



1Q18

**Investor
Presentation**

Executive summary



We report 5.4% sequential growth in revenues (+14.4% YoY) and strong double-digit growth across all operating income lines on year-on-year comparisons. Margins continue trending up as we have expected. 1Q18 EBITDA margin stands at 15.8% versus 14.4% in 4Q17 and 13.2% in 1Q17. Our balance sheet remains robust. Strong cash generation throughout the quarter reduced net debt to EBITDA to below 2x mark, the lowest in the industry. Progress in capacity investments is in line with our guidance published earlier in the year. Akay roll-out including additions and room refurbishments should be complete by year-end. We are also pleased to announce Demet location turned profitable during the March quarter. We are planning to communicate our results and other developments on investor roadshows starting next month.



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.

Driving toward near-term profitability objectives with uplift in margins.

Lokman as at March 2018

5 Hospitals



271 Physicians

2 Outpatient clinics

815 Nurses and technicians



649 Beds



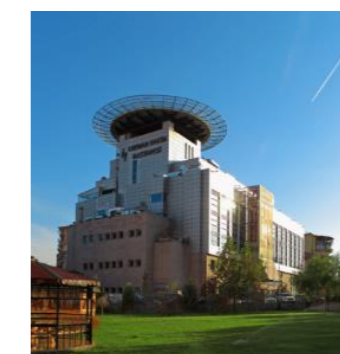
2,075 Employees



