

## MedLife (M)

**HOLD**

### Company update

**Target price: 6.69 RON (+11.66%)**

### Company key elements

- MedLife, Romania's largest private healthcare network, has achieved a CAGR of 23% in revenue and 26% in EBIT since 2016. Since 2009, the company has acquired 80 companies and served over 6 million patients. In 2019, MedLife expanded internationally by acquiring a 51% stake in Rózsakert Medical Center in Hungary.
- MedLife's debt level increased 6.5 times from 2016 to 2023, with the net debt-to-EBITDA ratio reaching 5x in 2023. However, an improvement has been observed this year, with an estimated reduction of 4.2x. High financial expenses, salary costs, acquisition integration expenses, and investments have pressured the company's net results, leading to a loss of 4 million RON in 2023. We anticipate an improvement in the company's reported margin, averaging 4.6% between 2025 and 2030.
- Regarding the business line performance, four of the six segments recorded double-digit growth at the end of the first nine months of this year. Clinics remain MedLife's main source of revenue, accounting for 37.5% of total sales, followed by hospitals (24%), laboratories (11.4%), corporate services (11.3%), dentistry (5%) and pharmacies (2.5%), all of which recorded increases due to sustained demand, new acquisitions, and investments in technology and equipment.
- For the forecast period, we are relying on a mix between an increase in the number of visits, higher average tariffs, and cost optimization. We project a revenue CAGR of 15.4% for 2023-2027 and 7.83% for 2026-2030. Hospitals are expected to grow the fastest, followed by clinics and laboratories, with clinics estimated to account for up to 41% and hospitals up to 26% of total revenue.
- **We value the company at a target price of 6.69 lei/share**, with a potential upside of 11.66% from the closing price on December 20, 2024, based on the DCF model.
- Potential risks to our recommendation include economic instability, shortages of medical staff, intensified competition, tax levels, and the impact of potential health crises. Additionally, the potential sale of MedLife's main competitor, Regina Maria, introduces uncertainty regarding the strategy the new owners might implement.

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### Sector: Medical

### Shares information

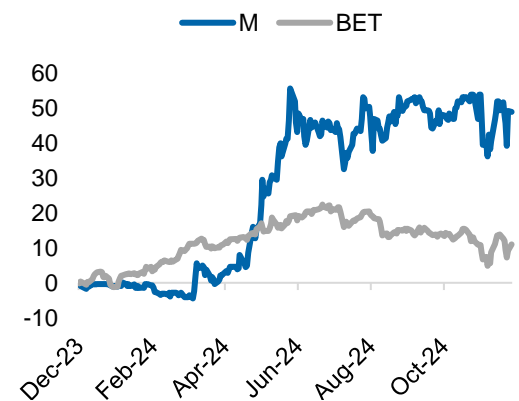
Min/max price, 52 weeks.	3.83 – 6.25
Total shares (mil.)	531.5
Market cap. (mil. RON)	3,184
52 weeks liquidity (mil. RON)	265

### Shareholders

	%
Marcu Mihail	14.38
Cristescu Mihaela Gabriela	14.04
NN Pension Fund	13.24
Marcu Nicolae	10.28
Others	48.06

### 1-year performance

	%
M	49.50
vs. BET Index	11.38



source: Bloomberg

## 9M Results Overview

In the first three quarters of 2024, MedLife recorded revenue of RON 1,979 million, up 21.6% compared to the same period of the previous year, of which 17% is organic growth. The positive trend was driven by the upward trend in each business line and acquisitions integrated into the group.

Regarding operational expenses, we see an increase by 19.7% compared to the first nine months of the previous year, reaching RON 1,872 million. Third-party expenses and wages and salaries account for 55% of total expenses and increased by 20% y/y. The share of operating expenses in total revenues decreased slightly to 94.3% vs. 95.3%, which contributed to an operating result of RON 113 million, up 47% y/y. Net income increased 5.5x in the first 9M 2024 vs. 9M 2023, with a margin of 1.1% (vs. 0.2% at 9L 2023). However, profit remains significantly impacted by high financial expenses. We estimate an improvement in the net debt to EBITDA ratio for 2024 to 4.2x vs. 5x at end-2023.

