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MOTHER & CHILD
GROUP OF COMPANIES



MD MEDICAL GROUP

FY 2019 IFRS RESULTS

March, 2020





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**KEY COMPANY RESULTS
FOR FY 2019**

FINANCIAL & OPERATING RESULTS FOR 2019

FINANCIAL RESULTS

16,160

mln RUB

REVENUE +8%

- **Revenue** increased by 8% to RUB 16,160 mln (2018: RUB 14,937 mln)
- **EBITDA** increased by 10% to RUB 4,635 mln (2018: RUB 4,197 mln)
- **EBITDA margin** was 29%: +0,6 p.p. vs 2018
- **Net profit** for the period decreased by 2% vs 2018 and amounted to RUB 2,787 mln
- **Net debt** amounted to RUB 3,530 mln

OPERATING RESULTS

18,004 IVF CYCLES +8%

79,689 IN-PATIENT DAYS +14%

- **Total number of deliveries** increased by 2% vs 2018 to 7,446
- **Total number of IVF cycles** increased by 8% vs 2018 and amounted to 18,004 cycles
- **Total number of in-patient days** increased by 14% vs 2018 and amounted to 79,689 in-patient days
- **Total number of out-patient treatments** increased by 8% vs 2018 to 1,745,133

KEY EVENTS

- OPENING OF NEW HOSPITAL IN TYUMEN
- CONSTRUCTION OF LAPINO-2 HOSPITAL
- RENOVATION AND REBRANDING OF PMC (MD GROUP CLINICAL HOSPITAL)
- OPENING OF 2 NEW OUT-PATIENT CLINICS

- **March:** Opening of a new clinic in Vladivostok with total area of 358 sq m
- **April:** Opening of a new multi-disciplinary hospital in Tyumen with total area of 15,000 sq m and 164 beds with an annual capacity of 2,500 deliveries, 1,200 IVF cycles, more than 30,000 in-patient days, and more than 220,000 out-patient treatments
- **November:** Opening of Mother&Child Krasnodar clinic with total area of 360 sq m

Events after the reporting date:

- **January:** Opening of a new clinic in Rostov-on-Don with total area of 442 sq m
- **January:** Completing the renovation of the Perinatal Medical Center (PMC). Originally the hospital specialised in the Company's primary offering of medical services: deliveries, gynaecology, paediatrics and IVF. After substantial renovation works the hospital has 5 new units: general surgery, urology, traumatology, cardiology and endovascular surgery departments. Total capacity of the surgical department has now reached 3,250 operations per year
- **March:** Opening of a new clinic M&C Novaya Riga in Moscow region with total area of 117 sq m. The Novaya Riga clinic will provide paediatric care to patients beginning from birth and to 18 years of age. The new clinic has a capacity to treat more than 20,000 patients per year
- **March:** The Group received part of a government grant of RUB 83 mln in cash which had been previously included in other receivables as support for the construction of Tyumen hospital. As at 23 March 2020 the government grant received by the Group in total amounted to RUB 444 mln
- On 20 March 2020 The Board of Directors recommended a dividends payment following the results of the 2019 financial year in the amount of RUB 639 mln or RUB 8.5 per share

FINANCIAL RESULTS FOR 2019

FINANCIAL RESULTS GROUP

16,160

RUB MLN
REVENUE

+ 8% (2019/2018)

4,635

RUB MLN
EBITDA

+ 10% (2019/2018)

29%

EBITDA
MARGIN

+0.6 p.p. (2019/2018)

40

CLINICS/HOSPITALS

34 CLINICS

6 HOSPITALS

24 REGIONS

2,787

RUB MLN
NET PROFIT

-2% (2019/2018)

FINANCIAL RESULTS LIKE-FOR-LIKE

15,595

RUB MLN
REVENUE

+ 4% (2019/2018)

4,692

RUB MLN
EBITDA

+ 12% (2019/2018)

30%

EBITDA
MARGIN

+ 2.0 p.p.(2019/2018)