2 International referral offices



1 Helipad



Lokman as at March 2018

18 Operating theaters

93 General medicine ICUs

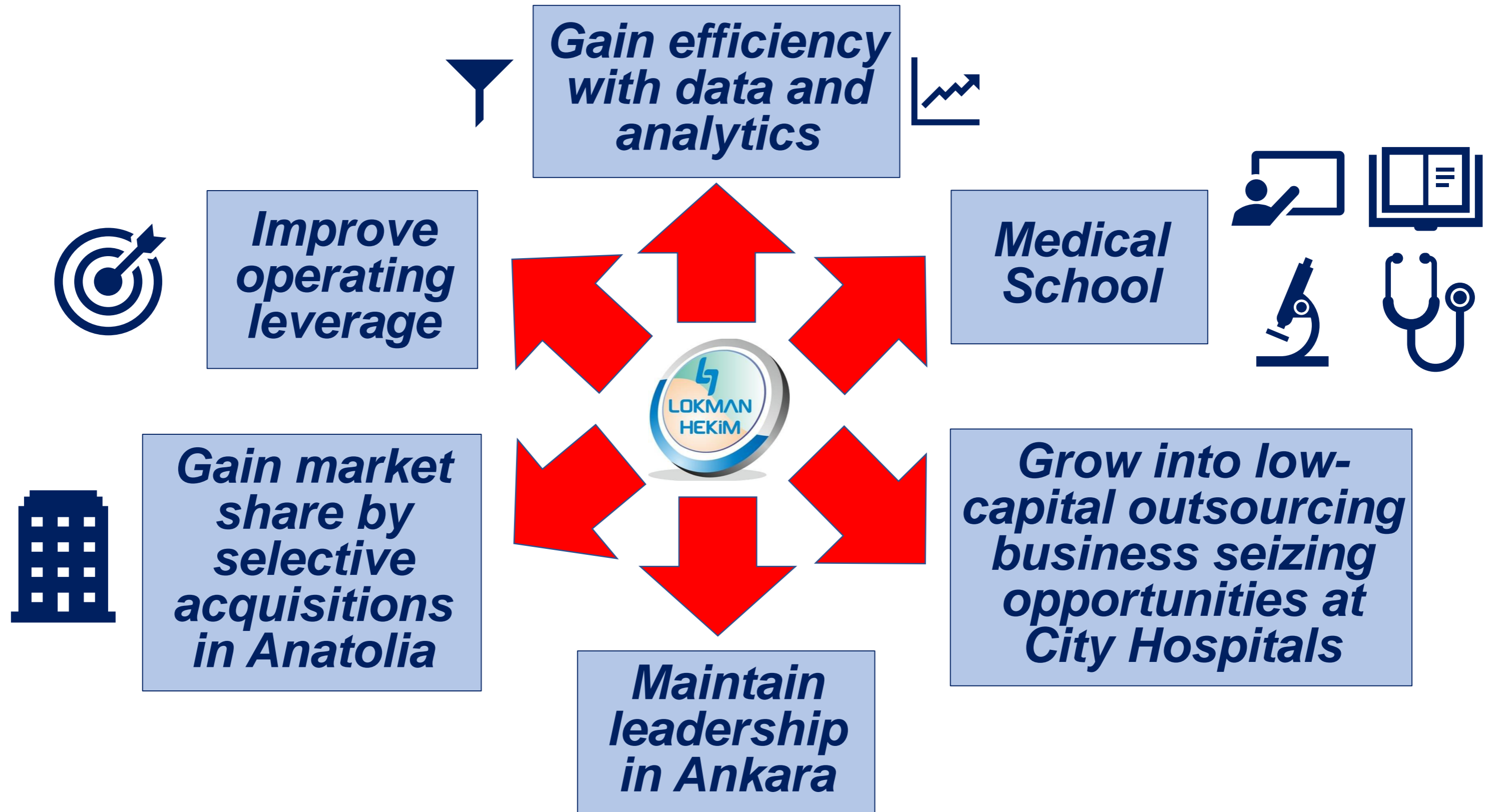
15 Cardiovascular ICUs

24 Coronary ICUs

103 Infant ICUs



Strategic priorities





1Q18 headlines

300 thousand patient admissions

16.8 thousand inpatient treatments

1Q18

Revenues TL68.6M

EBITDA TL10.8M

Earnings TL2.5M

1Q17

