

COMPANY UPDATE

MedLife SA

Accumulate

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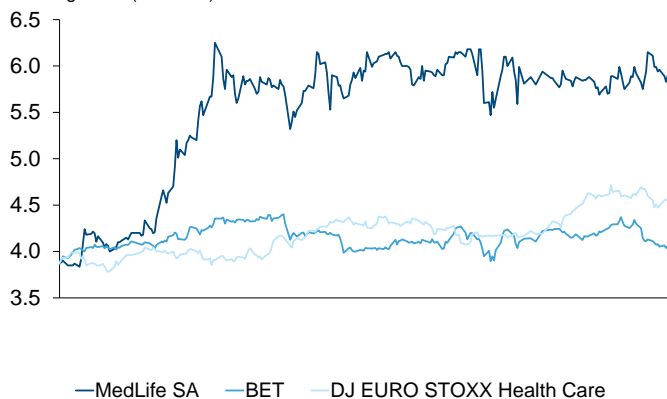
Share price (RON) close as of 20/03/2025	5.94	Reuters	ROM.BX	Free float	59.0%
Number of shares (mn)	531.5	Bloomberg	M RO	Shareholders	Marcu Mihail (15.8%)
Market capitalization (RON mn / EUR mn)	3,157 / 634	Div. Ex-date	11/04/24	Cristescu Mihaela Gabriela (14.04%)	
Enterprise value (RON mn / EUR mn)	3,908 / 785	Target price	6.65	Homepage:	www.medlife.ro

Key figures Overview

RON mn	2023	2024	2025e	2026e
Net sales	2,211.6	2,626.2	2,946.8	3,301.3
EBITDA	289.8	378.2	434.7	525.7
EBIT	91.4	130.7	176.7	261.4
EBT	4.2	28.5	105.3	223.1
Net profit	-4.2	23.9	88.5	187.4
EPS (RON)	-0.01	0.04	0.17	0.35
CEPS (RON)	0.35	0.90	0.84	0.88
BVPS (RON)	0.90	0.97	1.13	1.46
Dividend/Share (RON)				
EV/EBITDA (x)	10.93	11.13	8.99	6.53
P/E (x)	nm	128.90	35.68	16.85
P/CE (x)	11.53	6.42	7.06	6.77
Dividend yield (%)				
EBITDA margin (%)	13.11	14.40	14.75	15.93
Operating margin (%)	4.13	4.98	5.99	7.92
Net profit margin (%)	-0.19	0.91	3.00	5.68

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	244,069	129,004	166,282
Trading value (RON mn)	1.4	0.8	0.9



Price performance:	1M	3M	6M	12M
in EUR	1.9%	-0.9%	-3.5%	53.4%

Financial Strength

	2023	2024	2025e	2026e
ROE (%)	-0.88	4.81	15.84	27.22
ROCE (%)	-5.23	5.52	7.77	13.49
Equity ratio (%)	18.25	17.33	21.30	27.86
Net debt (RON mn)	1,052.44	1,124.86	751.32	273.94
Gearing (%)	220.13	217.69	125.19	35.27

Continuing to build for the future

We maintain our Accumulate recommendation and RON6.65/share target price following 2024 results that were in line with our expectations.

The company has shown it can maintain an adequate profitability level, especially on an EBITDA level, and continue to grow, both organically and via acquisitions.

We are impressed with the continuing trend of increasing sophistication of services offered, with inroads in AI, digitalization and technology that are premiers in the country and the region.

The strategic concentration on oncology, chronic disease and other types of care where demand does not depend on the economic cycle should offer a degree of hedging to macro volatility. This complements naturally the significant pricing power of the company, that is predicated both on range and complexity of service.

Management stated objectives include a continuing concentration on margin consolidation, while pursuing an opportunistic acquisition policy and further organic growth.

We also expect margin consolidation to fuel a medium-term virtuous cycle of bottom line appreciation, with a shift to profit rather than turnover taxation.

