

H1 2023 Financial Results Presentation

25 August 2023

**La MedLife
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Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.

AGENDA

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Highlights 6m 2023

- Key messages and outlook

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Financial overview

- Consolidated Statement of Profit and Loss
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flow

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Q&A Session

Highlights 6m 2023

- Key messages and Outlook



Key messages and outlook

- first semester characterized by good performance across all business lines, with a 27% increase in revenues compared to H1 2022;
- Robust organic growth of 12% despite still difficult macroeconomic environment;
- top performers in terms of revenue growth being clinics (+41%), hospitals (+36%) and the corporate division (+13%), followed by dental clinics and laboratories with growth rates of 11% and 9% respectively;
- In the first semester we had several expansion projects, such as the opening of a Hyperclinic in Deva, 2 new oncology centers in Braila and Valcea, the completion of the M&A transactions with Muntenia Hospital and Nord (Provita Medical Group) and 2 small M&A transactions completed by Sfanta Maria Group;
- In terms of profitability, the Group records a slight decrease in EBITDA margin, from 15.8% in the first semester of the previous year to 15.2% in the same period of 2023. However, a less pronounced seasonal decrease is noted in the second quarter compared to the first quarter of the year, in comparison to 2022. At the same time, there is also an increase in profitability compared to the second semester of the previous year, thus underlining the stability and positive direction of the Group;
- In terms of net result, Q2 IFRS loss is due to increased depreciation and financial result;
- Increased depreciation expense on the back of constant increase in assets base – organic investments at the beginning of investment cycle, that will come with EBITDA and positive impact on the longer run (i.e. new oncology centers, medical imaging equipment and robots);
- Increased finance cost due to adjustments in EURIBOR with more than 1 p.p.; according to Euribor evolution and forecasts, we don't expect additional important adjustments for the end of this year, a slight decrease by the end of next year is anticipated;

Key messages and outlook

H2 outlook:

- Focus on consolidating the largest network of private medical services in Romania by continuing organic projects, with an emphasis on the expansion of hospital units in several areas of the country;
- Ongoing works on MedLife Park project and by opening new hospital units in Timisoara, Craiova and Bucharest (Nord Group new hospital unit);
- we are focusing on optimizing the operational flows and procedures within the group, in order to leverage economies of scale and the accumulated expertise of each unit;
- With regard to the short-term evolution of margins, no major changes are anticipated, but we are taking measures for positive adjustments in the upcoming period;
- our M&A focus is less dynamic and consistent with the market trends and context. However, it is a year of consolidation in terms of EBITDA margins and integration of the companies acquired so far;



Financial overview

- Consolidated Statement of Profit and Loss
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flow

Consolidated Statement of Profit and Loss

Description	6m 2022 IFRS	6m 2023 IFRS	%VAR	Pro-forma adj.	6m 2023 Pro-forma	%VAR
Gross Sales	860,395,896	1,066,209,218	23.9 %	29,756,574	1,095,965,792	27.4 %
Net Sales (less NHP)	860,395,896	1,066,209,218	23.9 %	(36,439,018)	1,029,770,201	19.7 %
Other operating income	4,258,600	8,759,241	105.7 %	976,843	9,736,084	128.6 %
OPERATING INCOME	864,654,496	1,074,968,459	24.3 %	(35,462,175)	1,039,506,284	20.2 %
OPERATING EXPENSES	(795,476,602)	(1,025,035,174)	28.9 %	47,658,860	(977,376,314)	22.9 %
OPERATING PROFIT	69,177,894	49,933,285	(27.8)%	12,196,685	62,129,970	(10.2)%
EBITDA	135,693,964	141,950,727	4.6 %	14,068,594	156,019,321	15.0 %
Net finance cost	(16,094,864)	(34,768,816)	116.0 %	(605,232)	(35,374,048)	119.8 %
Other financial expenses	(381,157)	(2,896,440)	659.9 %	199,121	(2,697,319)	607.7 %
FINANCIAL RESULT	(16,476,021)	(37,665,255)	128.6 %	(406,111)	(38,071,366)	131.1 %
RESULT BEFORE TAXES	52,701,873	12,268,030	(76.7)%	11,790,574	24,058,604	(54.3)%
Income tax expense	(7,054,906)	(7,264,354)	3.0 %	(1,791,348)	(9,055,702)	28.4 %
NET RESULT	45,646,967	5,003,676	(89.0)%	9,999,226	15,002,902	(67.1)%

