

## MD MEDICAL GROUP MAINTAINS STRONG EBITDA MARGIN

**3 April 2023** – 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 12 months ended 31 December 2022 under International Financial Reporting Standards (IFRS).

### Key financial highlights for 2022:

- **Total revenue** remained flat year-on-year (y-o-y) at **RUB 25,222 million**.
- **EBITDA** went down by **4.3%** y-o-y to **RUB 7,924 million**. EBITDA margin dropped by **1.4 p.p.** y-o-y to **31.4%**.
- **Adjusted net profit** decreased by **1.5%** y-o-y to **RUB 6,005 million**. Adjusted net profit margin was **23.8%**.
- **Operating cash flow** declined by **9.0%** y-o-y to **RUB 7,734 million**.
- **Capex** amounted to **RUB 1,169 million**, down **69.2%** y-o-y. Investments were mainly allocated towards the launch of new projects: MD Group Lakhta in St Petersburg, MD Tyumen-2 and an out-patient clinic in Yekaterinburg.
- As at 31 December 2022, **the Group’s net cash position** stood at RUB 3,866 million. The **net cash position to EBITDA** ratio was **0.5x**.

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

- Total **out-patient treatments** decreased slightly, by **1.7%** y-o-y, to **1,826,555**.
- Total **in-patient treatments** decreased by **3.0%** y-o-y to **148,775**.
- Total **IVF cycles** increased by **2.0%** y-o-y to **16,862**.
- Total **deliveries** increased by **2.1%** y-o-y to **8,576**.

### Key events in 2022 and after the reporting period:

- **Hospital launched in St Petersburg.** In January 2022, MD Medical Group opened a new multi-functional hospital MD Group 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 billion.
- **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 billion.
- **Novosibirsk Centre for Reproductive Medicine renovated.** In 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 million.
- **Medical centre opened in Moscow.** In June 2022, MD Medical Group opened a new out-patient medical centre, Mother & Child Butovo, with a capacity of up to 30,000 appointments per year. Total investments in the project amounted to circa RUB 16 million.
- **MGIMO Med University launched.** On 1 September 2022, MD Medical Group jointly with the Moscow State Institute of International Relations (MGIMO) opened the MGIMO Med University.
- **Dividends for H1 2022.** On 26 October 2022, the Board of Directors approved the payment of an interim dividend of RUB 642 million or RUB 8.55 per ordinary share / GDR for 6M 2022.
- **First clinic launched in Yekaterinburg.** In November 2022, MD Medical Group opened an out-patient clinic with a focus on IVF in Yekaterinburg. The clinic can handle up to 400 gynecological surgeries, about 800 IVF cycles and over 30,000 appointments per year. Total investments in the project amounted to circa RUB 74 million.

<sup>1</sup> Detailed information on operational results can be found in the following [press release from 6 February 2023](#)



- **Credit facilities repaid early.** In 2022, the Company fully repaid all its existing credit facilities by settling outstanding obligations in the amount of RUB 3,133 million ahead of schedule. The funds had been borrowed to finance the construction of hospitals in Samara, Novosibirsk and Tyumen.
- **Medical centre opened in the Moscow Region.** On 13 January 2023, MD Medical Group opened a new out-patient medical centre, Mother & Child Mytishchi, with a capacity of up to 24,000 appointments per year. Total investments in the project stood at around RUB 23 million.

