



Investor Presentation

4Q18 Earnings
Report

February 2019

Executive summary



We report a marked improvement in both inpatient and outpatient revenues in the last quarter of 2018. The December quarter average revenue per admission grew 29% year-on-year (+8% QoQ). We are particularly pleased by the strong turnaround at Akay, where sales grew 39.7% on the year to make up 28% of our network total. We continue to deliver top-line growth with earnings. The net income for the full-year indeed grew 32.5%. We have posted TL0.12 in December quarter earnings per share versus TL0.04 reported in the previous quarter on the back of strong margin gains. Leverage metrics are manageable with net debt to EBITDA remaining below 3x mark. The results for the full year are broadly in line with our published guidance. We would like to thank our shareholders for their support and patience. We will release our 2019 outlook statement before the annual stockholders' meeting.



Investment highlights

A massive and underserved market.

Comprehensive provider of medical services with extensive footprint in maternity and cardiology.

Leading hospital chain in Central and Eastern Turkey.

Execution on strategic priorities under a management focused on shareholders value.

Benefiting from operating leverage driving toward profitability objectives.

Lokman as at December 2018



5 Hospitals



282 Physicians

2 Outpatient clinics

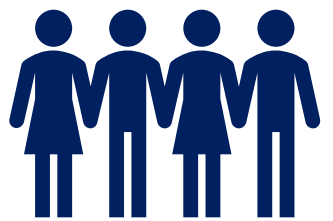
830 Nurses and technicians



650 Beds



2,095 Employees



2 PPP locations

2 International POS

1 Helipad



Lokman as at December 2018



18 Operating theaters

93 General medicine ICUs

15 Cardiovascular ICUs

24 Coronary ICUs

103 Infant ICUs



Lokman Hekim hospitals

**Ankara Etlik
2002**



Facility – Hospital
Space: 2,900 SQM
Current capacity – 37 beds
Planned capacity – 100 beds

**Ankara Sincan
2008**



Facility – Hospital
Space: 17,500 SQM
Current capacity – 201 beds
Planned capacity – 220 beds

**Ankara Akay
2016**



Facility – Hospital
Space: 18,000 SQM
Current capacity – 126 beds
Planned capacity – 146 beds

**Van
2012**



Facility – Hospital
Space: 12,500 SQM
Current capacity – 216 beds
Planned capacity – 216 beds

**Van Hayat
2013**



Facility – Hospital
Space: 4,500 SQM
Current capacity – 69 beds
Planned capacity – 75 beds

Other Lokman locations

**Outpatient
clinics**

Ankara Demet, 2016



Facility – Polyclinic
Space: 2,400 SQM

Erbil, Iraq, 2013



Facility – Imaging Centre
Space: 2,000 SQM

**PPP
locations**

Ankara Bilkent, 2019E



Facility – City Hospital Campus
Bed count – 3,831
Lokman’s mandate – PTR Center
PTR bed count – 300

Elazig, 2018



Facility – City Hospital Campus
Bed count – 1,038
Lokman’s mandate – PTR Center
PTR bed count – 90

Map of Lokman Hekim



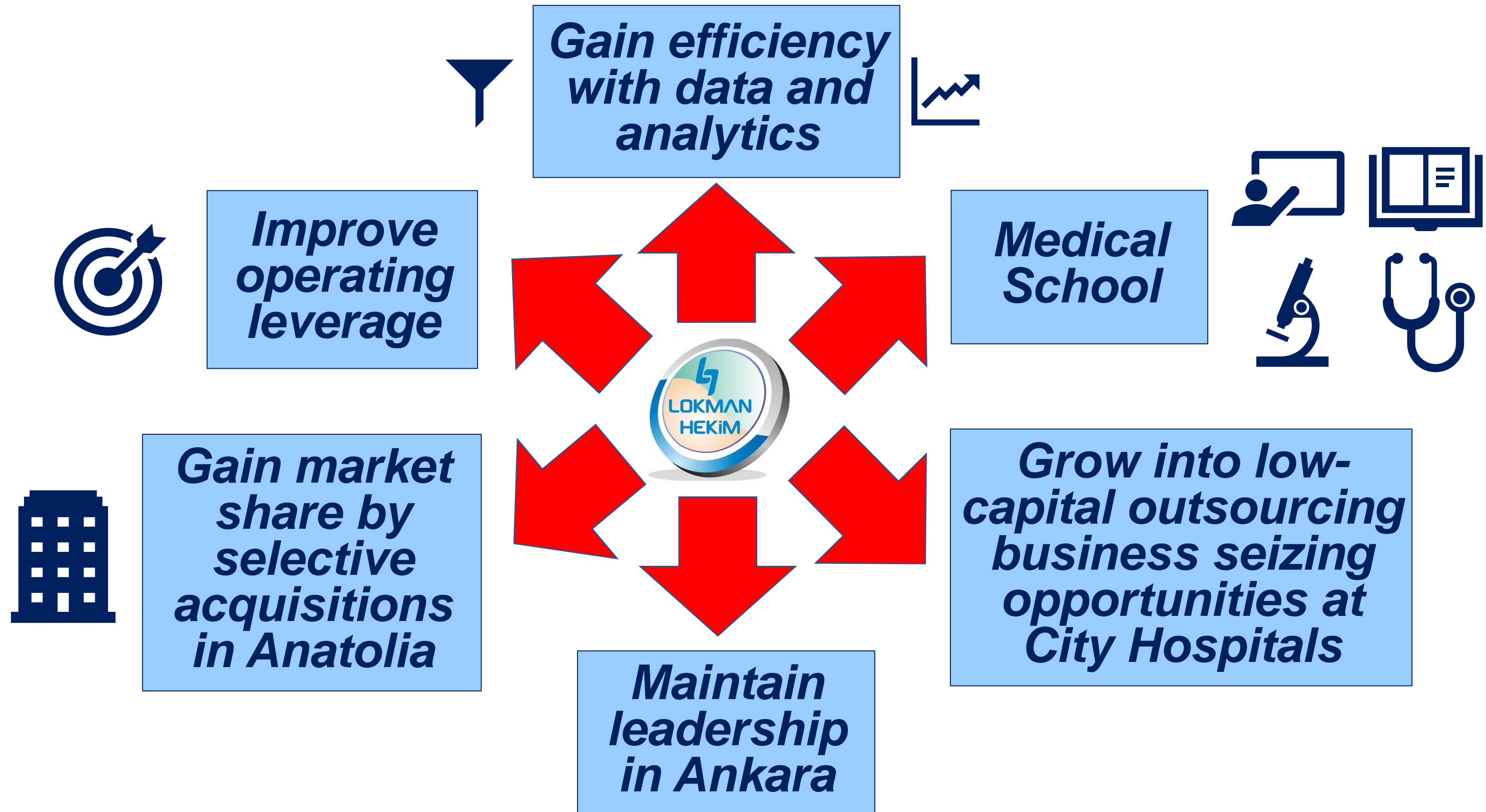
Ankara
3 hospitals
+ 1 Outpatient clinic
+ PPP project
+ Medical School

Van
2 hospitals

Elazig
PPP project

Erbil, Iraq
1 outpatient clinic

Strategic priorities



4Q18 headlines

3Q18

265K patient admissions
14.3K inpatient treatments

4Q18

276K patient admissions
15.1K inpatient treatments

3Q18

Revenues **TL69.7M**
Cash Gross Income **TL9.9M**
EBITDA **TL6.9M**
EBIT **TL3.6M**
Earnings **TL1.0M**
EPS **TL0.04**

4Q18

Revenues **TL79.2M**
Cash Gross Income **TL13.7M**
EBITDA **TL11.2M**
EBIT **TL8.3M**
Earnings **TL2.9M**
EPS **TL0.12**