34

CLINICS/HOSPITALS

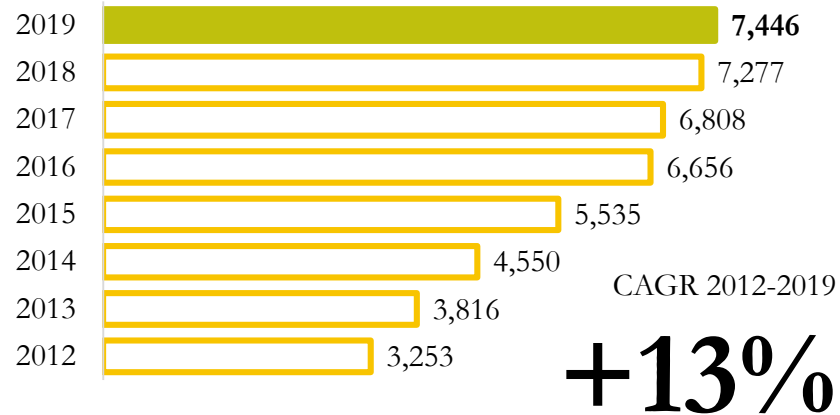
29 CLINICS

5 HOSPITALS

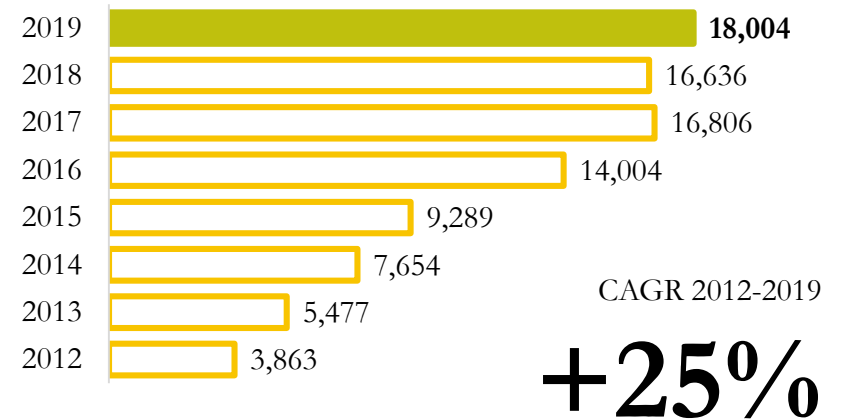
19 REGIONS

OPERATIONAL RESULTS FOR 2019

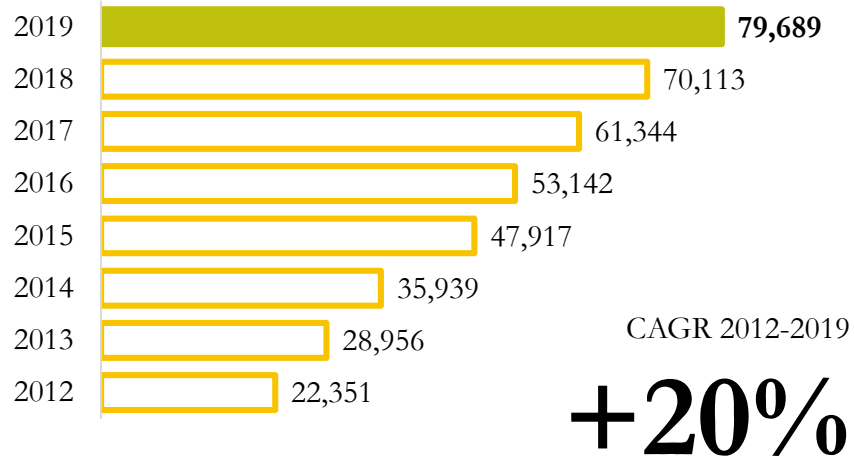
Deliveries



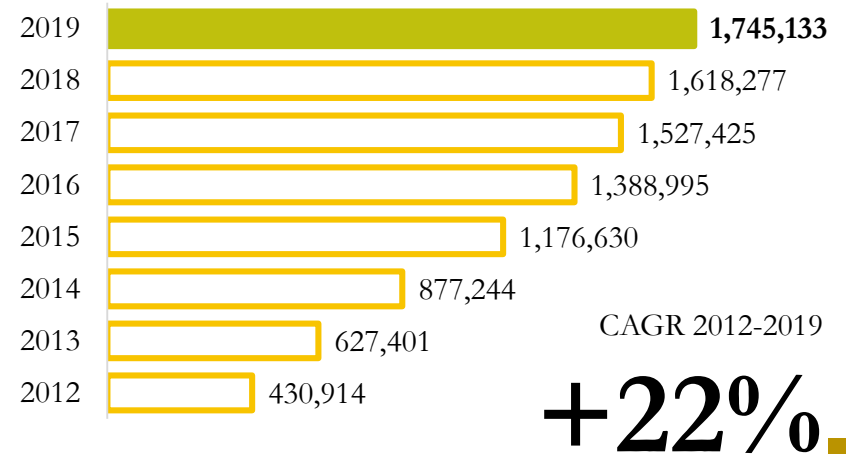
IVF cycles



In-patient days

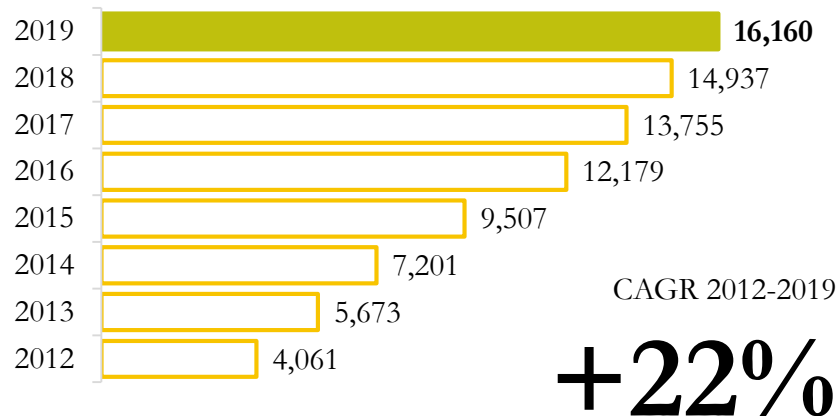


Out-patient treatments

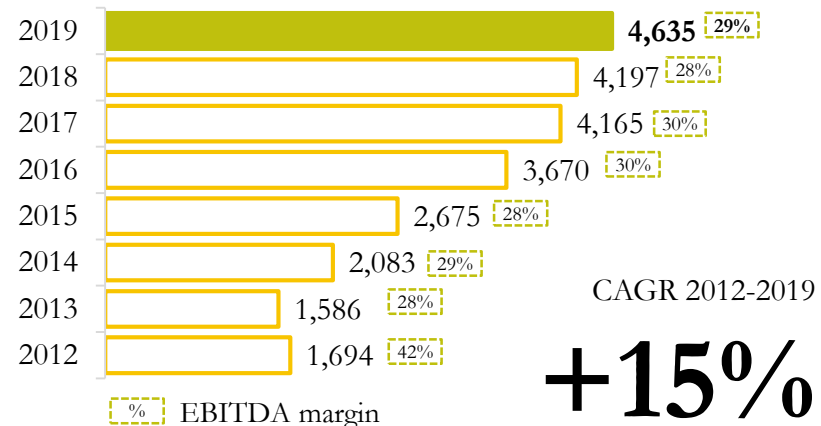


STRONG FINANCIAL PERFORMANCE

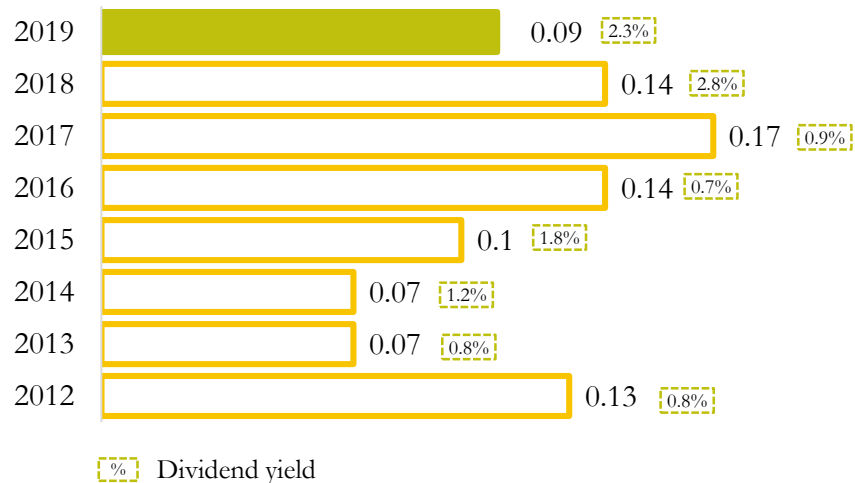
Revenue, RUB mln



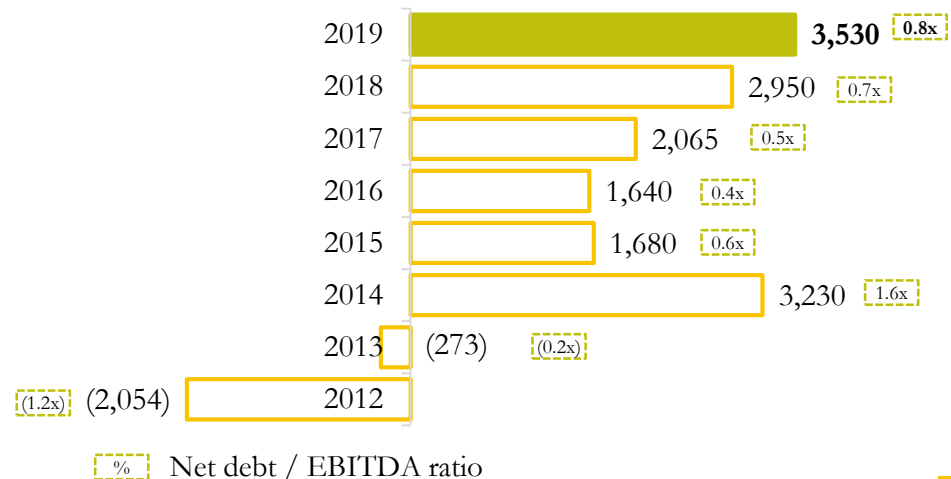
EBITDA, RUB mln



Dividends per share, USD

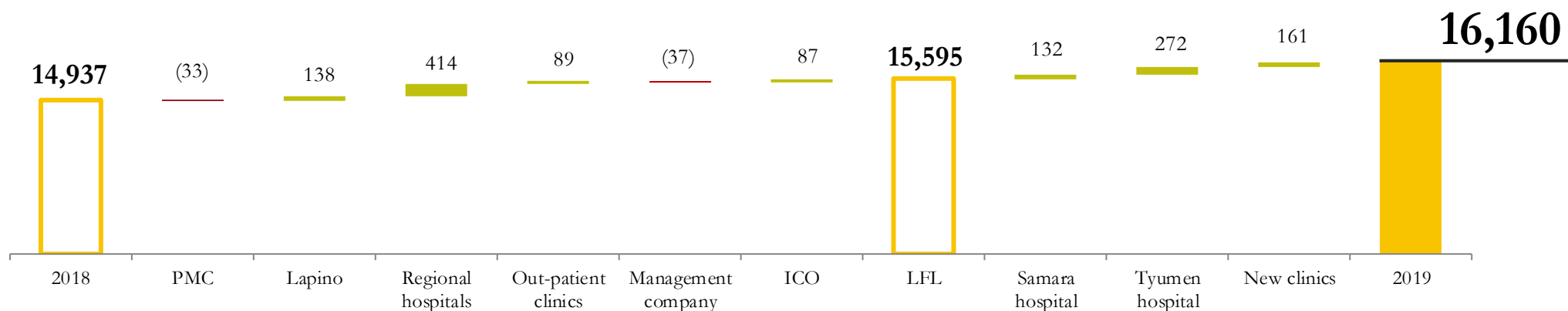


Net Debt, RUB mln



REVENUE STRUCTURE FOR 2019

