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**MOTHER & CHILD**  
GROUP OF COMPANIES



## MD MEDICAL GROUP INVESTOR PRESENTATION

### VTB "RUSSIA CALLING!"



June, 2017

*Photo: OR1 Integrated operating theatre in Ufa hospital*

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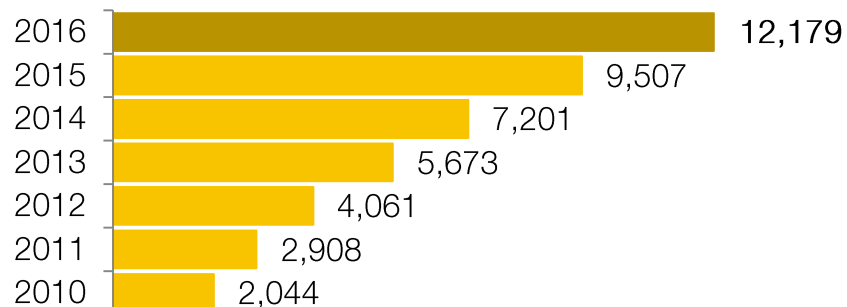
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KEY COMPANY RESULTS  
FOR FY 2016

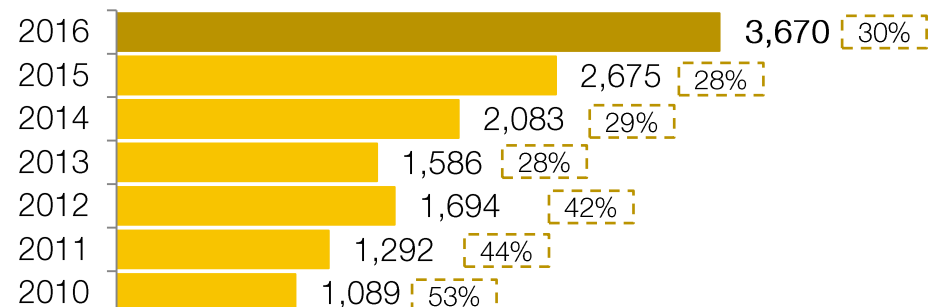
# STRONG FINANCIAL PERFORMANCE

## Revenue



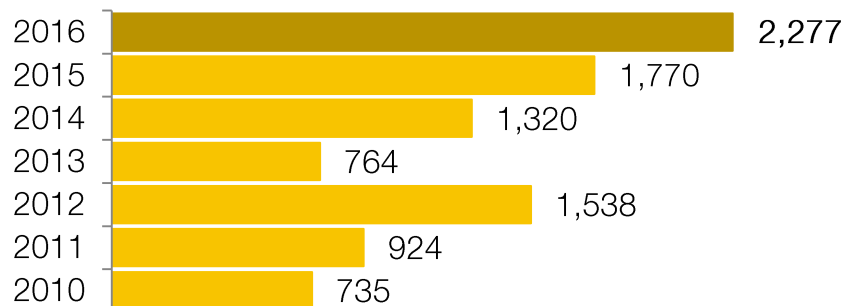
**CAGR 2010-2016**  
**+35%**

## EBITDA<sup>1</sup>



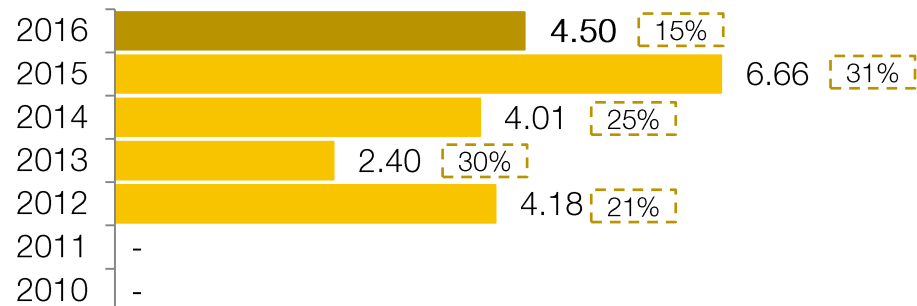
**CAGR 2010-2016**  
**+22%**

## Net income



**CAGR 2010-2016**  
**+21%**

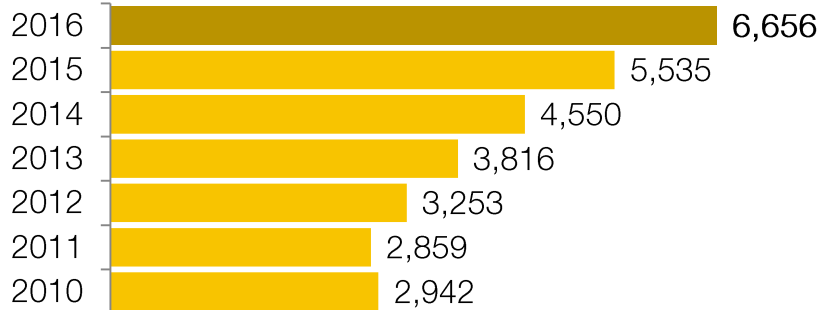
## Dividends per share<sup>2</sup>



**CAGR 2010-2016**  
**+2%**

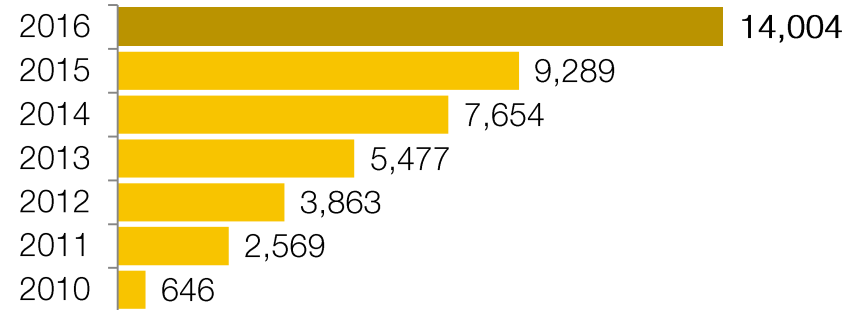
# OPERATIONAL RESULTS

## Deliveries



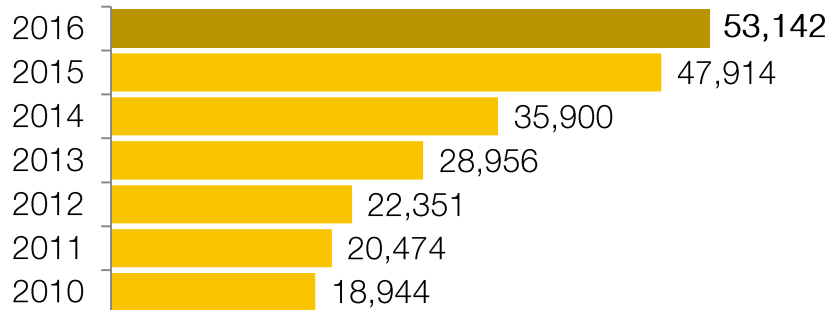
**CAGR 2010-2016**  
**+15%**

## IVF



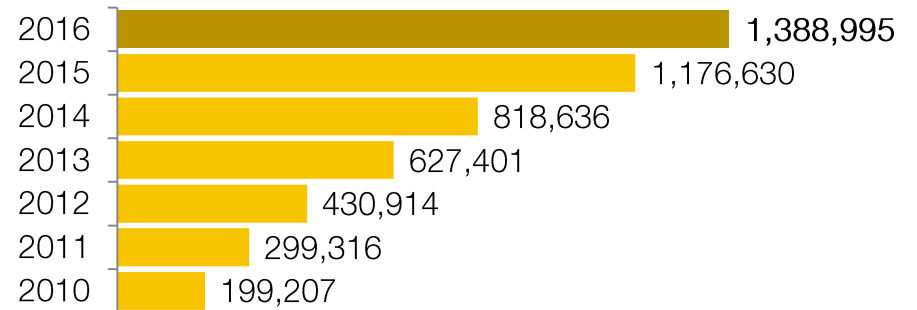
**CAGR 2010-2016**  
**+67%**

## In-patient treatments



**CAGR 2010-2016**  
**+19%**

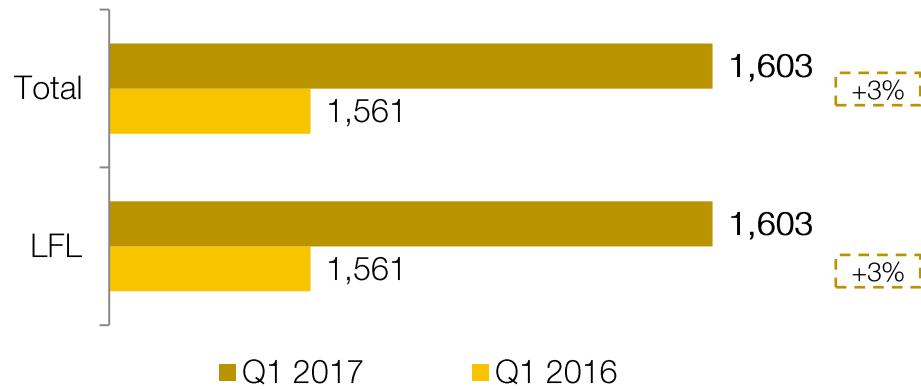
## Out-patient treatments



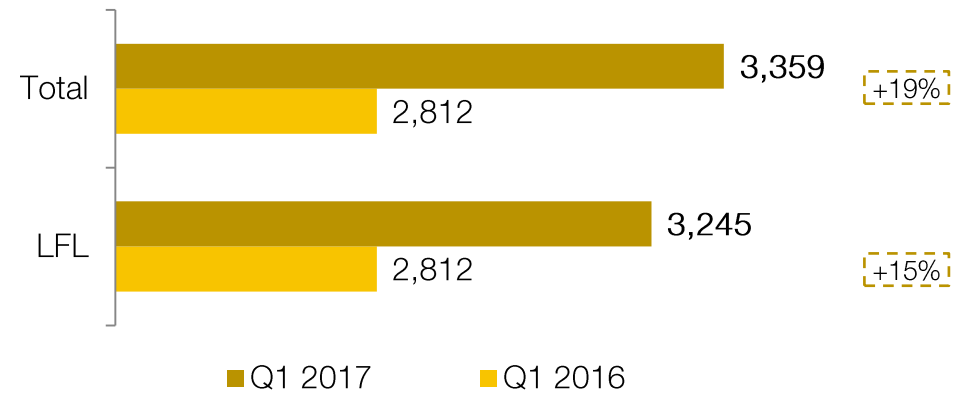