Full year results in context

2017

1,060K patient admissions
59.5K inpatient treatments

2018

1,108K patient admissions
60.7K inpatient treatments

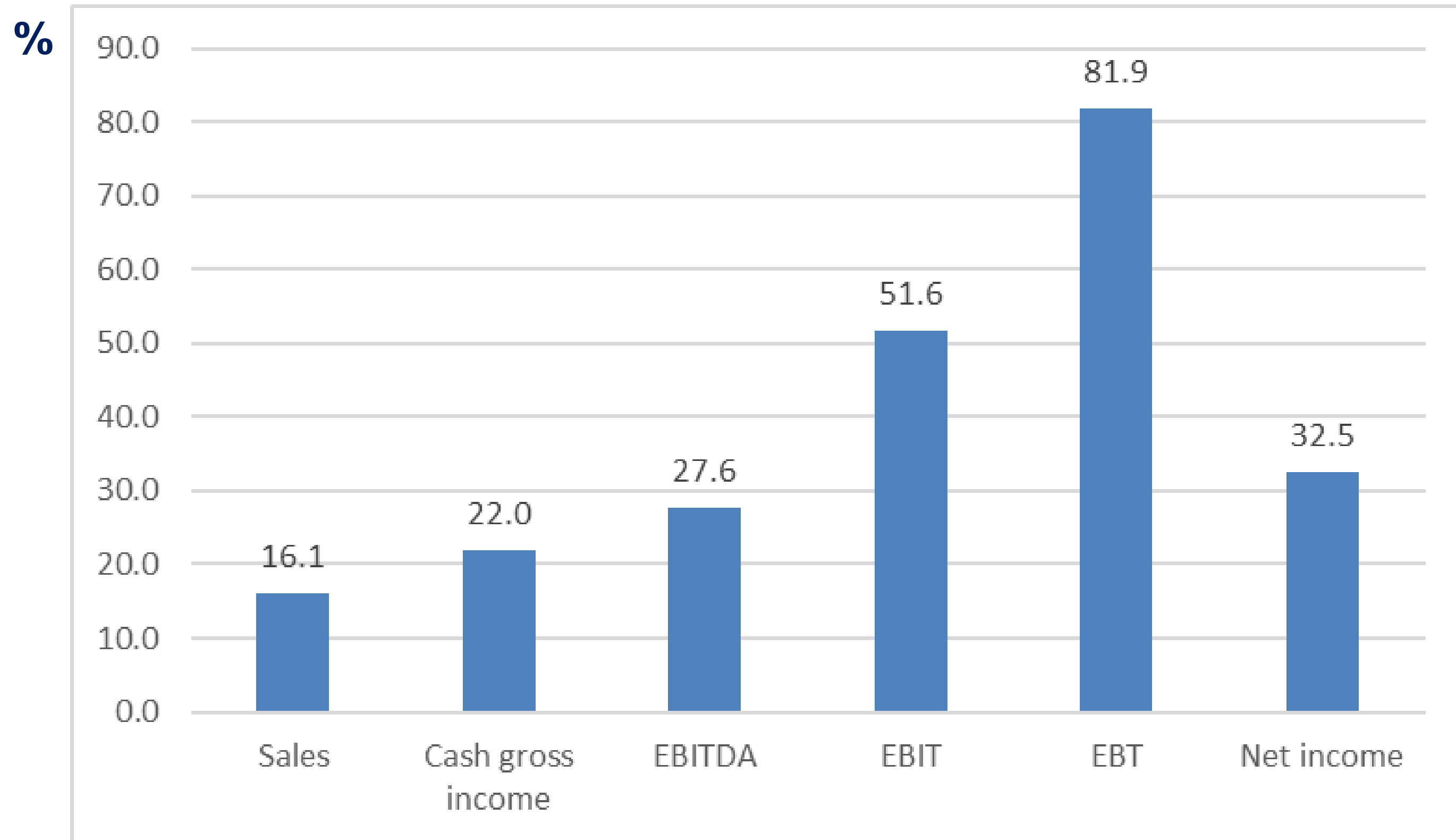
2017

Revenues **TL246M**
Cash Gross Income **TL39M**
EBITDA **TL28M**
EBIT **TL17M**
Earnings **TL6.3M**
EPS **TL0.26**

2018

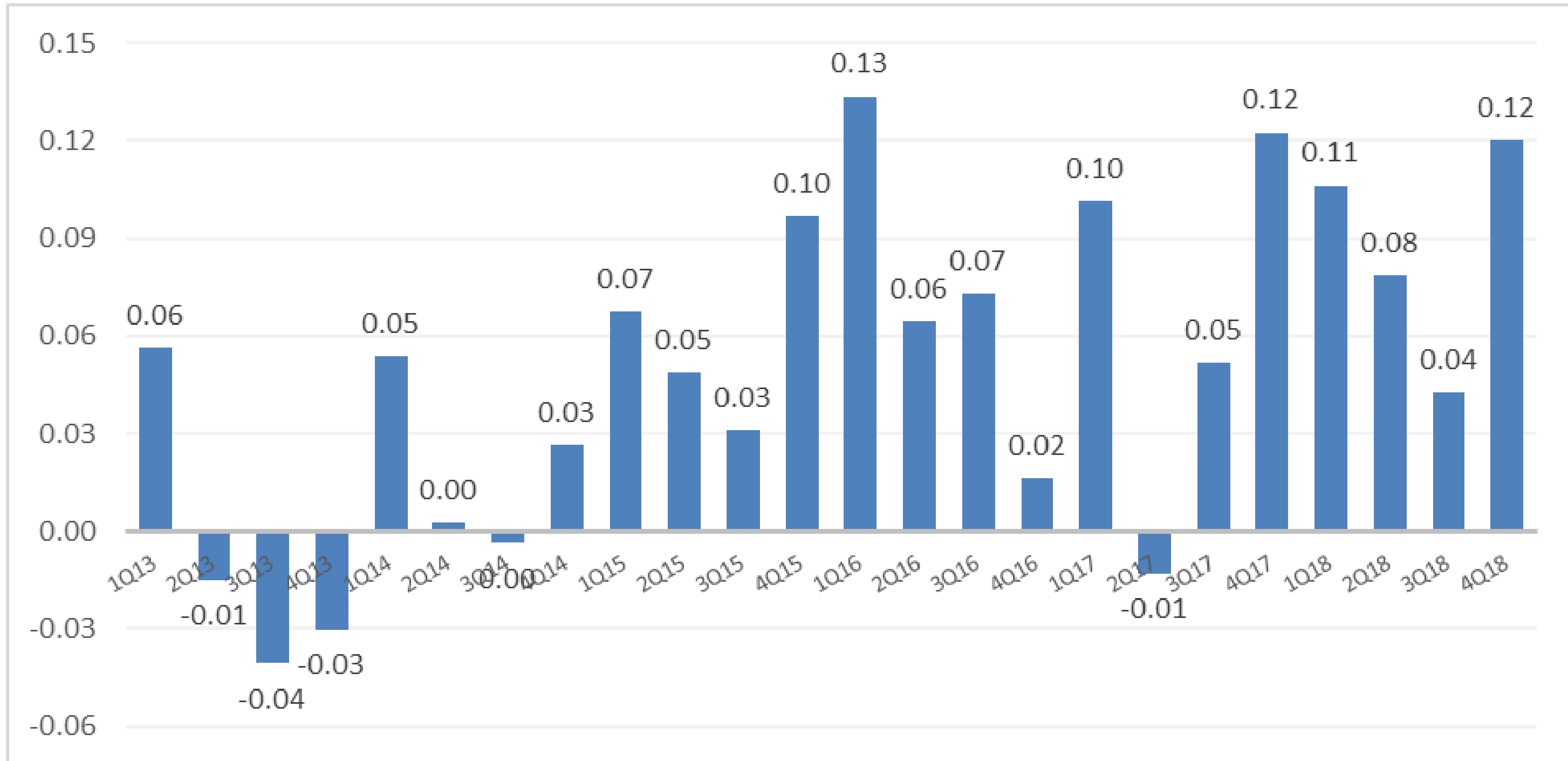
Revenues **TL286M**
Cash Gross Income **TL48M**
EBITDA **TL36M**
EBIT **TL25M**
Earnings **TL8.3M**
EPS **TL0.35**

