



Healthcare Group

2014 full year results presentation



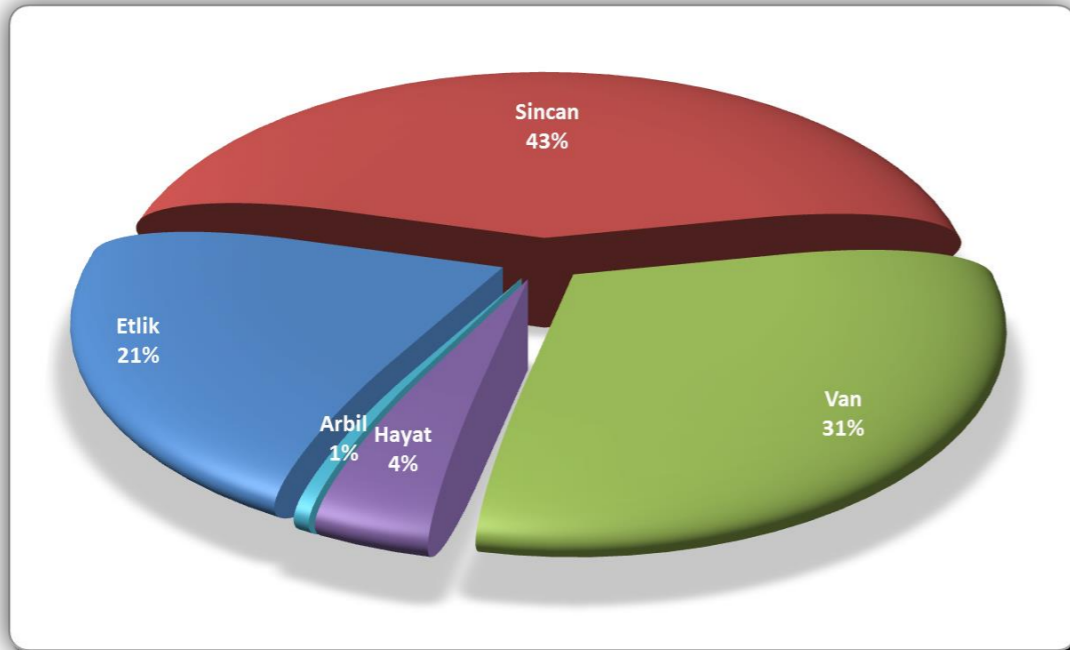
Highlights from 2014 fiscal year

SALES	<ul style="list-style-type: none">We generated TL125M in consolidated net sales, up 16.3% on the year
GROSS INCOME	<ul style="list-style-type: none">At TL18.0M, our cash gross income grew 65.3% year-on-year
EBITDA	<ul style="list-style-type: none">We generated cTL13M of EBITDA (+96.3% year-on-year) with 419bp improvement in margin
EBIT	<ul style="list-style-type: none">Our EBIT stood at cTL6M growing c2.6x year on year
NET	<ul style="list-style-type: none">Net income before minorities reads TL2.0M with income available for shareholders standing at TL1.7M
VAN	<ul style="list-style-type: none">There is strong turnaround in business at Van hospitals as CUR picks up. We see scope for further margin gains as new capacity comes on stream.