Revenue bridge analysis 2019/2018, RUB mln



Average tickets, ths RUB

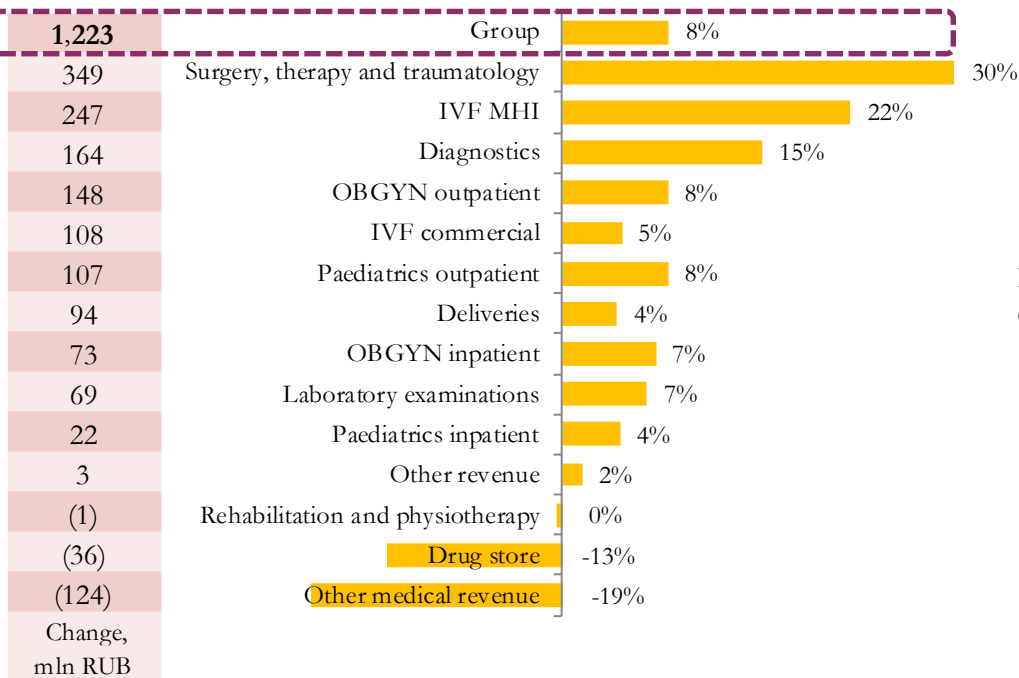
Indicator	2019	2018	Changes
Deliveries	310	304	+2%
Moscow	405	383	+6%
Regions	149	146	+2%
IVF	213	210	+2%
Commercial	300	287	+5%
MHI	140	134	+5%
In-patient days	38.2	36.5	+5%
Moscow	49.0	48.6	+1%
Regions	30.1	26.1	+15%
Out-patient treatments	2.9	2.9	0%

Revenue dynamics by type of revenue, mln RUB

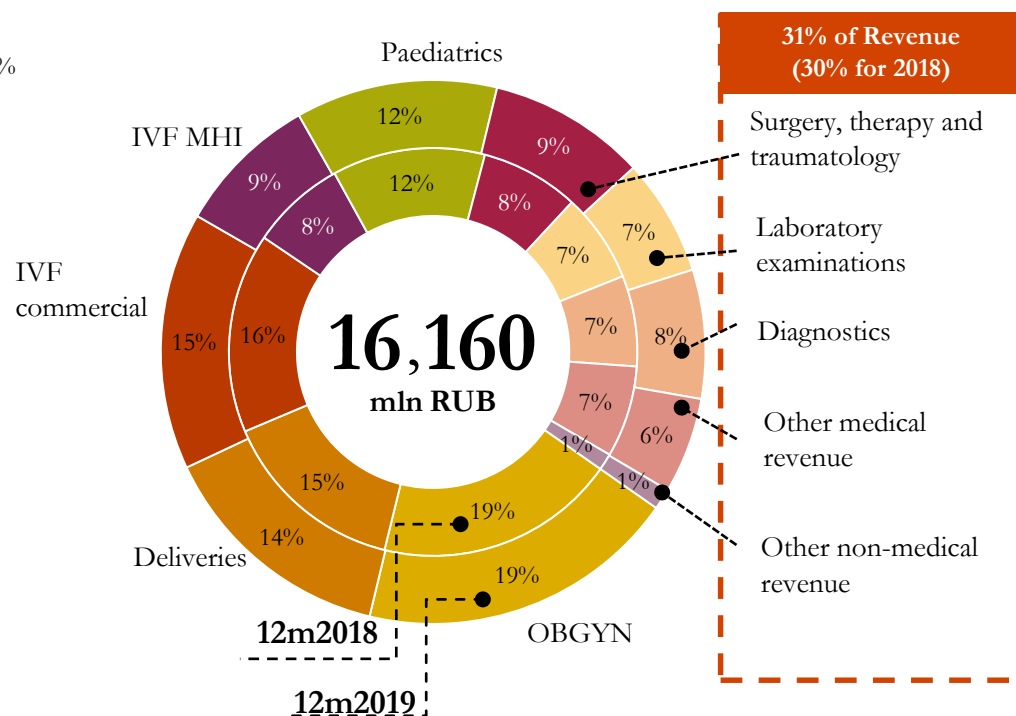
Type of revenue	2019	2018	Changes
OBGYN (excl. deliveries)	3,075	2,854	+8%
Deliveries	2,305	2,211	+4%
IVF	3,843	3,488	+10%
Paediatrics	1,937	1,808	+7%
Other medical services	4,563	4,105	+11%
Other revenue	437	471	-7%
Total	16,160	14,937	+8%