Full year financials – YoY growth



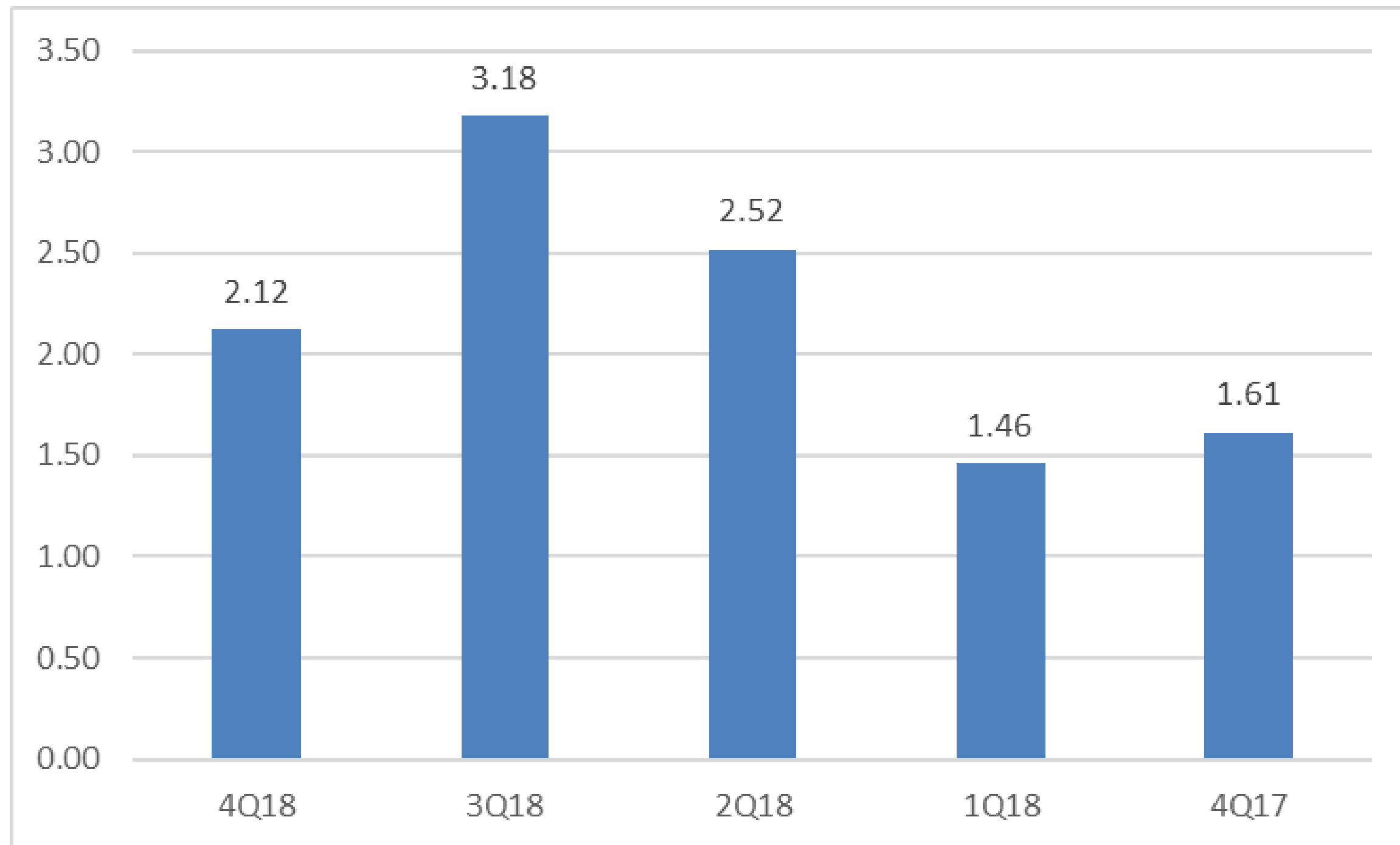
Earnings per share trends

TL





Net debt to EBITDA (x)