Medlife 2024 results: robust in top line and profitability

MedLife 2024 results show a significant boost in top line, with consolidated sales increasing by 23%. At the same time, operating expenses grew by only 21.2%, leading to an operating profit approximately 56% higher than that of 2023, and to an EBITDA that was 36% higher. Net income jumped significantly, reverting the negative result obtained in 2023, registering a positive RON18.4mn FY24 while EBITDA margin advanced from 13.0% to 14.4%.

INCOME ST. (RON, mn.)	4Q24	4Q23	chng (%)	3Q24	chng (%)	4Q22	chng (%)	2024	2023	chng (%)	2022	chng (%)
Sales	737	583.0	26%	668.3	10%	471.5	56%	2715.5	2210.4	23%	1795.4	51%
Other operating income	3	(1.6)	n.m.	2.1	51%	4.2	-24%	9.0	11.3	-20%	14.1	-36%
Operating income	740	581.5	27%	670.4	10.4%	475.7	56%	2724.5	2221.7	22.6%	1809.6	51%
Operating expenses	(711)	(566.7)	25%	(635.9)	11.7%	(476.9)	49%	(2582.1)	(2130.2)	21.2%	(1715.3)	51%
Operating profit	29	14.7	100%	34.5	-15%	(1.2)	n.m.	142.4	91.5	56%	94.2	51%
EBITDA	102	71.2	43%	96.7	5%	48.6	110%	391.7	288.9	36%	246.6	59%
Financial result	(23)	(25.6)	-10%	(25.6)	-10%	(16.8)	37%	(98.1)	(87.2)	12%	(44.7)	120%
Profit before taxes	6	(10.9)	-159%	8.9	-28%	(18.0)	-136%	44.3	4.3	931%	49.6	-11%
Income tax	(9)	2.9	-407%	(5.5)	61%	(1.4)	539%	(26.0)	(8.5)	207%	(12.1)	114%
Net profit	(2)	(8.0)	n.m.	3.4	n.m.	(19.4)	-87%	18.4	(4.2)	n.m.	37.4	-51%
EBITDA margin	13.8%	12.2%		14.4%		10.2%		14.4%	13.0%		13.6%	
Net margin	-0.3%	-1.4%		0.5%		-4.1%		0.7%	-0.2%		2.1%	
Operating margin	4.00%	2.52%		5.16%		5%		5.24%	4.14%		5.25%	

Source: Company data, Erste Group Research

Similar story on a quarterly basis

On a y-o-y basis, the picture was similar, with 4Q24 top line increasing by 27%, while costs grew only 25%, resulting in an operating profit that was double than that of the previous year's fourth quarter and a significant improvement in net income as well (a loss of RON 2mn vs. the loss of RON 8mn of the same period last year). Profitability increased, with EBITDA margin up from 12.2% to 13.8%. Vs the previous quarter the growth in top line, of 10% was exceeded by the growth in costs, of 11.7%, leading to a 15% decline in EBIT q-o-q, and a decline in net income as well (as mentioned above, RON 2mn loss compared to the positive net result from 3Q24). Nevertheless, profitability remained decent, with EBITDA margin only slightly lower compared to that of the previous quarter.

Pro-forma profitability looks slightly better...

The company issues every quarter also a pro-forma abridged income statement, adjusted with the historical financial results of the companies acquired by during the period and other one-off items. This statement transposes the acquisitions as if they happened at the beginning of the year by combining the financial results for the period of the acquired companies with those of the group and the elimination of certain expenses included in the consolidated I/S which the company considers to be non-operational and/or non-recurring by nature. The Consolidated Pro Forma PL provides a hypothetical illustration of the impact of the transactions on the Company's earnings. The company is trying to illustrate the effect of the acquisitions completed in any given period and provide an estimate of recurring EBITDA. Furthermore, the consolidated figures (IFRS) include the full amount of debt incurred to finance the acquisitions completed as of the end of the period, but only a portion of the annual earnings of the acquisitions.