Margins

EBIT %	8.0%	4.7%	6.0%
EBITDA %	15.8%	13.3%	15.2%
Net Result %	5.3%	0.5%	1.5%

Sales Bridge IFRS to Pro-forma

6m 2023 IFRS	1,066,209,218
(+) Normalisation adj (acquired companies)	29,756,574
(-) National Health Program for chemotherapy	(66,195,592)
Pro-forma Net Sales (less NHP)	1,029,770,201

EBITDA Bridge IFRS to Pro-forma

6m 2023 IFRS	141,950,727
(+) Normalisation adj (acquired companies)	3,328,187
(-) One-off adjs (including those related to acquired)	10,740,407
Pro-forma EBITDA	156,019,321

6m 2023 Pro-forma vs. 6m 2022 IFRS

- ❑ **Gross Sales** (National Health Program for chemotherapy drugs included) increased by **27%**, reaching **RON 1.09 bn** for 6m 2023;
- ❑ **Net Sales** (net of drugs) increased by **20%**, reaching **RON 1.02bn**;
- ❑ **OPEX** increased by **23%**, to **RON 977m**;
- ❑ **10%** decrease in **EBIT**, to **RON 62m**, leading to **6%** pro-forma margin (8% in the same period last year) – explained in OPEX evolution slide;
- ❑ **15%** increase in **EBITDA**, to **RON 156m & 15.2%** pro-forma margin (15.8% in the same period last year);
- ❑ **Net Result** of **RON 15m & 1.5%** pro-forma margin (5.3% in the same period last year);
- ❑ **Pro-forma adj.** include financial results of the Acquired Companies (Sales of **RON 29.7m**) less subsidies received at Group level from NHIH in relation to the National Health Program for chemotherapy drugs that increased in scale following Neolife and Oncocard acquisitions (Sales of **RON 66m for H1 2023**), and exclusion of one-off expenses in amount of **RON 10.7m** (M&A costs, one off consultancy fees and non recurring costs with the opening of 3 large organic projects);

Operational KPIs –business lines evolution

Business line	Info	6m 2022 IFRS	6m 2023 IFRS	%VAR	Share of total IFRS Sales
Clinics	Revenue	288,641,376	397,318,224	37.7%	37.3%
Clinics	Visits	1,389,476	1,847,937	33.0%	
Clinics	Avg fee	207.7	215.0	3.5 %	
Stomatology	Revenue	56,062,067	62,229,799	11.0%	5.8%
Stomatology	Visits	91,922	91,107	-0.9%	
Stomatology	Avg fee	609.9	683.0	12.0 %	
Hospitals	Revenue	180,421,028	230,215,372	27.6%	21.6%
Hospitals	Patients	57,212	67,496	18.0%	
Hospitals	Avg fee	3,153.5	3,410.8	8.2 %	
Laboratories	Revenue	107,200,195	113,169,369	5.6 %	10.6%
Laboratories	Analyses	3,486,651	3,565,294	2.3 %	
Laboratories	Avg fee	30.7	31.7	3.2 %	
Corporate	Revenue	107,751,134	120,962,816	12.3%	11.3%
Corporate	Subscriptions	772,219	850,335	10.1%	
Corporate	Avg fee	139.5	142.3	1.9 %	
Pharmacies	Revenue	35,279,714	32,269,735	-8.5%	3.0%
Pharmacies	Clients	279,202	232,277	-16.8%	
Pharmacies	Sales per	126.4	138.9	9.9 %	
Others	Revenue	85,040,382	110,043,904	29.4%	10.3%
Total		860,395,896	1,066,209,218	23.9%	100.0%