**CAGR 2010-2016**  
**+38%**

# OPERATIONAL RESULTS Q1 2017

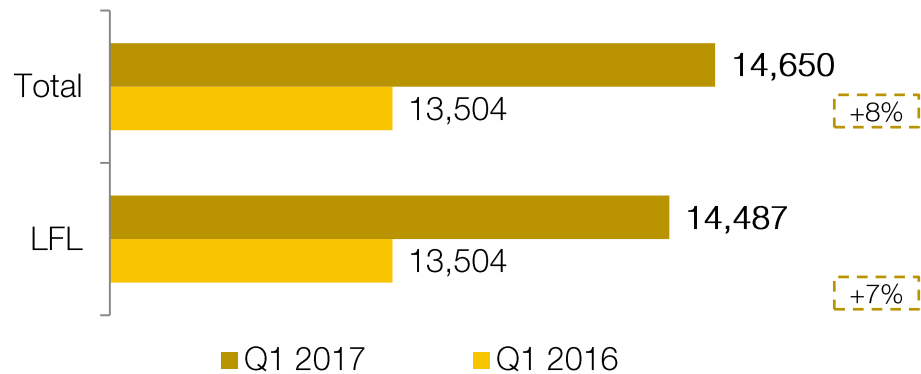
## Deliveries



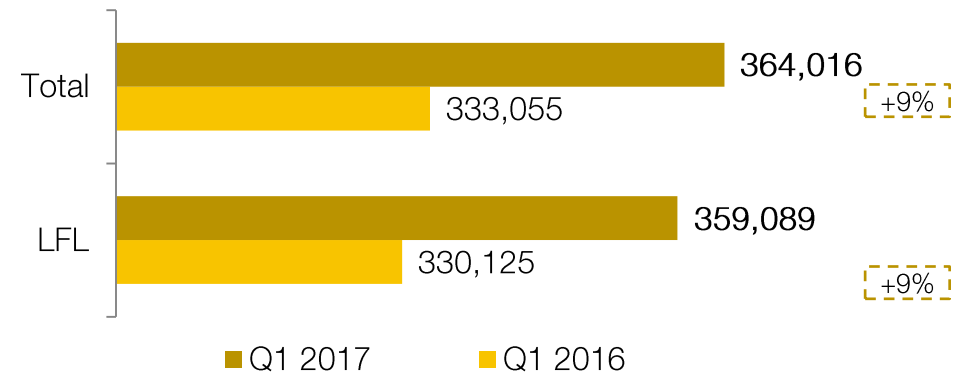
## IVF



## In-patient treatments

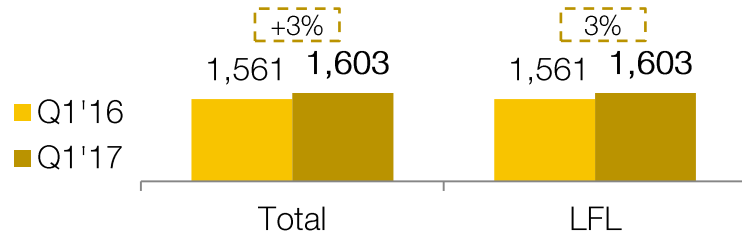


## Out-patient treatments

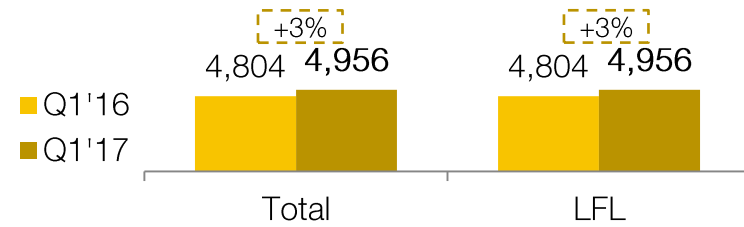


# OPERATING PERFORMANCE FOR Q1 2017

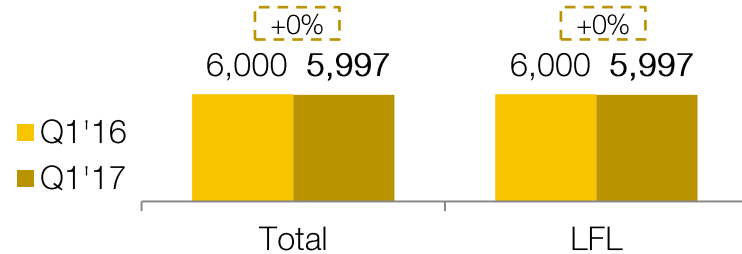
## DELIVERIES



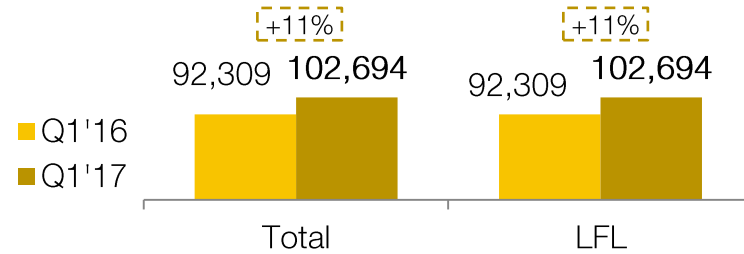
## PAEDIATRICS in-patient (patient-days)



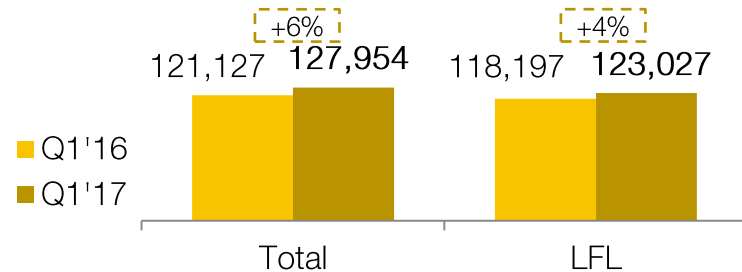
## OBGYN in-patient (patient-days)



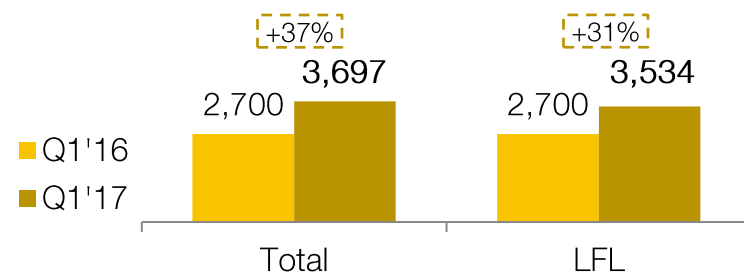
## PAEDIATRICS out-patient (visits)



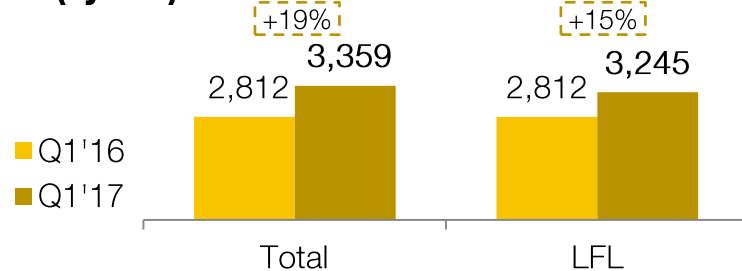
## OBGYN out-patient (visits)



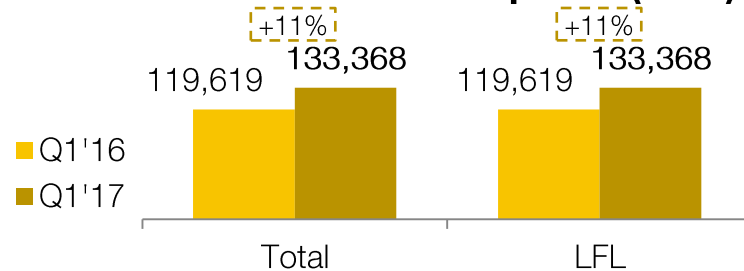
## OTHER SERVICES in-patient (patient-days)



## IVF (cycles)



## OTHER SERVICES out-patient (visits)



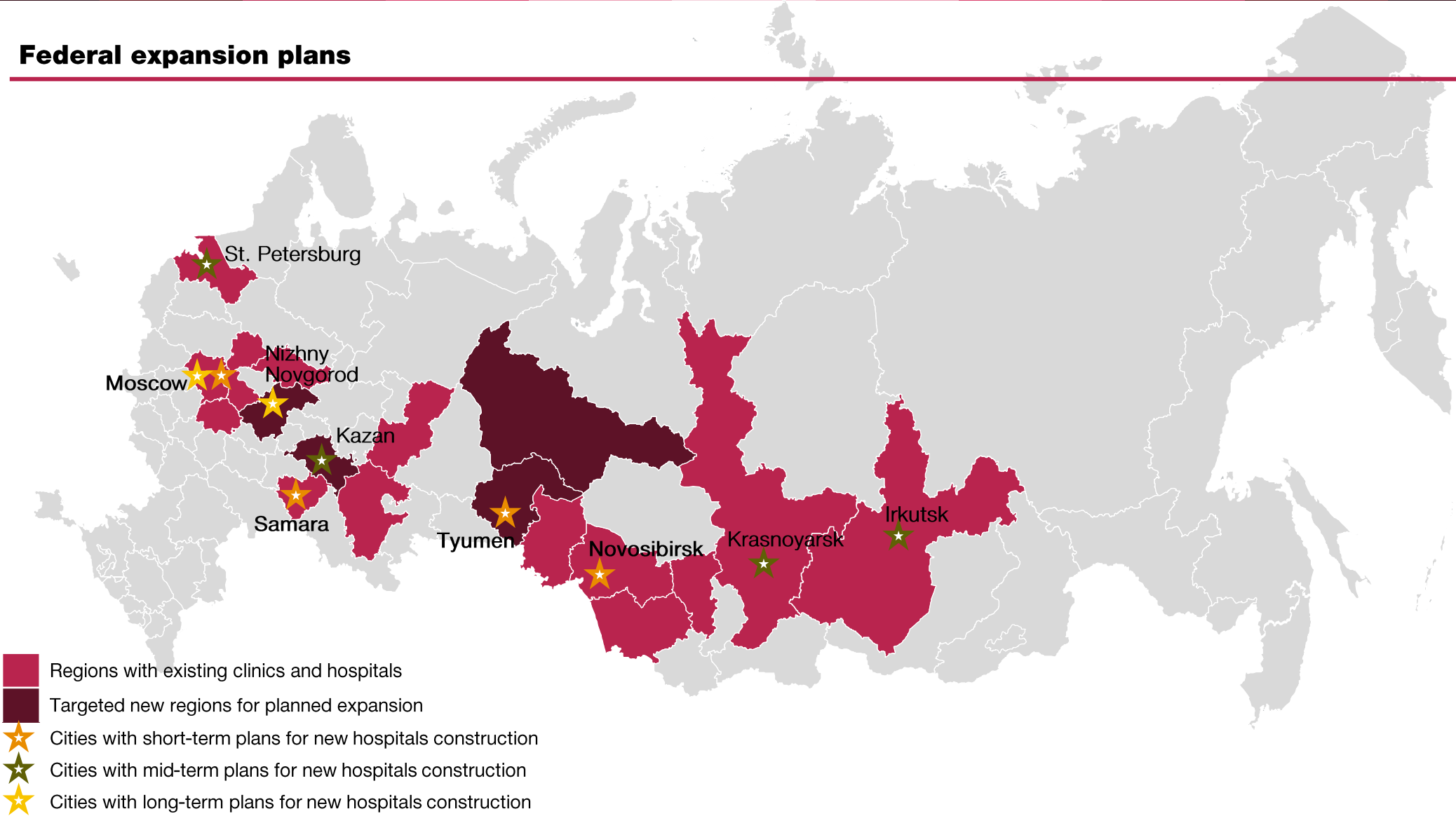
2

OUR STRATEGY



# STRATEGIC EXPANSION: BACKBONE OF THE MID-TERM GROWTH STRATEGY

## Federal expansion plans



The only established federal player in the Russian market with an ambitious regional expansion plan, with current strategy assuming launch of 9 new hospitals by 2021