REVENUE CHANGE AND STRUCTURE BY TYPES

Revenue change by types of services 2019/2018



Revenue structure by types

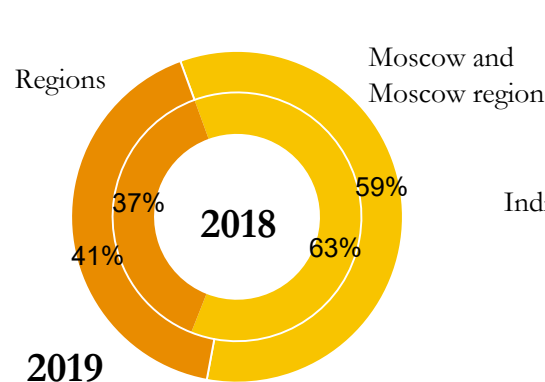


Highlights

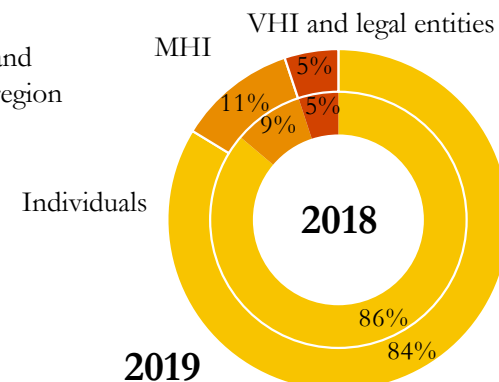
- Growth in Surgery, Therapy and Traumatology came as a result of the opening of the hospital in Tyumen and the growth of operational indicators by these services in the Samara and Ufa hospitals.
- Growth in IVF covered by MHI was the result of the increase of this service in many clinics of the Group, especially at the Yugo-Zapad clinic in Moscow and at the Novosibirsk, Tyumen and Samara hospitals.
- Growth in Diagnostics and Laboratory examinations was the result of the increase of operational indicators in the Samara, Tyumen and Novosibirsk hospitals and the development of the liquid cytology laboratory.
- The OBGYN outpatient's growth resulted from the opening of the hospital in Tyumen and new clinics in Tula and Kazan, as well as the continuing ramp-up of capacities of the Samara and Ufa hospitals.
- The decrease in Other medical revenue was mainly caused by the effect of the recognition of the expired advances amounting to 96 mln RUB during 2018 according to IFRS.

