

## MD MEDICAL GROUP MAINTAINS STRONG EBITDA MARGIN

**5 September 2022** – MD Medical Group Investments Plc (“MD Medical Group,” “MDMG,” the “Group” or the “Company” – LSE and MOEX: MDMG), a leading Russian private healthcare provider, announces its audited consolidated financial statements for the 6 months ended 30 June 2022 under International Financial Reporting Standards (IFRS).

### Key financial highlights for 1H 2022:

- **Total revenue** increased by **1.3%** year-on-year (y-o-y) to **RUB 12,159 mln.**
- **EBITDA** went down by **5.8%** y-o-y to **RUB 3,559 mln.** EBITDA margin dropped by **2.2 p.p.** y-o-y to **29.3%.**
- **Adjusted Net profit** decreased by **9.4%** y-o-y to **RUB 2,393 mln.** Adjusted Net profit margin was **19.7%.**
- **Operational cash flow** declined by **15.9%** y-o-y to **RUB 3,132 mln.**
- **Capex** amounted to **RUB 762 mln,** up **7.0%** y-o-y. Investments were mainly allocated towards the launch of new projects: MD Lakhta in St Petersburg, MD Tyumen-2 and an out-patient clinic in Yekaterinburg.
- As at 30 June 2022, **the Group’s Net Cash position** stood at RUB 85 mln. The **Net Cash position to EBITDA** ratio was **0.0x.**

### Key operational highlights for 1H 2022<sup>1</sup>:

- Total **out-patient treatments** decreased slightly, by **2.1%** y-o-y, to **878,458.**
- Total **in-patient treatments** decreased by **7.4%** y-o-y to **70,937.**
- Total **IVF cycles** increased by **0.8%** y-o-y to **8,223.**
- Total **deliveries** increased by **2.0%** y-o-y to **4,109.**

### Key events during 1H 2022 and after the reporting period:

- **Hospital launched in St Petersburg.** In January 2022, MD Medical Group opened a new multi-functional hospital MD Lakhta in St Petersburg. Its core business is women’s and children’s healthcare with a focus on childbirth and gynaecological surgery. Total investments in the project amounted to circa RUB 2 bln.
- **Hospital launched in Tyumen.** In February 2022, MD Medical Group launched a new multi-disciplinary hospital MD Tyumen-2. Total investments in the project amounted to approximately RUB 1 bln.
- **Novosibirsk Centre for Reproductive Medicine renovated.** On 16 June 2022, MD Medical Group completed the renovation of its medical centre in Novosibirsk, increasing its capacity to 1,000 IVF cycles per year. Total investments in the project amounted to some RUB 23 mln.
- **Medical centre opened in Moscow.** On 23 June 2022, MD Medical Group opened a new out-patient medical centre, Mother & Child Butovo, with a capacity of 30,000 visits per year. Total investments in the project amounted to circa RUB 16 mln.
- **MGIMO Med University launched.** On 1 September 2022, MD Medical Group in cooperation with the Moscow State Institute of International Relations (MGIMO) opened medical university MGIMO Med.
- **VTB loan repaid early.** In Q3 2022, MD Medical Group repaid the loan it had taken out from VTB in 2018 by settling all outstanding obligations in the amount of RUB 2,166 mln ahead of schedule.

<sup>1</sup> Detailed information on operational results can be found in the following [press release from 1 August 2022](#)



## 1H 2022 Financial Highlights

RUB mln	1H2022	1H2021	change
<b>Revenue</b>	<b>12,159</b>	<b>12,009</b>	<b>1.3%</b>
Hospitals in Moscow	6,355	6,641	(4.3%)
Hospitals in regions	3,087	2,746	12.4%
Out-patient clinics in Moscow and MR	1,281	1,129	13.5%
Out-patient clinics in regions	1,430	1,485	(3.7%)
Managing company and other	6	7	(14.3%)
<b>Gross profit</b>	<b>4,514</b>	<b>4,550</b>	<b>(0.8%)</b>
Gross profit margin,%	37.1%	37.9%	(0.8p.p.)
<b>EBITDA</b>	<b>3,559</b>	<b>3,777</b>	<b>(5.8%)</b>
EBITDA margin,%	29.3%	31.5%	(2.2p.p.)
EBIT	1,442	2,977	(51.6%)
EBIT margin,%	11.9%	24.8%	(12.9 p.p.)
FX loss	(198)	(42)	369.1%
Net finance expenses	(134)	(242)	(44.5%)
Profit before tax	1,110	2,693	(58.8%)
Taxes	(3)	(6)	(37.2%)
Net income	1,106	2,688	(58.8%)
<b>Adjusted Net income</b>	<b>2,393</b>	<b>2,643</b>	<b>(9.4%)</b>
Adjusted Net income margin,%	19.7%	22.4%	(2.7 p.p.)