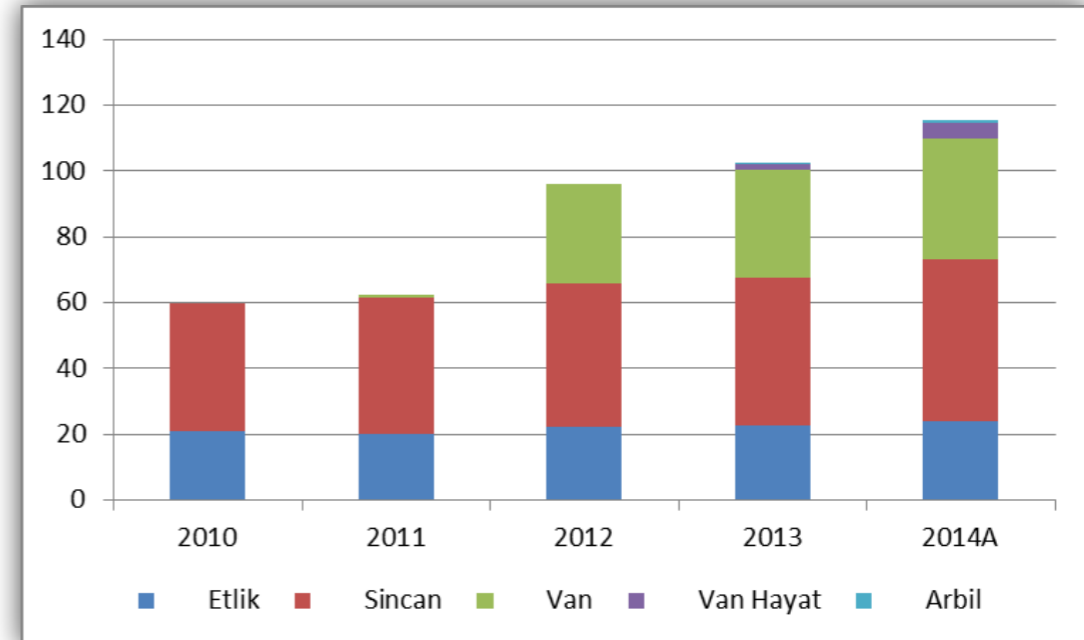
Lokman revenue trends and sales mix



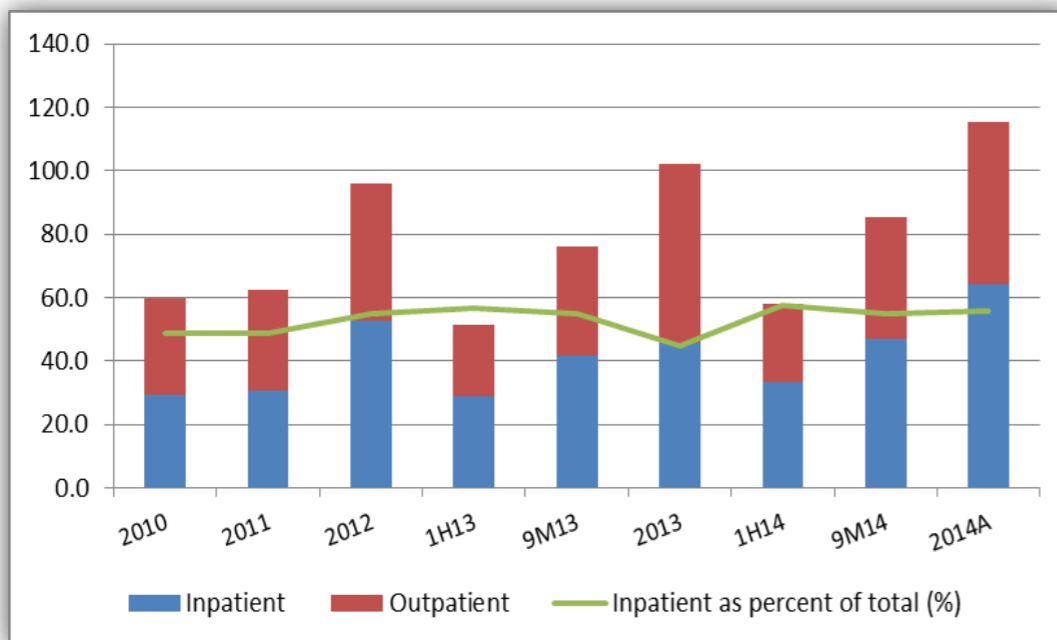
Breakdown of 2014 sales



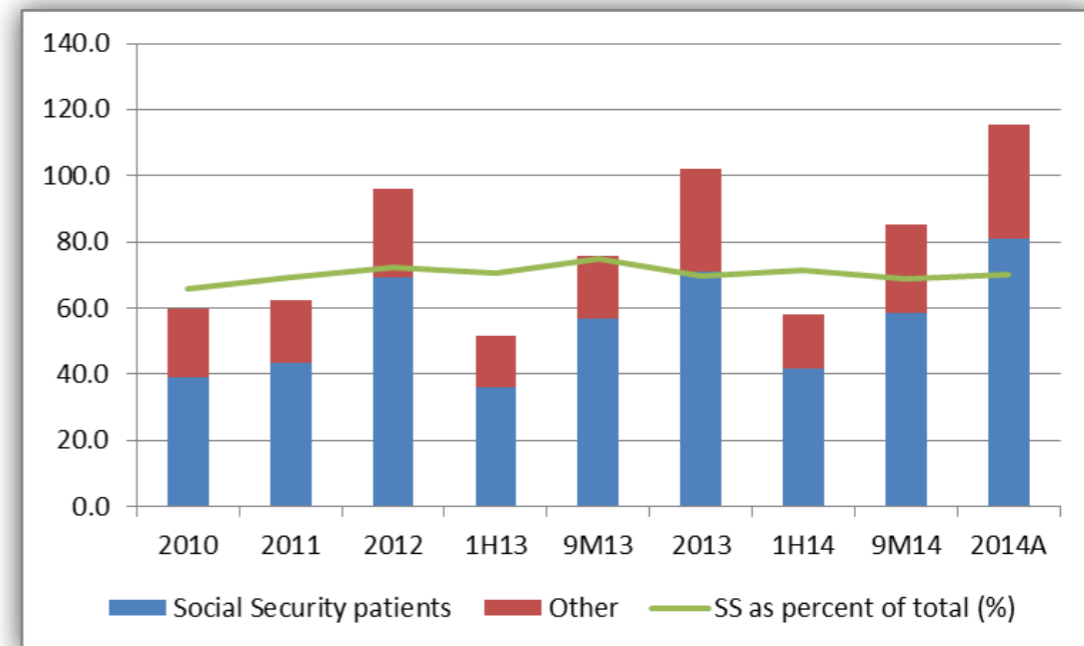
Sales by hospital past 5 years (TLm)



Sales by treatment (TLm)



Sales by payer past 5 years (TLm)



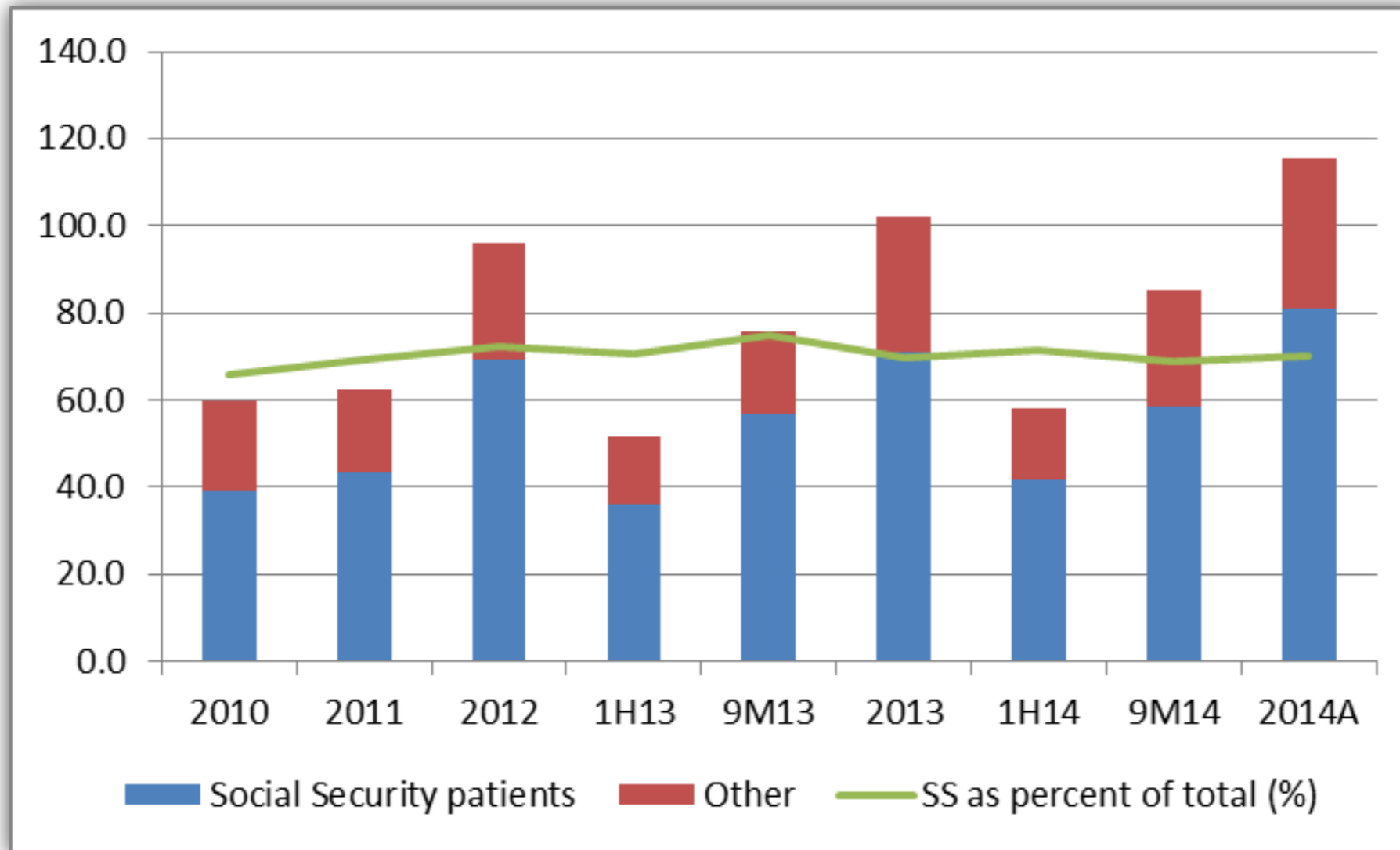
Sources: Company reports

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Social security makes up 70% of sales

Net sales by payer (TL in Millions)



