

MLP Care

Healthcare for all

We initiate the coverage of MLP Care in our research scope with a target price of TL385.00 for a 12-month period, recommending a BUY with a potential return of 54%. i) Increasing healthcare expenditures domestically and evolving consumer habits, ii) Increasing health insurance demand stands out as the main themes of our valuation. We anticipate the high profitability observed in late 2023 to persist in 2024. Positioned as attractive in terms of current Market Cap, the company trades at a multiple of 10.0x P/E in our 2024E estimates and 7.2x P/E in our 2025E estimates.

Post-pandemic increase in healthcare demand... Globally accelerating healthcare expenditures post-pandemic continue to remain at historical averages in Turkey. Domestically, participation in supplementary health insurance has doubled post-pandemic and continues to increase. By the end of 2022, 3.6mn individuals in Turkey participated in supplementary health insurance, increasing by 14% to reach 4.1mn by the end of 2023. The number of individuals with private health insurance domestically increased by 7% from 2.7mn at the end of 2022 to 2.9mn. In 2023, the number of individuals with health insurance in Turkey increased by 11% annually to reach 7mn.

A favorite among foreigners, medical tourism... Turkey receives significant demand for medical tourism from neighboring countries due to its geographical location and competitively priced services in foreign currency terms. Factors such as service quality, speed, and technology used in healthcare solutions have made Turkey one of the popular destinations for medical tourism. Medical tourism revenues, which amounted to USD106mn by the end of 2022, increased by 7.5% to reach USD114mn by the end of 2023. We anticipate a 10% growth in foreign currency terms in the medical tourism sector during our evaluation period.

MLP Care continues to expand its portfolio of international hospitals...

In 2023, a management contract was signed with Duna Medical Center in Budapest, which has a capacity of 154 beds, and MLP Care obtained all operating rights. Along with Liv Bona Dea Hospital in Baku, whose operating rights were acquired in 2022, the total bed capacity outside Turkey reached 310.

Risks: i) Geopolitical risks affecting tourism, ii) increasing personnel expenses, iii) escalating costs on top of rising health expenditures.

MPARK

Buy

Target Price **TL 385**
Return potential **54%**

Share Data

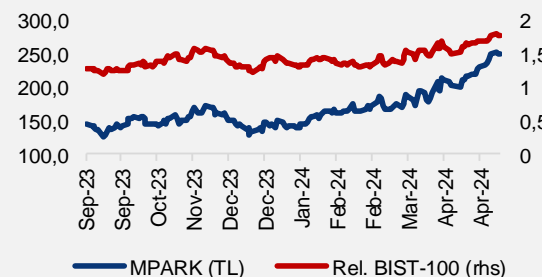
Ticker:	MPARK TI		
Share price (as of 08.05.2024)	250,00		
Share price (52 week range)	59,95 / 252,00		
Market cap. (TL mn - USD mn)	52009,3 - 1.615		
# of shares (mn) & free float	208 - 35%		
Foreign Ownership Rate	26,79%		
Market	Star		
Industry	Health Care		

Avg. trading volume	1M	3M	12M
USD mn	4,8	5,0	4,4

Price performance	1M	3M	Y-t-D
TL	20%	52%	68%
USD	20%	44%	53%
Rel. to BIST-100	15%	32%	22%

Forecasts (TL mn)	2023	2024E	2025E
Revenues	22.449	40.095	57.576
EBITDA	5.784	9.651	13.796
Net Earnings	4.530	5.171	7.232

Valuation	2023	2024E	2025E
P/E	11,4x	10,0x	7,2x
P/BV	4,1x	3,4x	2,3x
EV/EBITDA	9,6x	5,7x	4,0x
EV/Sales	2,5x	1,5x	1,0x
Dividend Yield	0%	0%	0%