... on consolidation of acquisitions

During 2024, the following acquisitions took place: Personal Genetics SRL (solid expertise with a large network of laboratories at national level), Med Varix SRL (solid expertise in the treatment of varicose veins), VP-MED Hungary (which primarily offers modern varicose vein surgical procedures), Euromedica Hospital SA and Euromedica Administrator SA (a medium sized hospital in Baia Mare), Centrul Medical Antares SRL (very important private medical services provider in the region of Moldova, Provita 2000

Medical Center (local medical center in Constanta) and Routine Med Group (solidifying its presence in SE of Romania). Normalization was also performed for excluding the impact of one-off costs, such as early stage investments that are loss-making before operating, external consultancy & due diligence related to acquisitions (including aborted one) and other non-recurring costs.

Business line	Rev. (RON, mn) IFRS			Adjustment		Proforma		
	2024	2023	chng (%)	2024	2023	2024	2023	chng (%)
Clinics	1022.4	831.2	23.0%	-39.8	-38.3	982.6	792.9	23.9%
Stomatology	125.5	121.8	3.1%	0.0	0.0	125.5	121.8	3.1%
Hospitals	661.5	480.5	37.7%	-122.7	-68.8	538.7	411.7	30.9%
Laboratories	295.4	230.7	28.0%	7.7	3.9	303.1	234.5	29.2%
Corporate	297.0	259.5	14.4%	0.0	0.6	297.0	260.1	14.2%
Pharmacies	69.2	60.7	14.0%	0.0	0.0	69.2	60.7	14.0%
Other	244.5	226.1	8.2%	0.0	0.0	244.5	226.1	8.1%
Total	2715.5	2210.4	22.8%	-154.8	-102.7	2560.7	2107.8	21.5%

Source: Company data, Erste Group Research

When deducting the RON163mn subsidies received at group level (clinics and hospitals) from the National Health Program for chemotherapy drugs and adding a positive RON7.7mn from laboratories, and make a similar adjustment for YE23, (RON107mn and RON4mn respectively), the net impact is a sales increase of RON453mn vs. 2023. The proforma expenses are also diminished by the costs related to the National Health Program for oncology (RON 158.6mn) and RON 13mn one-offs and nonrecurrent costs, related to acquisitions. Under this representation, the profitability of the group was marginally better, with EBITDA reaching RON 412mn and EBITDA margin at 16%, compared to 14.4% under IFRS while net margin increased marginally to 1.3%, compared to a 0.7% net margin under IFRS.

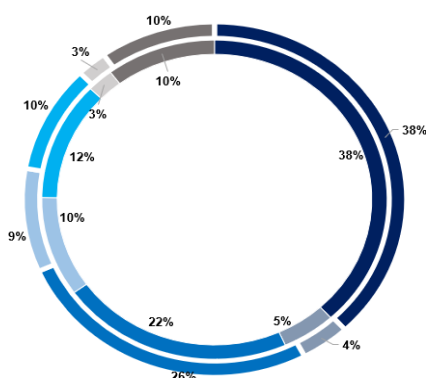
INCOME ST. (RON, mn.)	IFRS			Adjustm.		Proforma		
	2024	2023	chng (%)	2024	2023	2024	2023	chng (%)
Sales	2,715.5	2,210.4	23%	(154.8)	(102.7)	2,560.7	2,107.7	21%
Other operating income	9.0	11.3	-20%	1.2	1.0	10.2	12.3	-17%
Operating income	2,724.5	2,221.7	22.6%	(153.6)	(101.7)	2,570.9	2,120.0	21%
Operating expenses	(2,582.1)	(2,130.2)	21.2%	171.6	127.1	(2,410.5)	(2,003.1)	20%
Operating profit	142.4	91.5	56%	18.0	25.4	160.4	116.9	37%
EBITDA	391.7	288.9	36%	20.6	28.2	412.3	317.1	30%
Financial result	(98.1)	(87.2)	12%	(0.9)	(0.9)	(99.0)	(88.1)	12%
Profit before taxes	44.3	4.3	931%	17.1	24.5	61.4	28.8	113%
Income tax	(26.0)	(8.5)	207%	(2.6)	(3.8)	(28.6)	(12.3)	133%
Net profit	18.4	(4.2)	-541%	14.5	20.7	32.9	16.5	99%
EBITDA margin	14.4%	13.0%				16.0%	15.0%	
Net margin	0.7%	-0.2%				1.3%	0.8%	
Operating margin	5.2%	4.1%				6.2%	5.5%	