# DEVELOPMENT STRATEGY AND TIMETABLE

## Expansion pipeline by facility<sup>1</sup>

	Short-term			Medium-term				Strategic		7 new clinics
	Samara	Tyumen	Lapino-2	Irkutsk	St. Petersburg	Krasnoyarsk	Kazan	Moscow-3	Nizhny Novgorod	
Capex (RUB bn)	3.0 - 3.5	3.0 - 3.5	3.2	1.5	3.0 - 3.5	1.5	3.0 - 3.5	3.0 - 3.5	3.0 - 3.5	RUB 60 - 70 mln per clinic
Area (sq m)	15,000	15,000	10,000	7,000	15,000	7,000	15,000	15,000	15,000	500
# of beds <sup>1</sup>	164	164	60	45	164	45	164	164	164	# of out-patient treatments: 35,000
Start of construction	Jun'16	Q2'17	Q2'17	2018	2018	2019	Q3'17	2018	2018	-
Launch	Q1'18	Q1'19	Q1'19	2018	2019	2021	2020	2020	2020	2017 - 2019



Note: <sup>1</sup> estimated figures; <sup>2</sup> according to the project

# STANDARDIZED MODEL FOR DEVELOPMENT OF REGIONAL HOSPITALS IN SAMARA, TYUMEN, KAZAN, ST. PETERSBURG

## Well designed prototype

- Target size well suited to cover local demand and effectively reach target utilization rates
- Comprehensive service offering for the entire family
- Adaptable layout and departments structure allowing multidisciplinary utilization of beds
- Ufa / Avicenna expertise to establish demand and attract required personnel

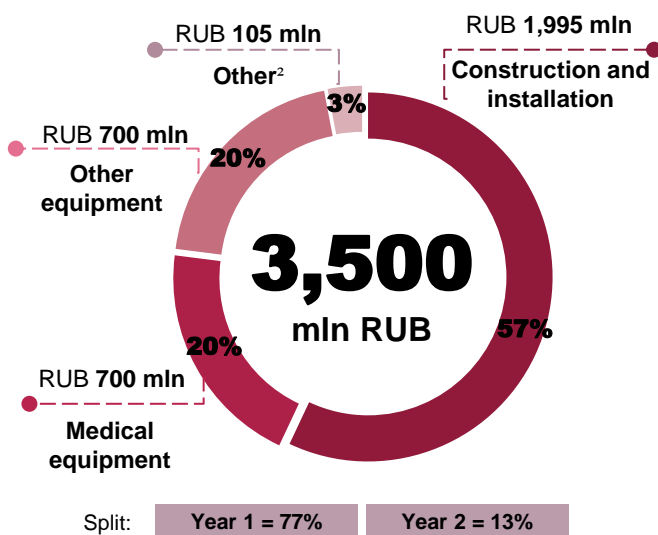
## Key parameters

<b>Roll-out regions (estimated year of construction completion)</b>	Samara (2018) Tyumen (2019) St. Petersburg (2019) Kazan (2020)
<b>Construction timetable</b>	c. 18-20 months
<b>Building area</b>	15,000 sqm
<b>Beds</b>	164
<b>Headcount</b>	c. 450 employees

## Estimated capacity<sup>1</sup>

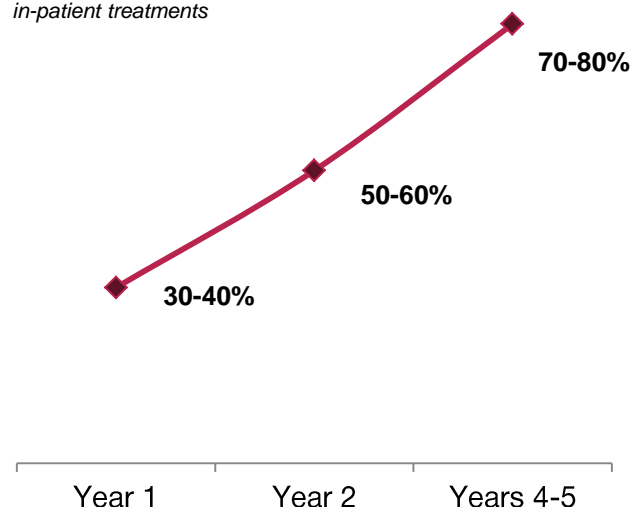
<b>3,000</b> deliveries	<b>1,200</b> IVF cycles
<b>397k</b> out-patient treatments	<b>29.5k</b> in-patient days

## Estimated capex split



## Targeted utilization ramp-up

Applicable to deliveries, IVF and in-patient treatments

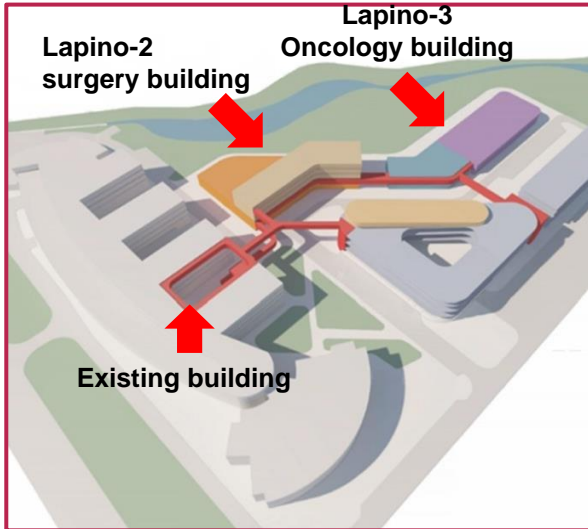


## Estimated pricing policy<sup>2</sup>

Product	Pricing benchmark
<b>Deliveries</b>	Novosibirsk hospital c. RUB 160-180k
<b>IVF</b>	Moscow hospitals c. RUB 180-210k
<b>In-patient treatments</b>	Novosibirsk hospital c. RUB 45-50k
<b>Out-patient treatments</b>	Novosibirsk hospital c. RUB 3-4k

# LAPINO-2 NON-OBSTETRIC HOSPITAL PROJECT

## Layout



## Key parameters

<b>Construction timetable</b>	Estimated completion by Q1'19
<b>Building area</b>	12,000 sqm
<b>Beds</b>	60
<b>Out-patient offices</b>	36
<b>Headcount</b>	c. 350 employees

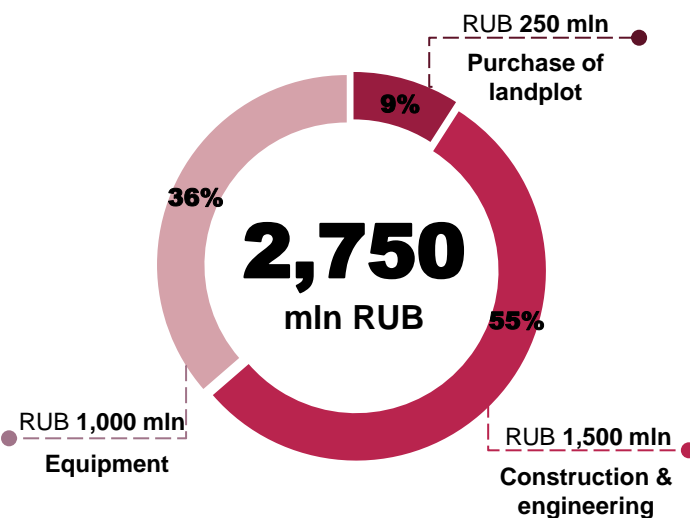
## Estimated capacity of Lapino-2<sup>1</sup>

<b>225k</b> out-patient treatments	<b>22k</b> in-patient days
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## Effect on Lapino-1<sup>1</sup>

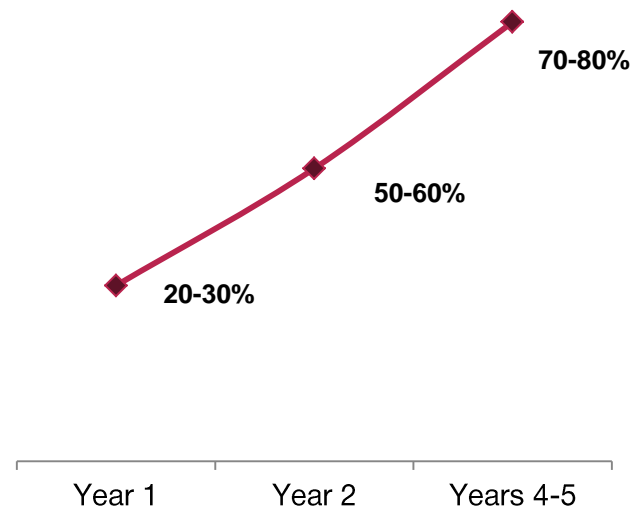
<b>+700</b> deliveries	<b>+22k</b> in-patient days
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## Estimated capex split



## Targeted utilization ramp-up

Applicable to in-patient treatments



## Estimated pricing policy<sup>2</sup>

Product	Pricing benchmark
<b>In-patient treatments</b>	Lapino surgery department c. RUB 90-110k
<b>Out-patient treatments</b>	Lapino hospital c. RUB 5-6k