Source: Lokman Hekim

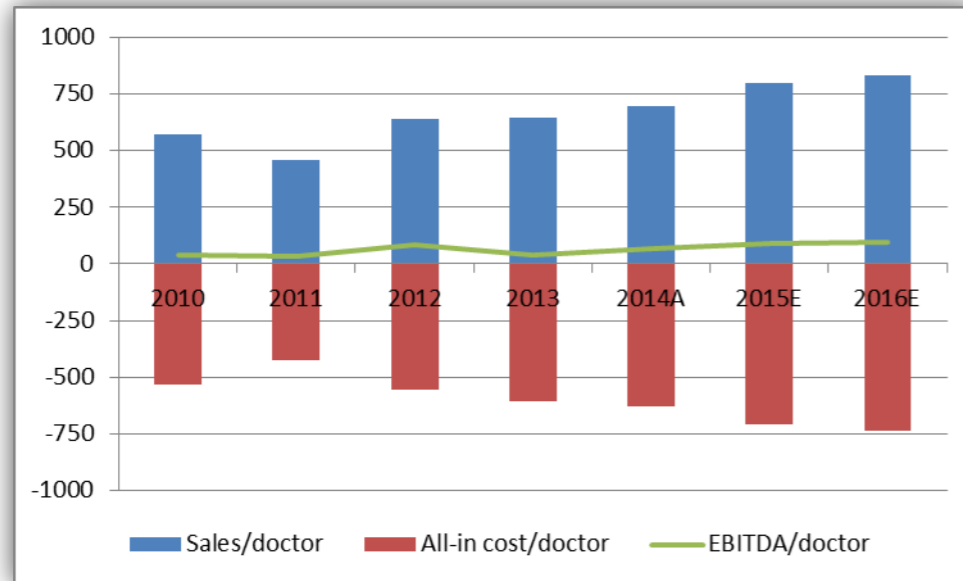
Patients on social security is our largest business



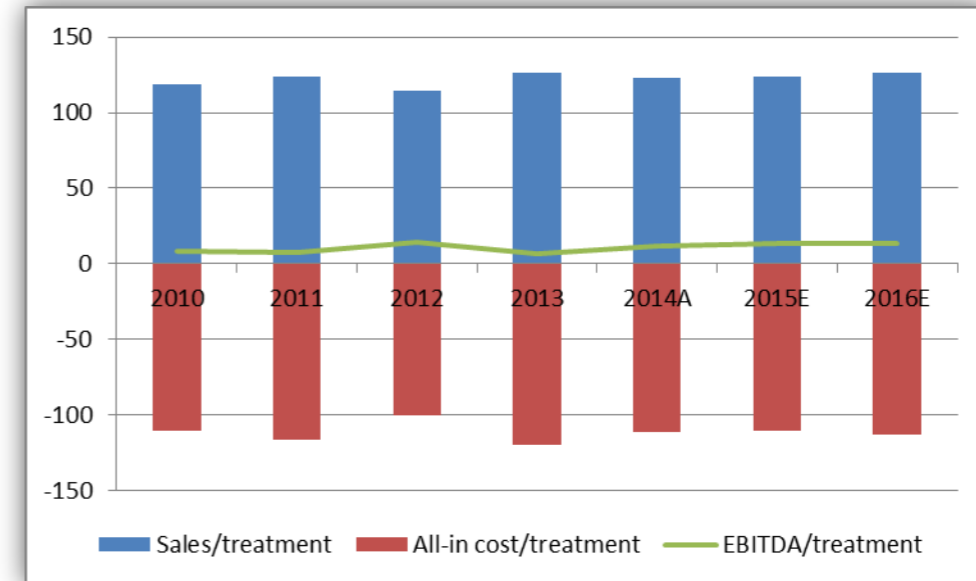
Selected efficiency at Lokman



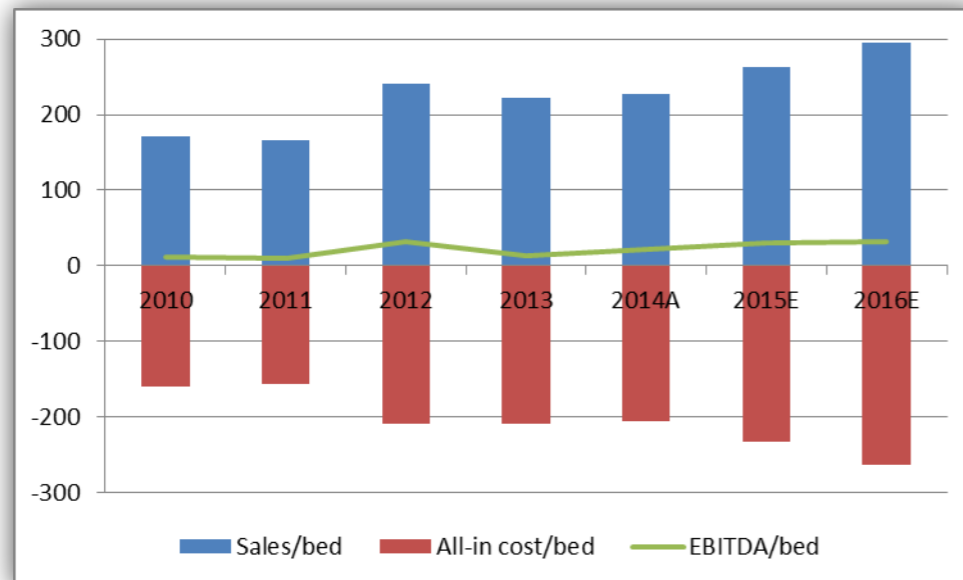
Selected efficiency by doctor (TL'000)



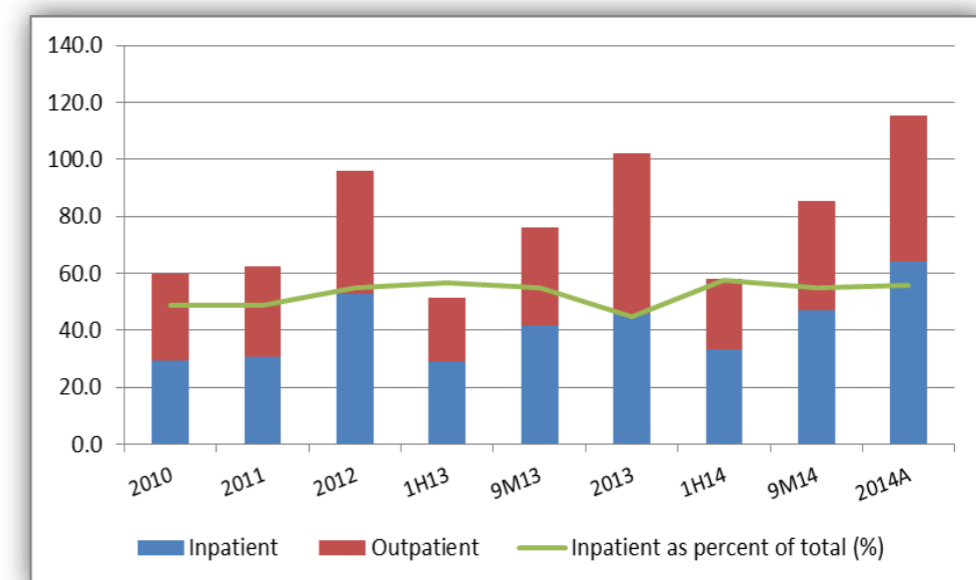
Selected efficiency by treatment (TL)