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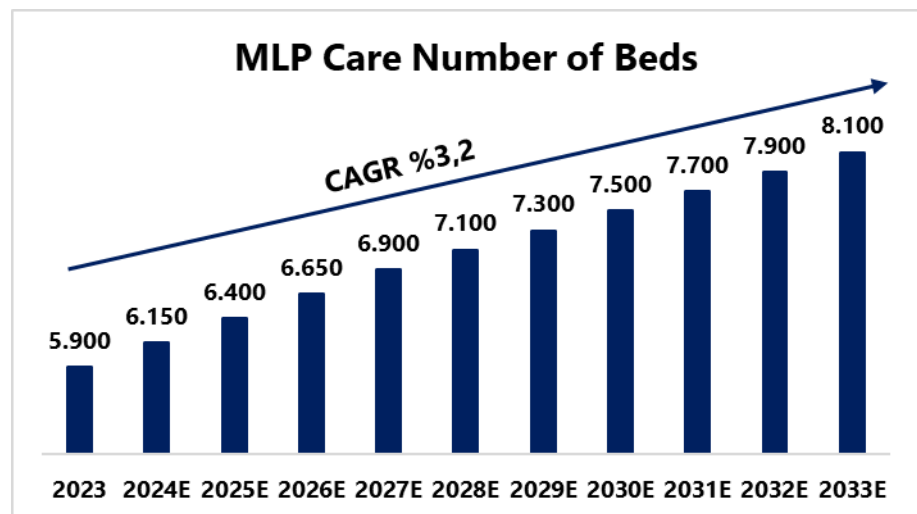
Investment Case

Turkey's largest hospital group... MLP Care, operating under the brands of Medical Park and Liv Hospital, stands as the largest hospital group in Turkey. With Medical Park hospitals primarily providing service to the insured customer segment, MLP Care Group serves predominantly in the healthcare tourism sector with the Liv Hospital brand.

Increasing demand curve in healthcare expenditures... While there has been an observed increase in healthcare expenditures globally post-Covid-19, the ratio of healthcare expenditures to GDP in Turkey has not yet reached the levels of developing countries. As of the end of 2021, the current share of healthcare expenditures in GDP was 4.3%. Turkey has not reached historical peaks of around 5% in the share of current healthcare expenditures in GDP. The average for developing countries is around 7%. In our investment theme, we anticipate healthcare expenditures domestically to approach levels seen in developing countries. During our evaluation period, we forecast an 18% growth in TL-based healthcare expenditure.

High market share in the hospital segment... With a capacity of 5,900 beds, MLP Care Group holds a 10% market share among private hospitals operating domestically. 39% of the bed capacity is in Istanbul. MLP Care Group appears to have the highest number of beds in most of the cities it serves.

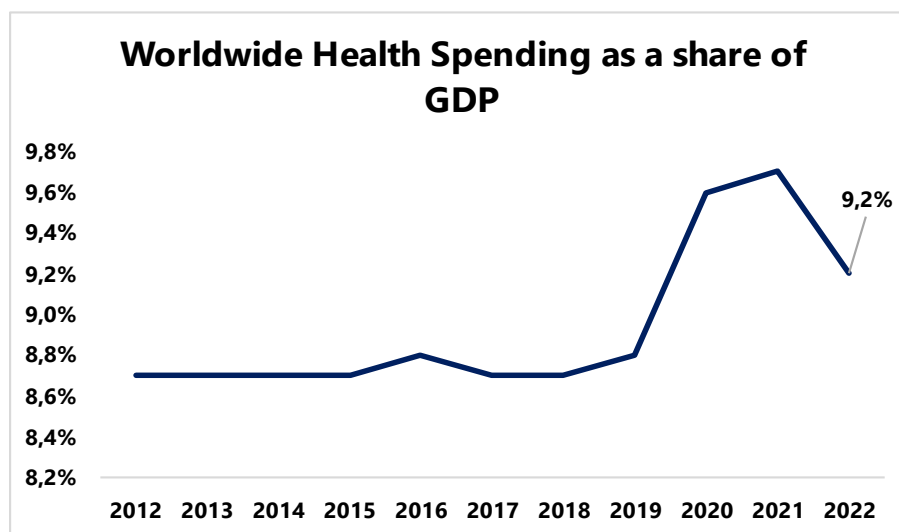
Newly opening hospitals will support organic growth... As part of MLP Care Group's growth strategy, four new hospitals with approximately 200 beds each are planned to be opened in metropolitan areas within four years. The newly opened hospitals will contribute to the existing bed capacity by 14% over four years.