Source: Company data, Erste Group Research

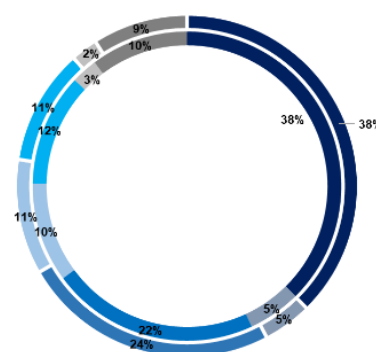
Top line growth

Under IFRS and pro-forma, all main business segments registered significant growth in revenues during the semester on a y-o-y basis. The largest expansion in relative numbers was registered in hospitals, on the back of openings, and tariffs, followed by laboratories, clinics, and corporates. Thus, hospitals' revenues grew around 38% compared to 2023, while clinics' revenues increased by 23%, laboratories by 28% and corporates by 14% respectively. Pharmacies revenues grew by about 14%, while stomatology revenues increased by 3%. Generally, the clinics remained the largest contributor of the group, with more than 37% share of total revenues, while hospitals increased as a share of total revenues to around 24% from 21% in 2023. Laboratories and corporate revenues accounted for more or less the same share of total revenues of about 11%.

Business line revenues 4Q24 (ext.)
vs. 4Q23 (int.)



Business line revenues YE24 (ext.)
vs. YE23 (int.)



■ Clinics ■ Stomatology ■ Hospitals ■ Laboratories ■ Corporate ■ Pharmacies ■ Other

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Source: Company data, Erste Group Research

High unit hikes in largest contributor segments...

During YE24, from the main revenue generators of the company, the largest growth in number of client visits were recorded in the hospitals segment, 18.5%, as a result of acquisitions and organic growth, but also the introduction and expansion of robotic surgery. In the clinics segment, the increase was also significant, by 13%, under the consolidation of acquisitions and higher demand for outpatient services. A 18% growth was registered in the laboratories' segment. Small 2% advancement in pharmacies' segment, while stomatology visits and corporate subscriptions have diminished very lightly.

Business line	Rev. (RON, mn)			Units ('000)			Avg. fees (RON)		
	2024	2023	2023 chng (%)	2024	2023	2023 chng (%)	2024	2023	2023 chng (%)
Clinics	1022.4	831.2	23.0%	4334.3	3834.1	13.0%	235.9	216.8	8.8%
Stomatology	125.5	121.8	3.1%	185.6	185.8	-0.1%	676.4	655.3	3.2%
Hospitals	661.5	480.5	37.7%	164.9	139.2	18.5%	4010.5	3450.7	16.2%
Laboratories	295.4	230.7	28.0%	8766.2	7424.3	18.1%	33.7	31.1	8.4%
Corporate	297.0	259.5	14.4%	872.0	873.0	-0.1%	340.6	297.2	14.6%
Pharmacies	69.2	60.7	14.0%	478.1	468.9	2.0%	144.8	129.5	11.9%
Other	244.5	226.1	8.2%						
Total	2,715.5	2,210.4	22.8%						

Source: Company data, Erste Group Research

...and growth in fees across all business lines

On a yearly basis, the average fees showed an overall healthy picture across all segments. The increase among main contributors, was 8.8% recorded in the clinics segment. In the hospitals segment, the average fees increased by 16.2%. In the corporate segment the average fee growth was about 14.6%, and in laboratories by 8.4%, and in pharmacies it grew by about 11.2%. In the stomatology segment, the average fee did grow by 3%, reversing the slight decline previously noted (in 9M24 results).