Note: <sup>1</sup> Rounded numbers according to design project ; <sup>2</sup> In 2016 terms

# IRKUTSK HOSPITAL PROJECT

## Current status

- Suitable for reconstruction into a hospital building located in proximity to a city center with all existing infrastructure and large landplot providing opportunity for further expansion
- At the moment, the Company is about to sign a purchase agreement for the building and completing analysis of capex program

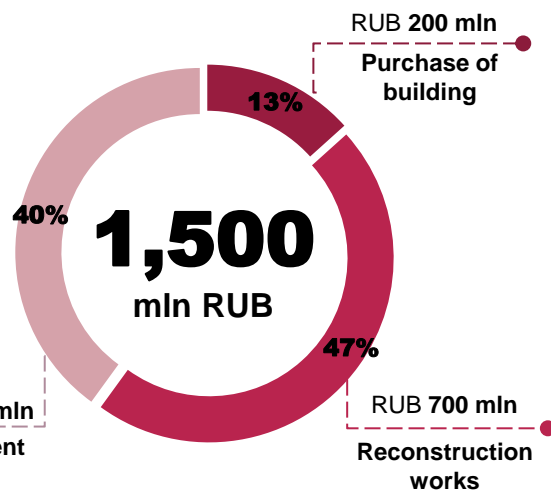
## Key parameters

<b>Construction timetable</b>	Estimated completion by Q4'18
<b>Building area</b>	7,000 sqm
<b>Floors</b>	5
<b>Beds</b>	45

## Estimated capacity<sup>1</sup>

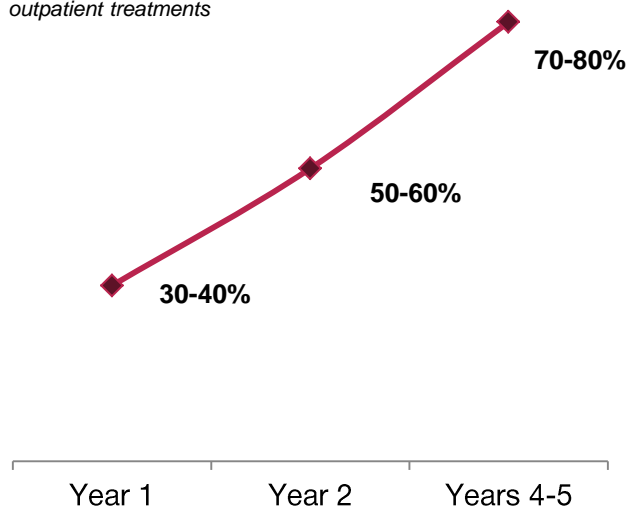
<b>1,100</b> deliveries	<b>800</b> IVF cycles
<b>160k</b> out-patient treatments	<b>11k</b> in-patient days

## Estimated capex split



## Targeted utilization ramp-up

Applicable for inpatient and outpatient treatments



## Estimated pricing policy<sup>2</sup>

Product	Pricing benchmark
<b>Deliveries</b>	Novosibirsk c. RUB 160-170k
<b>IVF</b>	Moscow hospitals c. RUB 180-210k
<b>In-patient treatments</b>	Novosibirsk hospital c. RUB 45-50k
<b>Out-patient treatments</b>	Novosibirsk hospital c. RUB 3-4k

# 3

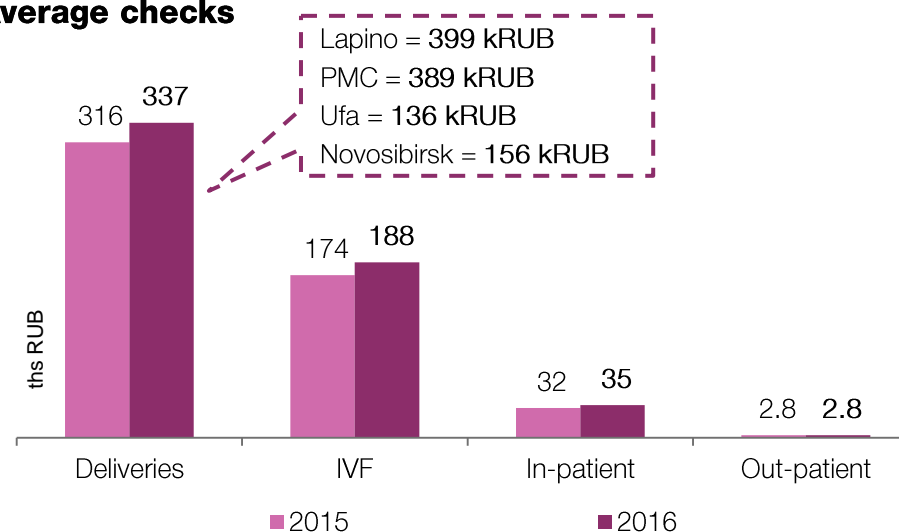
FY 2016

FINANCIAL RESULTS ANALYSIS

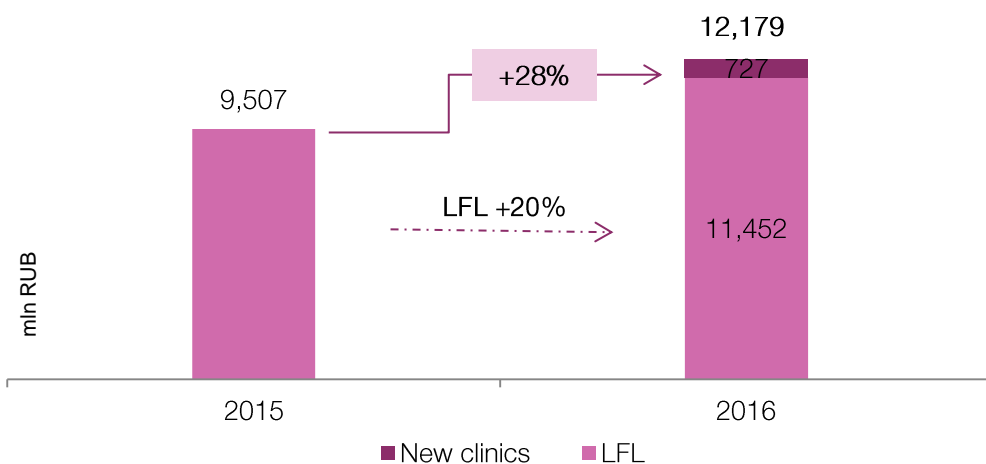
# KEY FINANCIAL INDICATORS FOR FY 2016

- The Company increased its revenue and EBITDA in FY 2016 by 28% and 37% respectively vs. FY 2015
- EBITDA margin was 30%
- LFL revenue growth of 20% coupled with 32% increase in EBITDA
- Average tickets grew year-on-year:
  - +7% - deliveries
  - +8% - IVF
  - +10% - in-patient treatments
  - Remained flat for out-patient visits

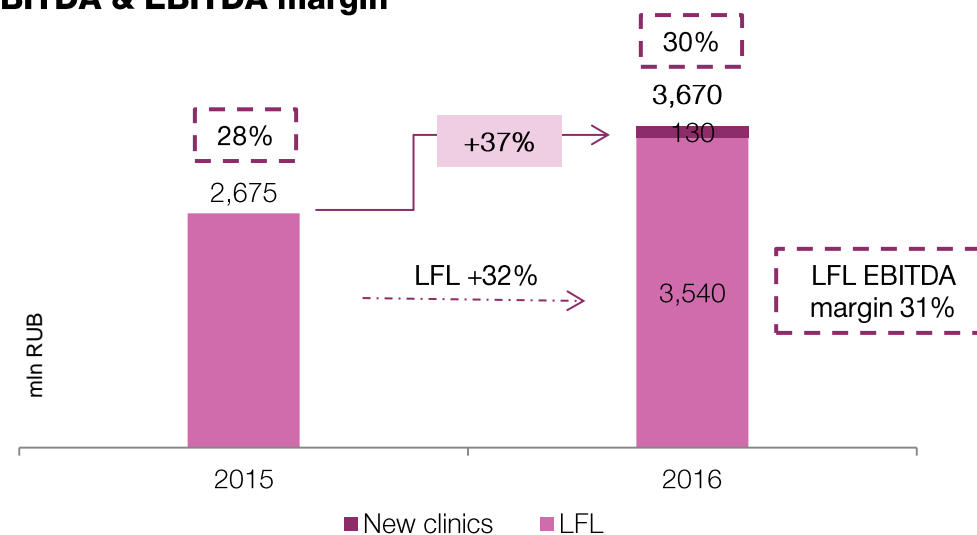
## Average checks

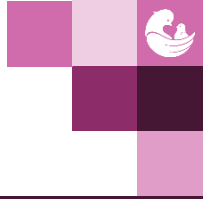


## Revenue



## EBITDA & EBITDA margin



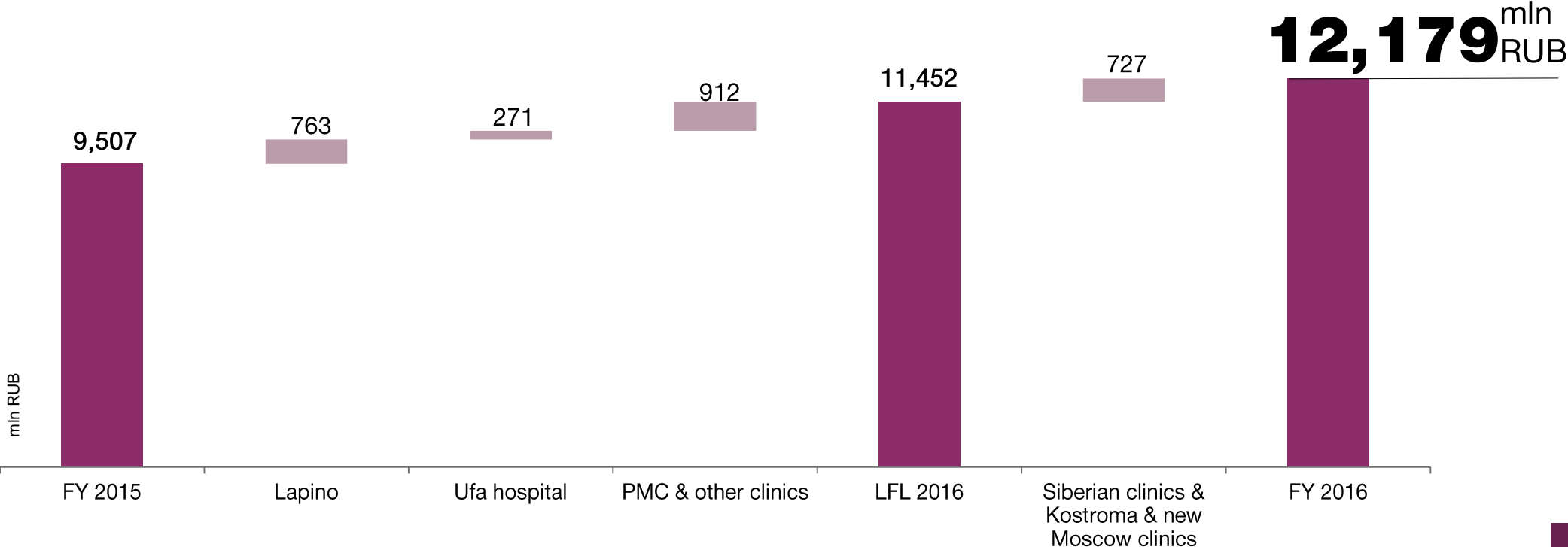


# REVENUE BRIDGE

## Revenue increased 28% y-o-y to RUB 12,179 mln

- LFL revenue increased by 20% or by RUB 2,999 mln:
  - For the 4<sup>th</sup> year in a row Lapino continues to be the largest single contributor to LFL revenue increase, adding RUB 763 mln or 8% to Group revenue
  - Ufa hospital earned additional RUB 271mln during 2016
  - Other Group's clinics contributed an additional 10% or RUB 912 mln
- Newly acquired clinics in Siberia (former Medica and ARTMedGroup), new Kostroma clinic and M&C Khodynskoye pole (Moscow) in total contributed RUB 727 mln