RON	September 30, 2023	September 30, 2024	%
Revenue from contracts with customers	1.627.415.774	1.978.668.707	21,6%
Other operating revenues	12.865.976	5.808.476	-54,9%
<b>OPERATING INCOME</b>	<b>1.640.281.750</b>	<b>1.984.477.183</b>	<b>21,0%</b>
Consumable materials and repair materials	-286.957.439	-358.380.674	24,9%
Third party expenses	-456.459.369	-560.862.681	22,9%
Salary and related expenses	-402.924.880	-466.773.589	15,8%
Social contributions	-14.057.657	-17.122.487	21,8%
Depreciation, amortization and impairment of fixed assets	-140.899.319	-177.009.205	25,6%
Impairment losses and gains (including reversals of impairment losses)	-1.002.093	-4.838.914	382,9%
Commodities expenses	-155.327.826	-166.982.925	7,5%
Other operating expenses	-105.847.403	-119.579.449	13,0%
<b>OPERATING EXPENSES</b>	<b>-1.563.475.986</b>	<b>-1.871.549.924</b>	<b>19,7%</b>
<b>OPERATING PROFIT</b>	<b>76.805.764</b>	<b>112.927.259</b>	<b>47,0%</b>
Finance cost	-57.394.710	-78.602.920	37,0%
Interest income	0	4.106.686	
Other financial income	0	117.815	
Other financial expenses	-4.242.058	-670.396	-84,2%
<b>FINANCIAL RESULT</b>	<b>-61.636.769</b>	<b>-75.048.815</b>	<b>21,8%</b>
<b>PROFIT BEFORE TAX</b>	<b>15.168.996</b>	<b>37.878.444</b>	<b>149,7%</b>
Income tax expense	-11.365.857	-17.050.287	50,0%
<b>NET RESULT</b>	<b>3.803.139</b>	<b>20.828.157</b>	<b>447,7%</b>

source: MedLife

All of the group's business lines performed well in the first nine months of 2024, with four divisions achieving double-digit growth.

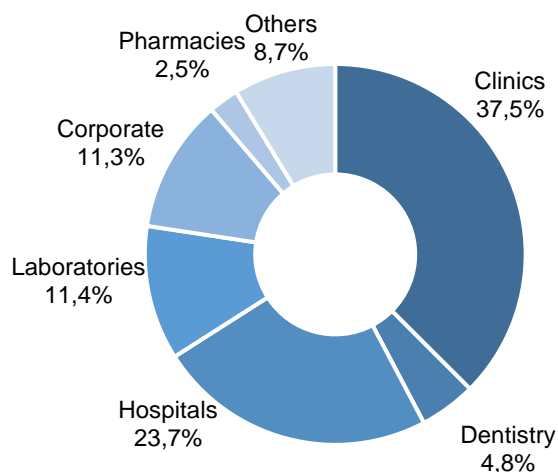
As of 9M 2024, the clinics' division accounted for 37% of total revenue, making it the largest contributor, with a 22% revenue growth driven by a 12% increase in the number of visits and a 9% rise in the average fee. Hospitals followed as the second-largest business line, contributing 24% of total revenue and recording a 33% growth, supported by a 14% increase in patient visits and a 16% rise in the average fee. Laboratories and the corporate segment each contributed 11% of total revenue, with laboratories achieving a 32% revenue increase due to a 21% rise in the number of tests, while the corporate segment posted a 19% growth, driven by a 16% increase in average tariff, which offset a modest 2% rise in the number of preventive care packages. The pharmacy and dental divisions showed more modest growth, with revenues increasing by 9% and 3%, respectively.

**9M 2024 vs. 9M 2023**

	Revenue	Number of visits	Average tariffs
Clinics	21,9%	12,1%	8,8%
Dentistry	2,7%	3,1%	-0,4%
Hospitals	32,7%	14,5%	15,9%
Laboratories	31,5%	21,0%	8,7%
Pharmacies	18,6%	2,1%	16,1%
Clinics	8,9%	-0,7%	9,7%