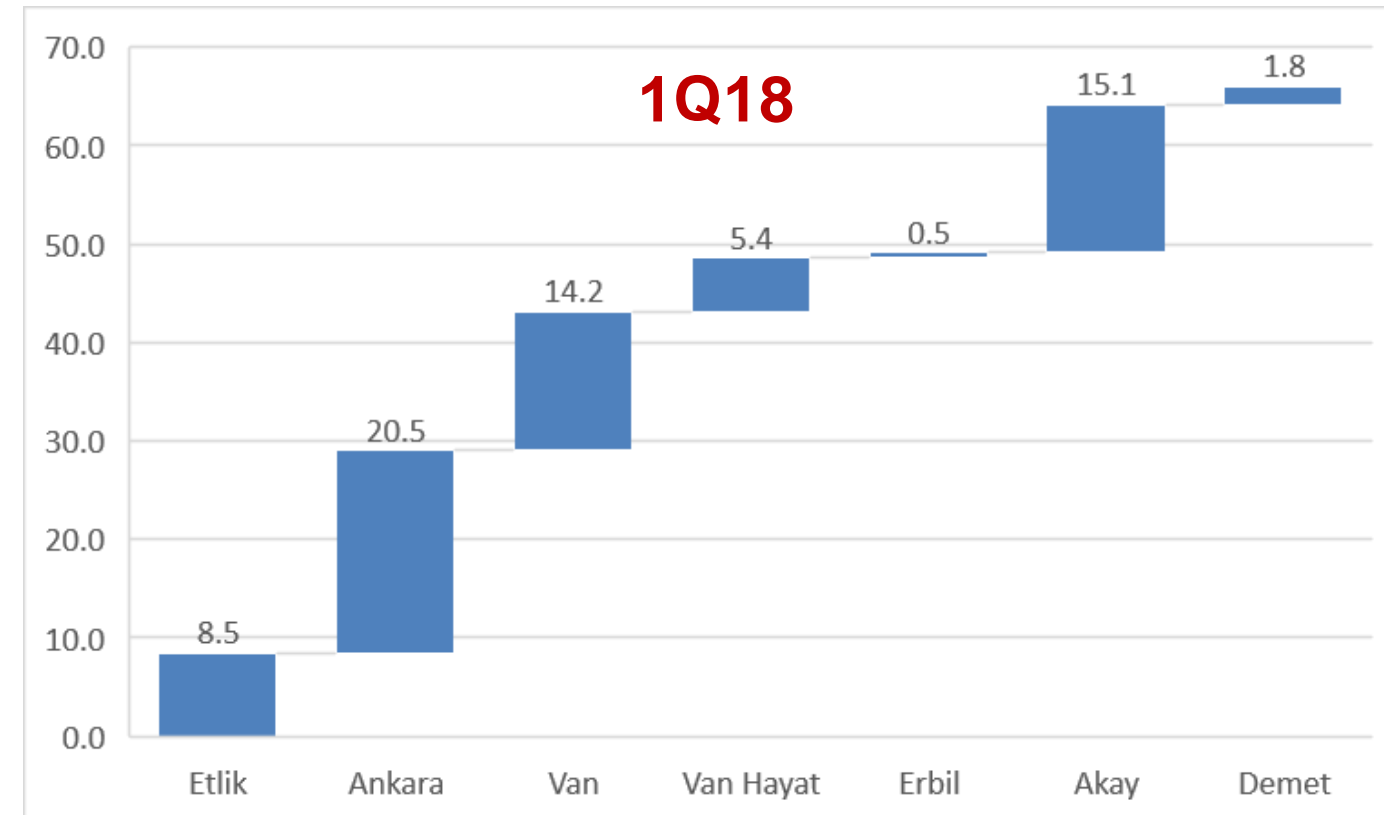
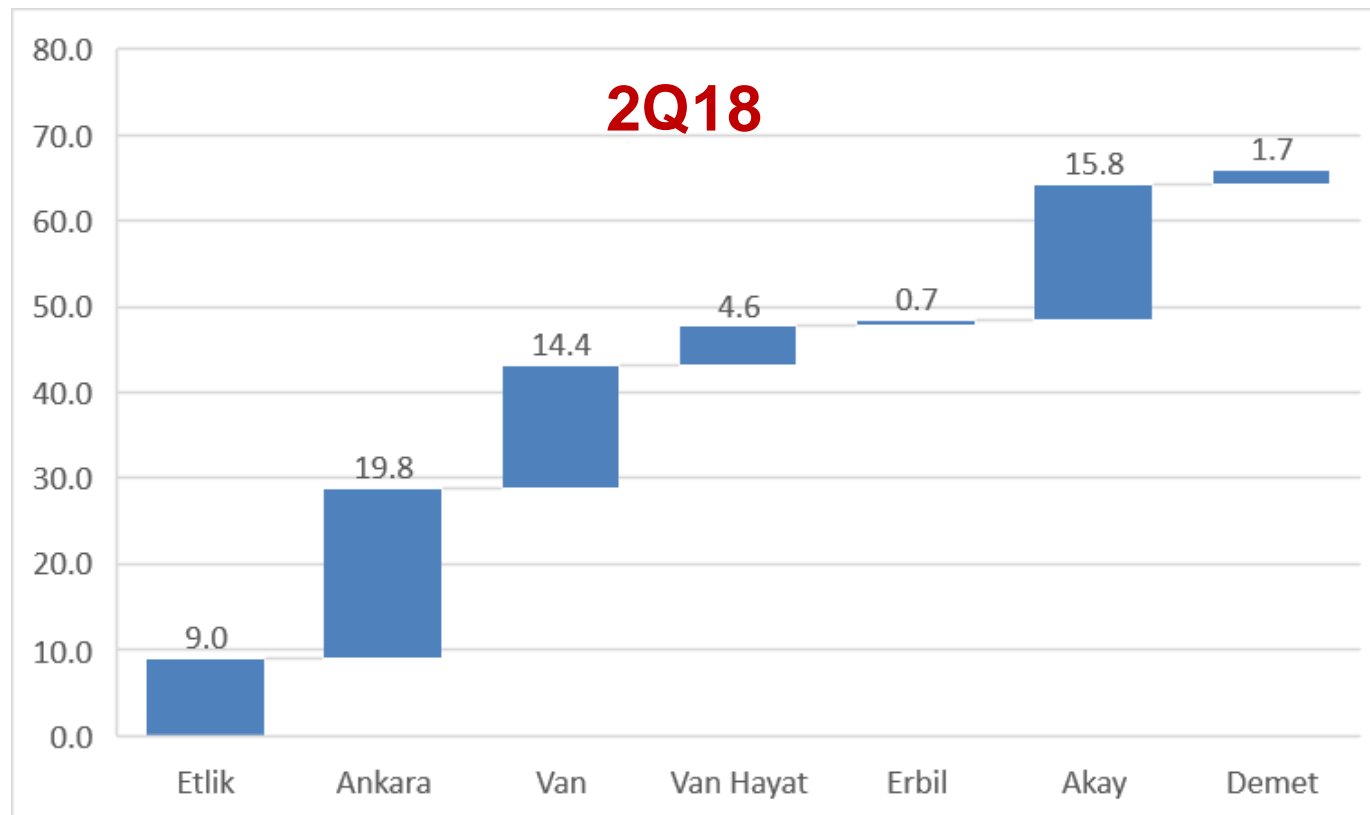