Selected efficiency by bed (TL'000)



Inpatient - outpatient breakdown of sales (TLm)



Sources: Company reports and Lokman Hekim estimates

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Financials and selected data



Lokman Hekim Engurusag Saglik financials and forecasts

TLm	2010	2011	2012	2013	2014A
1 Sales	59.8	63.0	96.7	107.4	125.0
2 Healthcare services	59.8	62.5	95.9	102.2	115.3
3 Etlık	21.0	20.1	22.3	22.8	24.1
4 Sincan	38.8	41.3	43.6	45.0	49.3
5 Van	0.0	1.1	29.9	32.6	36.4
6 Van Hayat	0.0	0.0	0.0	1.7	4.9
7 Arbil	0.0	0.0	0.0	0.2	0.7
8 Other	0.0	0.0	0.0	0.0	0.0
9 Other sales	0.0	0.5	0.8	5.3	9.7
10 Sales by payer					
11 Social Security (SGK)	39.3	43.3	69.5	71.2	80.9
12 As percent of total (%)	65.8	69.3	72.5	69.7	69.3
13 Other	20.5	19.2	26.4	31.0	34.4
14 Total	59.8	62.5	95.9	102.2	115.3
15 Sales by treatment					
16 Inpatient	29.2	30.5	52.6	45.6	64.2
17 As percent of total (%)	48.8	48.9	54.9	44.6	49.3
18 Outpatient	30.6	32.0	43.3	56.6	51.1
19 Total	59.8	62.5	95.9	102.2	115.3
20 Cash COGS	-48.2	-49.8	-75.2	-96.6	-107.2
21 Gross income	11.6	13.2	21.5	10.8	17.8
22 Cash Opex	-8.1	-9.3	-9.3	-5.2	-7.0
23 EBITDA	4.1	3.9	12.2	5.7	10.8
24 Depreciation	-2.4	-2.4	-3.4	-5.4	-6.9
25 EBIT	1.7	1.5	8.8	0.3	4.0
26 Net interest expense	-2.5	-3.4	-2.8	-2.9	-3.5
27 Other income	1.0	3.0	2.0	1.9	1.9
28 EBT	0.2	1.1	8.0	-0.7	2.4
29 Period tax	0.0	0.0	-0.1	0.0	-0.3
30 Deferred taxes	0.0	-0.1	-1.4	-0.0	0.0
31 Net income	0.2	1.0	6.5	-0.7	2.1
32 Minorities	0.0	0.0	-1.1	-1.2	-0.3
33 Net income after minorities	0.2	1.0	5.4	-1.9	1.8
34 Dividends paid out	0.0	0.0	-2.0	-2.1	-0.8
35 Retained earnings	0.2	1.0	3.4	-4.0	1.0
36 Total assets	69.0	72.1	87.7	126.9	129.8
37 Fixed assets	38.0	42.8	44.4	75.0	74.8
38 Inventories	1.0	1.6	5.1	8.7	5.6
39 Total debt	22.0	23.7	23.7	31.7	33.0
40 Net debt	21.0	22.2	21.5	29.8	30.6
41 Book equity	33.0	34.4	39.6	59.6	59.4

Sources: Lokman Hekim company reports and estimates

Lokman Hekim Engurusag Saglik financials and forecasts

%	2010	2011	2012	2013	2014A
42 Growth measures					
43 Sales		5.3	53.6	11.1	16.4
44 Cash cost of sales		3.3	51.0	28.5	11.0
45 Gross income		13.7	63.5	-49.6	64.5
46 Opex		14.8	-0.0	-44.6	35.5
47 EBITDA		-6.0	216.9	-53.5	90.8
48 EBIT		-14.6	504.4	-96.9	1345.9
49 EBT		426.2	658.4	-108.5	-450.0
50 Net income		376.2	463.5	-135.0	-193.7
51 Asset		4.5	21.6	44.6	2.3
52 Book equity		15.1	15.1	50.4	-0.2
53 Margins					
54 Gross margin	19.4	20.9	22.2	10.1	17.8
55 EBITDA margin	6.9	6.2	12.7	5.6	9.4
56 EBIT margin	2.8	2.3	9.1	0.3	3.2
57 Net margin	0.3	1.5	5.6	-1.7	1.4
58 Depreciation/Sales	-4.0	-3.8	-3.5	-5.0	-5.5
59 Depreciation/Fixed Assets	-6.3	-5.6	-7.7	-7.2	-7.7
60 Inventories/Sales	1.7	2.6	5.3	8.1	6.5
61 Opex/Sales	-13.6	-14.8	-9.6	-4.8	-9.1
62 Cost of funding (net)	-11.9	-15.3	-13.0	-9.6	-11.0
63 Profitability					
64 Asset turnover	86.6	87.3	110.3	84.7	96.4
65 ROA	0.3	1.4	6.7	-1.7	1.4
66 ROE	0.6	2.8	14.5	-3.8	3.0
67 Leverage ratios					
68 Debt/Assets	31.9	32.9	27.0	25.0	25.5
69 Debt/Equity	66.7	68.9	59.8	53.3	55.6
70 Net debt/Equity	0.6x	0.6x	0.5x	0.5x	0.5x
71 Net debt/EBITDA	5.1x	5.8x	1.8x	5.2x	2.8x
72 Dividend pay-out		0.0	-36.7	-38.7	42.0
73 Per share data and multiples					
74 EPS (TL)	0.01	0.04	0.27	(0.03)	0.09
75 BVPS (TL)	1.38	1.43	1.65	2.48	2.48
76 DPS (TL)	0.00	0.00	(0.08)	(0.09)	(0.03)
77 CFPS (TL)	0.03	(0.20)	0.15	(0.49)	(0.00)
78 Dividend yield (%)	0.0	0.0	-3.3	-3.5	-1.3
79 Earnings yield (%)	0.3	1.6	10.8	-1.2	3.5
80 FCF yield (%)	1.3	-8.2	6.2	-19.6	-0.1
81 EV/Sales	1.5x	1.4x	0.9x	0.8x	0.7x
82 EV/EBITDA	21.9x	23.3x	7.3x	15.8x	8.3x
83 P/FCF	75.8x	-12.2x	16.3x	-5.1x	-1173.6x
84 PER	300.0x	63.0x	9.3x	-82.9x	28.7x
85 PBR	1.8x	1.7x	1.5x	1.0x	1.0x