## Revenue bridge 2016 vs 2015



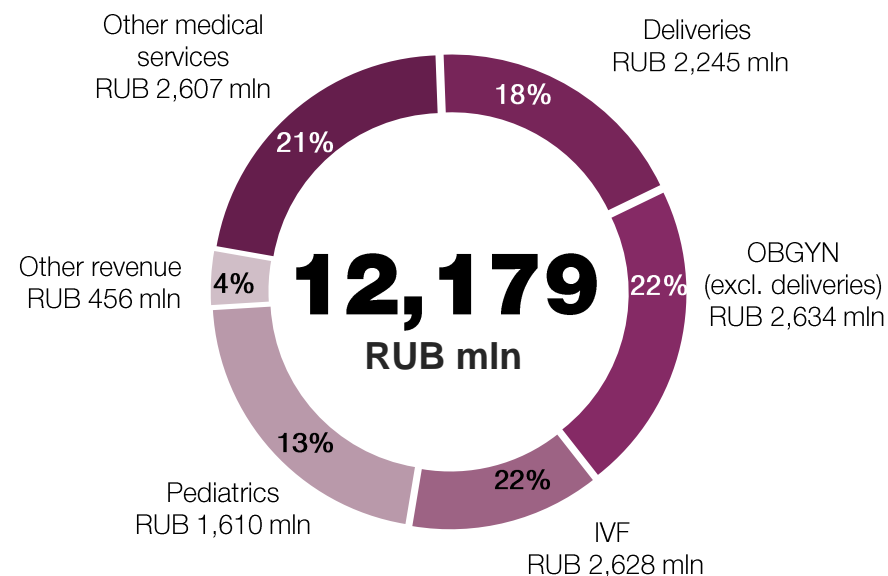
Source: FY 2016 audited financial statements under IFRS



# REVENUE STRUCTURE

- Revenue structure slightly moved y-o-y:
  - +5 p.p. increase in IVF' revenue share (22% vs. 17% in FY 2015)
  - - 2 p.p. decrease in OBGYN ex. deliveries revenue share (22% vs. 24% in FY 2015)
  - -1 p.p. was lost by both other medical services and paediatrics
- Most of the top-line growth was driven by:
  - IVF which grew by RUB 1,012 mln, 63% y-o-y
  - Deliveries increased by RUB 495 mln, 28% y-o-y
  - Other Medical Services' revenue grew by RUB 487 mln, 23% y-o-y

Revenue structure by type of revenue, %



Revenue dynamics by type of revenue, RUB mln

FY 2015	FY 2016	Change, %	Type of revenue	LFL FY 2015	LFL FY 2016	Change, %
2,326	2,634	13% ↑	OBGYN (excl. deliveries)	2,326	2,546	9% ↑
1,750	2,245	28% ↑	Deliveries	1,750	2,245	28% ↑
1,615	2,628	63% ↑	IVF	1,615	2,116	31% ↑
1,288	1,610	25% ↑	Paediatrics	1,288	1,609	25% ↑
2,120	2,607	23% ↑	Other medical services	2,120	2,482	17% ↑
407	456	12% ↑	Other revenue	407	454	11% ↑
<b>9,507</b>	<b>12,179</b>	<b>28%</b>		<b>9,507</b>	<b>11,452</b>	<b>20%</b>

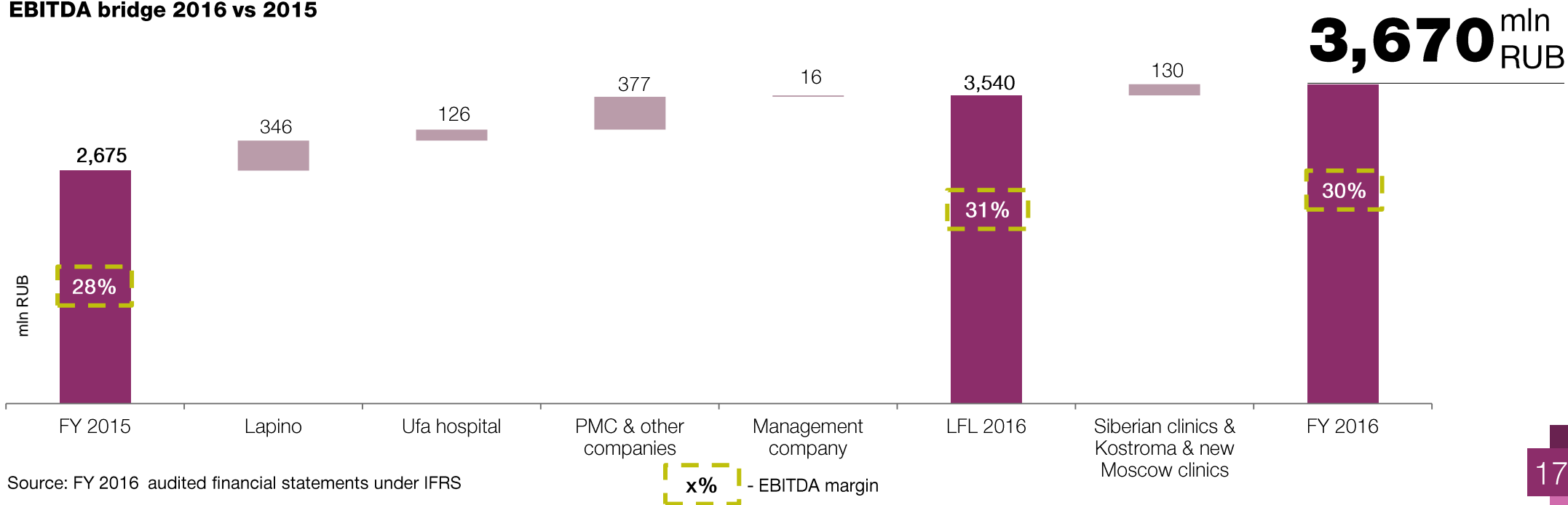
# EBITDA BRIDGE



EBITDA demonstrated an outstanding growth of 37% y-o-y to RUB 3,657 mln with superior margin level of 30%

- LFL EBITDA grew by 32% or by RUB 865 mln and amounted to RUB 3,540 mln
- LFL EBITDA margin reached 31% which constitutes +2 p.p. increase vs H1'16. Key drivers of like-for-like growth were:
  - Lapino made the most significant solitary contribution adding RUB 346 mln
  - Ufa hospital generated extra RUB 126 mln
  - LFL clinics ex. Lapino and Ufa added RUB 377 mln
- Management company expenses were reduced by RUB 16 mln y-o-y