- ❑ Clinics remain the main sales unit of the group, with 37.3% share in total Sales: growth explained by sustained demand of outpatient medical services and new acquisitions performed during 2022 and 2023; + 9.3m RON normalization adj. of the acquired companies => 41% increase y o y;
- ❑ Stomatology with 6% share in total Sales; slight decrease in Q2 2023 in the number of visits;
- ❑ Hospitals with 21.6% share in total Sales; growth has been sustained by increase in the number of patients by 18% compared to the same period of 2022, following increase in medical teams and complexity of the medical act & the consolidation of Oncocard, Muntenia and Nord hospitals; +16m RON normalization adj. of the acquired companies => 36% increase y o y;
- ❑ Laboratories with 11% share in total Sales; 5.6% growth YoY; + 3.8m RON normalization adj. of the acquired companies => 9% increase y o y;
- ❑ Corporate with 11% share in total Sales; Growth of 12% in revenues sustained by increased number of subscriptions benefiting from the largest network of clinics at national level & pricing adjustments;

OPEX evolution

Description				% of OPERATING EXPENSES			% of SALES		
	6m 2022	6m 2023	%VAR	6m 2022	6m 2023	Change	6m 2022	6m 2023	Change
	IFRS	IFRS		IFRS	IFRS		IFRS		
Consumable materials and repair materials	139,400,269	186,568,449	33.8%	17.5%	18.2%	0.7 p.p	16.2%	17.5%	1.3 p.p
Commodities	99,292,519	103,737,029	4.5%	12.5%	10.1%	-2.4 p.p	11.5%	9.7%	-1.8 p.p
Utilities	12,841,287	16,899,564	31.6%	1.6%	1.6%	0 p.p	1.5%	1.6%	0.1 p.p
Repairs maintenance	9,222,063	9,167,695	-0.6%	1.2%	0.9%	-0.3 p.p	1.1%	0.9%	-0.2 p.p
Rent	5,604,813	6,690,283	19.4%	0.7%	0.7%	-0.1 p.p	0.7%	0.6%	0 p.p
Insurance premiums	2,039,349	2,773,529	36.0%	0.3%	0.3%	0 p.p	0.2%	0.3%	0 p.p
Promotion expense	11,398,180	18,522,204	62.5%	1.4%	1.8%	0.4 p.p	1.3%	1.7%	0.4 p.p
Communications	2,520,952	3,076,582	22.0%	0.3%	0.3%	0 p.p	0.3%	0.3%	0 p.p
Third party expenses & Salaries expenses, out of which:	436,586,432	568,873,838	30.3%	54.9%	55.5%	0.6 p.p	50.7%	53.4%	2.6 p.p
<i>Third party expenses (including doctor's agreements)</i>	<i>224,064,799</i>	<i>297,587,473</i>	<i>32.8%</i>	<i>28.2%</i>	<i>29.0%</i>	<i>0.9 p.p</i>	<i>26.0%</i>	<i>27.9%</i>	<i>1.9 p.p</i>
<i>Salary and related expenses (including social contrib.)</i>	<i>212,521,633</i>	<i>271,286,365</i>	<i>27.7%</i>	<i>26.7%</i>	<i>26.5%</i>	<i>-0.3 p.p</i>	<i>24.7%</i>	<i>25.4%</i>	<i>0.7 p.p</i>
Depreciation	66,516,069	92,017,442	38.3%	8.4%	9.0%	0.6 p.p	7.7%	8.6%	0.9 p.p
Impairment / Release under IFRS 9 provision on TR	-	1,002,093		0.0%	0.1%	0.1 p.p	0.0%	0.1%	0.1 p.p
Other administration and operating expenses	10,054,668	15,706,465	56.2%	1.3%	1.5%	0.3 p.p	1.2%	1.5%	0.3 p.p
OPERATING EXPENSES	795,476,602	1,025,035,174	28.9%	100%	100%	0 p.p	92.5%	96.1%	3.7 p.p

Drivers for increased costs:

