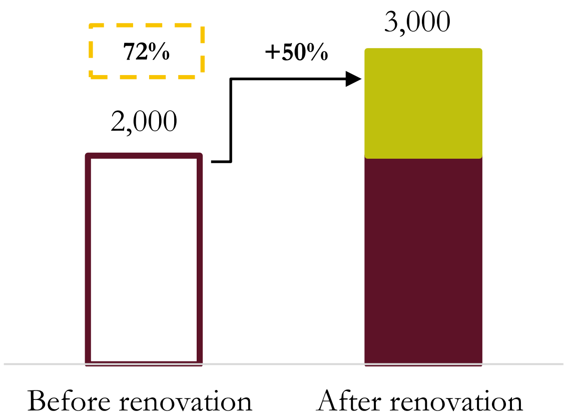
**589** RUB mln

## Capacity of PMC (after renovation)*

| | |
|---|---|
| **3,500** deliveries | **3,000** IVF cycles |
| **34k** in-patient days | **295k** out-patient treatments |

## Change of IVF cycles capacity

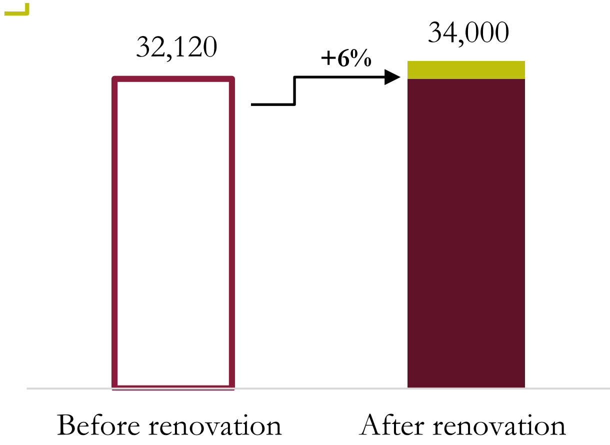
**Commercial IVF cycles in PMC:**
Currently average check - **RUB 273 thsd**
Expected average check in the new department - **RUB 320 thsd**




XX% - % Utilisation rate for H1 2019

## Change of in-patient days capacity

Expected average check per operation (on commercial basis) in new units - **RUB 200 thsd**




*Rounded numbers
Source: management accounts

# LAUNCH OF MULTIFUNCTIONAL HOSPITAL LAPINO-2 IS PLANNED IN 2020

## CAPEX LAPINO - 2

**4.2** RUB bln

**Surgical building Lapino-2 includes:**

- Diagnostical department
- In-patient department
- Hemodialysis department
- 4 operating theatres for planned surgeries
- 2 operating theatres for emergency surgeries
- Intensive care unit with 13 beds
- Multi-level parking facility for 277 cars (CAPEX RUB 300 mln)

**Lapino-3 (developing project)**

- Construction of radiology center that will include radiation therapy, radionuclide diagnostics and therapy
- Center will be equipped with 2 linear accelerators, PET/CT scanner including synthesis of radiopharmaceuticals and active beds for radionuclide therapy

| | | | | | |
|---|---|---|---|---|---|
| **18,500** | **88** | **380** | **27,000** | **15,000** | **200,000** |
| sq m | beds | FTE in 2021 | in-patient days | surgeries | out-patient treatments |

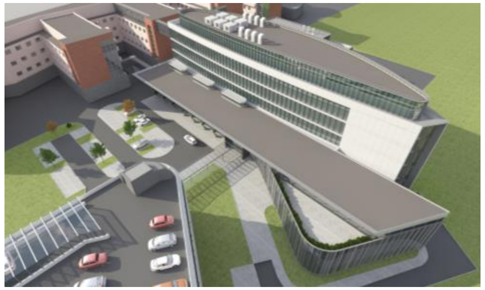
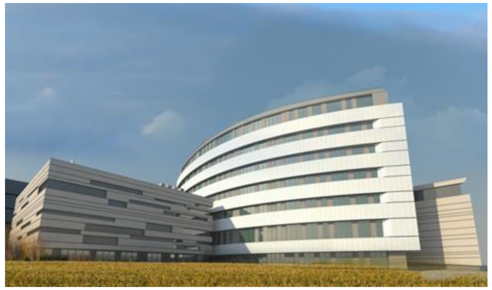
# TIMELINE OF LAPINO–2 CONSTRUCTION