Revenues TL60.0M

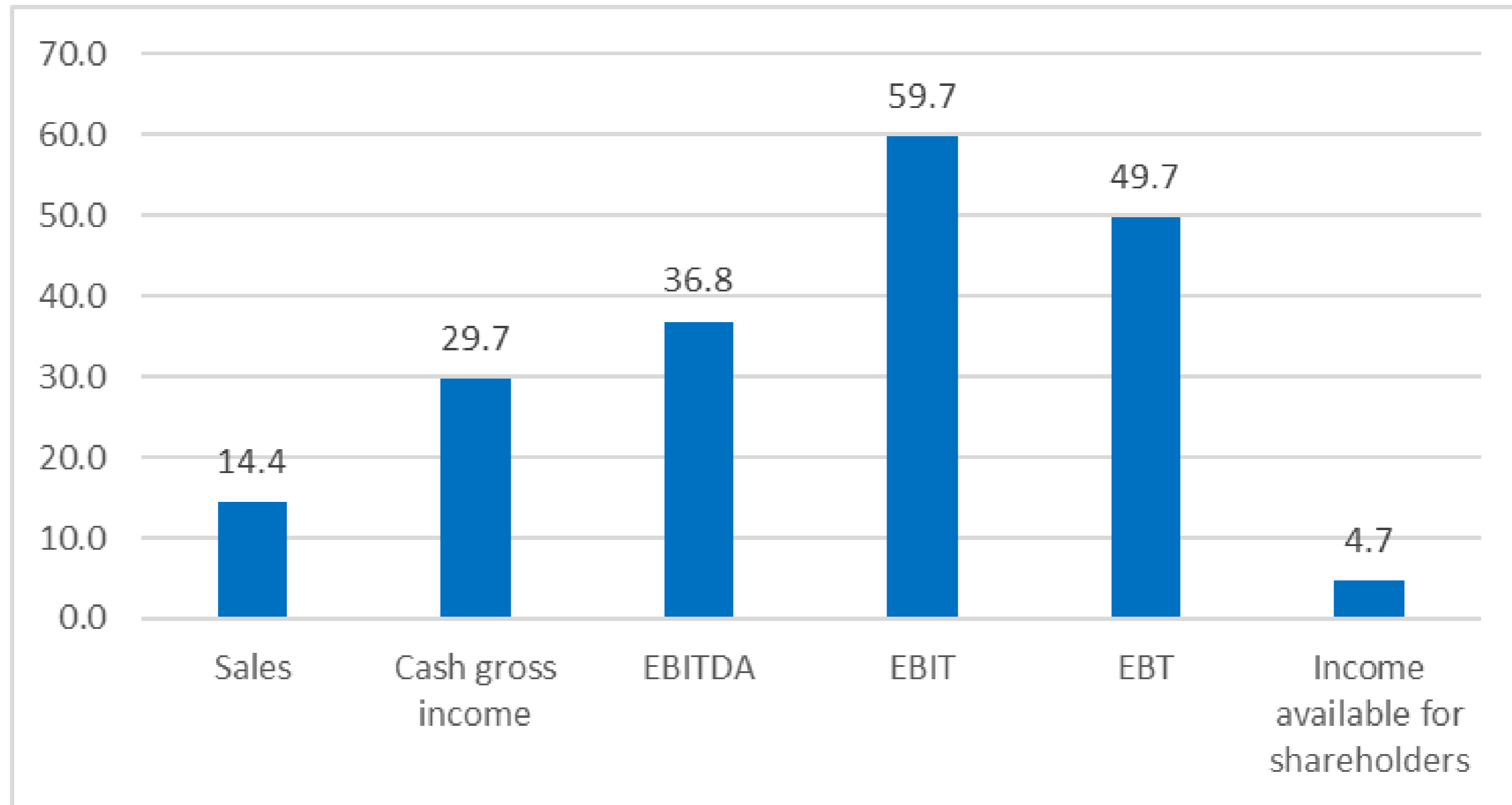
EBITDA TL7.9M

Earnings TL2.4M

1Q18 growth year-on-year

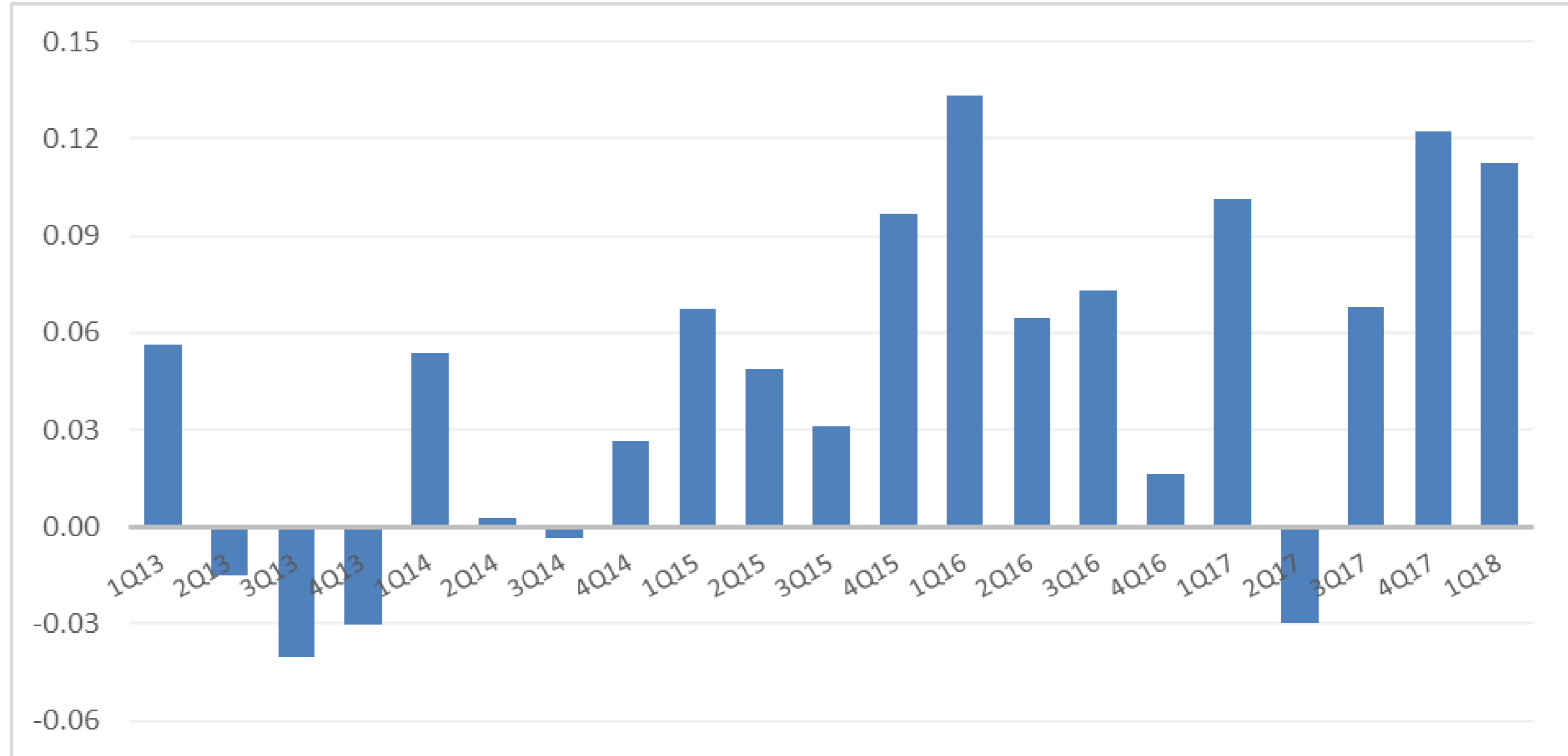


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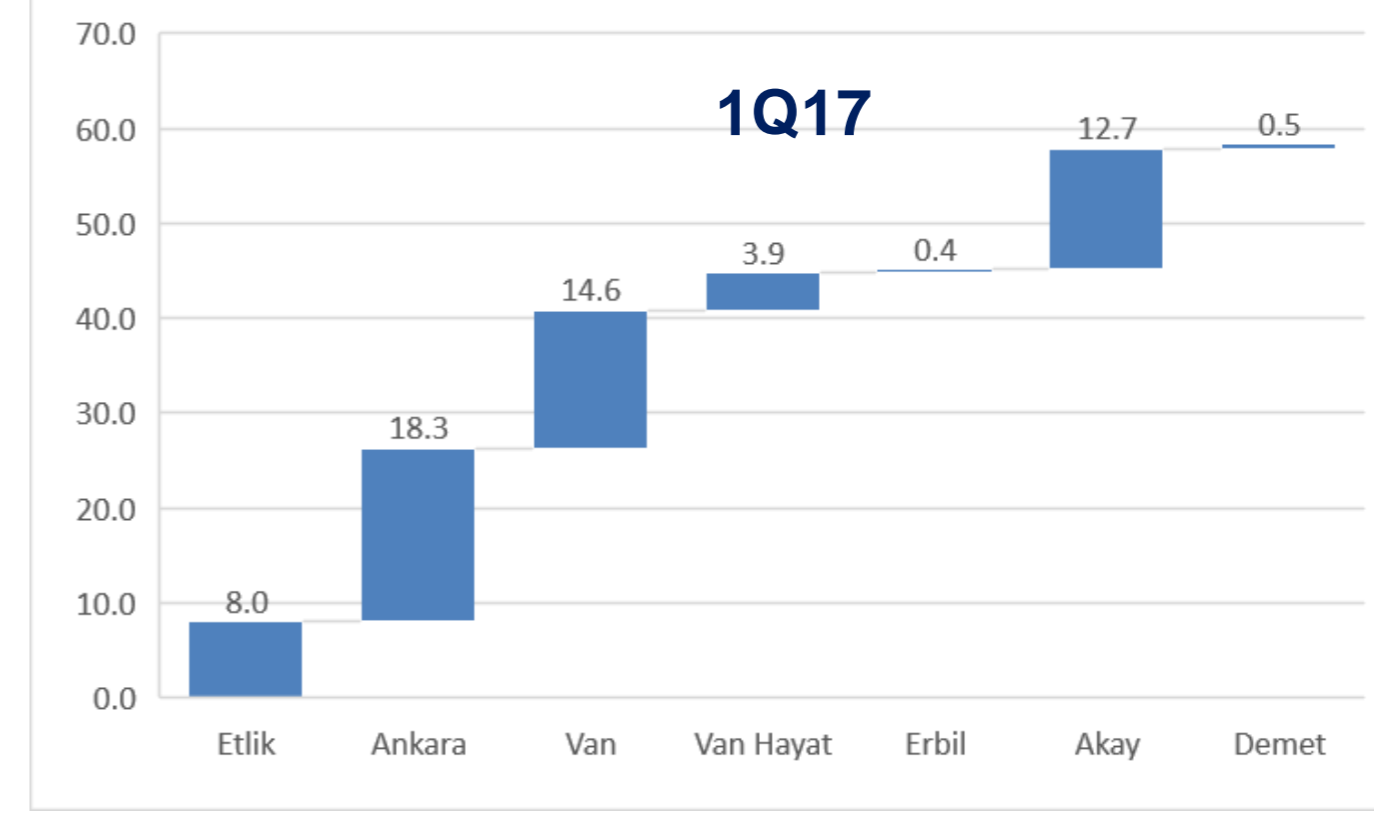
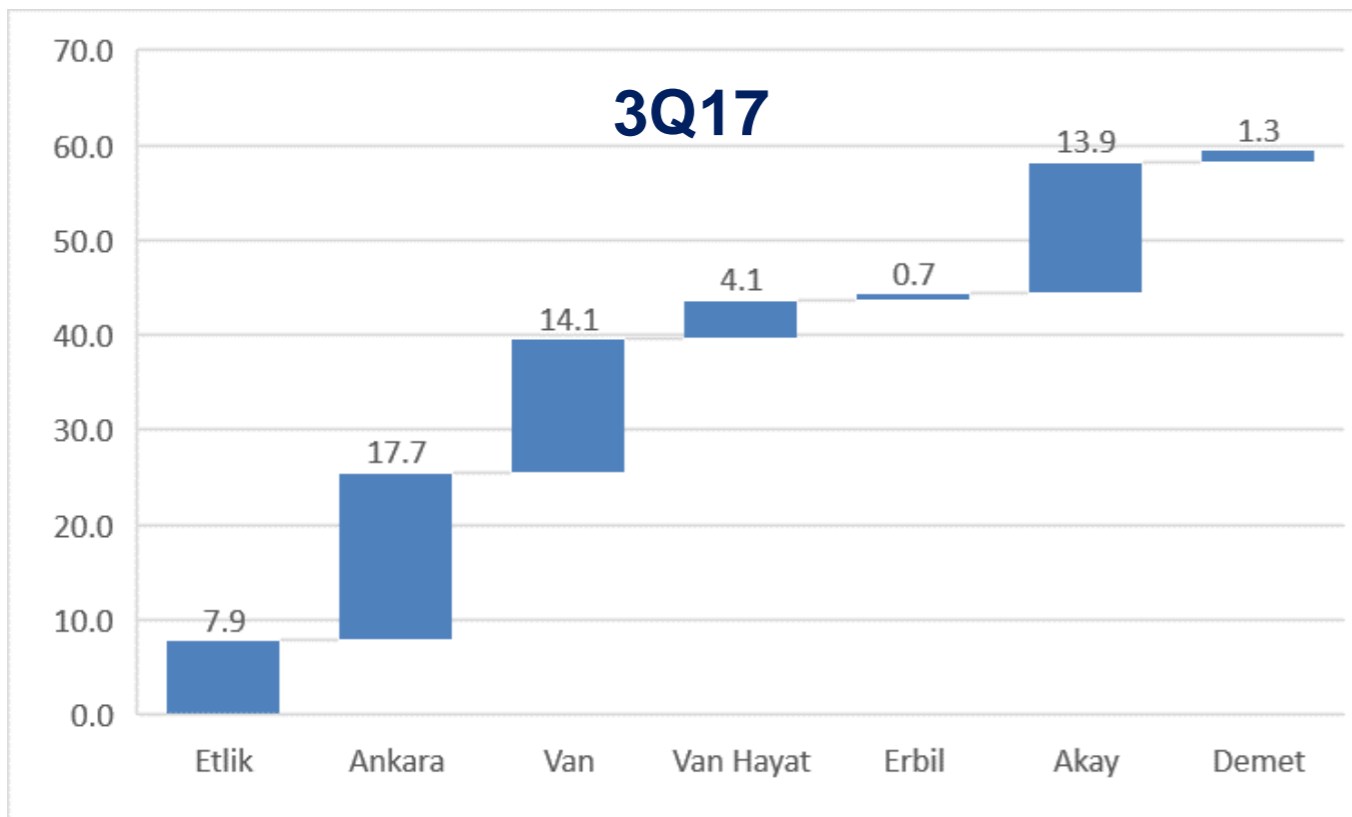
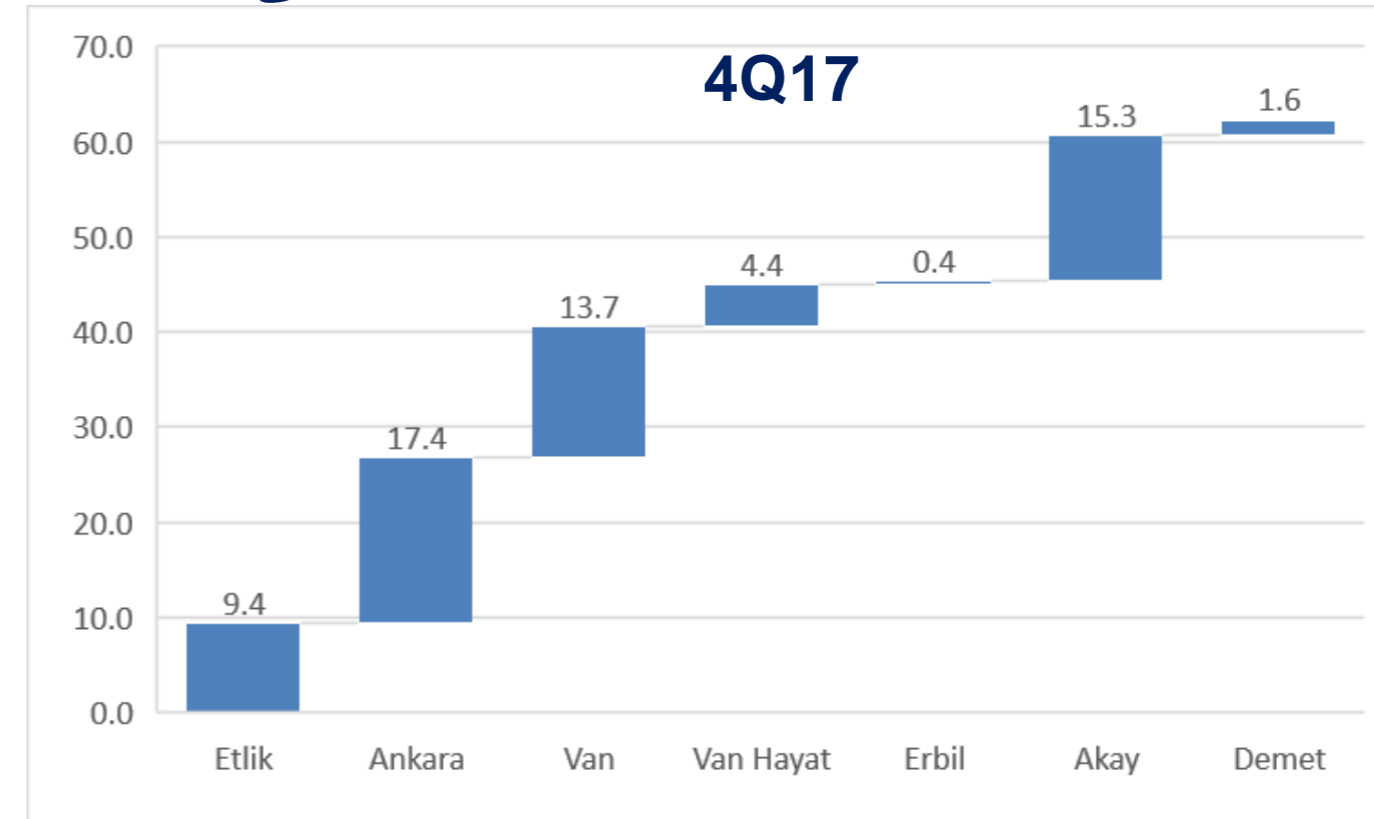
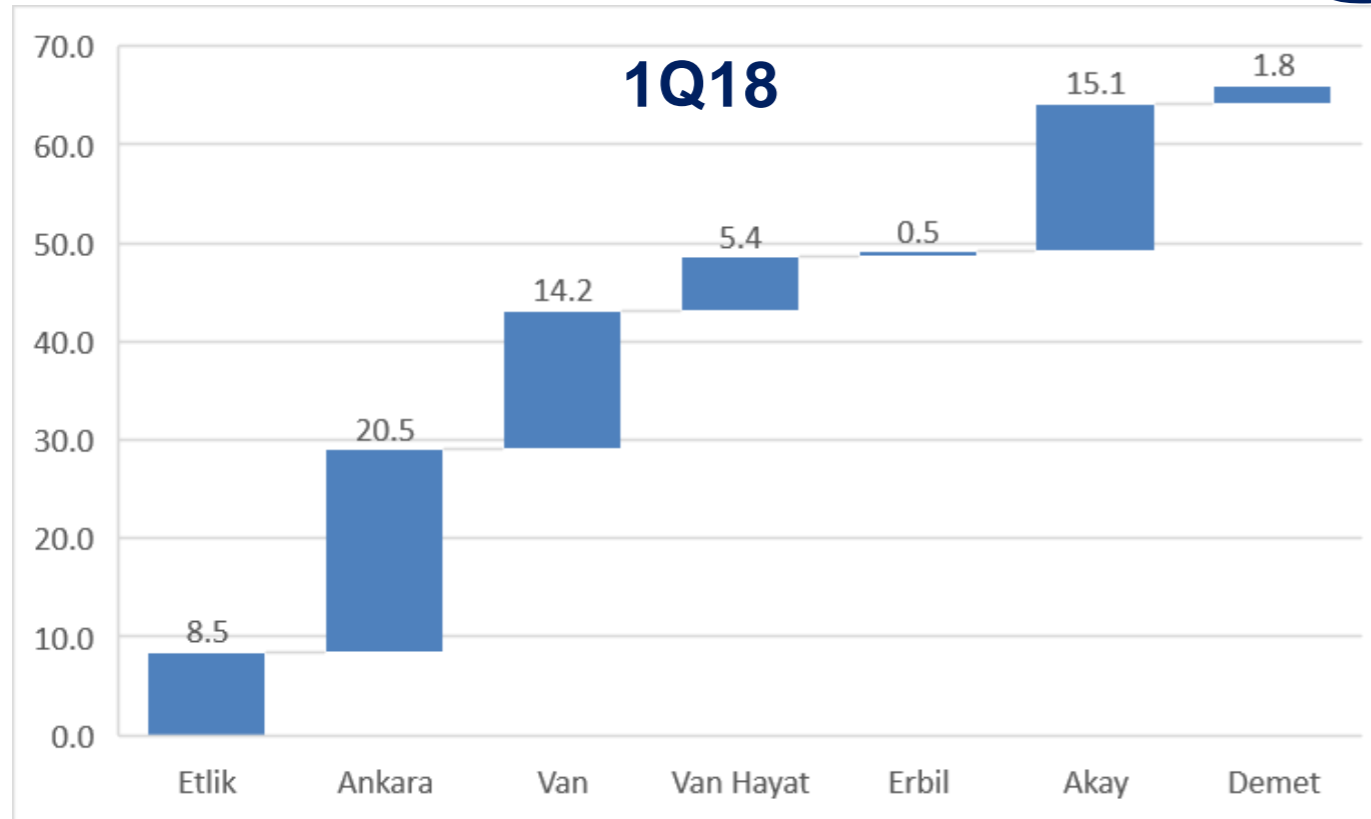
Earnings per share