Sources: Lokman Hekim company reports and estimates



Lokman Hekim mission and strategy

- 1 • Our objective is to become a leading hospital network in Turkey with a 10 year view.
- 2 • Turkish healthcare sector is crowded, which makes it hard to achieve efficiency for existing operators.
- 3 • We intend to turn sector's fragmentation to our advantage. Fragmentation indeed creates space and opportunity for a focused private chain like ours to grow faster and help consolidate.
- 4 • We are currently looking to add capacity selectively in regions where we believe we have competitive edge; we are also considering investments in Istanbul, where we have no presence.
- 5 • We think valuations are attractive as majority of the firms operating in the sector experience margin pressure. It is indeed a good time to acquire.
- 6 • We are also open to partnerships both in know-how and distribution provided joint ventures help us achieve our long-term objectives

Lokman Hekim targets



Our long term EBITDA margin objective is 15%. We intend to accomplish this target without compromising on service quality and brand name by

- 1 • Turning **regional cost differentials** to our advantage
- 2 • Raising gradually the **contribution of higher margin private insurance** business to our sales
- 3 • Improving **pricing power** with suppliers by taking advantage of **economies of scale** as we acquire and grow business
- 4 • Using our **experience gathered in underpenetrated regions** of the country to position in Central and Eastern Anatolia

Lokman Hekim milestones



- 1996 • Lokman Hekim is established
- 2002 • Etlik Hospital becomes operational
- 2008 • Sincan Hospital becomes operational
- 2011 • IPO + listing on Stock Exchange, investment in 1st Van hospital
- 2012 • Van Hayat, 2nd hospital in Van becomes operational
- 2013 • Erbil investments: Erbil Imaging Centre joins the network



Lokman today – 500+ beds, 161 doctors



Ankara
Etlik



Ankara
Sincan



Van

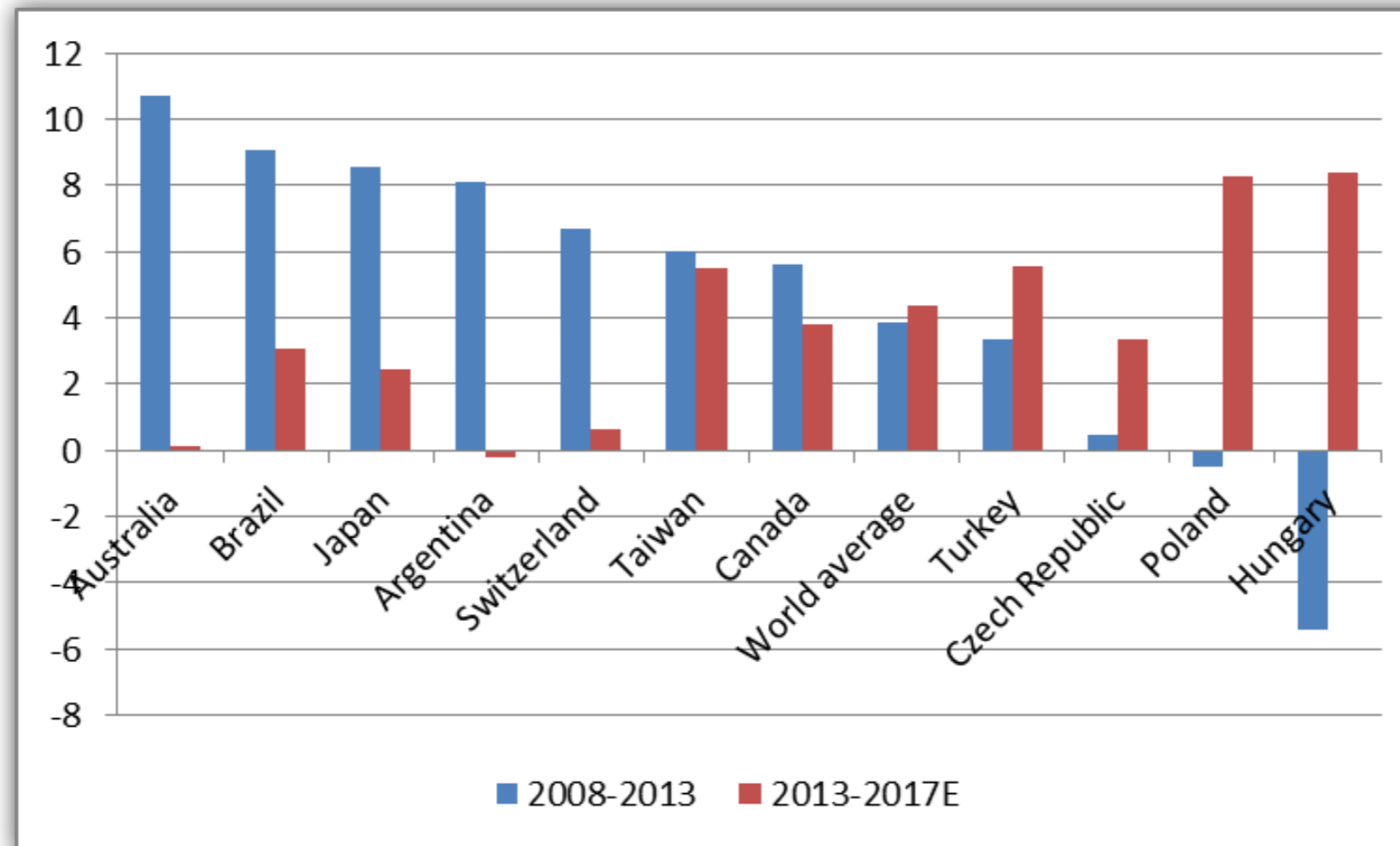


Van
Hayat

An overview of Turkish healthcare



The sector in context – sales CAGR (%)



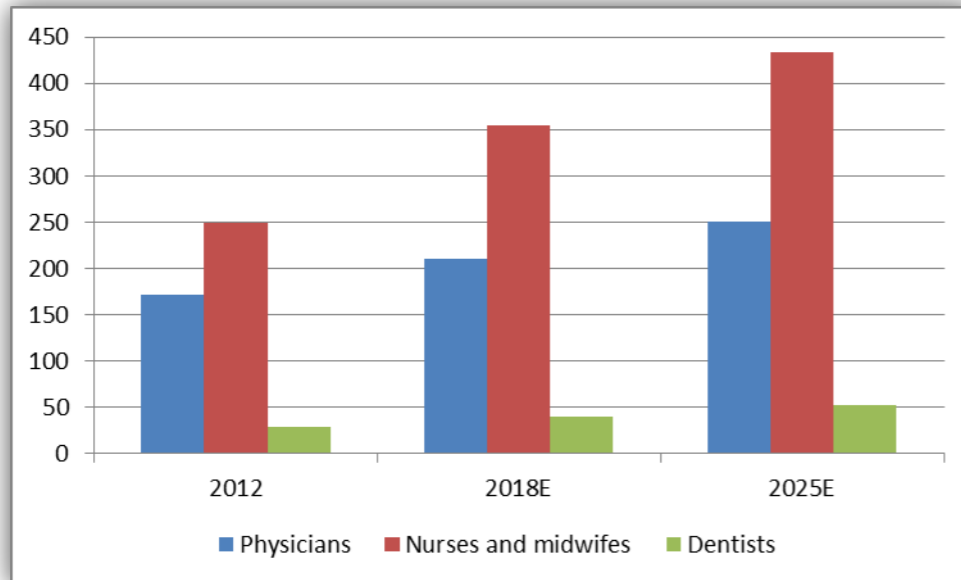
Sources: WHO, Industry reports, and Lokman Hekim estimates