- ❑ Increase in Consumable materials and repair materials with **1.3 p.p.** of Sales following NeoLife & Oncocard consolidation of chemotherapy drugs consumables;
- ❑ Decrease in Commodities with **1.8 p.p.** of Sales following decrease of Pharmachem & Pharmacies share in total Group (consolidation of companies acquired during 2023 and further organic development of outpatient units and hospitals, combined with adjustment of Pharmacies mix of products and economies of scale on the back of pharmaceutical distribution company within the Group);
- ❑ Increased marketing expenses, in line with the strategy of past quarters to consolidate the brand value and leading position in the private medical market;
- ❑ Increase in third party expenses (including doctor`s agreements) and salaries expenses with **2.6 p.p.** of Sales following consolidation of the newly acquired companies (part of them below the profitability level of the Group) and high inflation with upward pressure on wages;
- ❑ Increase in Depreciation with **1 p.p.** of Sales following consolidation of new companies, increase in assets base following organic dev projects that will pay off medium and long term;
- ❑ Increase in Other admin and operating expenses with **0.3 p.p.** of Sales due to one off and non recurring expenses following the opening of new units

Consolidated Statement of Financial Position

Description	December 31, 2022 IFRS	June 30, 2023 IFRS	%VAR
Non-current assets	1,686,590,024	1,858,697,988	10.2%
Current assets, excluding Cash and cash equivalents	376,318,151	383,904,796	2.0%
Cash and cash equivalents	89,068,154	109,593,828	23.0%
TOTAL ASSETS	2,151,976,329	2,352,196,612	9.3%
Current liabilities (excluding interest bearing liabilities)	414,943,880	424,997,190	2.4%
Financial Debt	1,189,086,767	1,357,228,071	14.1%
Other long term debt	21,657,277	28,486,033	31.5 %
Deferred tax liability	44,250,160	43,412,806	-1.9%
TOTAL LIABILITIES	1,669,938,084	1,854,124,100	11.0%
Equity attributable to owners of the Group	416,780,834	422,488,584	1.4%
Non-controlling interests	65,257,411	75,583,928	15.8%
EQUITY	482,038,245	498,072,512	3.3%



Debt position

Leasing liabilities

	December 31, 2022 IFRS	June 30, 2023 IFRS	%VAR
current portion - leasing	77,141,698	79,872,699	3.5%
long term portion - leasing	225,175,340	211,224,870	-6.2%
Total	302,317,038	291,097,569	-3.7%

Financial debt

	December 31, 2022 IFRS	June 30, 2023 IFRS	%VAR
Overdraft	27,801,016	17,012,060	(38.8)%
Current portion of long-term debt	55,695,054	69,803,853	25.3%
Long-term debt	803,273,659	979,314,589	21.9%
Total	886,769,729	1,066,130,502	20.2%
Net Debt	1,100,018,613	1,247,634,243	13.4%
Net debt to EBITDA (annualised) ratio	3.9	4.0	



Consolidated Statement of Cash Flow

Description	June 30, 2022 IFRS	June 30, 2023 IFRS
Net income before taxes	52,701,873	12,268,030
Adjustments for non-monetary items	80,420,554	127,197,561
Operating cash flow before working capital and other monetary changes	133,122,427	139,465,591
Cash used in working capital changes	(28,356,687)	(28,179,478)
Other monetary changes (income tax and net interest paid)	(19,096,425)	(31,135,268)
Net cash from operating activities	85,669,314	80,150,845
Net cash used in investing activities	(237,108,522)	(138,242,944)
Net cash from financing activities	122,986,385	78,617,773
Net change in cash and cash equivalents	(28,452,822)	20,525,674
Cash and cash equivalents beginning of the period	135,858,888	89,068,154
Cash and cash equivalents end of the period	107,406,066	109,593,828

- ❑ robust cash flow from operations before working capital changes at RON 139m;
- ❑ decrease in investments in 2023 compared to 2022, with RON 60m invested in business combinations and RON 73m in organic development projects;
- ❑ Net cash from financing activities of RON 78.6m RON.



Q&A Session

Thank you!

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