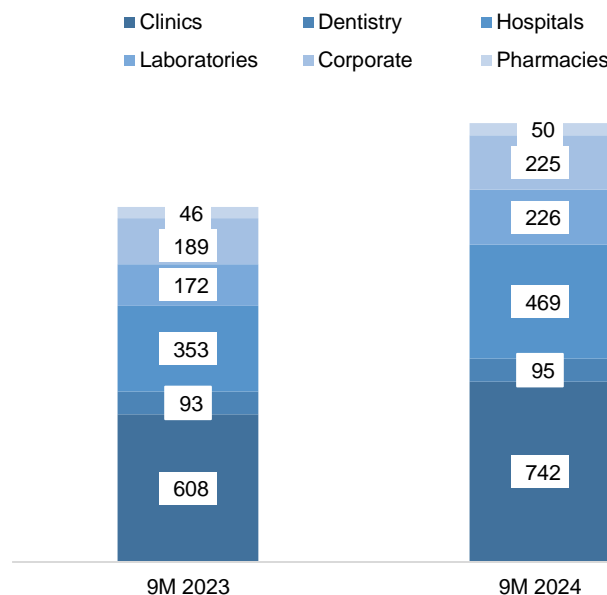
source: MedLife

**Share of business lines in total revenues  
9L 2024**



Source: MedLife

**Revenue trend (mil. RON)**



## Estimates and projections

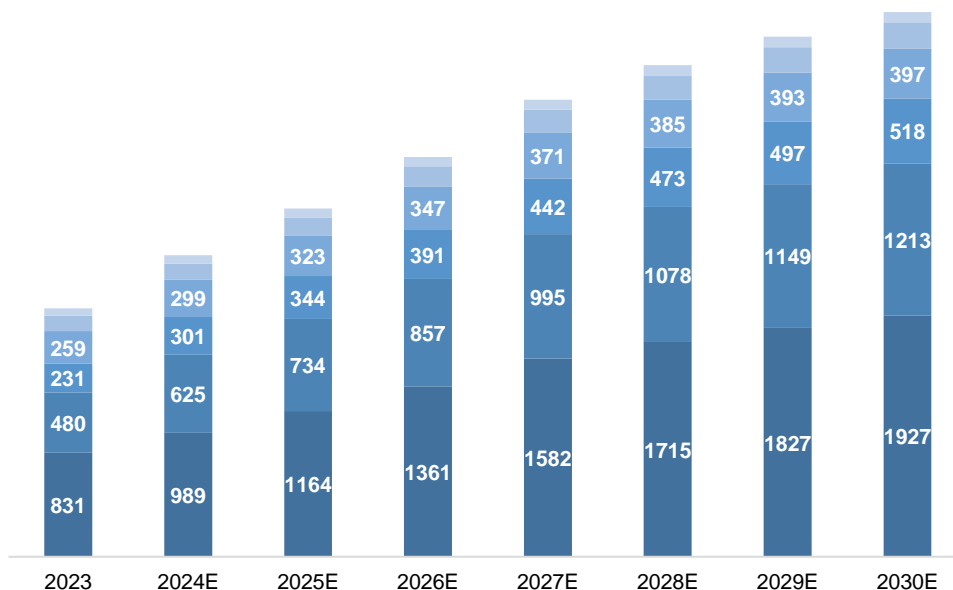
MedLife Group has a strong track record of growth, achieved both organically and through the acquisition of 80 companies since 2009. The company remains focused on exploring new opportunities locally and regionally. Over the medium term, MedLife plans to continue investing in both acquisitions and organic development. Thus, we expect a gradual improvement in MedLife's financial results with high revenue growth over the next three years, followed by a more moderate pace and a consolidation thereafter.

As completed acquisitions are integrated into the group and investments reach their break-even point, we expect profit margins to improve, averaging around 5% over the 2025-2030 period. Thus, we are relying on a mix between growth in the number of visits, average tariffs, and cost efficiency. MedLife has achieved exponential growth over the last 5 years, with a 23% CAGR in revenue and 19% in EBIT, with a focus on service development, infrastructure expansion, and cutting-edge equipment, including the achievement of high-performance diagnostics and robotic surgery.

We project a revenue CAGR of 15.4% for the period 2023-2027 and 7.83% for 2026-2030. Over the forecast period, we anticipate an increase in the revenue share of clinics and hospitals, reaching 41% for clinics and up to 26% for hospitals. By 2030, we estimate a CAGR of 14.15% for hospitals, 12.76% for clinics, and 12.25% for laboratories compared to 2023.