Source: IFRS reporting

Revenue structure, Moscow and regions

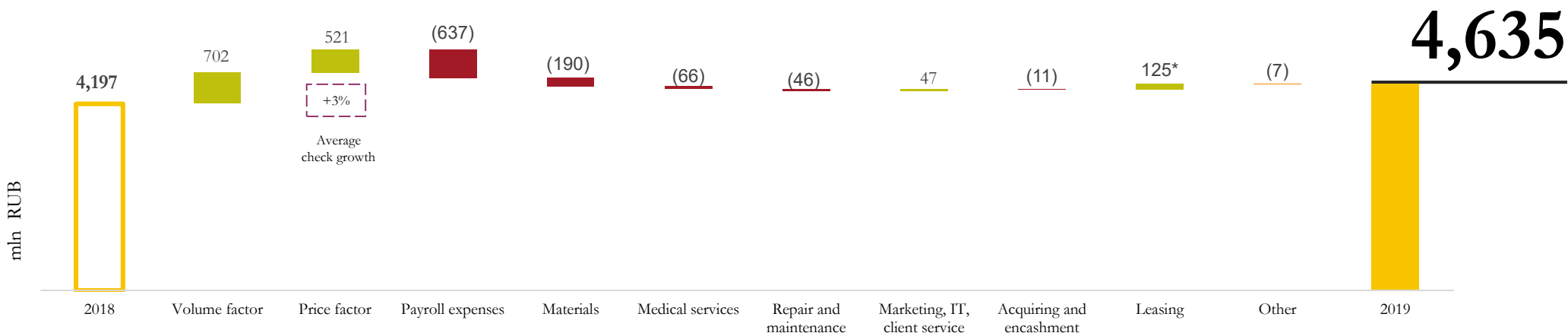


Revenue structure by payers

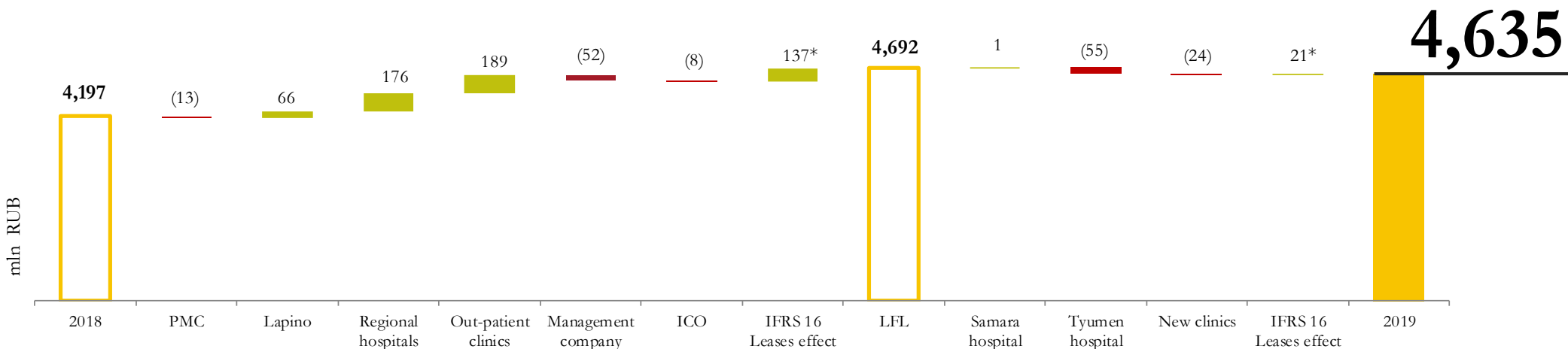


EBITDA STRUCTURE

EBITDA decomposition bridge, 2019/2018



EBITDA bridge analysis, 2019/2018



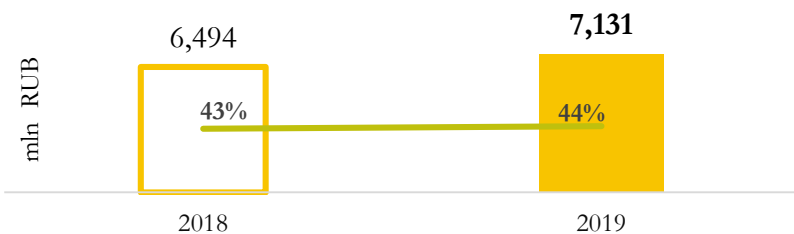
- Lease payments for 2019 amounted to RUB 180 mln (2018: RUB 147 mln). The overall increase constituted RUB 33 mln from which RUB 21 mln relates to new clinics. The amount of VAT and utility payments at premises on lease which are included in the opex expenses amounted to RUB 22 mln for 2019. Accordingly, the effect of change of lease payments and the first application of IFRS 16 Leases amounted to RUB 125 mln and the pure effect of IFRS 16 Leases application amounted to RUB 158 mln.

Source: IFRS reporting

KEY EXPENSES DYNAMICS

Dynamics of the major expenses, % of revenue

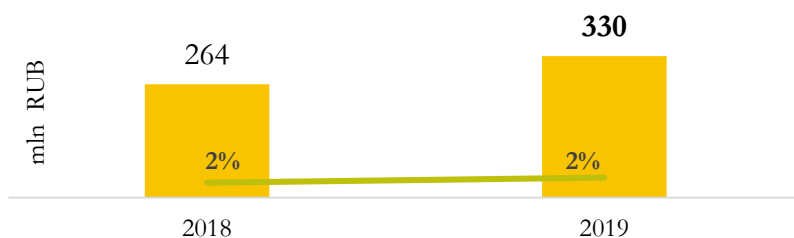
Payroll + Social contributions¹



Material expenses²



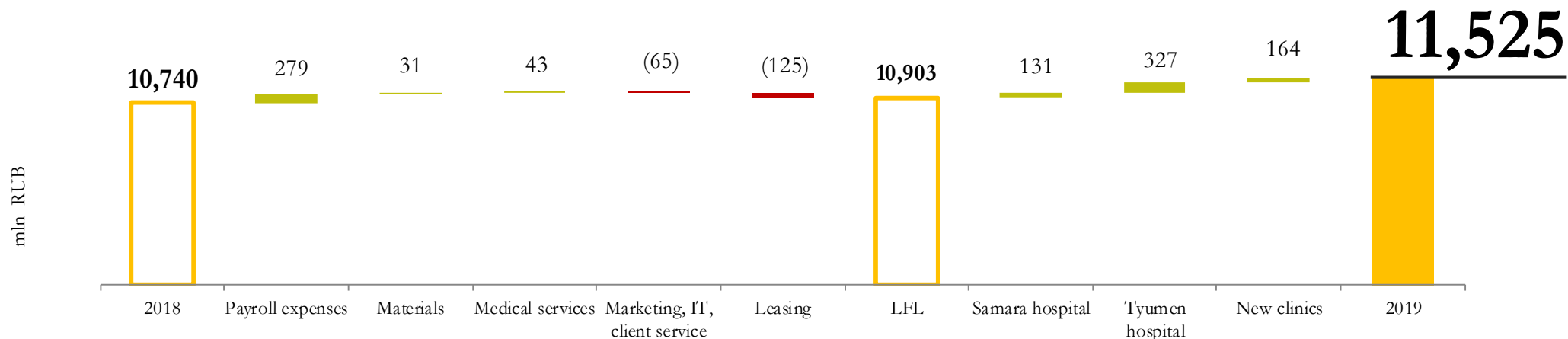
Medical services



Functional expenses (Marketing, IT, client service)¹



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



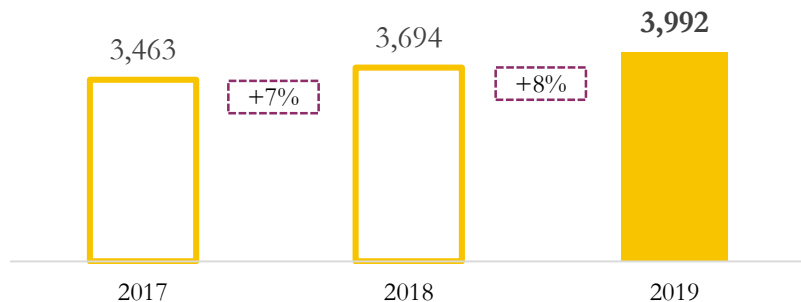
¹ Increase in Payroll and decrease in Functional expenses were due to the transfer of the call-center and some IT services from outsourcing to in-house