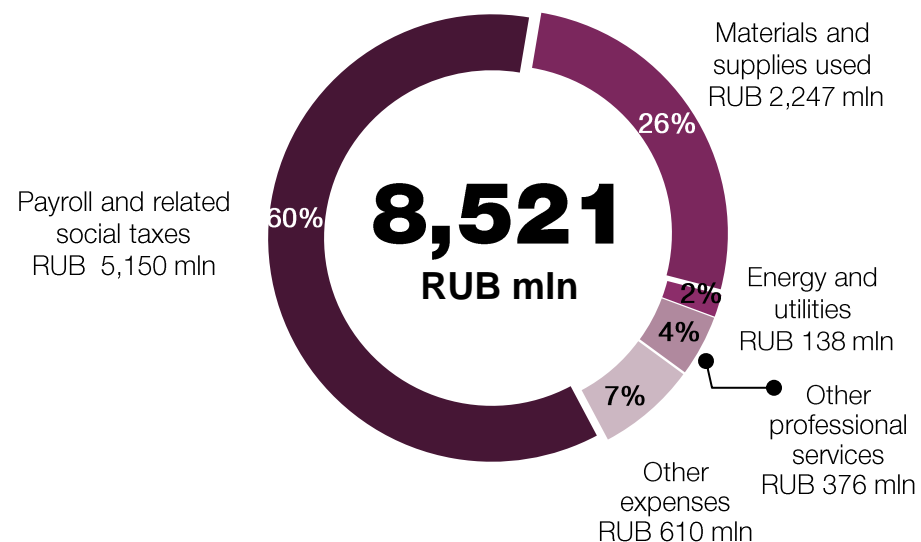
## EBITDA bridge 2016 vs 2015



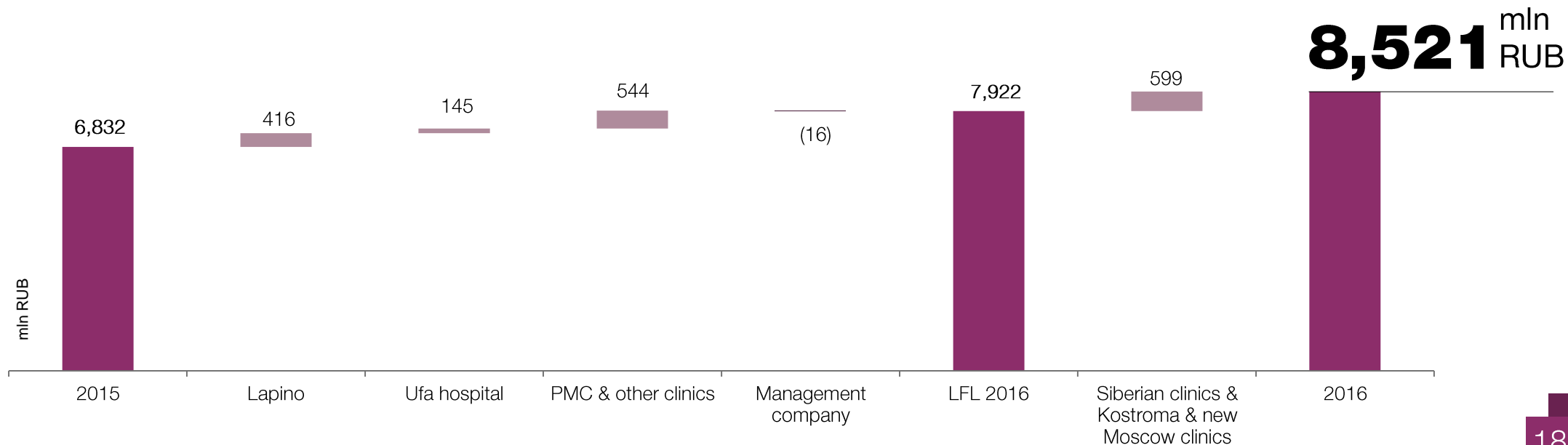
# OPERATING EXPENSES, EXCL. D&A

- Operating expenses (excl. D&A) in FY2016 increased slower than corresponding revenue base (25% vs 28%) and amounted to RUB 8,521 mln
- LFL OPEX (excl. D&A) increased by 16% y-o-y and amounted to RUB 7,922 mln
- The largest contributors to OPEX growth were Lapino, Ufa and PMC hospitals' increase in number of patients as well as newly acquired clinics in Siberia
- Management company imposed strict control over its expenses and since no new M&A deals were launched in 2016, overall costs went down by RUB 16 mln.

## OPEX structure

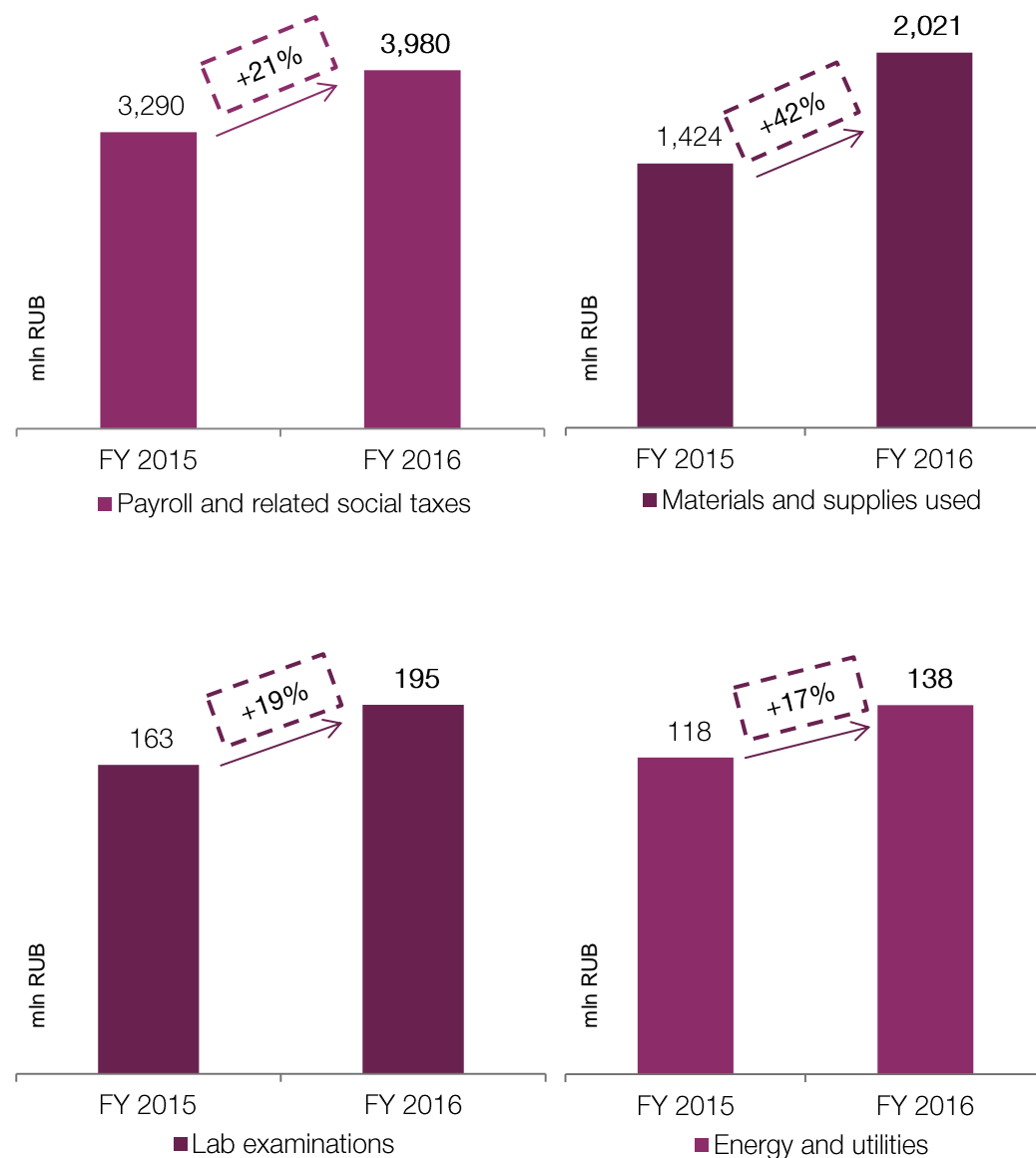


## OPEX (excl. D&A) bridge analysis



# COST OF SALES, EXCL. D&A

## CoS comparison



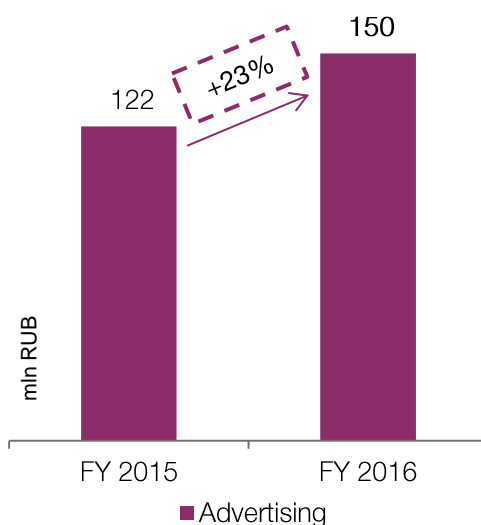
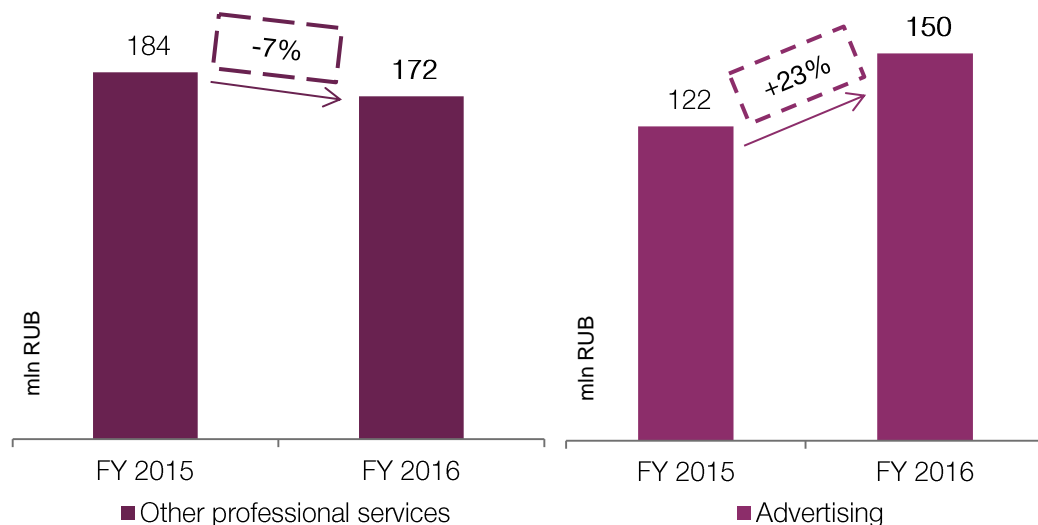
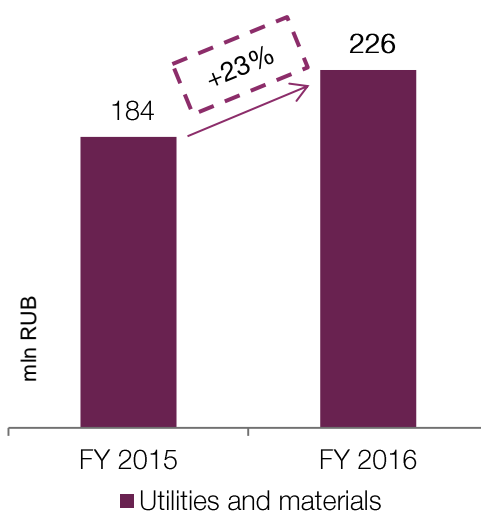
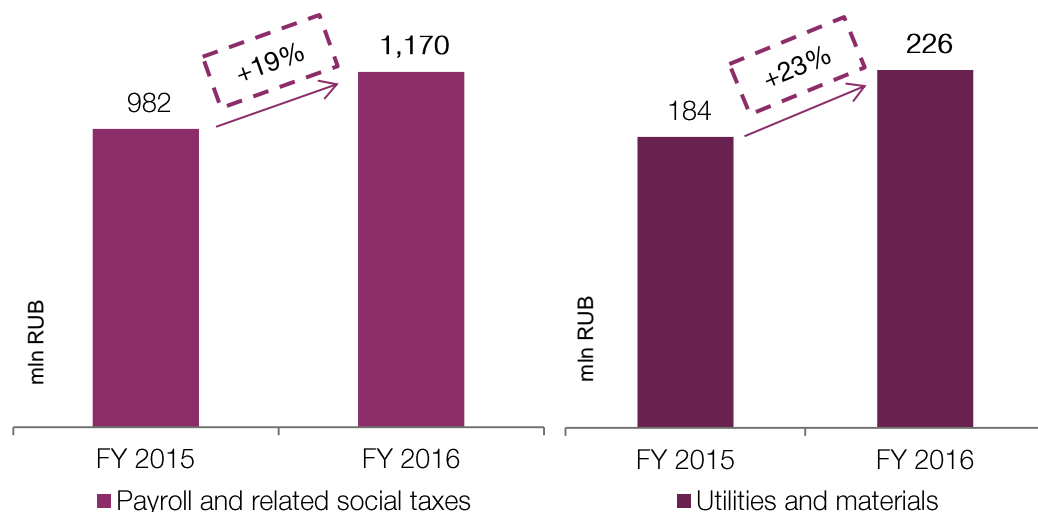
- CoS (ex. D&A) amounted to RUB 6,671mIn (+27% y-o-y)
- LFL CoS increased by 19% and amounted to RUB 6,221 mIn
- The following costs rose mainly due increased utilisation of Lapino and Ufa hospitals, as well as consolidation of new clinics in Siberia:
  - Payroll costs amounted to RUB 3,980 mIn, growing by 21% y-o-y. Payroll was also affected by increase of prices via variable part of doctors' salaries and marginal inflation of other medical staff salaries
  - Materials and supplies demonstrated again the fastest growth rate of 42% y-o-y and reached RUB 2,021 mIn which is explained by: 1) continued step-by-step inflation of prices for supplies due to RUB weakening; 2) growing share of IVF's revenue which is material intensive service
  - Energy & utilities grew by 17% y-o-y up to RUB 138 mIn
- Laboratory test expenses increased by 19% y-o-y due to an increase in number of tests performed and inflation of consumables used