### Estimated revenue by business line ('000 RON)

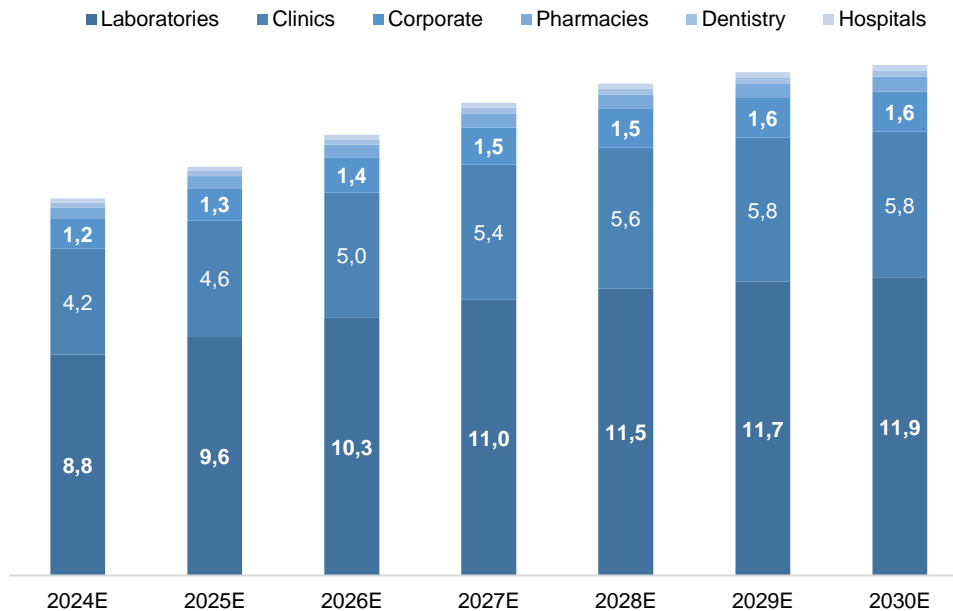
■ Clinics ■ Hospitals ■ Laboratories ■ Corporate ■ Dentistry ■ Pharmacies



source: MedLife, own estimates

We pencil in an increase in the number of visits during the initial years, presented in the chart below, followed by a slower pace, with a projected CAGR (2023-2030) of 6.2% for clinics, 6.27% for hospitals, and 9.07% for laboratories. Additionally, average prices are expected to support revenue growth, with an estimated average of 4% for 2024-2030.

### Estimated number of visits (mil.)



source: MedLife, own estimates

MedLife has made significant investments and acquisitions in recent years, but we expect the pace of new investments to decline during the forecast period as the company consolidates its market position, and also able to maintain a stable debt-to-EBITDA ratio. In the final two months of this year, MedLife inaugurated two hospitals: Medici's Hospital in Timișoara, a fully digitalized facility in western Romania covering 6,200 sqm with an investment of over €25 million, and MedLife Craiova Hospital, a multidisciplinary unit covering 3,400 sqm with an investment of nearly €6 million. These openings enhance MedLife's capacity to deliver integrated medical services nationwide and reaffirm the company's growth strategy for 2024.

The MedLife Network includes 35 hyperclinics offering consultations, imaging, and analysis; 74 clinics addressing general and specialized medical needs; 18 hospitals with over 1,400 beds for medical and surgical specialties; 18 dental centers, including those specialized in orthodontics; 42 laboratories and over 180 sampling points; 3 maternity hospitals and a stem cell bank; and 20 pharmacies offering own-brand products and compensated prescriptions. Additionally, MedLife operates internationally with a clinic in Hungary.

## DCF Valuation

We value the company at 6,69 RON/share, implying an 11.66% upside from the current market price. We use a weighted average cost of capital of 10.8%, where we estimate the cost of equity at 16.06% and the cost of debt at 7%.

Other assumptions in our model include:

- BETA of 1.08, estimates as linear regression against the BET index;
- Market risk premium of 8.4%, estimated using the long-term yield of the BET index and the yield on a 10-year Romanian government bond yield;
- Terminal value estimated using a 3% growth rate and the weighted cost of capital.