Growth in Turkish healthcare sector is projected to outperform the world average significantly with a 3YR view

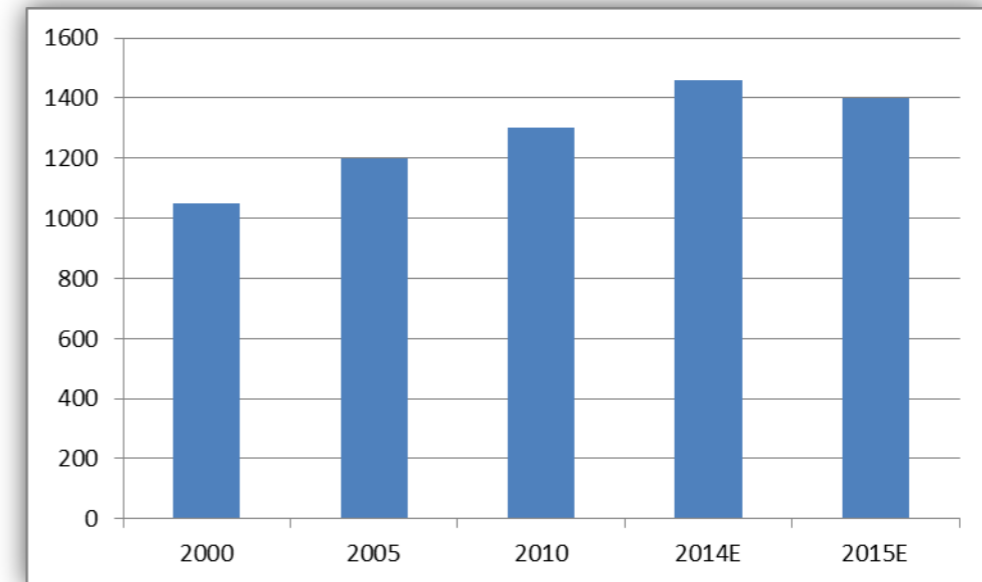
Turkish healthcare industry data



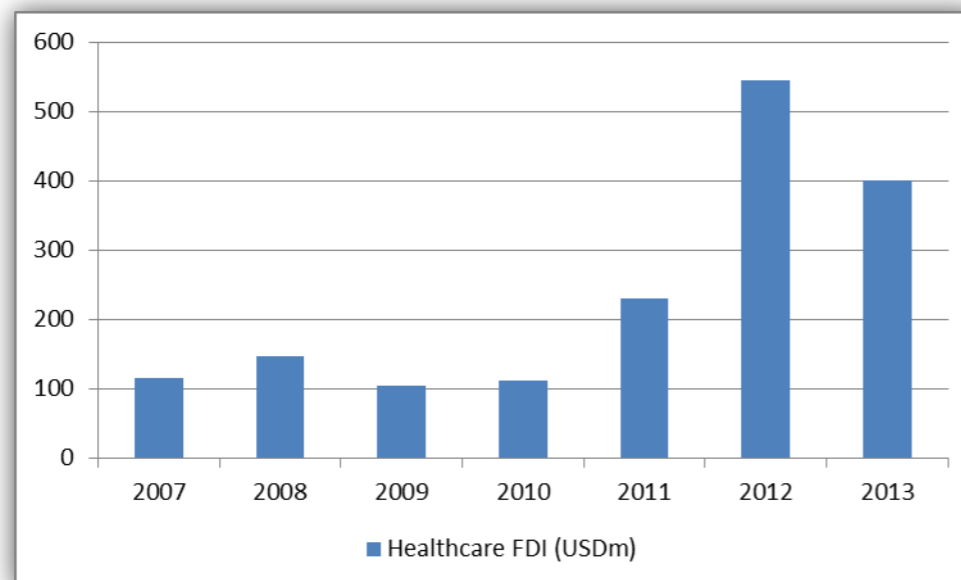
Doctors, dentists and nurses per 100K population



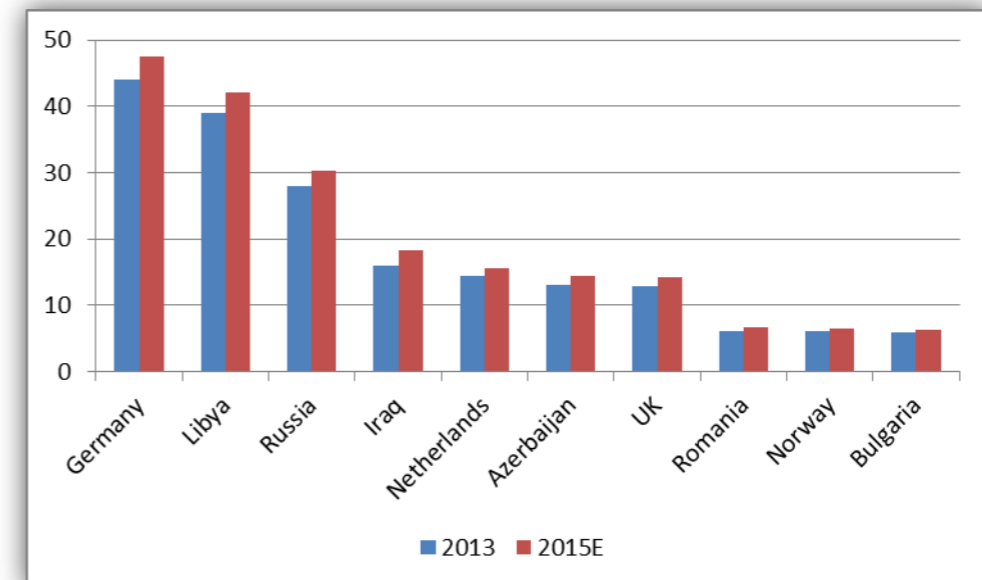
Number of hospitals – consolidation ahead?



FDI to Turkish healthcare sector (USD m)



Healthcare “tourists” in Turkey (‘000)