### Revenue

In 1H 2022, MD Medical Group's total Revenue increased by 1.3% y-o-y to RUB 12,159 mln. The growth was mainly driven by a stable demand for IVF in Moscow and the Moscow Region (revenue from IVF up 26.4% y-o-y), on-target capacity utilisation rates at regional hospitals (revenue up 12.4% y-o-y) amid a post-COVID recovery in demand for medical services, and strong performance of new projects – MD Lakhta and the medical cluster in Tyumen.

Revenue from medical services not related to women's and children's health accounted for 48.9% of total revenue, down from 51.3% in 1H 2021.

### 1H 2022 Key Operating Expenses

RUB mln	1H2022	1H2021	change
Payroll and Social contributions	5,110	4,664	9.6%
as % of total Revenue	42.0%	38.8%	3.2p.p.
Material expenses	2,496	2,649	(5.8%)
as % of total Revenue	20.5%	22.1%	(1.6p.p.)
Medical services expenses	152	169	(10.5%)
as % of total Revenue	1.2%	1.4%	(0,2p.p.)
Functional expenses <sup>2</sup>	168	127	32.5%
as % of total Revenue	1.4%	1.1%	0.3p.p.

### Gross profit

Gross profit in 1H 2022 declined by a marginal 0.8% y-o-y to RUB 4,514 mln. Gross profit margin decreased by 0.8 p.p. y-o-y to 37.1% primarily due to a rise in personnel costs as a result of business expansion associated with the launch of MD Lakhta and MD Tyumen-2.

### Impact of key expenses

In the reporting period, the Company's key expenses remained tightly controlled and slightly increased by 1.8 p.p. y-o-y as a percentage of revenue (to 65.2%) amid the growth of personnel costs and functional expenses.

<sup>2</sup> Functional expenses include marketing, IT, client service costs, staff training and communication services

The share of personnel costs grew by 3.2 p.p. y-o-y as a percentage of Revenue (to 42.0%) mainly due to a decline in COVID-19 diagnostic and treatment services (resulting from a higher share of fixed costs) and the opening of new facilities (MD Lakhta and MD Tyumen-2) and their gradual ramp-up to design capacity.

The share of materials expenses decreased by 1.6 p.p. y-o-y as a percentage of Revenue (to 20.5%) on the back of a reduction in material-intensive services in the Company's portfolio, including therapy related to COVID-19.

The share of medical services expenses declined by 0.2 p.p. y-o-y as a percentage of Revenue (to 1.2%) due to the gradual vertical integration of business processes, including the opening of the Company's own laboratory and data processing centre.

The share of functional expenses increased by 0.3 p.p. y-o-y as a percentage of Revenue (to 1.4%), driven by the growth in marketing expenses amid the Group's business expansion.

### EBITDA

EBITDA declined by 5.8% y-o-y and amounted to RUB 3,559 mln in 1H 2022. EBITDA margin decreased by 2.2 p.p. y-o-y to 29.3% due to a drop in revenue from COVID-19 diagnostic and treatment services.

### Operating profit

Following impairment testing in 1H 2022, the Company recognised impairment of investments made in the previous periods, including fixed assets of the Ufa clinical hospital (opened in 2014) and goodwill of the Novokuznetsk out-patient clinic (acquired in 2015) on the back of an unfavourable macro environment. In addition, in the reporting period, the Group recognised a RUB 85 mln impairment of previously acquired construction documents due to the change in plans to build a clinic in St Petersburg. Total impairment recognised in 1H 2022 was RUB 1,287 mln.

As a result, Operating profit dropped by 51.6% y-o-y to RUB 1,442 mln in 1H 2022, with an Operating profit margin of 11.9%.

### Adjusted Net profit

In 1H 2022, FX loss amounted to RUB 198 mln. The 4.7x growth as at the end of the reporting period was attributable to a 31.1% rouble appreciation against the US dollar as compared to the beginning of the year.

As a result, the Company's Adjusted Net profit decreased by 9.4% y-o-y to RUB 2,393 mln in 1H 2022. Adjusted Net profit margin dropped by 2.7 p.p. y-o-y to 19.7%.

### Key cash flow statement figures

RUB mln	1H2022	1H2021	change
<b>Operating cash flow before Working capital changes</b>	<b>3,552</b>	<b>3,843</b>	<b>(7.6%)</b>
Changes in Working capital	(415)	(117)	254.6%
Taxes	(5)	(2)	151.3%
Cash from operating activities	3,132	3,724	(15.9%)
Cash used in investing activities	(565)	(758)	(25.5%)
Cash used in financing activities	(1,249)	(2,592)	(51.8%)
<b>Cash and cash equivalents increase</b>	<b>1,317</b>	<b>374</b>	<b>252.4%</b>

In 1H 2022, Operating cash flow before changes in working capital decreased by 7.6% y-o-y to RUB 3,552 mln as a result of the decline in EBITDA.