Source: MLP Care

Global Healthcare Outlook

According to year-end 2022 data, the ratio of current healthcare expenditures to Gross Domestic Product (GDP) worldwide stood at 9.2%. In 2022, in the United States, the ratio of current healthcare expenditures reached 16.6% of GDP, making it the country with the highest current healthcare expenditures globally. Germany and France followed, with ratios of 12.7% and 12.1%, respectively. Among the top 14 highest-income countries, the ratio of current healthcare expenditures to GDP exceeded 10%. While the ratios for the remaining member countries ranged from 6% to 9%, countries with ratios below 6% included Mexico, Luxembourg, and Turkey.



Source: OECD Data

Institutions are evaluating opportunities to provide more effective healthcare through technology-supported models. With the increasing use of technologies such as telehealth, remote monitoring, and artificial intelligence, an increase in efficiency can be expected in areas such as optimizing resource allocation, improving processes, and personalizing patient care. Institutions aim to grow their market share, create new revenue streams, and achieve economies of scale, particularly through collaboration with digital health companies and physicians.

2024 Outlook

The global healthcare sector is undergoing a transformation due to technological advancements, demographic changes, and evolving patient needs. The rise in healthcare expenditures has led to challenging conditions worldwide in terms of quality, access, and affordability. The labor shortage resulting from COVID-19, along with increased inflation and demand intensity, has further escalated costs. While positive trends were observed in hospital and healthcare system operating margins towards the end of 2023, growth throughout the year was below that of other sectors. An increase in deal volume is expected to continue in 2024, with the healthcare sector projected to outpace other sectors in growth during the year.

About MLP Care

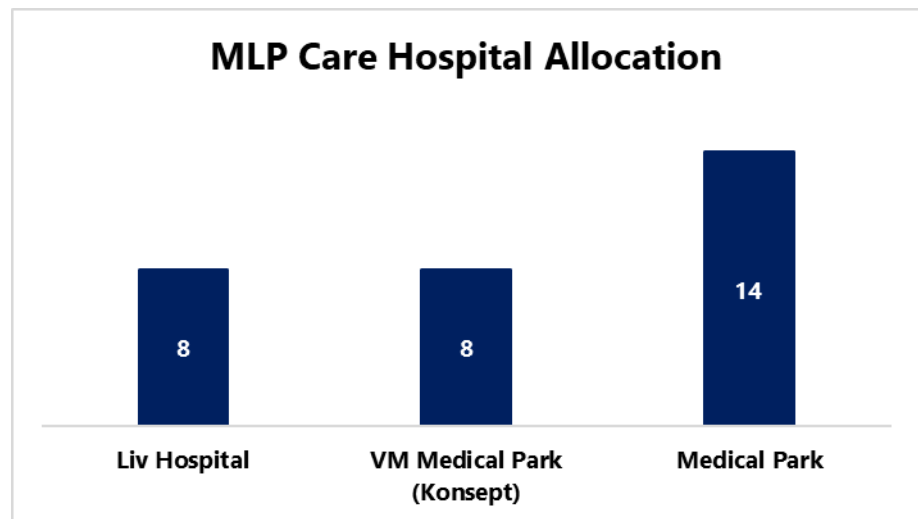
Since 1993, MLP Care Group, primarily through Medical Park Hospitals, has been providing healthcare services with a total of 30 private hospitals, including 13 provinces domestically and 2 hospitals in Hungary and Azerbaijan internationally as of the end of 2023. The company offers health services under two brands: Medical Park and Liv Hospital.

Medical Park Hospitals, the flagship of MLP Care Group, operates under the philosophy of "Health for Everyone" and stands among the world's leading healthcare institutions by providing healthcare services at international standards and conducting scientific research. It delivers quality diagnosis and treatment services in five hospitals accredited by the Joint Commission International (JCI).

With 30 hospitals, over 20,000 employees, and more than 2,800 doctors, MLP Care Group spreads across Turkey, aiming to elevate healthcare standards without compromising medical ethics and utilizing state-of-the-art technology. Under the VM Medical Park brand, it offers value-added healthcare services that adapt to changing lifestyles.