Business line	Rev. (RON, mn)			Units ('000)			Avg. fees (RON)		
	4Q24	4Q23	4Q23 chng (%)	4Q24	4Q23	4Q23 chng (%)	4Q24	4Q23	4Q23 chng (%)
Clinics	280.7	223.0	25.8%	1,153.2	996.8	15.7%	243.4	223.8	8.8%
Stomatology	30.5	29.3	4.2%	43.1	47.7	-9.6%	707.3	613.9	15.2%
Hospitals	192.8	127.3	51.4%	47.1	36.3	29.7%	4096.9	3509.8	16.7%
Laboratories	69.5	58.9	17.9%	2,152.7	1,960.4	9.8%	32.3	30.1	7.4%
Corporate	72.4	70.1	3.3%	872.0	873.0	-0.1%	83.1	80.3	3.4%
Pharmacies	18.8	14.4	30.6%	134.0	122.4	9.5%	140.6	117.8	19.3%
Other	72.1	60.0	20.3%						
Total	736.8	583.0	26.4%						

Source: Company data, Erste Group Research

Quarterly dynamics: a similar positive trend, y-o-y

On a quarterly basis, the 4Q results show a similar picture y-o-y. The revenue growth for clinics registered almost 26%, on the back of a 15.7% increase in visits and a 8.8% increase in average fees. Significant growth in the hospital segment, which registered a major 29.7% jump in patients and a 16.7% jump in average fees, leading to a more than 51% growth in revenues. Good growth in revenues has been posted by the laboratories as well, on the back of an increase in patients (almost 10%) and a 7.4% increase in average fees. The pharmacies' segment also grew in revenues by more than 30% on a combination of higher units and slightly higher average fees. The corporate segment revenues increased by 3.3%, on minor decrease in number of subscriptions, but slightly higher average fees. The dentistry segment grew about 4%, registering a 9.6% decline in patients on 15.2% growth in average fees.

Business line	Rev. (RON, mn)			Units ('000)			Avg. fees (RON)		
	4Q24	3Q24	chnng (%)	4Q24	3Q24	chnng (%)	4Q24	3Q24	chnng (%)
Clinics	280.7	254.0	10.5%	1,153.2	1,084.1	6.4%	243.4	234.3	3.9%
Stomatology	30.5	29.4	3.6%	43.1	44.0	-2.0%	707.3	669.2	5.7%
Hospitals	192.8	151.0	27.7%	47.1	37.6	25.2%	4096.9	4017.8	2.0%
Laboratories	69.5	79.9	-13.1%	2,152.7	2,281.5	-5.6%	32.3	35.0	-7.9%
Corporate	72.4	73.8	-1.9%	872.0	885.4	-1.5%	83.1	83.4	-0.4%
Pharmacies	18.8	17.0	10.8%	134.0	105.7	26.8%	140.6	160.9	-12.6%
Other	72.1	63.2	14.0%						
Total	736.8	668.4	10.2%						