## Working capital

RUB mln	June 30, 2022	December 31, 2021
Inventories	1,156	1,165
Accounts receivable	1,171	1,112
Accounts payable	(2,180)	(2,537)
Contract liabilities	(1,976)	(1,990)

The Company has historically maintained negative Working capital as a source of additional financing. In 1H 2022, Working capital remained negative at RUB (1,829) mln and amounted to 7.5% of Revenue.

In the reporting period, Operational cash flow decreased by 15.9% y-o-y to RUB 3,132 mln, primarily due to the changes in Working capital caused by the update of medicine and consumable supply terms as suppliers switched from deferred payment by instalments to advance payment.

Cash used for investing activities, mainly consisting of capital expenditures and proceeds from short-term deposits, amounted to RUB 565 mln.

Total Capex increased by 7.0% y-o-y to RUB 762 mln in 1H 2022. The growth was driven by the completion of construction at MD Lakhta, MD Tyumen-2, and MD Lab test collection points.

In 1H 2022, cash outflows related to financing activities amounted to RUB 1,249 mln vs RUB 2,592 mln in 1H 2021. The decrease came in as the Company did not pay dividends for 2021.

As at 30 June 2022, net cash increased by RUB 1,115 mln to RUB 4,704 mln.

## Debt portfolio

RUB mln	June 30, 2022	December 31, 2021
<b>Total debt</b>	<b>4,619<sup>3</sup></b>	<b>5,513<sup>4</sup></b>
Short-term debt	1,677	1,786
Long-term debt	2,943	3,727
<b>Cash and cash equivalents</b>	<b>4,704</b>	<b>3,590</b>
<b>Net debt / (Net Cash position)</b>	<b>(85)</b>	<b>1,923</b>
Net debt/(Net cash position) / EBITDA	0.0x	0.5x

The Group's debt decreased by 16.2% y-o-y to RUB 4,619 mln as at the end of 1H 2022 mainly due to the repayment of RUB 858 mln towards the principal balance. Cash balance grew by 31.1% to RUB 4,704 mln as at 30 June 2022 vs RUB 3,590 mln as at 31 December 2021.

As at 30 June 2022, the Company's Net cash position amounted to RUB 85 mln. The Company's debt is fully denominated in roubles. The Net Cash position to EBITDA ratio as at 30 June 2022 was 0.0x.

## Notes:

1. This announcement contains inside information
2. Minor deviations in the calculation of totals, subtotals and/or percent changes are due to rounding
3. The Group's consolidated financial statements are available on the Group's website:  
[www.mcclinics.com/investors/financial-reports/](http://www.mcclinics.com/investors/financial-reports/)

<sup>3</sup> Including RUB 108 million of short-term lease and RUB 545 million of long-term lease

<sup>4</sup> Including RUB 97 million of short-term lease and RUB 597 million of long-term lease



**MD Medical**

GROUP OF COMPANIES

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**About MD Medical Group**

*MD Medical Group is a leading provider in the Russian private healthcare service market. The Company manages 50 modern healthcare facilities, including 10 hospitals and 40 out-patient clinics in 25 regions of Russia. In 2021, MD Medical Group's revenue amounted to RUB 25.2 bln while EBITDA amounted to RUB 8.3 bln. The Company's GDRs are traded on London Stock Exchange (LSE: MDMG) and Moscow Exchange (MOEX: MDMG).*

**Forward-Looking Statements:**

This press release 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 press release are based on past trends or activities and should not be taken 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 press release 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.



## **Use of non-IFRS indicators**

As part of disclosing the Group's financial results under IFRS, we use the following non-IFRS indicator:

### **Adjusted net profit.**

We believe Adjusted Net profit to be instrumental for investors and analysts in assessing the core operating performance of the Company and analysing comparable results for different periods, excluding one-off gains or losses.

**Adjusted Net profit** means net profit under IFRS plus (1) impairment loss on goodwill; (2) impairment loss on fixed assets; (3) impairment loss on work in progress; minus (4) other income from property tax recovery.

### **Impairment loss on goodwill and fixed assets**

As macro environment became more challenging in 1H 2022, the Group recognised a one-off RUB 201 mln impairment loss on goodwill of the Novokuznetsk out-patient clinic and a one-off RUB 1,000 mln impairment loss on fixed assets of the Ufa clinical hospital (the excess of the fair value of the goodwill / fixed assets over their book value).

### **Impairment loss on work in progress**

Adjusted net profit for 1H 2022 does not include a RUB 85 mln impairment loss on work in progress related to construction documents and the change in the Group's plans to build a clinic in St Petersburg.

### **Other income from property tax recovery**

Adjusted net profit for 1H 2021 does not include other income from property tax recovery in the amount of RUB 45 mln.