In addition to providing healthcare services to the community, MLP Care Group supports social responsibility projects. It collaborates with universities to contribute to both hospital staff and academic institutions and leads innovations in healthcare globally. It also endeavors to promote sports and a healthy lifestyle, sponsoring numerous sports clubs.

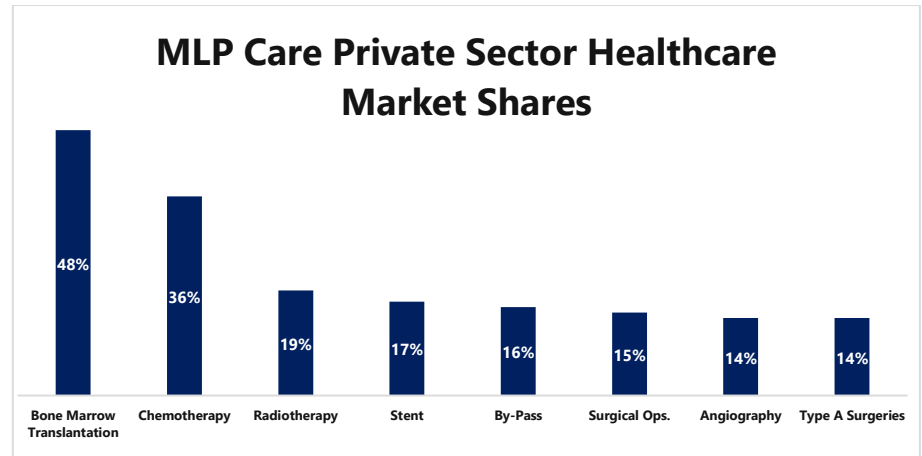
According to the company's brand strategy, Medical Park Hospitals primarily serve the middle and upper segments, while VM Medical Park concept focuses on providing services to the premium segment. Liv Hospital operates predominantly in the premium segment and healthcare tourism.



Source: MLP Care

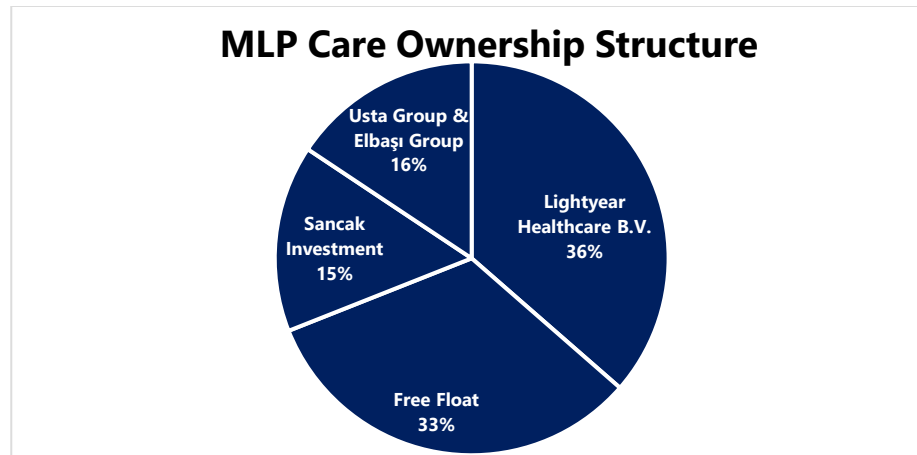
MLP Care Market Shares

According to the TURKSTAT data announced at the end of 2020, MLP Care holds 10% of the private sector's bed capacity and 2% of the total bed capacity. In terms of actual hospitalized patient numbers, it dominates 4% of the total hospitalized patient market across all hospitals, while holding a 15% share in the private sector. MLP Care also holds the highest market share in Bone Marrow Transplantation and Chemotherapy treatments among private sector healthcare services.