**2022 Financial Highlights**

RUB mln	FY2022	FY2021	change
<b>Revenue</b>	<b>25,222</b>	<b>25,220</b>	<b>0.0%</b>
Hospitals in Moscow	13,013	14,013	(7.1%)
Hospitals in regions	6,506	5,803	12.1%
Out-patient clinics in Moscow and MR	2,630	2,418	8.8%
Out-patient clinics in regions	3,057	2,972	2.9%
Managing company and other	16	15	6.7%
<b>Gross profit</b>	<b>9,793</b>	<b>9,988</b>	<b>(1.9%)</b>
Gross profit margin,%	38.8%	39.6%	(0.8p.p.)
<b>EBITDA</b>	<b>7,924</b>	<b>8,276</b>	<b>(4.3%)</b>
EBITDA margin,%	31.4%	32.8%	(1.4p.p.)
EBIT	4,969	6,622	(25.0%)
EBIT margin,%	19.7%	26.3%	(6.6p.p.)
FX loss	(105)	(8)	1206.6%
Net finance expenses	(138)	(456)	(69.7%)
Profit before tax	4,726	6,158	(23.3%)
Taxes	(8)	(15)	(50.2%)
Net profit	4,719	6,143	(23.2%)
<b>Adjusted Net profit</b>	<b>6,005</b>	<b>6,098</b>	<b>(1.5%)</b>
Adjusted Net profit margin,%	23.8%	24.2%	(0.4p.p.)

**Revenue**

Total revenue in 2022 remained flat y-o-y at RUB 25,222 million. Revenue of the Group's hospitals in Moscow declined by 7.1% y-o-y due to a decrease in COVID-19 diagnostic and treatment services driven by the pandemic slowdown, which was fully offset by a spike in revenue of regional hospitals and out-patient clinics. The growth was mainly driven by a stable demand for IVF in Moscow and the Moscow Region (the Group's revenue from IVF up 9.9% y-o-y), on-target capacity utilisation rates at regional hospitals (revenue up 12.1% y-o-y) amid a post-COVID recovery in demand for medical services, and strong performance of new projects – MD Group Lakhta and the medical cluster in Tyumen.

Revenue from medical services not related to women's and children's health accounted for 47.9% of total revenue, down from 51.2% in 2021.

**2022 Key Operating Expenses<sup>2</sup>**

RUB mln	FY2022	FY2021	change
Payroll and Social contributions	10,132	9,526	6.4%
as % of total Revenue	40.2%	37.8%	2.4p.p.
Material expenses	5,133	5,568	(7.8%)
as % of total Revenue	20.3%	22.1%	(1.8p.p.)
Medical services expenses	308	335	(8.0%)
as % of total Revenue	1.2%	1.3%	(0.1p.p.)
Functional expenses <sup>3</sup>	336	265	26.9%
as % of total Revenue	1.3%	1.1%	0.2p.p.

<sup>2</sup> Adjustments in 2021 are associated with a change in the methodology for reflecting the payroll and social contributions and functional expenses

<sup>3</sup> Functional expenses include marketing, IT, client service costs, staff training and communication services

## **Gross profit**

Gross profit in 2022 declined by 1.9% y-o-y to RUB 9,793 million. Gross profit margin decreased by 0.8 p.p. y-o-y to 38.8% primarily due to a rise in personnel costs as a result of business expansion associated with the launch of MD Group Lakhta and MD Tyumen-2.

## **Impact of key operating expenses**

In the reporting period, the Company's key operating expenses remained tightly controlled and slightly increased by 1.4 p.p. y-o-y as a percentage of revenue (to 63.1%) amid the growth of personnel costs and functional expenses.

The share of personnel costs grew by 2.4 p.p. y-o-y as a percentage of revenue (to 40.2%) 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 Group Lakhta and MD Tyumen-2) and their gradual ramp-up to design capacity.

The share of materials expenses decreased by 1.8 p.p. y-o-y as a percentage of revenue (to 20.3%) 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 0.1 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 0.2 p.p. y-o-y as a percentage of revenue (to 1.3%), driven by the growth in marketing expenses amid the Group's business expansion.

## **EBITDA**

EBITDA declined by 4.3% y-o-y and amounted to RUB 7,924 million in 2022. EBITDA margin decreased by 1.4 p.p. y-o-y to 31.4% due to a decline in COVID-19 diagnostic and treatment services.

## **Operating profit**

Following impairment testing in 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 million impairment of previously acquired construction documents due to the change in plans to build a clinic in St Petersburg. Total impairment recognised in 2022 was RUB 1,287 million.

As a result, operating profit dropped by 25.0% y-o-y to RUB 4,969 million in 2022, with an operating profit margin of 19.7%.