TL

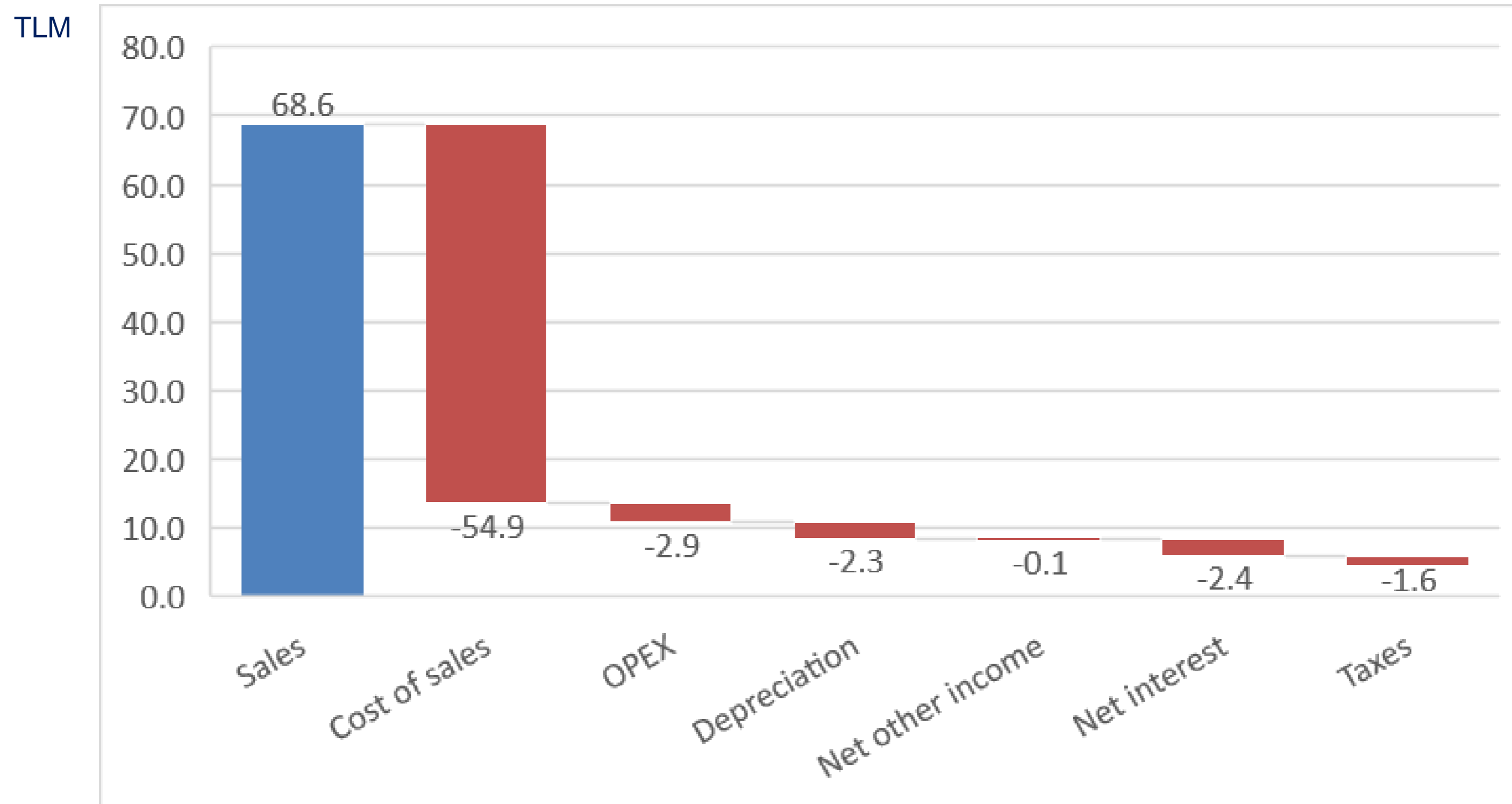


Revenue bridge by location

TLM



Earnings bridge – 1Q18



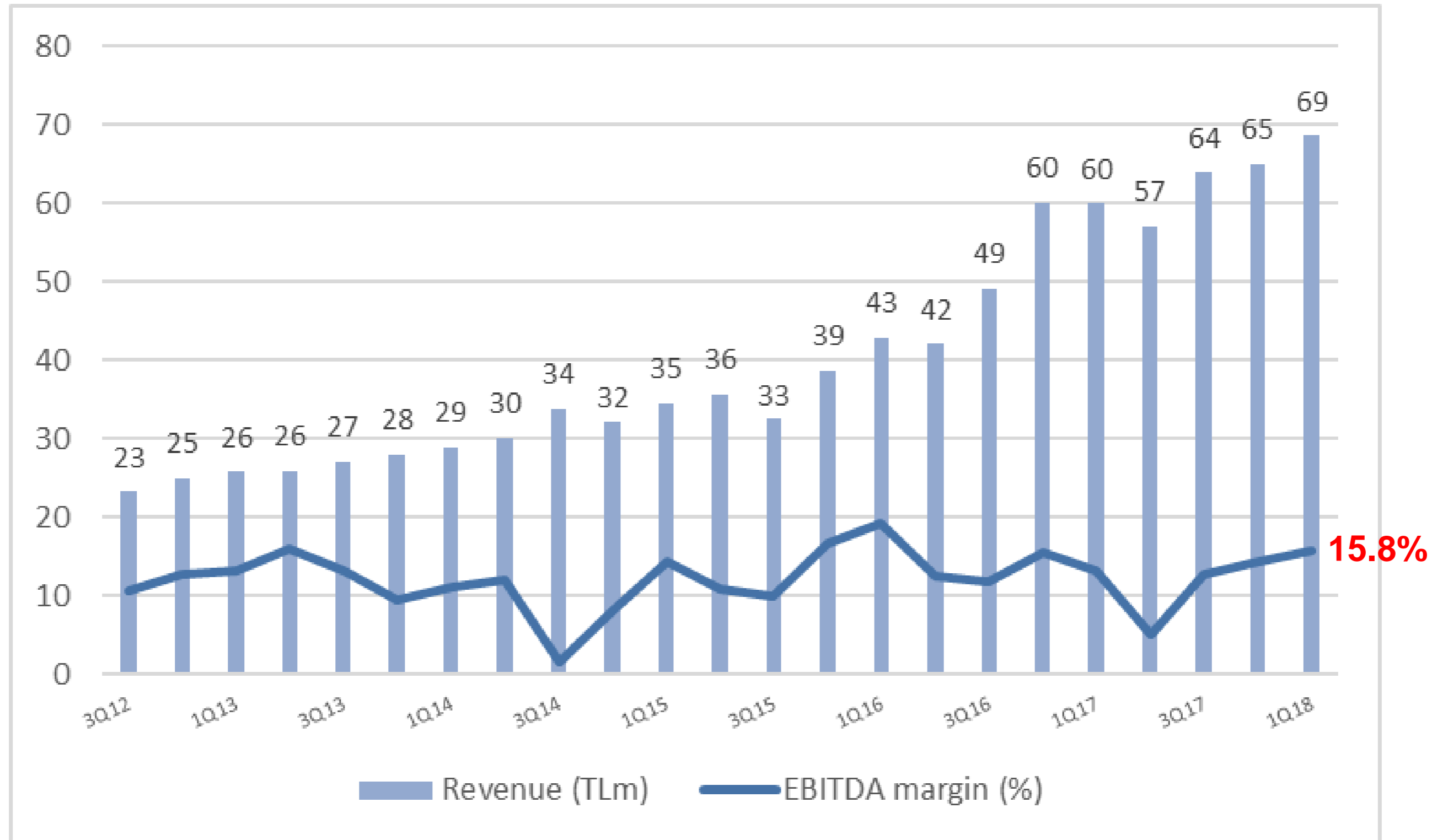


Income statement summary

	1Q18	2017	4Q17	9M17	3Q17	1H17	2Q17	1Q17	2016	4Q16	9M16	3Q16	1H16	2Q16	1Q16	2015
<i>Income statement summary (TLm)</i>																
Sales	68.6	246.1	65.1	181.0	63.9	117.1	57.1	60.0	194.5	60.2	134.3	49.2	85.0	42.1	43.0	141.6
Cost of sales	-54.9	-207.1	-52.9	-154.2	-53.2	-101.0	-51.5	-49.4	-156.9	-48.8	-108.1	-40.5	-67.6	-34.6	-33.0	-116.5
Cash gross income	13.7	39.0	12.2	26.8	10.7	16.1	5.6	10.6	37.5	11.4	26.2	8.7	17.4	7.5	9.9	25.0
OPEX	-2.9	-10.7	-2.8	-7.9	-2.5	-5.4	-2.7	-2.6	-8.8	-2.0	-6.8	-2.9	-3.9	-2.2	-1.7	-8.4
EBITDA	10.8	28.3	9.4	18.9	8.2	10.7	2.8	7.9	28.8	9.4	19.4	5.8	13.6	5.3	8.3	16.6
Depreciation	-2.4	-9.4	-3.5	-5.9	-1.9	-4.0	-1.8	-2.2	-7.2	-1.7	-5.6	-1.4	-4.1	-2.1	-2.0	-7.9
Net other income	-0.1	-2.2	-1.2	-1.1	-0.3	-0.8	-0.4	-0.5	-2.3	-2.6	0.3	1.0	-0.7	-0.2	-0.5	0.6
EBIT	8.3	16.7	4.7	11.9	6.0	5.9	0.7	5.2	19.3	5.1	14.2	5.4	8.8	3.1	5.7	9.3
Net interest	-2.4	-9.3	-3.0	-6.3	-3.0	-3.3	-2.1	-1.2	-4.1	-1.7	-2.4	-0.8	-1.6	-0.7	-0.9	-3.3
EBT	6.0	7.4	1.7	5.6	3.1	2.6	-1.4	4.0	15.1	3.4	11.7	4.5	7.2	2.4	4.8	5.9
Taxes	-1.6	5.8	3.6	2.2	-0.1	2.3	2.2	0.2	1.2	0.9	0.4	0.7	-0.3	-0.3	-0.1	2.7
Net income	4.4	13.2	5.3	7.8	2.9	4.9	0.7	4.2	16.4	4.3	12.1	5.2	6.9	2.1	4.7	8.6
Minorities	-1.8	-6.9	-2.4	-4.5	-1.3	-3.2	-1.4	-1.7	-9.5	-3.9	-5.6	-3.5	-2.1	-0.6	-1.5	-3.2