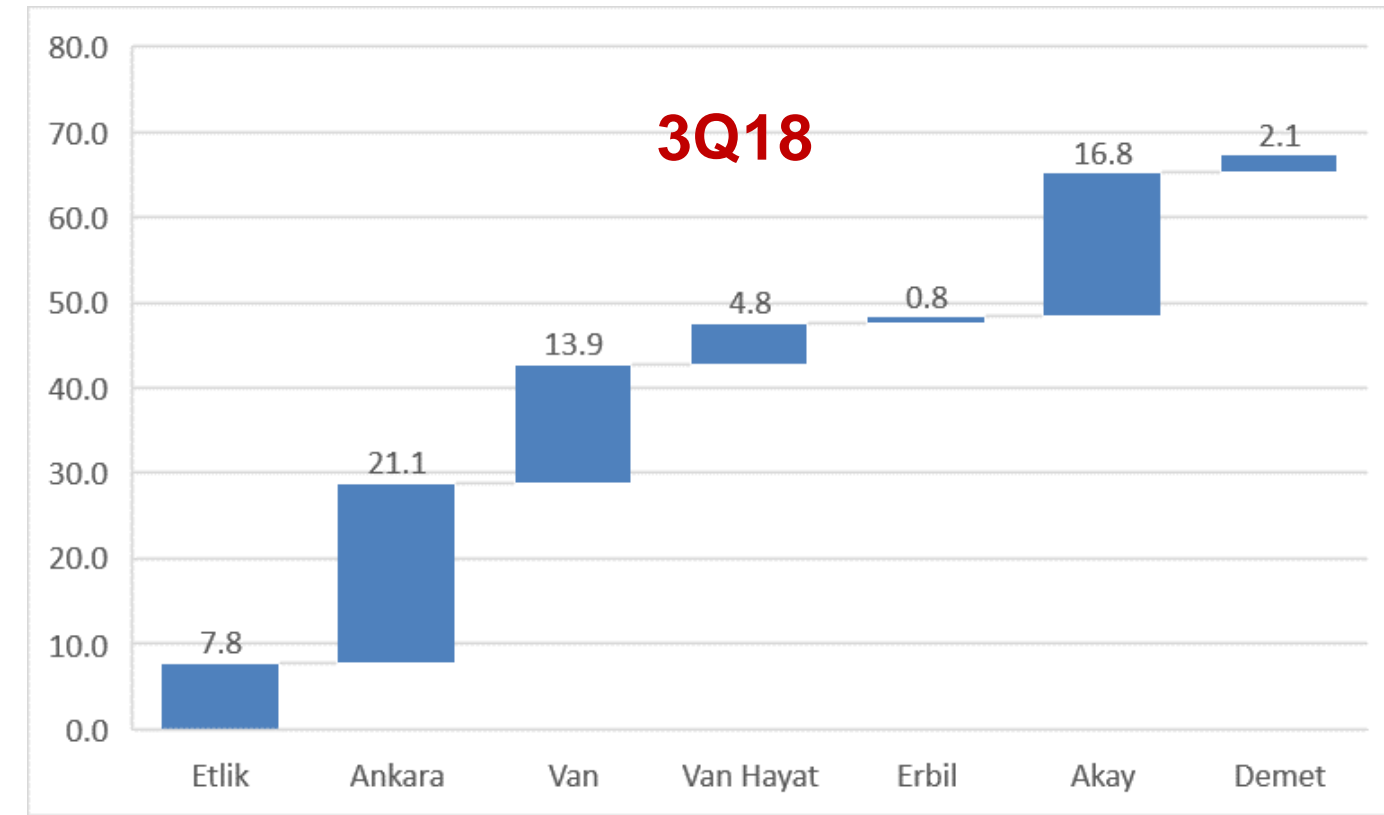
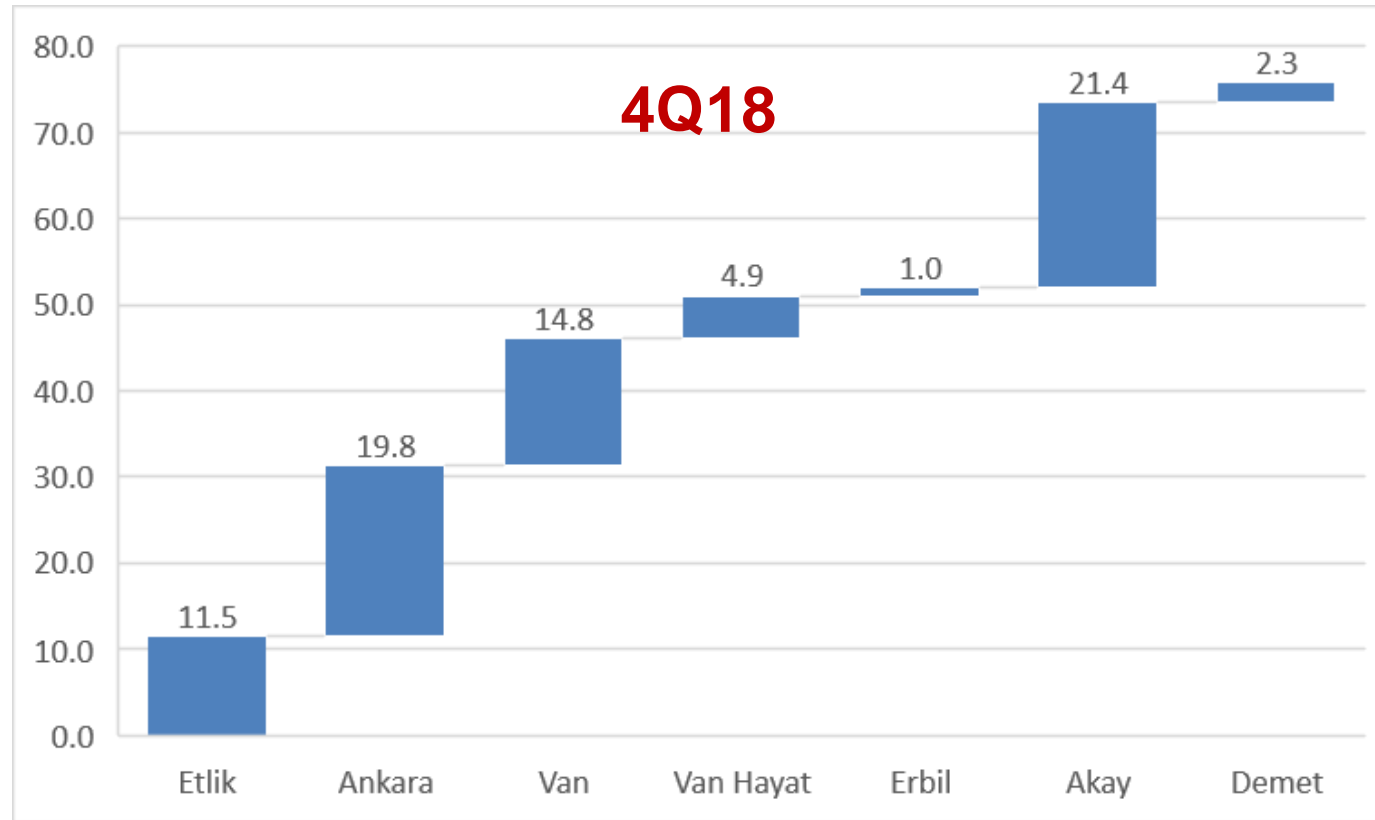