## **Adjusted net profit**

In 2022, FX loss amounted to RUB 105 million, with its growth attributable to a 5.3% 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 1.5% y-o-y to RUB 6,005 million in 2022. Adjusted net profit margin slightly declined by 0.4 p.p. y-o-y to 23.8%.



## Key cash flow statement figures

RUB mln	FY2022	FY2021	change
<b>Operating cash flow before working capital changes</b>	<b>7,902</b>	<b>8,346</b>	<b>(5.3%)</b>
Changes in working capital	(155)	158	n/a
Taxes	(13)	(5)	172.4%
Cash from operating activities	7,734	8,499	(9.0%)
Cash used in investing activities	(848)	(2,912)	(70.9%)
Cash used in financing activities	(5,904)	(5,031)	17.4%
Effect of movements in exchange rates on cash held	(109)	(96)	13.2%
<b>Cash and cash equivalents increase</b>	<b>873</b>	<b>461</b>	<b>89.4%</b>

In 2022, operating cash flow before changes in working capital decreased by 5.3% y-o-y to RUB 7,902 million as a result of the decline in EBITDA.

## Working capital

RUB mln	December 31, 2022	December 31, 2021
Inventories	1,212	1,165
Accounts receivable	1,147	1,112
Accounts payable	(2,447)	(2,537)
Contract liabilities	(1,972)	(1,990)
<b>Working capital</b>	<b>(2,060)</b>	<b>(2,250)</b>

The Company has historically maintained negative working capital as a source of additional financing. In 2022, working capital remained negative at RUB (2,060) million and amounted to 8.2% of revenue.

In 2022, operating cash flow decreased by 9.0% y-o-y to RUB 7,734 million, 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 interest income on deposits, amounted to RUB 848 million.

Total Capex declined by 69.2% y-o-y to RUB 1,169 million in 2022. The significant drop in Capex in the reporting period was due to macroeconomic uncertainty. The Group's investment programme has now been resumed.

In 2022, cash outflows related to financing activities amounted to RUB 5,904 million vs RUB 5,031 million in 2021. The 17.4% y-o-y increase was due to the distribution of interim dividends to shareholders for 1H 2022 in the amount of RUB 642 million, as well as the early repayment of RUB 3,133 million to the lender.

As at 31 December 2022, net cash increased by RUB 873 million to RUB 4,463 million.

## Debt portfolio

RUB mln	December 31, 2022	December 31, 2021
<b>Total debt</b>	<b>597<sup>4</sup></b>	<b>5,513<sup>5</sup></b>
Short-term debt	106	1,786
Long-term debt	489	3,727
<b>Cash and cash equivalents</b>	<b>4,463</b>	<b>3,590</b>
<b>Net debt / (Net Cash position)</b>	<b>(3,866)</b>	<b>1,924</b>
Net debt/(Net cash position) / EBITDA	(0.5x)	0.2x

The Group's debt decreased by 89.2% y-o-y to RUB 597 million as at the end of 2022 mainly due to the early repayment of RUB 3,133 million towards the outstanding principal. Cash balance grew by 24.3% y-

<sup>4</sup> Including RUB 106 million of short-term lease and RUB 489 million of long-term lease

<sup>5</sup> Including RUB 97 million of short-term lease and RUB 597 million of long-term lease

o-y to RUB 4,463 million as at 31 December 2022 vs RUB 3,590 million as at 31 December 2021.

As at 31 December 2022, the Company's net cash position amounted to RUB 3,866 million. The Company's debt is fully denominated in roubles. The net cash position to EBITDA ratio as at the end of 2022 was at 0.5x.

**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/)

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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 53 modern healthcare facilities, including 10 hospitals and 43 out-patient clinics in 26 regions of Russia. In 2022, MD Medical Group's revenue amounted to RUB 25.2 bln while EBITDA amounted to RUB 7.9 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 FY2022, 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 FY2022 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 FY2021 does not include other income from property tax recovery in the amount of RUB 45 mln.