Income available for shareholders	2.5	6.3	2.9	3.4	1.6	1.7	-0.7	2.4	6.9	0.4	6.5	1.7	4.8	1.5	3.2	5.4

March quarter sales grew 14.4% year-on-year and 5.4% sequentially. Quarterly net income available for shareholders reads TL2.5M versus TL2.4M generated in the March quarter of 2017.

Sales and EBITDA margin



Margins in context

Profit and cost margins

	1Q18	2017	4Q17	9M17	3Q17	1H17	2Q17	1Q17	2016	4Q16	9M16	3Q16	1H16	2Q16	1Q16	2015
Cash gross	20.0	15.9	18.7	14.8	16.7	13.8	9.8	17.6	19.3	18.9	19.5	17.7	20.5	17.8	23.2	17.7
Staff cost	52.6	53.6	53.9	53.5	51.7	54.4	50.0	48.3	51.2	51.3	51.7	54.4	50.0	52.7	47.5	51.2
Consumables	21.4	24.6	25.1	24.5	22.7	21.0	23.7	25.5	23.4	26.3	22.7	21.0	23.7	25.8	21.7	23.1
Rent	4.1	4.0	4.1	4.0	3.4	3.9	3.1	3.1	3.4	3.8	3.4	3.9	3.1	3.2	3.0	3.3
EBITDAR	19.9	15.5	18.5	14.4	16.2	13.1	8.0	16.3	18.2	19.3	17.9	15.8	19.0	15.7	22.3	15.1
EBITDA	15.8	11.5	14.4	10.5	12.8	9.2	4.9	13.2	14.8	15.6	14.4	11.9	15.9	12.6	19.2	11.7
OPEX	4.2	4.3	4.3	4.4	3.9	4.6	4.8	4.4	4.5	3.3	5.0	5.9	4.5	5.2	3.9	5.9
EBIT	12.1	6.8	7.3	6.6	9.5	5.0	1.2	8.7	9.9	8.5	10.5	10.9	10.3	7.2	13.3	6.6
EBT	8.7	3.0	2.6	3.1	4.8	2.2	-2.5	6.7	7.8	5.7	8.7	9.2	8.4	5.7	11.2	4.2
Net	3.7	2.6	4.5	1.9	2.6	1.5	-1.2	4.1	3.5	0.7	4.8	3.5	5.6	3.7	7.5	3.8

Profit margins have widened both sequentially and on year on year comparisons.

Margins, which have started trending up from 2Q17, have more to gain from operating leverage in the latter part of 2018.