Sources: WHO, Industry reports, and Lokman Hekim estimates

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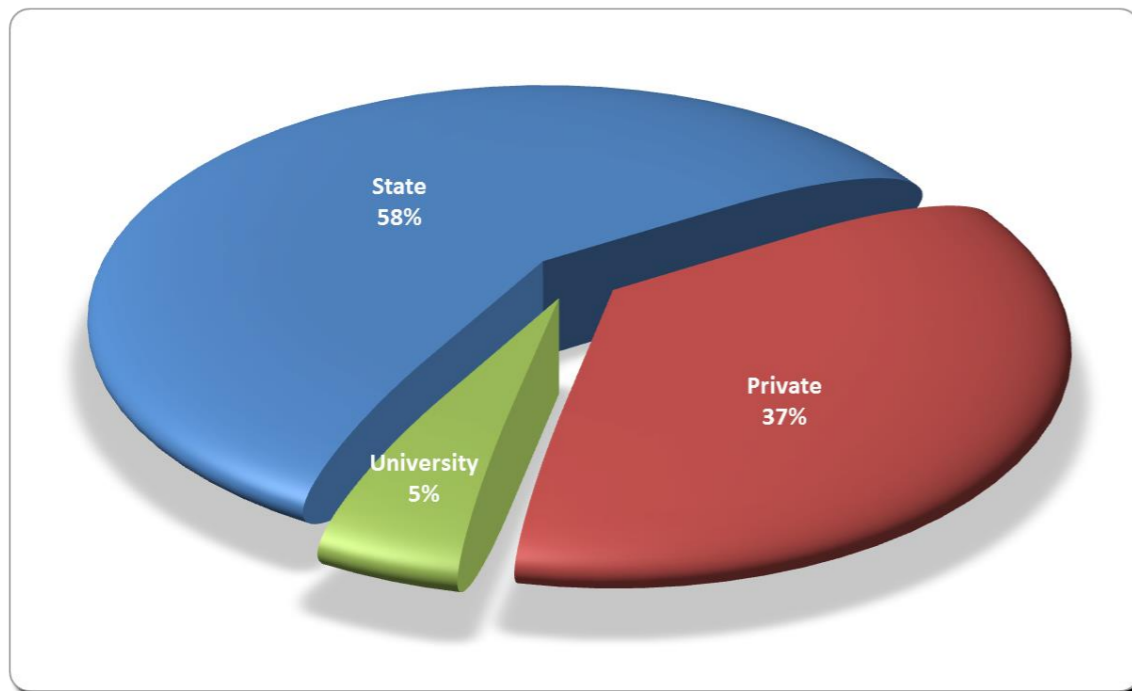




Turkish healthcare providers

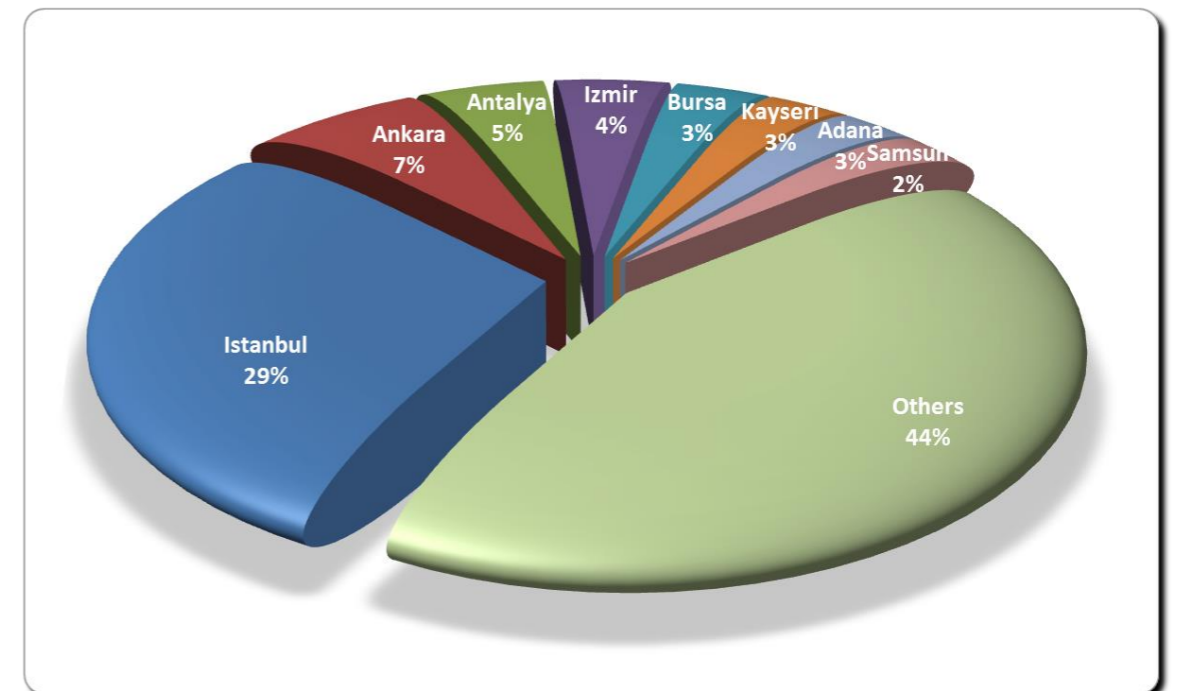
Breakdown of hospitals by ownership and geography

State v private (%)