End of quarter net debt divided by annualized EBITDA for each quarter

Revenue bridge by location



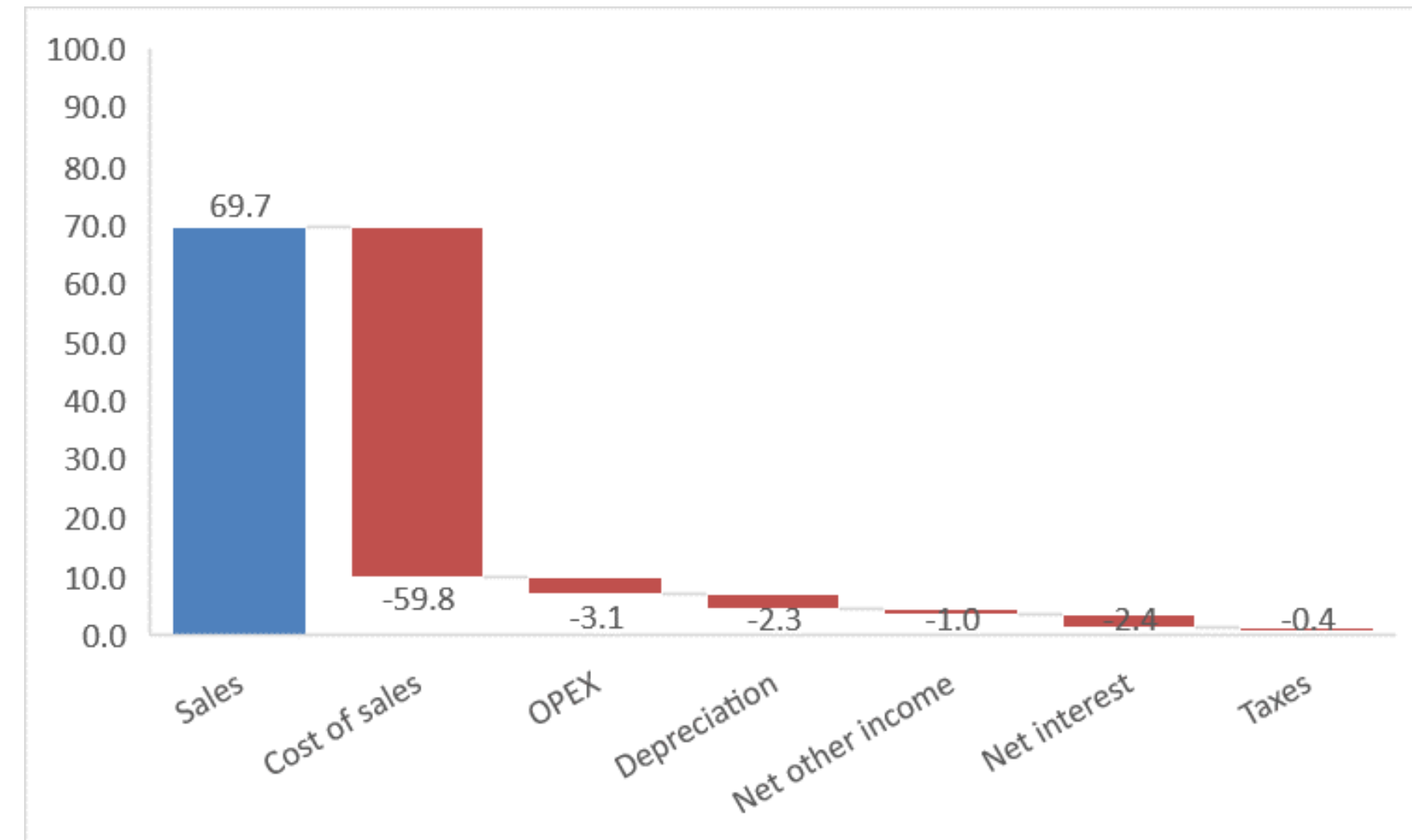
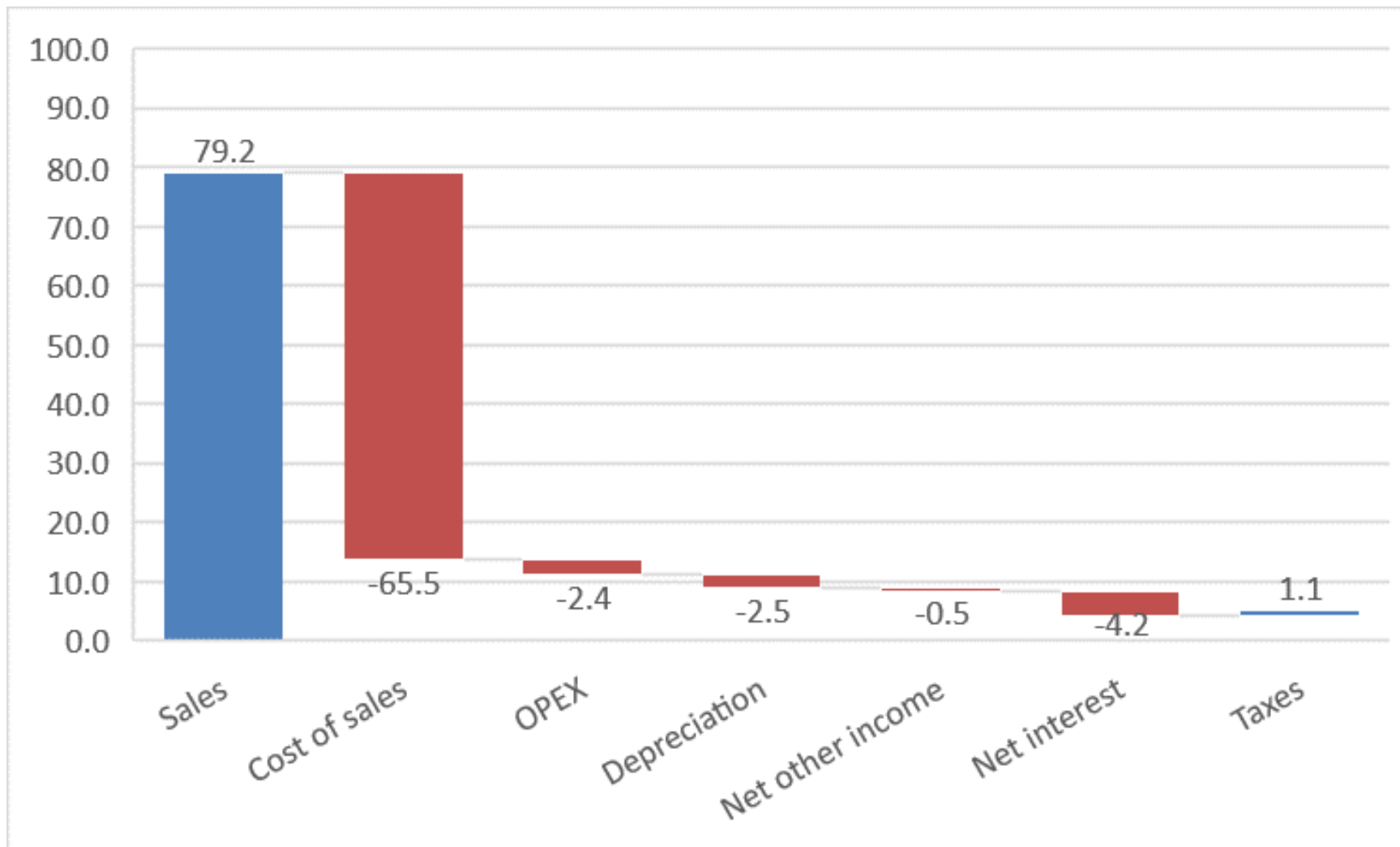
TLM