Source: MLP Care

Ownership Structure



Source: MLP Care

MLP Care has applied to the Capital Markets Board (SPK) on December 29, 2023, for the redemption of 17 million shares, representing 8.2% of the company's capital and approximately 25% of its publicly traded capital, to support healthy price formation. The process is ongoing, and if approved by the SPK, the company's current capital will decrease from TL208mn to TL191mn.

Valuation

According to our MLP Health Discounted Cash Flow (DCF) model, we calculate our target price at TL385.0 per share for the period 2024-2033 based on our cash flow forecasts. This target price implies a potential return of 54%. In our valuation, we have taken the risk-free rate as 23.5% and the equity risk premium as 6.5%. The weighted average cost of capital (WACC) we calculated for our projection period is at 26%.

Exhibit: Table: MLP Care Discounted Cash Flow Chart

(mn TL)	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues	22.449	40.095	57.576	75.551	96.038	117.353	139.589	163.503	190.729	222.320	259.089
Growth%	18,8%	78,6%	43,6%	31,2%	27,1%	22,2%	18,9%	17,1%	16,7%	16,6%	16,5%
EBITDA	5.784	9.651	13.796	17.811	22.561	27.536	32.432	37.798	43.824	50.713	58.628
Growth%	35,1%	66,9%	43,0%	29,1%	26,7%	22,0%	17,8%	16,5%	15,9%	15,7%	15,6%
<i>EBITDA Margin</i>	25,8%	24,1%	24,0%	23,6%	23,5%	23,5%	23,2%	23,1%	23,0%	22,8%	22,6%
Taxes paid on EBIT	-281	-520	-816	-1.063	-1.336	-1.622	-1.898	-2.199	-2.537	-2.922	-3.364
CAPEX	-1.365	-1.925	-2.764	-3.626	-4.610	-4.459	-5.304	-6.213	-7.248	-8.448	-9.845
Change in Net Working Capital	-419	-766	78	-44	-64	-85	-108	-135	-170	-214	-270
Free cash flow from operations	4.557	7.972	10.138	13.166	16.680	21.539	25.337	29.520	34.209	39.557	45.688
FCFF Margin	20,3%	19,9%	17,6%	17,4%	17,4%	18,4%	18,2%	18,1%	17,9%	17,8%	17,6%
WACC		24,8%	24,3%	24,5%	24,7%	25,1%	25,2%	25,4%	25,5%	25,6%	25,7%
DFC		6.388	6.558	6.816	6.899	7.042	6.568	6.055	5.548	5.070	4.627
Terminal growth rate	5%										
Terminal Value	215.855										
PV of Terminal Value	21.861										
PV of FCFF	61.570										
PV of Terminal Value	21.861										
Enterprise Value	83.431										
Less:											
Latest Net Debt	3.243										
Equity Value	80.188										
# of shares outstanding	208										
Fair Value per share (12-mth fwd)	385,00										
Current share price	250,00										
Upside / (Downside)	54%										

Sensitivity Analysis for our DCF Model

You can find below the sensitivity of our target price to changes in the risk-free rate and value growth rate in our Discounted Cash Flow model.

		Risk Free Rate				
		22,5%	23,0%	23,5%	24,0%	24,5%
Terminal Growth Rate	4,0%	404,0	392,0	380,0	368,0	358,0
	4,5%	407,0	395,0	382,0	371,0	360,0
	5,0%	411,0	398,0	385,0	374,0	362,0
	5,5%	415,0	401,0	389,0	377,0	365,0
	6,0%	418,0	405,0	392,0	380,0	368,0