## Revenue and CoS, RUB mIn

Indicator	FY 2016	FY 2015	Change y-o-y, %
LFL Revenue	11,452	9,507	+20%
LFL CoS (ex.D&A)	6,221	5,235	+19%
Revenue	12,179	9,507	+28%
CoS (ex. D&A)	6,671	5,235	+27%

# G&A, EXCL. D&A

## G&A comparison



- G&A (excl. D&A) expenses grew by 16% y-o-y to RUB 1,850 mln which is significantly below corresponding revenue growth of 28% y-o-y
- LFL G&A (excl. D&A) increased by 7% up to RUB 1,701 mln vs. LFL revenue growth of 20%
- The following expenses increased y-o-y mostly due to consolidation of new clinics in Siberia and several specific reasons different for every line:
  - Payroll expenses (including social tax expenses) increased by 19% and amounted to RUB 1,170 mln
  - Utilities and materials grew by RUB 42 mln y-o-y or 23%. Apart from new clinics growth was underpinned by maintenance works in several Moscow clinics
  - Advertising expenses increased by 23% y-o-y up to RUB 150 mln mostly due to active marketing of Lapino and PMC, newly opened clinic and IVF department in Moscow
- Other professional services decreased by 7% y-o-y and amounted to RUB 172 mln

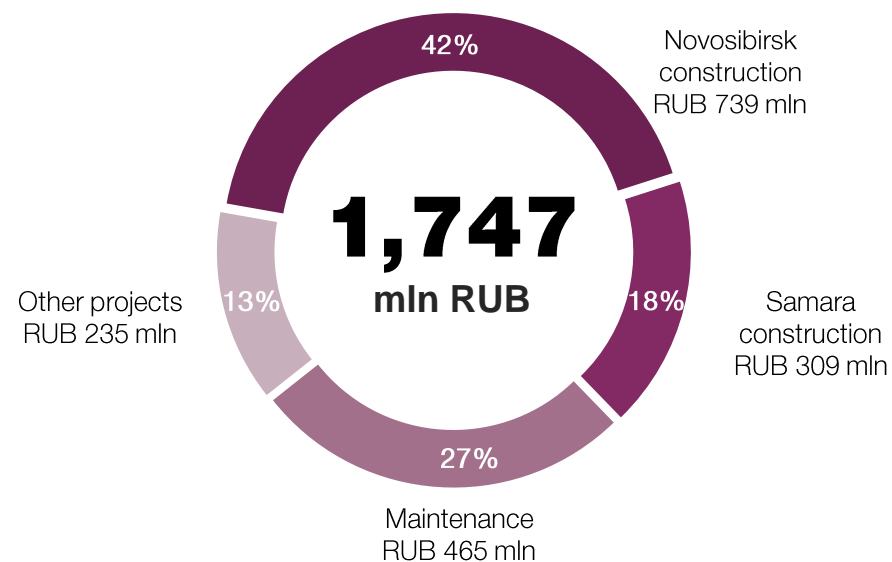
## Revenue and G&A, mln RUB

Indicator	FY 2016	FY 2015	Change y-o-y, %
LFL Revenue	11,452	9,507	+20%
LFL G&A(ex.D&A)	1,701	1,595	+7%
Revenue	12,179	9,507	+28%
G&A (ex. D&A)	1,850	1,595	+16%

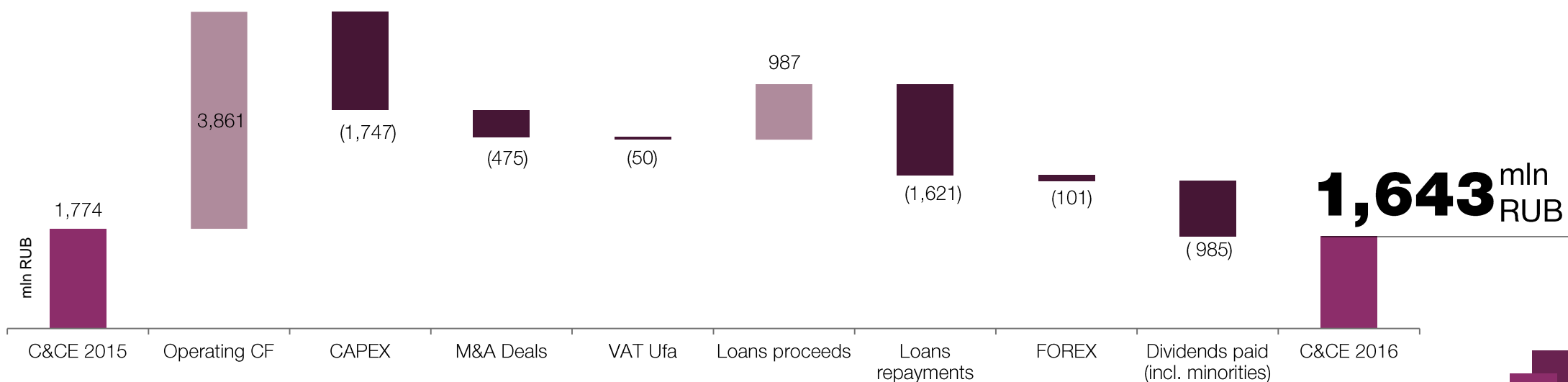
# CAPEX & CASH FLOW

- Group had solid liquidity position with RUB 1,643 mln in cash & cash equivalents as of Dec 31, 2016
- OCF amounted to RUB 3,861 mln and increased by 37% y-o-y
- CAPEX cash outflow amounted to RUB 1,747 mln and was mostly related to construction of a new wing of hospital in Novosibirsk and maintenance
- On M&A - Group spent RUB 475 mln
- VAT for Ufa hospital construction (RUB 466 mln) that was returned from local authorities in 2015 should be annually redeemed in equal parts till 2025. For 2016 this payment amounted to RUB 50 mln
- Redemption of bank loans and related finance expenses amounted to RUB 1,621 mln

## CAPEX structure, excl. M&A



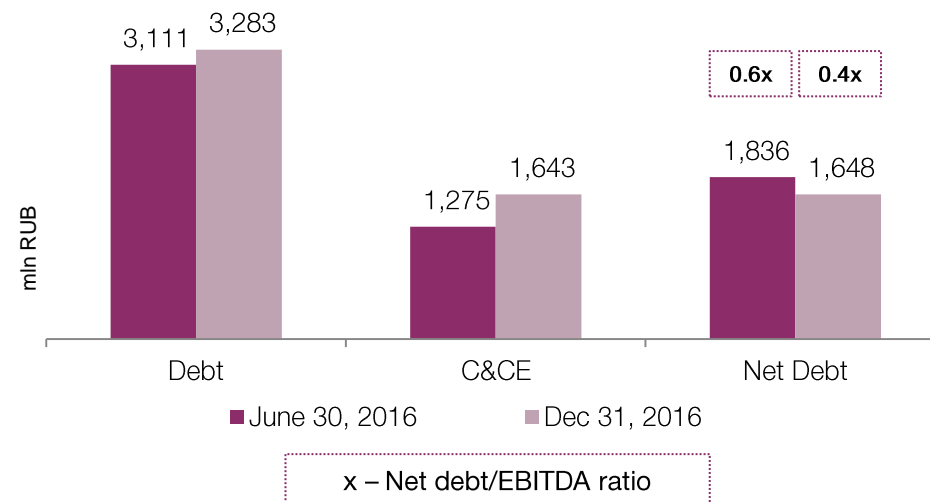
## Cash Flow waterfall



# WORKING CAPITAL AND NET DEBT

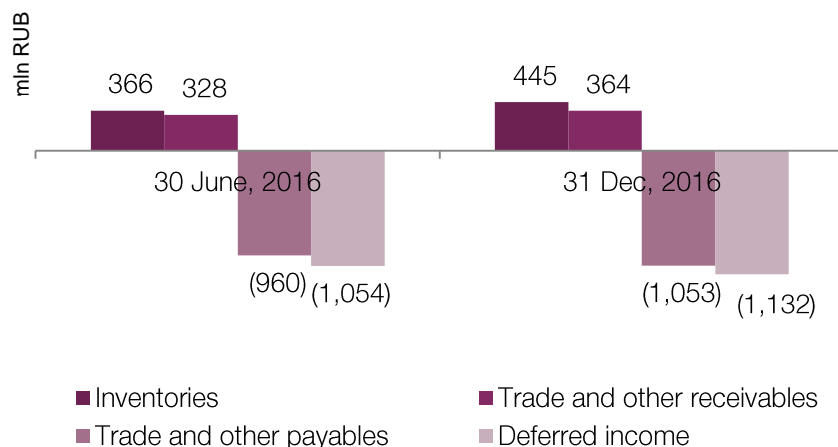
- The Group's debt increased by 6% year-to-date to RUB 3,283 mln
- The Company's cash & cash equivalents grew by 29% and amounted to RUB 1,643 mln
- The net debt position as of Dec 31, 2016 was RUB 1,648 mln down by 10% p-o-p with net debt / EBITDA ratio of 0.4x going down from 0.6x
- The company works with negative working capital as a source of additional financing. Working capital decreased by 4% to RUB (1,376) mln from the June 30, 2016