Earnings bridge – TLM

4Q18

3Q18



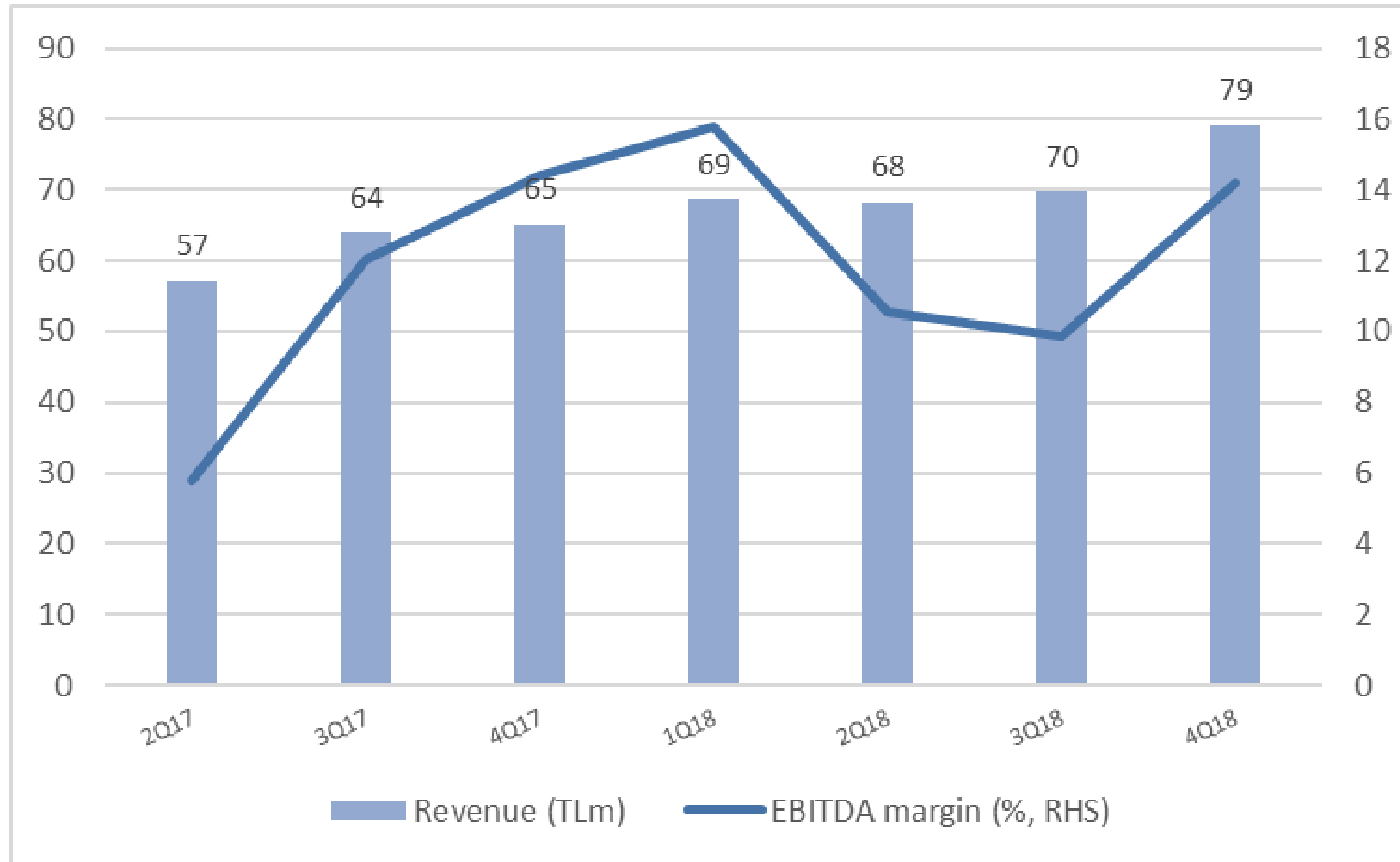


Income statement summary

	2018	4Q18	9M18	3Q18	1H18	2Q18	1Q18	2017	4Q17	9M17	3Q17	1H17	2Q17	1Q17
<i>Income statement summary (TLm)</i>														
Sales	285.8	79.2	206.6	69.7	136.9	68.3	68.6	246.1	65.1	181.0	63.9	117.1	57.1	60.0
Cost of sales	-238.2	-65.5	-172.7	-59.8	-112.9	-58.0	-54.9	-207.1	-52.9	-154.2	-53.7	-100.5	-51.0	-49.4
Cash gross income	47.6	13.7	33.9	9.9	24.0	10.3	13.7	39.0	12.2	26.8	10.2	16.6	6.1	10.6
OPEX	-11.4	-2.4	-9.0	-3.1	-6.0	-3.1	-2.9	-10.7	-2.8	-7.9	-2.5	-5.4	-2.7	-2.6
EBITDA	36.1	11.2	24.9	6.9	18.0	7.2	10.8	28.3	9.4	18.9	7.7	11.2	3.3	7.9
Depreciation	-9.3	-2.5	-6.8	-2.3	-4.5	-2.1	-2.4	-9.4	-3.5	-5.9	-1.8	-4.1	-1.9	-2.2
Net other income	-1.6	-0.5	-1.1	-1.0	-0.1	0.0	-0.1	-2.2	-1.2	-1.1	-0.3	-0.8	-0.4	-0.5
EBIT	25.3	8.3	17.0	3.6	13.4	5.1	8.3	16.7	4.7	11.9	5.7	6.3	1.1	5.2
Net interest	-11.9	-4.2	-7.7	-2.4	-5.3	-3.0	-2.4	-9.3	-3.0	-6.3	-3.0	-3.3	-2.1	-1.2
EBT	13.4	4.1	9.3	1.2	8.1	2.1	6.0	7.4	1.7	5.6	2.7	3.0	-1.0	4.0
Taxes	0.0	1.1	-1.1	-0.4	-0.7	0.9	-1.6	5.8	3.6	2.2	-0.1	2.3	2.2	0.2
Net income	13.3	5.2	8.1	0.8	7.4	3.0	4.4	13.2	5.3	7.8	2.5	5.3	1.1	4.2
Minorities	-5.0	-2.3	-2.7	0.2	-2.9	-1.1	-1.8	-6.9	-2.4	-4.5	-1.3	-3.2	-1.4	-1.7
Income available for shareholders	8.3	2.9	5.5	1.0	4.4	1.9	2.5	6.3	2.9	3.4	1.2	2.1	-0.3	2.4

December quarter net income available for shareholders reads TL2.9M versus TL2.9M same quarter last year and TL1.0M reported in the September quarter of 2018.

Quarterly sales and margin



Margins in context

Profit and cost margins – %

	2018	4Q18	9M18	3Q18	1H18	2Q18	1Q18	2017	4Q17	9M17	3Q17	1H17	2Q17	1Q17
Cash gross	16.6	17.3	16.4	14.2	17.5	15.1	20.0	15.9	18.7	14.8	16.0	14.2	10.6	17.6
Staff cost	50.2	48.4	50.9	48.8	49.7	60.7	50.4	51.2	51.5	51.1	49.7	52.9	47.8	48.3
Consumables	22.2	25.7	20.8	21.7	21.8	17.8	20.5	23.5	24.0	23.4	21.8	20.4	22.6	25.5
Rent	4.0	4.0	4.0	4.2	3.3	3.8	4.0	3.8	3.9	3.8	3.3	3.8	3.0	3.1
EBITDAR	16.6	18.1	16.1	14.0	16.4	14.3	19.8	15.3	18.3	14.3	15.3	13.4	8.8	16.3
EBITDA	12.6	14.2	12.1	9.9	13.2	10.5	15.8	11.5	14.4	10.5	12.0	9.6	5.8	13.2
OPEX	4.0	3.1	4.4	4.4	4.4	4.5	4.2	4.3	4.3	4.4	3.9	4.6	4.8	4.4
EBIT	8.8	10.5	8.2	5.1	9.8	7.4	12.1	6.8	7.3	6.6	8.8	5.4	1.9	8.7
EBT	4.7	5.2	4.5	1.7	5.9	3.1	8.7	3.0	2.6	3.1	4.2	2.5	-1.8	6.7
Net	2.9	3.6	2.6	1.5	3.2	2.8	3.7	2.6	4.5	1.9	1.9	1.8	-0.6	4.1

We report a marked Improvement in EBITDA margin on the quarter largely driven by recovery in cash gross margin and decline in OPEX margin.



Balance sheet summary

Book and market equity, capital metrics and leverage

TLM

	2018	4Q18	9M18	3Q18	1H18	2Q18	1Q18	2017	4Q17	9M17	3Q17	1H17	2Q17	1Q17
Book value of equity	63.7	63.7	60.4	60.4	61.9	61.9	61.8	60.5	60.5	59.6	59.6	63.7	63.7	65.1
Net debt GAAP	119.3	119.3	108.3	108.3	93.0	93.0	75.9	71.5	71.5	66.5	66.5	55.2	55.2	49.9
Medical School	-15.1	-15.1	-12.1	-12.1	-10.6	-10.6	-2.0	-1.3	-1.3	-1.0	0.0	0.0	0.0	0.0
Treasury stock	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6	-9.6
Net debt adjusted	94.6	94.6	86.7	86.7	72.8	72.8	64.3	60.7	60.7	56.0	57.0	45.7	45.7	40.3
Market value of equity	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0	121.0
Minorities	20.2	20.2	17.9	17.9	18.1	18.1	19.5	13.2	13.2	15.3	15.3	14.0	14.0	12.5
Enterprise value	235.7	235.7	225.5	225.5	211.9	211.9	204.8	194.8	194.8	192.2	193.2	180.6	180.6	173.8
Leverage and capital														
Net debt to sales (x)	0.33	0.30	0.31	0.31	0.27	0.27	0.23	0.25	0.23	0.23	0.22	0.20	0.20	0.17
Net debt to EBITDA (x)	2.62	2.12	2.61	3.18	2.02	2.52	1.46	2.14	1.61	2.22	1.85	2.03	3.45	1.27
Net debt to equity (x)	1.48	1.48	1.44	1.44	1.18	1.18	1.04	1.00	1.00	0.94	0.96	0.72	0.72	0.62
EV to sales (x)	0.82	0.74	0.82	0.81	0.77	0.78	0.75	0.79	0.75	0.80	0.76	0.77	0.79	0.72
EV to EBITDA (x)	6.52	5.25	6.79	8.20	5.88	7.36	4.73	6.88	5.19	7.62	6.28	8.04	13.63	5.49

Net debt adjusted for the Treasury stock and the University project receivables stands at TL94.6M. The net debt to calendar day adjusted EBITDA is 2.12x.

Projects summary 2018-2020



Ankara Akay – Room, technology infrastructure upgrades largely done.

Ankara Demet – The roll-out nearing end with dental clinic now in operation.

Ankara Etlik – The work which commenced in 2017 constructs a second hospital building adjacent to our existing facility, which should nearly treble the capacity at the location. Expected completion: 2019

Lokman Hekim Medical School – The School is now open for its first academic year.

Elazig City Hospital – We have a 5-year mandate to operate Elazig City Hospital's physiotherapy and rehabilitation center. The hospital commenced its operations in 2018.

Bilkent City Hospital – We have secured the rights to operate Bilkent City Hospital's PTR center. Expected start: 2019.