Total hospital count as at 2014: 1,493

Geographical breakdown of private hospitals



Private hospital count as at 2014: 550

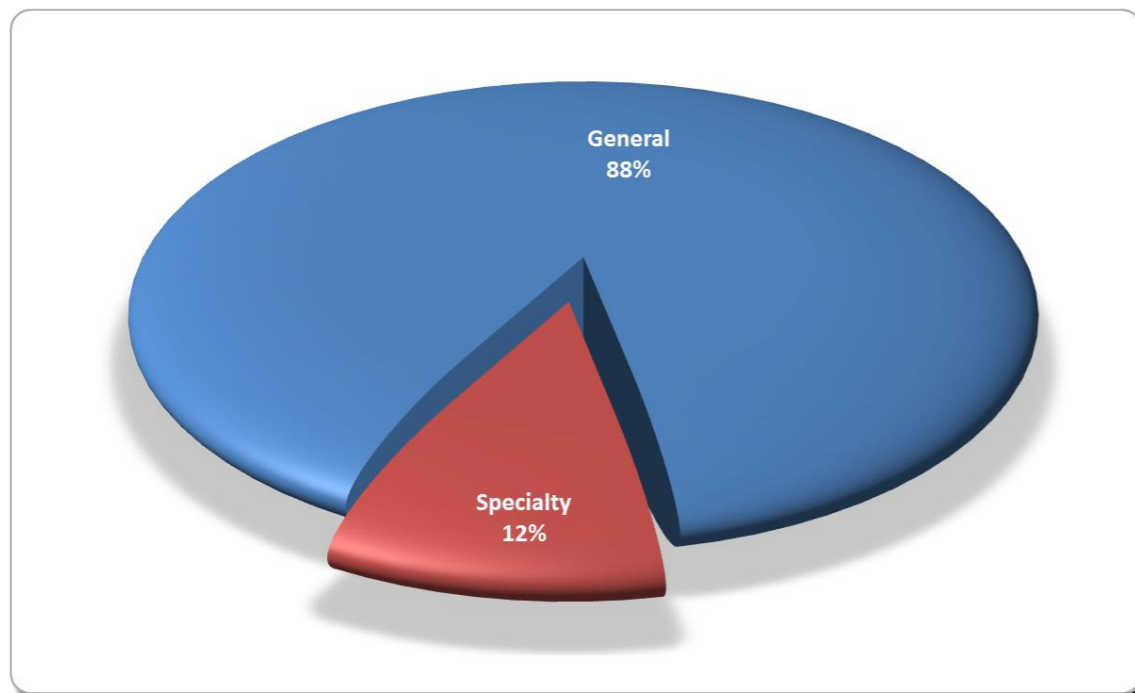


Turkish healthcare – general v speciality



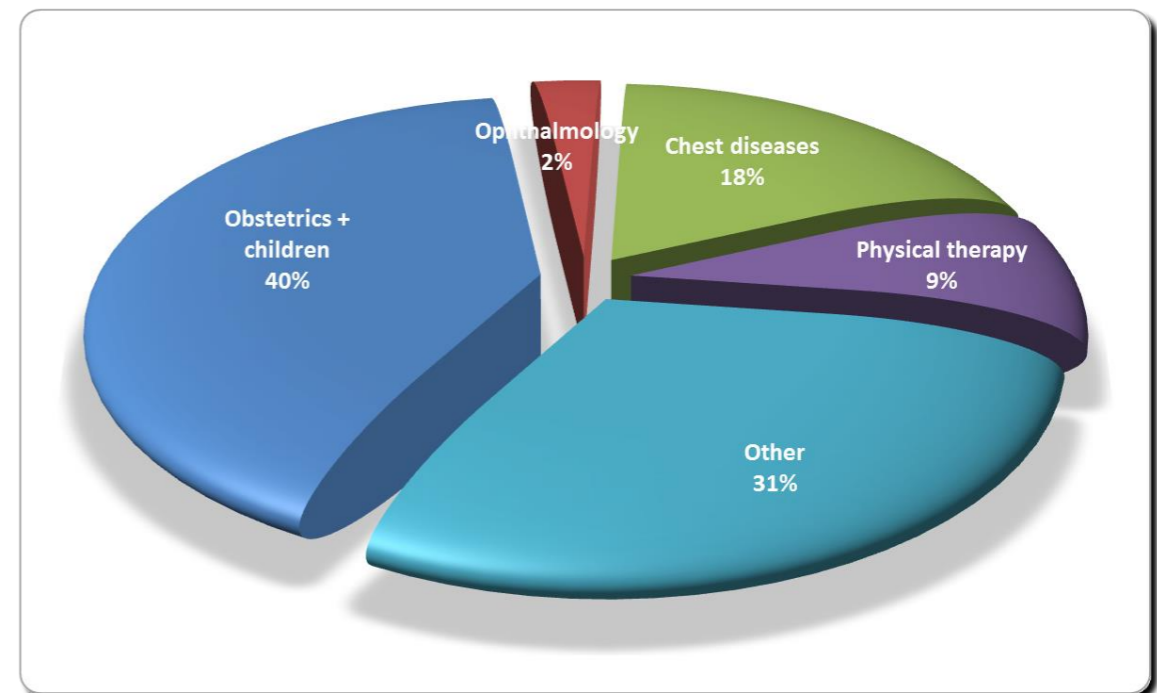
Breakdown of hospital beds by speciality

General v speciality (%)



Total bed count as at 2014: 200.0K

Breakdown of speciality (%)

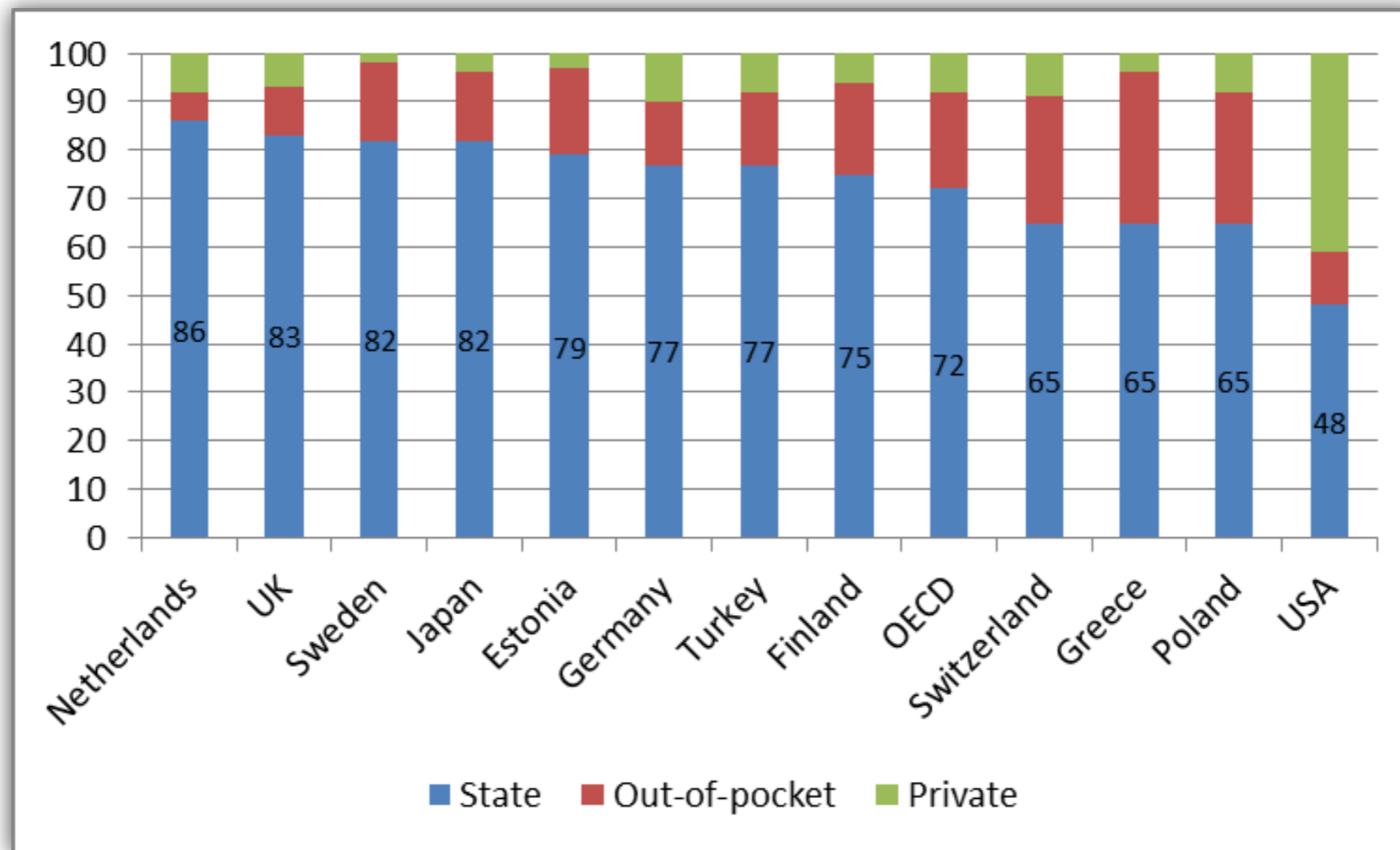


Speciality bed count as at 2014: 23.1K

Who pays for healthcare?



Healthcare spending by payer across OECD (%)



Sources: WHO, Industry reports, and Lokman Hekim estimates



THANK YOU

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Lokman Hekim Group Consolidated Financial Statements can be reached from the following website <http://lokmanhekim.com.tr/tr/yatirimci-iliskileri/yatirim-bilgileri/faaliyet-raporlari>.