## Debt

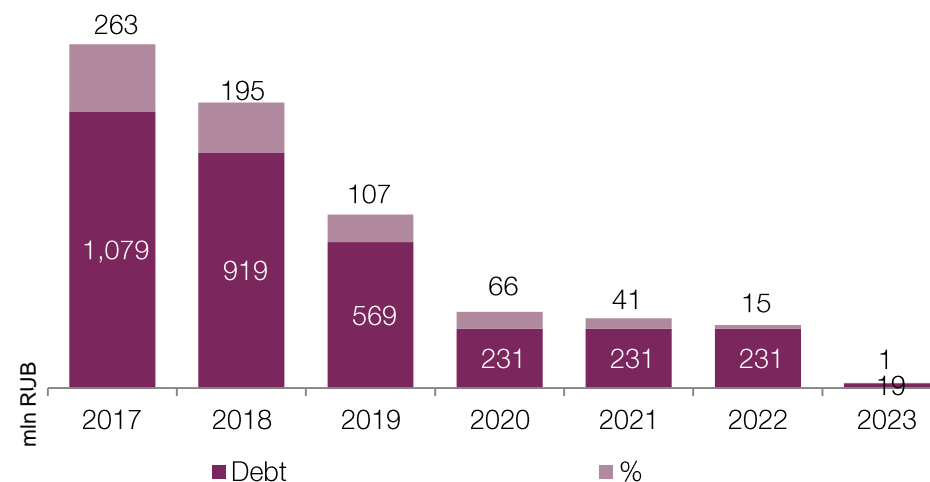



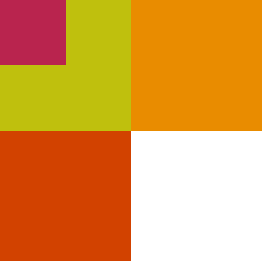
## Net working capital

June 30, 2016 = (1,320) mln RUB      Dec 31, 2016 = (1,376) mln RUB




## Debt repayment schedule





# APPENDIX





# REVENUE ANALYSIS



	2016	2015
<b>Obstetrics and Gynaecology</b>	<b>2,634</b>	<b>2,326</b>
<u>In-patient treatments</u>		
RUB mln	929	810
patient days	23,796	23,626
kRUB per day	39.0	34.3
% of total*	35%	35%
<u>Out-patient treatments</u>		
RUB mln	1,705	1,516
Admissions	506,756	451,986
kRUB per admission	3.4	3.4
% of total*	65%	65%
<b>Deliveries</b>	<b>2,245</b>	<b>1,750</b>
RUB mln	2,245	1,750
Deliveries	6,656	5,535
kRUB per delivery	337.3	316.2
<b>IVF</b>	<b>2,628</b>	<b>1,615</b>
RUB mln	2,628	1,615
Cycles	14,004	9,289
kRUB per cycles	187.7	173.9
<b>Paediatrics</b>	<b>1,610</b>	<b>1,288</b>
<u>In-patient treatments</u>		
RUB mln	404	271
Patient-days	18,946	15,387
kRUB per patient day	21.3	17.6
% of total*	25%	21%
<u>Out-patient treatments</u>		
RUB mln	1,205	1,017
Admissions	396,608	347,003
kRUB per admissions	3.0	2.9
% of total*	75%	79%

	2016	2015
<b>Other medical services</b>	<b>2,607</b>	<b>2,120</b>
<u>In-patient treatments</u>		
RUB mln	519	436
Patient days	10,400	8,901
kRUB per patient day	49.9	49.0
% of total*	20%	21%
<u>Out-patient treatments</u>		
RUB mln	1,020	807
Admissions	485,631	377,641
kRUB per admission	2.1	2.1
% of total*	39%	38%
<u>Other medical services</u>		
RUB mln	1,067	877
% of total*	51%	41%

# EXTRACT FROM MDMG'S PROFIT AND LOSS STATEMENT



(RUB mln)	2016	2015	2014
Revenue	12,179	9,507	7,201
Cost of sales	(7,400)	(5,918)	(4,230)
Gross Profit	4,779	3,589	2,971
<i>% of revenue</i>	39%	38%	41%
Other income	30	18	9
Administrative expenses	(2,067)	(1,793)	(1,433)
Other expenses	(18)	(38)	(11)
EBITDA	3,670	2,675	2,083
<i>% of revenue</i>	30%	28%	29%
Operating profit	2,724	1,775	1,536
Net finance expenses	(485)	30	(141)
Profit before tax	2,239	1,805	1,395
Tax	38	(34)	(75)
Profit for the period	2,277	1,770	1,320
<i>% of revenue</i>	19%	19%	18%
Minority interest	212	167	124
Profit for the year attributable to: shareholders	2,066	1,604	1,196

# EXTRACT FROM MDMG'S BALANCE SHEET



(RUB mln)	2016	2015	2014
Cash and cash equivalents	1,643	1,774	891
Investments	-	2	3
Current trade, other receivables and deferred expenses	360	258	229
Inventories	445	327	268
Current tax asset	9	7	8
Assets held for sale	46	46	46
Property, plant and equipment	13,410	12,364	12,540
Intangible assets	2,442	2,145	1,981
Non-current trade and other receivables and deferred expenses	185	184	105
Other non-current assets	176	99	4
<b>TOTAL ASSETS</b>	<b>18,716</b>	<b>17,208</b>	<b>16,074</b>
Current trade and other payables	1,152	873	899
Short term loans and borrowings	1,084	1,161	869
Other current liabilities	1,024	907	788
Long term loans and borrowings	2,200	2,293	3,251
Other non-current liabilities	487	464	131
Equity	12,770	11,509	10,137
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,716</b>	<b>17,208</b>	<b>16,074</b>
Net Debt	1,648	1,680	3,230

# EXTRACT FROM MDMG'S CASH FLOW STATEMENT



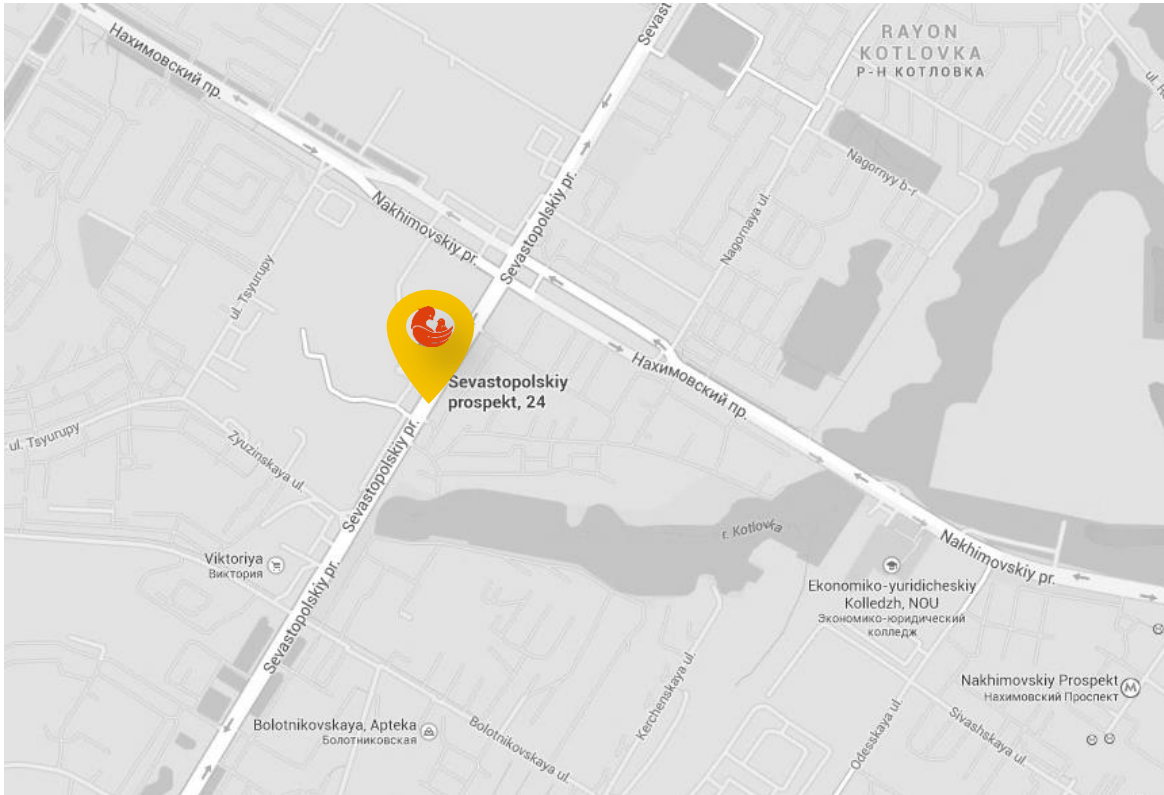
(RUB mln)	2016	2015	2014
Cash flow from operating activities			
Profit for the period	2,277	1,770	1,320
Adjustments for:			
<i>D&amp;A</i>	946	881	547
<i>Taxation</i>	(38)	34	75
<i>Other adjustments</i>	510	18	140
Cash flow from operations before working capital changes	3,696	2,703	2,082
<i>(Increase) / decrease in inventories</i>	(73)	(57)	(119)
<i>Increase in trade and other receivables</i>	(86)	(13)	(49)
<i>Increase in trade and other payables</i>	216	79	71
<i>Increase in deferred income</i>	128	115	199
Cash flow from operations	3,880	2,828	2,184
Tax paid	(20)	(10)	(78)
<b>Net cash flow from operating activities</b>	<b>3,861</b>	<b>2,818</b>	<b>2,106</b>
Cash flow from investing activities			
Payment for acquisition of PP&E	(1,716)	(780)	(3,126)
Acquisition of subsidiaries	(475)	(281)	(1,797)
Other proceeds and payments	36	40	29
<b>Net cash flow used in investing activities</b>	<b>(2,155)</b>	<b>(1,020)</b>	<b>(4,894)</b>
Cash flow from financing activities			
Proceeds from issue of share capital at a premium	-	-	-
GDR Contributions received from underwriters	-	-	-
Proceeds from borrowings	987	215	1,360
Repayment of borrowings	(1,172)	(949)	(518)
Repayments of obligations under finance leases	(1.5)	(0.6)	(3)
Finance expenses paid	(449)	(458)	(362)
Other payments	(116)	466	(72)
Dividends paid to the owners of the Company	(786)	(300)	(180)
Dividends paid to non-controlling interests	(199)	(135)	(139)
<b>Net cash flow from financing activities</b>	<b>(1,737)</b>	<b>(1,162)</b>	<b>86</b>
Net increase in cash and cash equivalents	(31)	636	(2,702)
Cash and cash equivalents at the beginning of the period	1,774	891	3,273
Effect due to exchange rate changes	(101)	248	319
<b>Cash and cash equivalents at the end of the period</b>	<b>1,643</b>	<b>1,774</b>	<b>891</b>

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