Source: Company data, Erste Group Research

Q-o-q figures are slightly weaker, though still growing

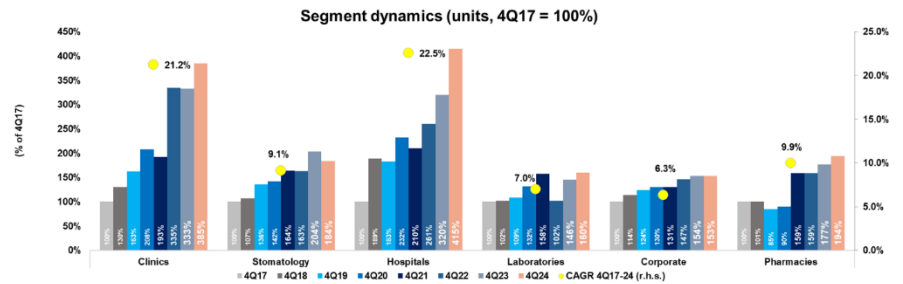
Comparing the 4Q24 q-o-q figures to the previous quarter, a slightly different picture emerges. The average fees increased for clinics by 3.9%, 5.7% in stomatology and 2% in the hospitals segment, while the rest actually declined. Laboratories average fees diminished by 7.9%, corporates marginally contracted by 0.4%, while in the pharmacies segment the fees declined by 12%. In terms of number of patients, the clinics experienced an increase of 6.4%, the hospitals' segment recorded a strong 25% increase in patients and the pharmacies saw a hefty increase in units as well (almost 27%). The laboratories, stomatology and corporates declined slightly showing a slightly weaker seasonality. However altogether, revenues (IFRS) increased 10.2%.

Higher average fees for more complex services.

Looking at the quarterly evolution of drivers averaging the last quarters, compared to the previous periods, we believe the company has maintained solid pricing power, albeit most increasing fees, come on the back of more complex procedures. This may be the harbinger of a leaner period in terms of fees increases, especially considering the postelection more austere economic environment. Nevertheless, we believe the management of MedLife has made an appropriate choice, by opting for a permanent increase in the complexity of services and of maintaining and attracting valuable personnel.

CAGR of drivers remains solid

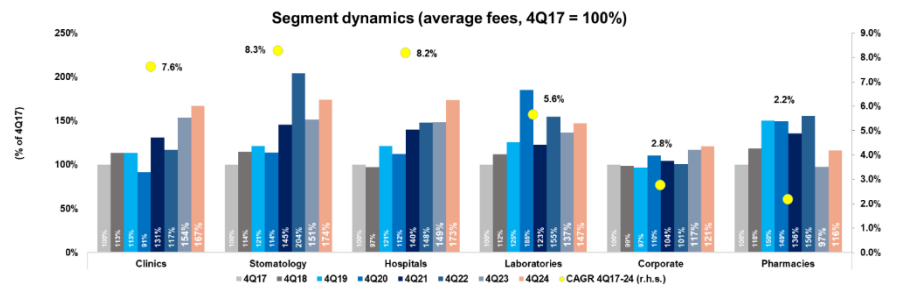
When plotting the multiannual evolution of main drivers, it is notable that the acquisition spree of the company has resulted in adding expansion growth to the organic growth in terms of units (visits/patients) especially in the main revenue contributors. Thus, the 4Q unit CAGR between 2017 and 2024 in terms of clinics is a staggering 21.2%, and that of hospitals is 22.5%. All segments have seen a major increase in units with the corporate segment (which is the lowest in increases) at a very solid 6.3%.



Source: Company data, Erste Group Research

While pricing power still a major earnings driver

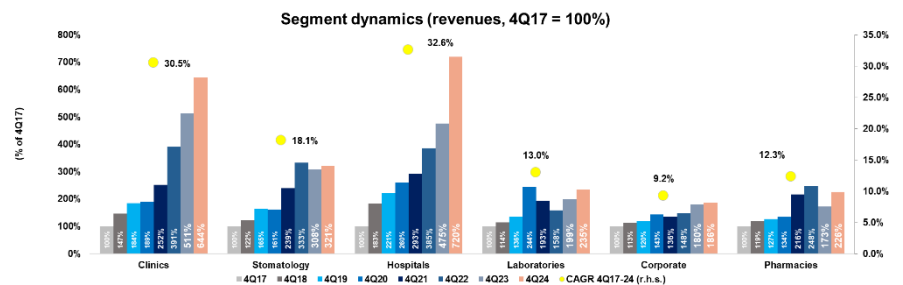
The superior pricing power of the company remains an important driver, that has seen steady growth, with little variations over the last seven years, with certain larger volatility during the pandemic years. Nevertheless, the two main earning segments have experienced solid growth in average fees. Clinics' segment posted a 4Q average fee CAGR between 2017 and 2024 of 7.6%, which is mostly due to pricing power. The CAGR of the hospital segment, at 8.2% is partially due to the higher levels of complexity of services offered, which is also the case for the dentistry segment.