<i>RON '000</i>	Estimated <b>31-Dec-24</b>	Estimated <b>31-Dec-25</b>	Estimated <b>31-Dec-26</b>	Estimated <b>31-Dec-27</b>	Estimated <b>31-Dec-28</b>	Estimated <b>31-Dec-29</b>	Estimated <b>31-Dec-30</b>
Revenues	<b>2.638.225</b>	<b>3.021.762</b>	<b>3.446.433</b>	<b>3.916.584</b>	<b>4.204.976</b>	<b>4.445.429</b>	<b>4.658.667</b>
<i>% growth</i>	19,4%	14,5%	14,1%	13,6%	7,4%	5,7%	4,8%
<b>EBITDA</b>	<b>380.237</b>	<b>466.186</b>	<b>584.185</b>	<b>719.315</b>	<b>779.399</b>	<b>797.438</b>	<b>796.376</b>
EBITDA M	14,4%	15,4%	17,0%	18,4%	18,5%	17,9%	17,1%
<b>EBIT</b>	<b>137.409</b>	<b>221.753</b>	<b>305.400</b>	<b>402.499</b>	<b>439.254</b>	<b>437.843</b>	<b>419.532</b>
EBIT M	5,2%	7,3%	8,9%	10,3%	10,4%	9,8%	9,0%
<b>EBIT*(1- Tax Rate)</b>	<b>115.424</b>	<b>186.273</b>	<b>256.536</b>	<b>338.099</b>	<b>368.974</b>	<b>367.788</b>	<b>419.532</b>
D&A	240.477	241.741	275.715	313.327	336.398	355.634	372.693
WCC	-10.553	-12.087	-13.786	-15.666	-16.820	-17.782	-18.635
CAPEX	-237.440	-211.523	-206.786	-234.995	-210.249	-177.817	-186.347
<b>FCFF</b>	<b>107.908</b>	<b>204.403</b>	<b>311.679</b>	<b>400.765</b>	<b>478.303</b>	<b>527.824</b>	<b>587.244</b>
<i>discount factor</i>	<i>0,90</i>	<i>0,81</i>	<i>0,73</i>	<i>0,66</i>	<i>0,60</i>	<i>0,54</i>	<i>0,49</i>
<i>NPV FCFF</i>	97.370	166.431	228.995	265.694	286.133	284.923	286.042
PV FCFF	1.615.588						
PV Terminal Value	3.547.763						
Terminal growth rate	3,0%						
<b>Company value</b>	<b>5.163.351</b>						
Net Debt	1.534.400						
Minorities	74.238						
<b>Company value</b>	<b>3.554.713</b>						
No. Shares	531.482						
<b>Price/share (RON)</b>	<b>6,69</b>						
Market price (RON)	5,99						
Upside/Downside	<b>11,66%</b>						

source: own estimates

## Financial statements and estimates

(mil. RON)	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Revenue	1.795	2.210	2.638	3.022	3.446	3.917	4.205	4.445	4.659
COGS	-311	-390	-475	-538	-607	-682	-724	-752	-774
<b>Gross Profit</b>	<b>1.484</b>	<b>1.821</b>	<b>2.163</b>	<b>2.484</b>	<b>2.840</b>	<b>3.235</b>	<b>3.481</b>	<b>3.694</b>	<b>3.885</b>
Salary expenses	-443	-543	-619	-700	-769	-846	-931	-1.024	-1.127
General & admin. Expenses	-804	-997	-1.164	-1.318	-1.486	-1.669	-1.771	-1.872	-1.962
<b>EBITDA adj.</b>	<b>237</b>	<b>280</b>	<b>380</b>	<b>466</b>	<b>584</b>	<b>719</b>	<b>779</b>	<b>797</b>	<b>796</b>
Amortization and depreciation	-152	-197	-240	-242	-276	-313	-336	-356	-373
Other income / (expenditure)	9	9	-2	-3	-3	-3	-4	-4	-4
<b>EBIT</b>	<b>94</b>	<b>92</b>	<b>137</b>	<b>222</b>	<b>305</b>	<b>402</b>	<b>439</b>	<b>438</b>	<b>420</b>
Financial income	0	3	0	0	0	0	0	0	0
Financial expenses	-42	-82	-106	-121	-103	-117	-126	-133	-140
Other financial income / (expenses)	-2	-8	-12	-13	-15	-17	-18	-19	-20
<b>Gross profit</b>	<b>50</b>	<b>4</b>	<b>31</b>	<b>101</b>	<b>202</b>	<b>285</b>	<b>313</b>	<b>304</b>	<b>280</b>
Income tax	-12	-8	-5	-16	-32	-46	-50	-49	-45
<b>Net profit</b>	<b>37</b>	<b>-4</b>	<b>26</b>	<b>85</b>	<b>170</b>	<b>239</b>	<b>263</b>	<b>256</b>	<b>235</b>
Net result before minorities	37	-4	26	85	170	239	263	256	235
Minorities	5	-8	3	8	17	24	26	26	24
<b>Net result</b>	<b>32</b>	<b>4</b>	<b>23</b>	<b>76</b>	<b>153</b>	<b>215</b>	<b>237</b>	<b>230</b>	<b>212</b>

source: MedLife, own estimates

Ratios	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e
GPM	82,7%	82,4%	82,0%	82,2%	82,4%	82,6%	82,8%	83,1%	83,4%
EBITDA M adj.	13,2%	12,7%	14,4%	15,4%	17,0%	18,4%	18,5%	17,9%	17,1%
EBIT M	5,2%	4,1%	5,2%	7,3%	8,9%	10,3%	10,4%	9,8%	9,0%
NPM	1,8%	0,2%	0,9%	2,5%	4,4%	5,5%	5,6%	5,2%	4,5%

source: MedLife, own estimates



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Company	Symbol	Explanatory note No.
MedLife	M	5, 7, 10, 11

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