² Increase in Material expenses is due to the MHI share growth

Source: IFRS reporting

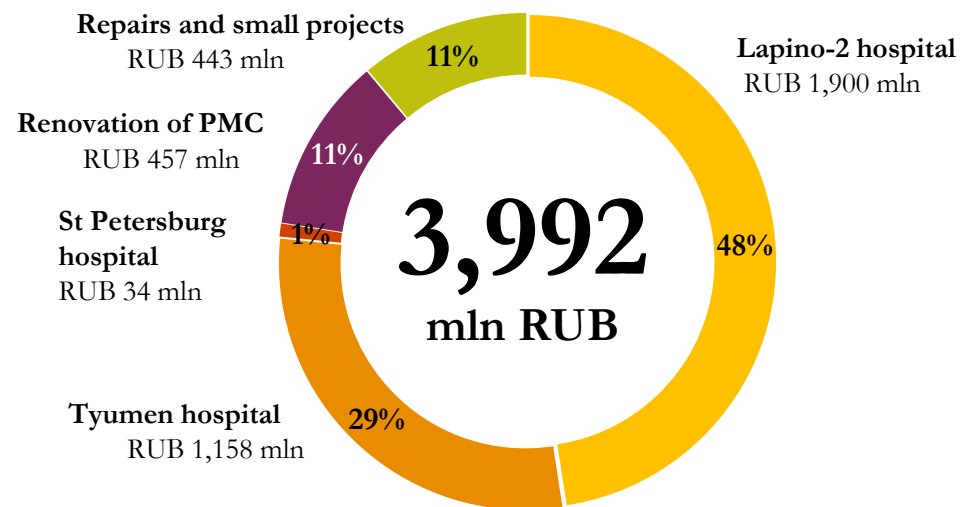
CAPEX HIGHLIGHTS AND CASH FLOW

CAPEX dynamics, mln RUB

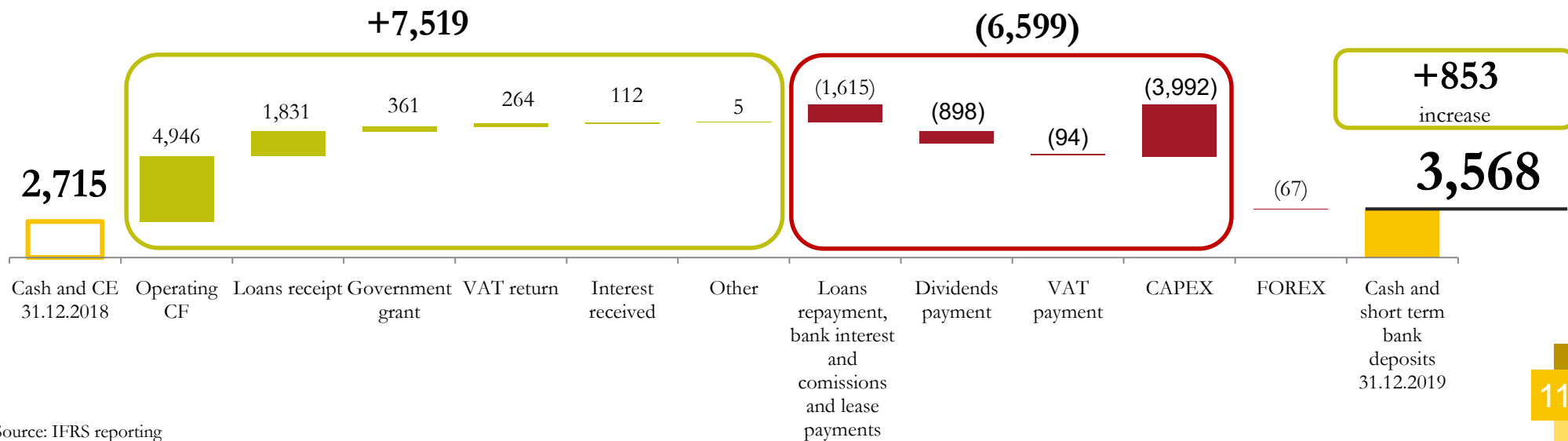


CAPEX amounted to RUB 3,992 mln, including compounded interest. Key investments included the completion of construction and purchase of equipment for the Tyumen hospital, construction of Lapino-2, as well as renovation of the Perinatal Medical Center (PMC) aimed at expanding the range of services offered.

CAPEX structure 2019



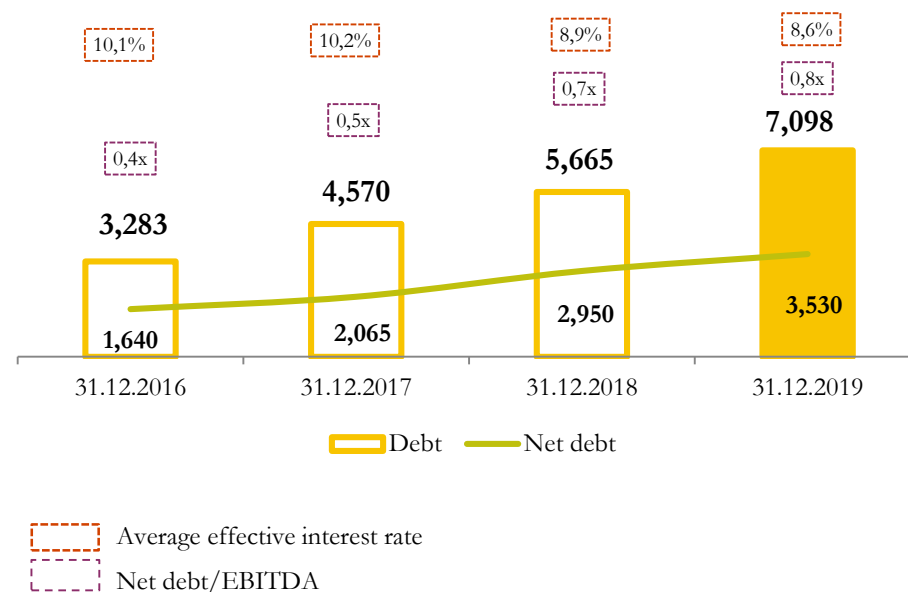
Cashflow bridge analysis, mln RUB



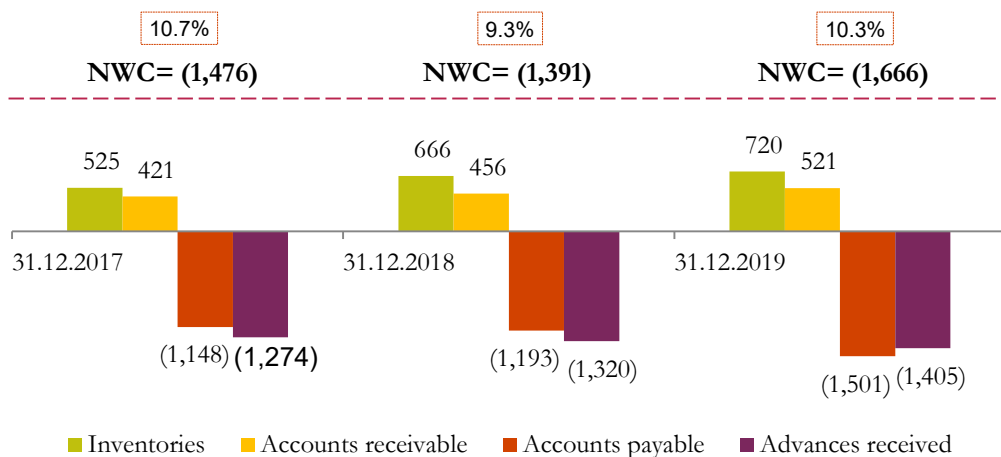
DEBT & NET WORKING CAPITAL (NWC)

- As at 31 December 2019 the Group's debt increased by 25% in comparison with 31 December 2018 and amounted to RUB 7,098 mln as the results of Tyumen and Lapino-2 hospitals construction and effect of the first application of IFRS 16 Leases in the amount of RUB 650 mln (31.12.2018: nil)
- The Company's cash & cash equivalents and short-term deposits increased by 31%
- The net debt position as at 31 December 2019 was RUB 3,530 mln which was 20% higher than the amount as at 31 December 2018. Net debt to EBITDA ratio was 0.8x. The net debt was calculated taking into account short-term bank deposits amounting to RUB 507 mln
- The company works with negative working capital as a source of additional financing. Net working capital decreased to RUB (1,666) mln and amounted to 10% of revenue 2019. The decrease in net working capital to revenue ratio is explained by the change in payment terms with the main suppliers of inventory (delay up to 90 days)
- 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. Effective capital structure guarantees a balanced business development
- The company has a stable financial position due to a strong cash balance

