



MOTHER & CHILD
GROUP OF COMPANIES

MD MEDICAL GROUP POSTS 8% REVENUE GROWTH, 10% EBITDA GROWTH IN FY 2019

23 March 2020, Moscow. MD Medical Group Investments Plc (“MD Medical Group,” “MDMG,” the “Group” or the “Company” – LSE: MDMG), a leading Russian private healthcare provider, announces its audited consolidated financial statements for the 12 months ended 31 December 2019 under International Financial Reporting Standards (“IFRS”).

FY 2019 Financial Highlights

- **Revenue** increased 8% year-on-year (y-o-y) to RUB 16,160 mln vs. RUB 14,937 mln in FY 2018, mainly driven by the continued growth in capacity utilisation at the clinics in Moscow and regional hospitals in Novosibirsk and Samara, as well as due to the opening of the clinical hospital in Tyumen.
- **EBITDA** increased 10% y-o-y to RUB 4,635 mln, largely driven by higher capacity utilisation at the regional hospitals. **EBITDA margin** amounted to 29%.
- **Net profit** slightly decreased 2% y-o-y to RUB 2,787 mln.
- **Operational cashflow** increased 22% y-o-y to RUB 4,946 mln.
- **Capex** amounted to RUB 3,992 mln. Key investments included the completion of construction and purchase of equipment for the Tyumen hospital (RUB 1,158 mln), construction of Lapino-2 (RUB 1,900 mln), as well as renovation of the Perinatal Medical Center (PMC) aimed at expanding the range of services offered (RUB 457 mln).
- **Debt** increased 25% from 31 December 2018 to RUB 7,098 mln at the end of 2019, while **net debt** increased 20% from the end of 2018 to RUB 3,530 mln. The increase in net debt is tied to the RUB 650 mln effect of the first application of IFRS 16 Leases. The net debt to EBITDA ratio amounted to 0.8x.
- **Net working capital** remained negative at RUB (1,666) mln and represented 10% of revenue.

Commenting on the FY 2019 financial results, Mark Kurtser, CEO of MD Medical Group, said:

“We completed another successful year for our business. In 2019, we strengthened and expanded our network throughout Russia, achieved significant growth in operating performance, and as a result delivered record revenue in the history of the Group.”

“Last year, we saw further continuous growth in revenue and EBITDA year-on-year, increasing these indicators by 8% and 10% to RUB 16,160 million and RUB 4,635 million, respectively. Our EBITDA margin was 29%, up from the previous year. Our net profit for the year fell slightly by 2% due to the commissioning of the new hospital in Tyumen and other new projects.”

“Our financial performance was a result both of growing key operating indicators across all areas of our business and the successful transformation of our hospitals into high-quality multi-disciplinary medical centres. As a result of this transformation, we have seen a considerable increase in patients coming to our hospitals for surgery in various fields and to treat oncological problems.”

“In 2019, we continued to develop our private medical network, which is the largest of its kind in Russia. We opened our sixth hospital - in Tyumen - becoming the national leader in the number of private multi-disciplinary hospitals. We also opened our first clinics in the promising markets of Vladivostok and Krasnodar. In addition, we continued to build the Lapino-2 hospital, which is set to open this year. Already in early 2020, we completed the large-scale renovation of the PMC, turning it into a truly multi-disciplinary hospital, and opened our first clinic in Rostov-on-Don along with a new paediatric clinic in the Moscow Region.

“The efficient work of our team delivered strong results over the past year, and we are well-positioned to continue the successful growth of our business in the future.”

FY 2019 Business Highlights

Operational results

The Company continued to develop its business and demonstrated strong operational results in FY 2019:

- Total deliveries increased 2% y-o-y to **7,446**.
- Total IVF cycles increased 8% y-o-y to **18,004**.
- Total in-patient treatments increased 14% y-o-y to **79,689**.
- Total out-patient treatments increased 8% y-o-y to **1,745,133**.