**Opening**
**Summer 2020**

TOTAL CAPEX **4.2** RUB bln

## 2020

CAPEX **2.1** RUB bln

## 2019

CAPEX **1.8** RUB bln



## 2017-2018

CAPEX **0.3** RUB bln



# LAUNCH OF MULTIFUNCTIONAL HOSPITAL IN ST PETERSBURG IS PLANNED IN 2021

## CAPEX

**5.0** RUB bln

## Multifunctional hospital

**Hospital will consist of 2 buildings:**

- Multifunctional high-technological inpatient facility with total area of more than **18,500** sq m
- Out-patient centre with area of more than **3,500** sq m

## Wide range of services

**In-patient facilities will offer services including :**

- OBGYN
- Urology
- Surgery for children and adults
- Emergency cardiology for patients with acute coronary syndrome

**Out-patient facilities will offer services including:**

- Children's polyclinic
- Maternity welfare centre
- Clinical-diagnostic centre for adults

| | | | | | |
|---|---|---|---|---|---|
| **22,000** sq m | **178** beds | **2,500** deliveries | **1,200** IVF cycles | **35,000** in-patient days | **350,000** out-patient treatments |

# Q&A

# APPENDIX

# THE EFFECT OF CHANGES IN ACCOUNTING POLICY ON THE COMPANY'S RESULTS

In 2019 the Group changed its accounting policy in relation acquiring costs, as well as due to the new IFRS 16 «Leases» came into force. The effect of these changes on EBITDA, Cash flow and the Statement of Financial Position is presented in the tables:

**Effect on EBITDA, mln RUB**

| EBITDA | 1H2019 | 1H2018 | Change | Change,% |
|---|---|---|---|---|
| EBITDA | 2 148 | 1 865 | 283 | 15% |
| The effect of applying IFRS 16 | (86) | - | (86) | -100% |
| The effect of the presentation of the acquiring | 63 | 57 | 6 | 12% |
| EBITDA without changes | 2 125 | 1 922 | 203 | 11% |

**Effect on Cash Flow, mln RUB**

| Cash flow | 1H2019 | The Effect of the acquiring | The Effect of IFRS 16 Leases | 1H2019 excluding changes in accounting policy | 1H2018 | The Effect of the acquiring | 1H2018 excluding changes in accounting policy |
|---|---|---|---|---|---|---|---|
| Operating | 2 440 | 63 | (86) | 2 417 | 1 865 | 57 | 1 921 |
| Investment | (2 149) | - | - | (2 149) | (1 620) | - | (1 620) |
| Financial | (720) | (63) | 86 | (697) | (880) | (57) | (937) |

**Effect on Statement of Financial Position , mln RUB**

| | 30 June 2019 excluding IFRS 16 | Influence IFRS 16, mln RUB | 30 June 2019 Actual |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 19 852 | 352 | 20 204 |
| **Total non-current assets** | **22 826** | **352** | **23 178** |
| **Total assets** | **26 184** | **352** | **26 536** |
| **LIABILITIES** | | | |
| Loans and borrowings | 4 982 | 123 | 5 105 |
| **Total non-current liabilities** | **5 893** | **123** | **6 016** |
| Loans and borrowings | 1 011 | 229 | 1 240 |
| **Total current liabilities** | **3 905** | **229** | **4 134** |
| **Total liabilities** | **9 798** | **352** | **10 150** |
| **Total equity and liabilities** | **26 184** | **352** | **26 536** |

Source: IFRS reporting

Insignificant deviation in the calculation in this and other tables are explained by rounding.