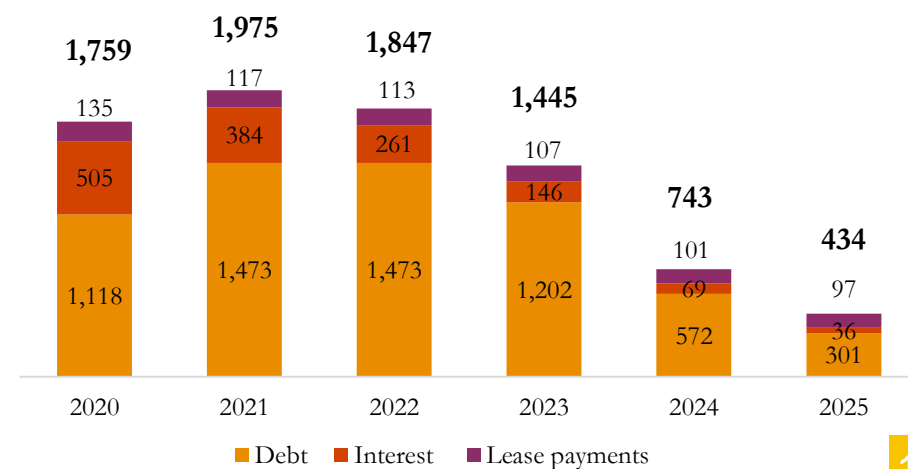
Debt and net debt dynamics, mln RUB



Net working capital (NWC), mln RUB



Debt repayment schedule, mln RUB



2

STRATEGIC OUTLOOK

MD MEDICAL GROUP

THE LARGEST REGIONAL NETWORK OF MEDICAL FACILITIES

42

MODERN HEALTHCARE
FACILITIES*

6

HOSPITALS

36

OUT-PATIENT CLINICS

27

CITIES

≈ 7,700

EMPLOYEES

approx. **169** ths sq m TOTAL AREA

incl. approx. **152** ths sq m OWNED PROPERTY



* As of publication date

WIDE RANGE OF TECHNOLOGICALLY ADVANCED MEDICAL SERVICES

INNOVATION

Medical Genetic Center
Stem Cell Bank
Fetal surgery
Modern methods for the diagnosis of cancer

DIAGNOSTICS

Radiation diagnostics
Ultrasound diagnostics
Radiology
Laboratory diagnostics

SURGERY

Cardiology
Traumatology and orthopedics
General surgery
Urology
Neurosurgery
Oncology
Plastic surgery

Delivering
high-quality
medical services
throughout
Russia

OTHER MEDICAL SERVICES

Deliveries
IVF
Pregnancy management
Operative gynaecology

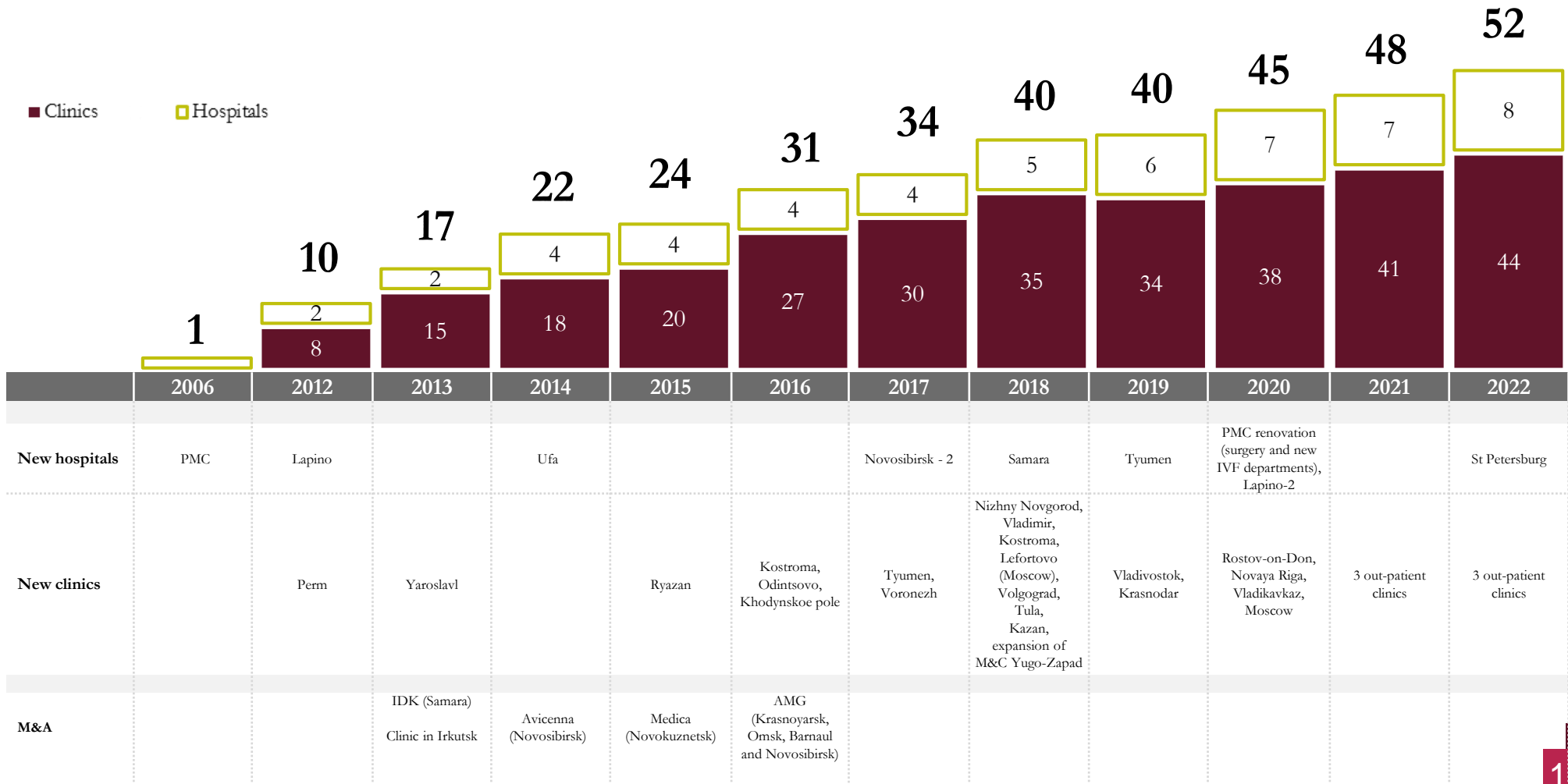
Miscarriage treatment
Adult Clinic
Surgical treatment of infertility