Source: Company data, Erste Group Research

Major revenue growth for main contributors

The combination of the factors described above led to a very high revenue CAGR when looking at fourth quarters of the last seven years. Clinics had a 30.5% CAGR revenue growth and hospitals had a similar CAGR of almost 33%, which is entirely remarkable, while all revenue CAGRs for all segments are in the double-digit range (with the exception of the corporates segment, sitting at a still very good 9.2%).

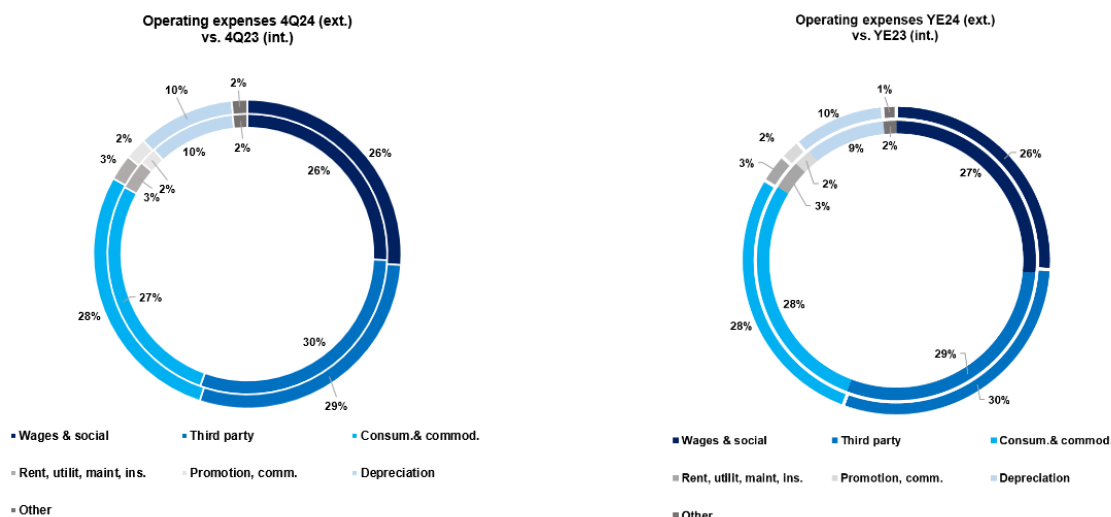


Source: Company data, Erste Group Research

Higher y-o-y operating costs...

On a yearly basis, IFRS 2024 operating costs grew y-o-y by 21.2%, on a 23% increase in total revenues while on a pro-forma basis, the same increased by 20% on a 21% growth in revenue (see above). On IFRS, large increases were recorded in personnel related expenses, with wages and social costs growing 19%- and third-party costs increasing by 22.5%, on the back of acquisitions and the inflationary upward pressure on wages and benefits. Consumables and commodities grew overall at 21.3%, a

tapering of the trend observed during the second part of last year, with higher increases in chemotherapy drugs consumables, balanced by a slight decrease in commodities. Marketing expenses also registered a 29.5% hike, in line with the strategy of consolidate and increase brand value. Depreciation also grew about 26%, as a result of the consolidation of the new companies and the increase in own developed projects.



Source: Company data, Erste Group Research

Out of the total y-o-y YE24 vs YE23 expense growth, third party expenses accounted for 31% of the increase in total operating costs, with wages and social costs accounting for 28%, and consumables and commodities around 31% of the total increase in operating costs, with depreciation about 11% and the rest of the items contributing minor amounts.