Balance sheet summary

Book and market equity, capital metrics and leverage

	1Q18	2017	4Q17	9M17	3Q17	1H17	2Q17	1Q17	2016	4Q16	9M16	3Q16	1H16	2Q16	1Q16	2015
<i>Book and market equity (TLm)</i>																
Book value of equity	61.8	60.5	60.5	59.6	59.6	63.7	63.7	65.1	62.3	62.3	64.1	64.1	63.2	63.2	64.9	62.5
Net debt	75.9	71.5	71.5	66.5	66.5	55.2	55.2	49.9	45.4	45.4	42.0	42.0	28.2	28.2	22.5	27.8
Market value of equity	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9	139.9
Treasury stock	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8	-7.8
Minorities	19.5	13.2	13.2	15.3	15.3	14.0	14.0	12.5	13.2	13.2	9.9	9.9	6.5	5.9	5.9	4.3
Enterprise value	227.5	216.9	216.9	213.9	213.9	201.3	201.3	194.5	190.7	190.7	184.0	184.0	166.7	166.1	160.5	164.2
<i>Leverage and capital</i>																
Net debt to sales (x)	0.28	0.29	0.27	0.28	0.26	0.24	0.24	0.21	0.23	0.19	0.23	0.21	0.17	0.17	0.13	0.20
Net debt to EBITDA (x)	1.75	2.53	1.90	2.64	2.03	2.57	4.89	1.57	1.58	1.21	1.20	1.80	1.04	1.33	0.68	1.67
Net debt to equity (x)	1.23	1.18	1.18	1.12	1.12	0.87	0.87	0.77	0.73	0.73	0.66	0.66	0.45	0.45	0.35	0.44
EV to sales (x)	0.83	0.88	0.83	0.89	0.84	0.86	0.88	0.81	0.98	0.79	1.03	0.93	0.98	0.99	0.93	1.16
EV to EBITDA (x)	5.25	7.66	5.77	8.48	6.54	9.37	17.81	6.14	6.63	5.09	7.11	7.87	6.15	7.85	4.85	9.88

Net debt to EBITDA is 1.75x using 1Q18 EBITDA annualized or 2.00x using our full-year EBITDA guidance.

Investments update

Ankara Akay – Room, technology infrastructure upgrades near completion.

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

Ankara Etlik – The work which commenced in 2017 will construct a second hospital building adjacent to our existing facility, which should nearly treble the capacity at the location.

Lokman Hekim Medical School – With the land acquisition completed and the regulatory approvals obtained, the project is progressing as planned.

Elazig business – we have signed an agreement with Elazig City Hospital to operate a physiotherapy and rehab center.



Etlik project recap

Ankara
Etlik
1996



37 beds now

2017 Sales = TL32.1M

Ankara Etlik
2nd hospital
building
2018



63 beds additional

CAPEX 2017 thru 2019
TL25M

New Etlik
2019



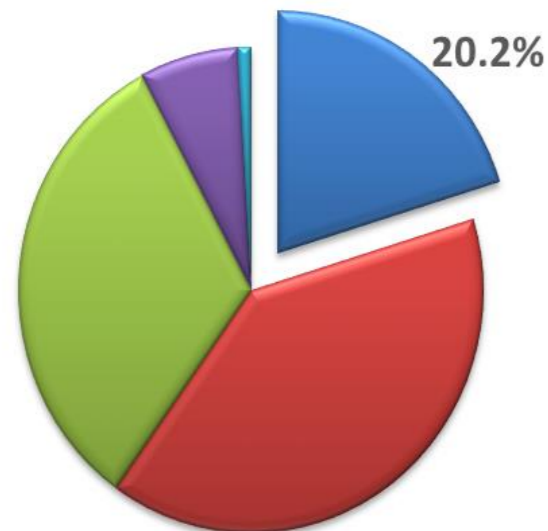
100 beds

Etlik project – why upgrade

Etlik's share in floor space



Etlik's share in revenues

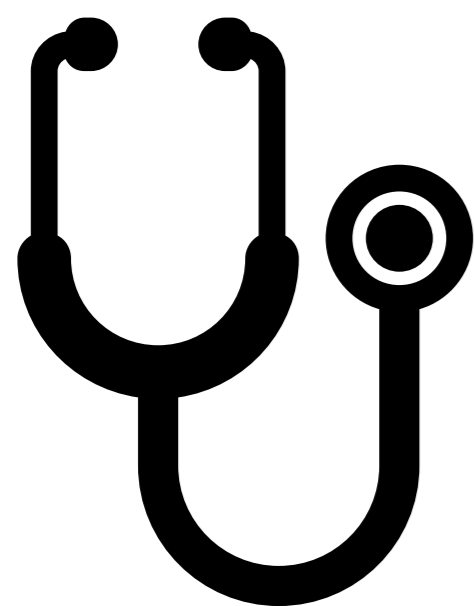


Etlik commands the highest sales per square meter of floor space in the Network

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 programs should start admitting students in 2018.

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.

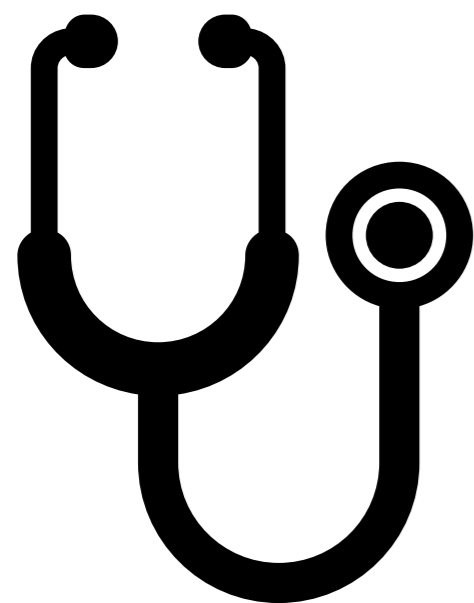
A major milestone in Lokman's history. The School will help Lokman grow its footprint in the sector, improve brand recognition, and above all, raise the quality of product and services to become a key provider in Turkish healthcare industry. The work is underway to form the academic units.

Medical School Project



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 Project

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

Elazig to operate 1,038 beds. Ronesans, through its sister company ELZ Saglik, 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. The hospital is expected to start operations in 4Q18.

Our third location in Eastern Turkey. Elazig project effectively adds a third location to our growing presence in Eastern Turkey, an under-served region in the country. We plan to generate TL2.5-3M in annual revenues with an estimated EBITDA margin of 25%.

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>.