Preimplantation genetic diagnosis
Paediatric's clinic
Children's intensive care

Department of Older Children
Ambulance at home

KEY MILESTONES

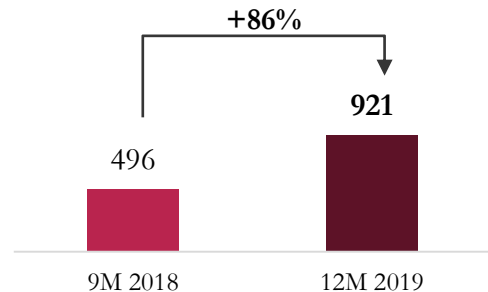
With hospitals and clinics in **25** regions of Russia, we operate the most widespread private network of healthcare facilities across the country



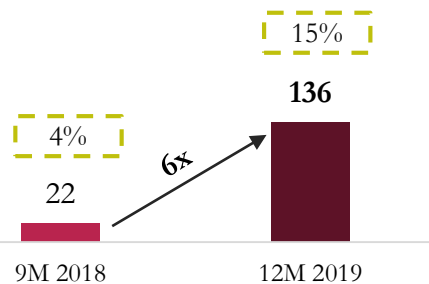
MULTIFUNCTIONAL HOSPITAL IN SAMARA OPENED IN 2018

Financial performance

Revenue, RUB mln

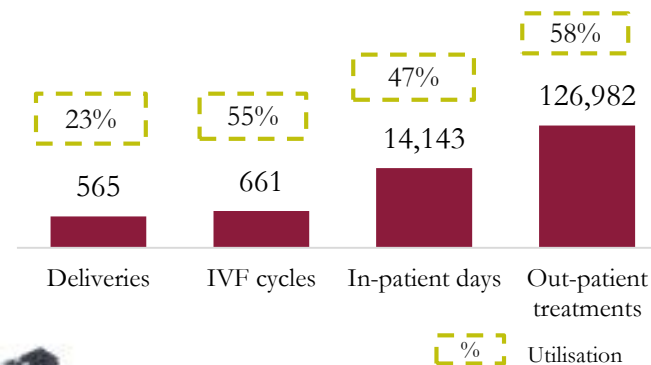


EBITDA, RUB mln



% EBITDA margin

Operational performance



CAPEX

3.2

RUB bln



TARGETED
REVENUE

2.2

RUB BLN

TARGETED
EBITDA MARGIN

30%

YEARS TILL
OPERATIONS AT FULL
CAPACITY

6

TARGETED
ROIC

20%

15,000
sq m

164
beds

2,500
deliveries

1,200
IVF cycles

8,000
surgeries

220,000
out-patient treatments

LAUNCH OF MULTIFUNCTIONAL HOSPITAL IN TYUMEN

CAPEX

2.6 RUB bln

* the company received a subsidy from the Tyumen region

Multifunctional hospital

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

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

Project schedule

21 June 2017

The ceremony of the laying of the first stone in the construction of a new multifunctional clinical hospital in Tyumen

April 2019

Solemn ceremony of hospital opening



TARGETED
REVENUE

1.7

RUB BLN

TARGETED
EBITDA MARGIN

30%

YEARS TILL
OPERATIONS AT FULL
CAPACITY

6

TARGETED
ROIC

20%

15,000
sq m

164
beds

2,500
deliveries

1,200
IVF cycles

8,500
surgeries

220,000
out-patient treatments

RENOVATION OF PMC

OFFICIAL OPENING - JANUARY 2020

New services

Launch of 5 new surgical units:

- General surgery
- Urology
- Traumatology
- Cardiology
- Endovascular surgery

3,250 operations – total capacity of the surgical department

12 – total number of beds in new units

The surgical department will perform operations including under the MHI policy as well

New IVF department:

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

CAPEX
600 mln
RUB

TARGETED
REVENUE

460

RUB MLN

TARGETED
EBITDA MARGIN

39%

YEARS TILL
OPERATIONS AT FULL
CAPACITY

6

TARGETED
ROIC

30%

Capacity of PMC (after renovation)*

3,500
deliveries

3,000
IVF cycles

34k
in-patient days

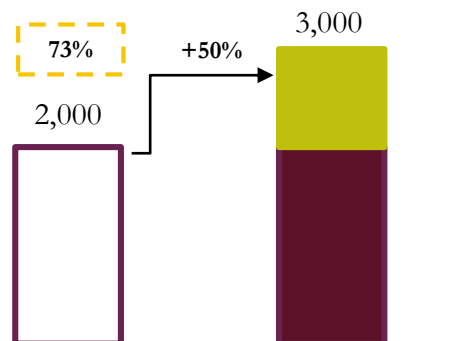
295k
out-patient
treatments

Change of IVF cycles capacity

Commercial IVF cycles in PMC:

Current average check - RUB 273 ths

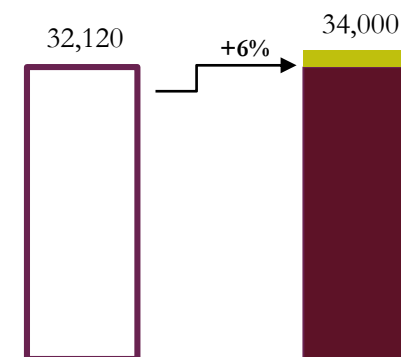
Expected average check in the new department - RUB 320 ths



Before renovation After renovation

Change of in-patient days capacity

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



Before renovation After renovation

*Rounded numbers
Source: management accounts

xx% - % Utilisation rate for 2019

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)

**OPENING IN
SUMMER 2020**

TARGETED
REVENUE

3

RUB BLN

TARGETED
EBITDA MARGIN

38%

YEARS TILL
OPERATIONS AT FULL
CAPACITY

6

TARGETED
ROIC

25%

18,500
sq m

88
beds

27,000
in-patient days

15,000
surgeries

200,000
out-patient treatments

TIMELINE OF LAPINO-2 CONSTRUCTION

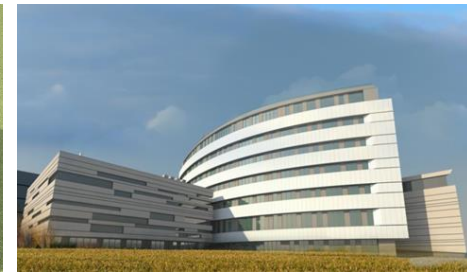
OPENING
SUMMER 2020



TOTAL CAPEX **4.2** bln
RUB

2020

CAPEX **2.1** bln
RUB



2019

CAPEX **1.8** bln
RUB



2017-2018

CAPEX **0.3** bln
RUB





Q&A



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