Expansion of our hospital network

- *Opening of a multi-disciplinary hospital in Tyumen.* The hospital has 164 beds and an annual capacity of up to 2,500 deliveries, 1,200 IVF cycles and 8,500 surgical procedures, in addition to 220,000 out-patient visits per year. Total investment into the project amounted to RUB 2.6 bln.
- *Final stage of Lapino-2 construction.* The new seven-storey surgery building with 18,500 sq m of space will have an annual capacity of 15,000 surgical procedures, more than 27,000 in-patient days, and more than 200,000 out-patient visits. Lapino-2 will offer the following services that are new for the Group: neurosurgery, chemotherapy, stomatology and oral and maxillofacial surgery. It will also include a state-of-the-art microbiological laboratory offering a full range of diagnostic testing. The opening of the new building is scheduled for 2020.
- Regional hospitals have demonstrated high operating results and continued to see an increase in capacity utilisation:
 - Capacity utilisation at Mother&Child Avicenna in Novosibirsk amounted to 83% for deliveries, 76% for IVF, 60% for in-patient days and 43% for out-patient treatments.
 - Capacity utilisation at Mother&Child Ufa continued to grow and in 2019 amounted to 61% for deliveries, 78% for IVF, 44% for in-patient days and 66% for out-patient treatments.

- Capacity utilisation at Mother&Child Samara in 2019 amounted to 23% for deliveries, 55% for IVF, 47% for in-patient days and 58% for out-patient treatments. The ramp-up at the hospital is proceeding ahead of schedule.

Opening and expansion of clinics

- *Opening of a new Mother&Child clinic in Vladivostok* with an area of 358 sq m. The clinic has the capacity to carry out 500 IVF cycles, including cycles conducted under the MHI programme, as well as 20,000 doctor's visits per year.
- *Opening of a new Mother&Child clinic in Krasnodar* with an area of 360 sq m. The clinic offers both the core services of the Group, such as OBGYN, prenatal care, IVF and infertility treatment, and medical services for all family members. The new clinic has the capacity to carry out up to 1,000 minor gynaecological operations, around 500 IVF cycles, including under the MHI programme, and more than 26,000 out-patient treatments per year.

FY 2019 Financial Highlights (RUB mln)

	2019	2018	Change y-o-y, %
Revenue	16,160	14,937	+8%
Gross profit	5,784	5,550	+4%
EBITDA	4,635	4,197	+10%
EBITDA margin, %	29%	28%	+0.6 p.p.
Net profit	2,787	2,831	-2%
CAPEX	3,992	3,694	+8%
Net operating cash flow	4,946	4,053	+22%
Net working capital	-1,666	-1,391	+20%
Net debt	3,530	2,950	+20%

Revenue structure

The Group's revenue in FY 2019 amounted to RUB 16,160 mln, up 8% y-o-y. The main drivers of growth were increases in revenue in the Central, Volga and Urals regions.

Revenue from the Group's key areas of medical service – OBGYN, deliveries, IVF and paediatrics – accounted for 69% of total revenue. IVF and Other medical services were the fastest-growing service lines (up 10% and 11% y-o-y, respectively). The growth of the latter segment was primarily driven by the Group's regional hospitals.

Revenue structure in FY 2019 (RUB mln)

	2019	2018	Change y-o-y, %
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%
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Operating expenses, excl. D&A

Operating expenses (excl. D&A) in FY 2019 grew 7% compared to FY 2018 and amounted to RUB 11,525 mln.

Capex and financial position

Total Capex amounted to RUB 3,992 mln compared to RUB 3,694 mln in FY 2018. Key investments in FY 2019 included the completion of construction and purchase of equipment for the Tyumen hospital (RUB 1,158 mln), construction of Lapino-2 (RUB 1,900 mln), as well as renovation of the PMC (RUB 457 mln).

Debt increased 25% from 31 December 2018 to RUB 7,098 mln at the end of 2019, while **net debt** increased 20%, or RUB 580 mln, from the end of 2018 to RUB 3,530 mln. The increase in net debt is tied to the RUB 650 mln effect of first application of IFRS 16 Leases. The net debt to EBITDA ratio amounted to 0.8x.