Etlik project recap

Ankara
Etlik
1996



37 beds now

2017 Sales = TL32.1M

Ankara Etlik
2nd hospital
building
2018-19



63 beds additional

CAPEX 2017 thru 2019
TL25M

New Etlik
2019



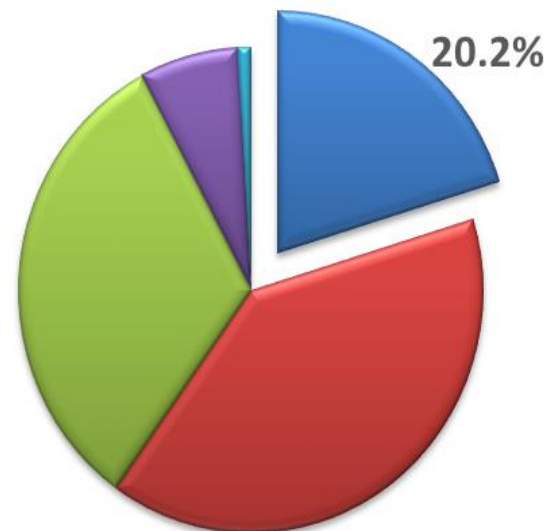
100 beds

Etlik project rationale

Etlik's share in floor space



Etlik's share in revenues

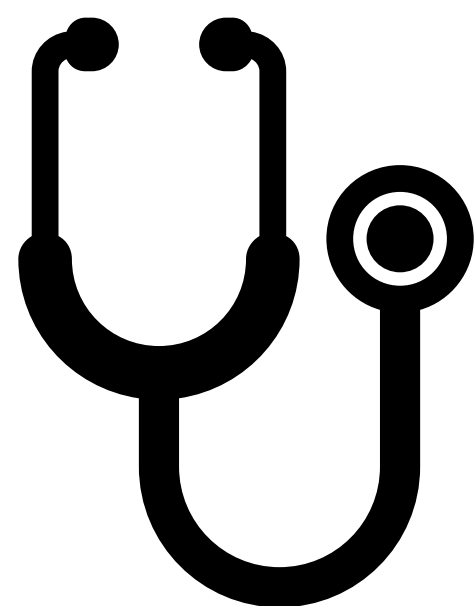


Etlik commands the highest sales per square meter of floor space in the Network

Space at Etlik is scarce. If you visited the location, the first thing you would notice is a crowded hospital lobby. You would see patients trying to register with the reception or locate the very physician they are looking for. You cannot find a single Lokman employee idle. The rooms are always occupied.

Here is what these mean in terms of numbers. Etlik operates on 2,900 sqm of floor space (7.4% of the group as a whole) or 35 beds (7% of the group's total bed capacity). On these, Etlik generated 20% of group sales in 2015, which makes the location 3x more profitable than the group average. We are using full year 2015 numbers to exclude Akay and Demet, which became operational late 2016.

Medical school project



The project is moving ahead. Lokman Hekim and Sevgi Foundation have secured regulatory approvals to start the work to establish Lokman Hekim University in Ankara. The University will offer range of graduate degrees in medical sciences and related disciplines. The school is open for its first academic year.

Two Ankara hospitals to become research hospitals. Sincan and Akay, two of Lokman's Ankara locations will be affiliate hospitals to house research and practical training activities of the Medical School, which will be the source of much needed talent and top quality medical staff supplying Lokman group of hospitals.

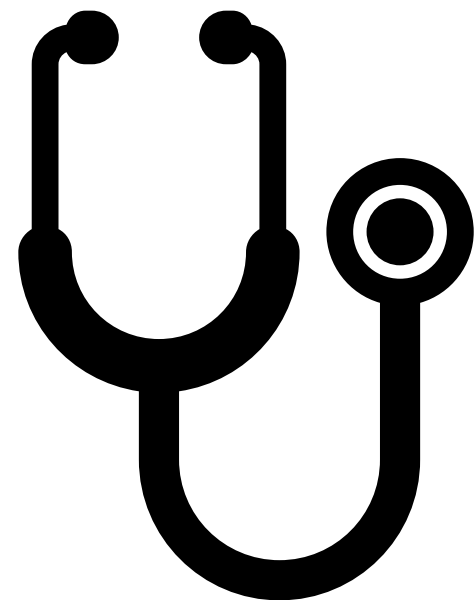
A major milestone in Lokman's history. The School will help Lokman grow its footprint in the sector, improve brand recognition, and above all, raise the quality of product and services to become a key provider in Turkish healthcare industry. The work is underway to form the academic units.

The school project rationale



The School to have its own P&L. The Medical School will have its own balance sheet and revenue sources – tuition and fees, donations and rental income – The School is non-profit.

The academic staff will not be in Lokman's payroll. The academic personnel will be in School's payroll irrespective of their involvement in patient-care at Lokman Hekim hospitals. Any revenue generated by doctors with academic titles *net of doctors' shares* will go through Lokman Hekim's P&L.



We expect the project to become earnings accretive by 2020.



Elazig PPP project

The project

Elazig City Hospital mandate. Lokman obtained a service outsourcing mandate from Ronesans Holding, the company managing Elazig City Hospital PPP project. Lokman Hekim will be the exclusive provider of all physiotherapy and rehabilitation (PTR) services offered at Elazig for a 5-year period.

Elazig to operate 1,038 beds. Ronesans, through its sister company ELZ Saglik Hizmetleri A.Ş., has a 28-year concession from the Turkish Health Ministry to design, build, finance, equip and maintain a 1,038-bed hospital campus in Elazig. EBRD was the major donor helping fund the project with a €288M euro-denominated bond to finance. The PTR division is allocated 90 beds, which Lokman will operate. The hospital has started operations.

Investment rationale

Elazig project gives an easy and low-cost access to a major town in Turkey. The project Elazig does not require any major capital expenditures from Lokman. Our mandate is to equip and man the PTR division for a 5-year period. The contract is renewable.

Our third location in Eastern Turkey. Elazig's location in the East complements our geographical reach and the business model. The city is ideally located between Ankara and Van. The project effectively adds a third location to our growing presence in Eastern Turkey, an under-served region in the country.

Project Elazig preliminary expectations and margins. We plan to generate TL2.5-3M in annual revenues with an estimated EBITDA margin of 25%, on our preliminary assumptions.



Bilkent PPP project

The project

Bilkent City Hospital to operate 3,831 beds. CCN Holding, through its subsidiary BDB Klinik Destek Hizmetleri A.Ş., has a concession from the Turkish Health Ministry to design, build, finance, equip and maintain a 3,831-bed hospital campus at Bilkent, Ankara. The campus itself centers around 8 hospital buildings constructed on 950,000sqm space.

Investment rationale

Bilkent City Hospital mandate. We have obtained a service operation mandate from CCN Holding, the company managing Bilkent City Hospital PPP. We will be the sole provider of all physiotherapy and rehabilitation services to be offered at Bilkent for a 5-year period.

Lokman PTR to run 300 beds. The bed capacity Lokman Hekim's PTR business will operate at Bilkent is 300. The hospital is set to commence operations late 2018 and should generate TL5-6M in annual revenues.

Two key reasons why Bilkent matters for us. Bilkent PPP project is important for us for two reasons. First, it uniquely fits our strategy to become "the provider of choice" in Turkey's broader City Hospital undertaking. Second, it firms our position in Ankara expanding our reach to remain the leading operator in medical services in Nation's capital. Bilkent will become our fifth location in Ankara.

Disclaimer

This document contains "prospective statements". Except for retroactive information, all statements including but not limited to the statements about group's operations, financial position and business strategies may contain prospective statements. In addition, prospective statements may be specified with prospective terms like "possibly", "inevitable", "expecting", "aim", "plan", "foresee", "estimate", "believe" ve "continue" in general.

Though the company believes that the expectations specified in prospective statements are reasonable as of today's expectations, it does not guarantee that these expectations will be realized. Due to this uncertainty, our readers should not take action based on the prospective statements in question. These cautionary explanations will be applied as a whole for all written or oral statements that may be stated by us from now on.

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