Projected Financials

Balance Sheet (TLmn)	2021	2022	2023	2024E	2025E
Cash	680	1.262	2.812	279	5.188
Accounts receivables	1.318	3.010	3.657	6.715	7.649
Inventory	285	1.174	1.077	2.027	2.145
Financial investments	0	353	0	100	100
Fixed assets	1.678	7.456	7.846	4.659	5.612
Other non-current assets	1.787	9.362	13.023	23.259	33.400
Total assets	5.748	22.616	28.415	37.039	54.095
Short-term financial loans	1.274	2.713	3.062	3.754	5.391
Accounts payables	1.546	3.951	4.082	8.856	9.830
Long-term financial loans	1.475	2.284	2.993	3.669	8.148
Other long-term payables	914	3.776	5.602	5.385	8.120
Non-current liabilities	5.209	12.724	15.740	21.665	31.489
Shareholders' equity	539	9.892	12.675	15.374	22.606
Paid in Capital	208	208	208	208	208
Other Equity	331	9.684	12.467	15.166	22.398
Total liabilities & equity	5.748	22.616	28.415	37.039	54.095
Net debt	2.069	3.735	3.243	7.145	8.350
Net working capital	57	233	652	-114	-36
Per share (TL)					
EPS	1,40	22,79	21,77	24,86	34,76
BVPS	2,59	47,55	60,93	73,90	108,66
DPS	0,04	0,25	0,22	0,00	0,00
Ratios					
Profitability					
ROE	70,7%	90,9%	40,1%	36,9%	38,1%
Net margin	5,0%	25,1%	20,2%	12,9%	12,6%
Asset turnover	1,1x	1,3x	0,9x	1,2x	1,3x
Leverage	12,6x	2,7x	2,3x	2,3x	2,4x
ROA	5,6%	33,4%	17,8%	15,8%	15,9%
Leverage					
Financial debt/Total assets	48%	22%	21%	20%	25%
Net debt/Equity	3,84	0,38	0,26	0,46	0,37
Net debt/EBITDA	1,53	0,87	0,56	0,74	0,61
Income statement					
Revenues	5.796	18.903	22.449	40.095	57.576
Gross profit	1.579	4.887	6.430	11.306	17.930
Operating expenses	-561	-1.869	-2.189	-3.465	-5.620
Operating profit	1.017	3.018	4.241	7.840	12.310
EBITDA	1.353	4.280	5.784	9.651	13.796
Other income, net	-2	-43	130	433	622
Financial income, net	-652	982	1.386	-1.379	-3.805
Earnings before taxes	372	4.781	5.825	6.975	9.242
Tax expense	-17	111	-1.077	-1.604	-1.811
Net earnings	290	4.742	4.530	5.171	7.232
Cashflow statement					
EBITDA	1.353	4.280	5.784	9.651	13.796
Taxes on EBIT	-67	-200	-281	-520	-816
Capital expenditures	-481	-1.095	-1.365	-1.925	-2.764
Chg. in NWC	-224	176	419	-766	78
Free cashflows to firm	1.029	2.809	3.719	7.972	10.138
Growth & margins					
Revenues	44%	226%	19%	79%	44%
EBITDA	44%	216%	35%	67%	43%
Net earnings	347%	1533%	-4%	14%	40%
Gross margin	27,2%	25,9%	28,6%	28,2%	31,1%
Operating margin	17,6%	16,0%	18,9%	19,6%	21,4%
EBITDA margin	23,3%	22,6%	25,8%	24,1%	24,0%
Net margin	5,0%	25,1%	20,2%	12,9%	12,6%
Free cashflow margin	17,8%	14,9%	16,6%	19,9%	17,6%
Valuation					
P/E	178,4x	10,9x	11,4x	10,0x	7,2x
P/BV	96,2x	5,2x	4,1x	3,4x	2,3x
EV/EBITDA	40,8x	12,9x	9,6x	5,7x	4,0x
EV/Sales	9,3x	2,9x	2,5x	1,5x	1,0x
Dividend Yield	0,0%	0,1%	0,1%	0,0%	0,0%
Free cashflow yield	2,0%	5,4%	7,2%	15,4%	19,6%

Source: Company Data, Tacirler Investment

* All figures are stated in millions of TL unless otherwise stated.

Important Disclosures

Rating Methodology

Stock ratings are based on absolute return potential of the stock, which is defined as the percentage change in target price from the current share price. All recommendations and target prices are set with a 12-month horizon. Target prices are set by using one or more of the following methodologies: DCF, Net Asset Valuation, sum of the parts model and multiple comparison.

Rating Definition

Buy: The stock is expected to generate a return of more than 30% in TL terms.

Hold: The stock is expected to generate a return of less than 15% in TL terms.

Sell: The stock is expected to generate a negative return within the forecast horizon.

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