The Company has historically maintained negative working capital as a source of additional financing. Working capital remained negative at RUB (1,666) mln and amounted to 10% of revenue.

Events occurring after the reporting period

- In January 2020, the Group opened a new a new clinic in Rostov-on-Don. The clinic with a total area of 422 sq m has annual capacity of up to 400 minor gynaecological operations; around 1,000 IVF cycles, including under the MHI programme; and more than 26,000 out-patient treatments per year. Total investment in the project amounted to around RUB 50 mln.
- In the end of January 2020, the Group completed renovation of the Perinatal Medical Center and launched rebranding of its hospitals. Following the renovation, total capacity of the hospital has increased to 3,500 deliveries, around 3,000 IVF cycles, including under the MHI programme, as well as 34,000 in-patient days and over 295,000 out-patient treatments. Total investment in the project amounted to around RUB 600 mln.
- In March 2020, the Group opened a paediatric clinic in the Moscow Region. The new clinic with a total area of 117 sq m provides paediatric care to patients beginning from birth and to 18 years of age. It has a capacity to carry out more than 20,000 out-patient treatments per year. Total investment in the project amounted to around RUB 2 mln.

The Board of Directors recommended a dividend for 2019 of RUB 639 mln, which corresponds to 23% of IFRS net profit for the year. Total dividend for 2019 would amount to RUB 8.5 per share.

Approval of dividends will be discussed at the Annual General Meeting of shareholders (AGM) scheduled for 23 April 2020. The record date for participation in the AGM is 20 March 2020. The deadline for GDR holders to vote is 20 April 2020.

Subject to shareholder approval of the dividend at the AGM, the preliminary dividend record date is set as 30 April 2020. The Group's Global Depositary Receipts will be marked as ex-dividend on 29 April 2020. The pay date for GDR holders is set for 26 May 2020 in US dollars based on the Central Bank of Russia rate as of 20 March 2020.

Under the Russian Tax Code, dividends paid by Russian companies are subject to the following tax rates:

- 15% as a general rule;
- At a reduced rate in the case of Russian tax residents and residents of foreign jurisdictions whose Governments have signed a double taxation treaty (“DTT”) with the Government of Russia.

Detailed information regarding dividend taxation and applicable reduction according to the Russian Tax Code is listed in Appendix 1.

Consolidated financial statements are available on the Company’s web site:

<http://www.mcclinics.com/reports/financialreports/>

Conference call:

On 23 March 2020, the Group’s management will host a conference call and webcast for investors and analysts at 5.00 pm Moscow time (2.00 pm London; 10.00 am New York).

MD Medical Group will be represented by:

- Dr Mark Kurtser, CEO and Member of Board of Directors
- Mr Andrey Khoperskiy, Deputy CEO for Finance and Economics
- Mr Dmitry Yakushkin, Head of IR

The press release, presentation and financial statements will be available prior to the conference call on the Company’s website: <http://www.mcclinics.com/reports/financialreports/>

Webcast link:

<https://78449.choruscall.com/links/motherandchild200323.html>

The call participants may register via the following link: <https://www.diamondpass.net/5089638>

Please note that participants will receive the phone numbers for the call **after registration is completed**.

A recording of the conference call will be made available on the Company’s website.

Please note that this call is only intended for investors and analysts.

This announcement contains inside information.

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About MD Medical Group

MD Medical Group is a leading provider in the highly attractive Russian private healthcare service market. The company manages 41 modern healthcare facilities, including 6 hospitals and 35 outpatient clinics in Moscow and the Moscow Region, St. Petersburg, Ufa, Perm, Samara and the Samara Region, Irkutsk, Novosibirsk, Irkutsk, Yaroslavl, Ryazan, Kostroma, Novokuznetsk, Krasnoyarsk, Omsk, Barnaul, Vladimir, Tyumen, Voronezh, Nizhny Novgorod, Volgograd, Tula, Kazan, Vladivostok, Krasnodar and Rostov on Don.

The Company's shares have been listed on the London Stock Exchange (LSE ticker "MDMG") in the form of Global Depositary Receipts (GDRs) since 12 October 2012.

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.