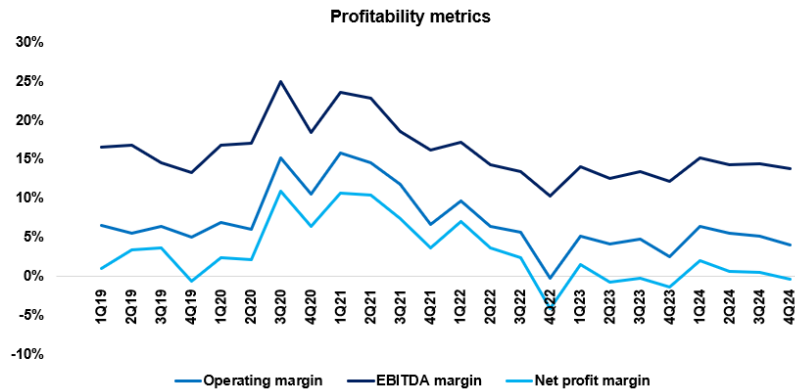
Opex breakdown (RON,mn.)	4Q24	4Q23	chng (%)	3Q24	chng (%)	4Q22	chng (%)	% of total rev.				4Q24 % of y-o-y cost incr
								4Q24	4Q23	3Q24	4Q22	
Wages & social	185.68	145.62	27.5%	167.32	11.0%	125.07	48.5%	25.1%	25.0%	25.0%	26.3%	28%
Third party	205.2	168.84	21.5%	184.6	11.2%	128.24	60.0%	27.7%	29.0%	27.5%	27.0%	25%
Consum.& commod.	200	155.7	28.5%	181.4	10.3%	142.99	39.9%	27.0%	26.8%	27.1%	30.1%	31%
Rent, utilit, maint, ins.	19.24	19.27	-0.2%	19.54	-1.5%	7.06	172.5%	2.6%	3.3%	2.9%	1.5%	0%
Promotion, comm.	16.5	11.36	45.2%	13.4	23.1%	8.5	94.1%	2.2%	2.0%	2.0%	1.8%	4%
Depreciation	72.3	56.5	28.0%	62.2	16.2%	49.75	45.3%	9.8%	9.7%	9.3%	10.5%	11%
Other	11.6	9.55	21.5%	7.4	56.8%	15.16	-23.5%	1.6%	1.6%	1.1%	3.2%	1%
Total	710.5	566.8	25.3%	635.9	11.7%	476.8	49.0%	96.0%	97.5%	94.8%	100.2%	100.0%
Labor costs	390.9	314.5	24.3%	351.9	11.1%	253.3	54.3%	52.8%	54.1%	52.5%	53.3%	

Opex breakdown (RON,mn.)	2024	2023	chng (%)	2022	chng (%)	% of total rev.			2024 % of y-o-y cost incr
						2024	2023	2022	
Wages & social	669.6	562.6	19.0%	458.8	45.9%	24.6%	25.3%	25.4%	24%
Third party	766.1	625.3	22.5%	468.1	63.7%	28.1%	28.1%	25.9%	31%
Consum.& commod.	725.4	598.0	21.3%	521.2	39.2%	26.6%	26.9%	28.8%	28%
Rent, utilit, maint, ins.	78.38	72.16	8.6%	52.4	49.6%	2.9%	3.2%	2.9%	1%
Promotion, comm.	55.8	43.1	29.5%	31.8	75.5%	2.0%	1.9%	1.8%	3%
Depreciation	249.3	197.4	26.3%	152.4	63.6%	9.2%	8.9%	8.4%	11%
Other	37.5	31.8	17.9%	30.5	23.0%	1.4%	1.4%	1.7%	1%
Total	2582.1	2130.4	21.2%	1715.2	50.5%	94.8%	95.9%	94.8%	100.0%
Labor costs	1,435.7	1,187.9	20.9%	926.9	54.9%	52.7%	53.5%	51.2%	

Source: Company data, Erste Group Research

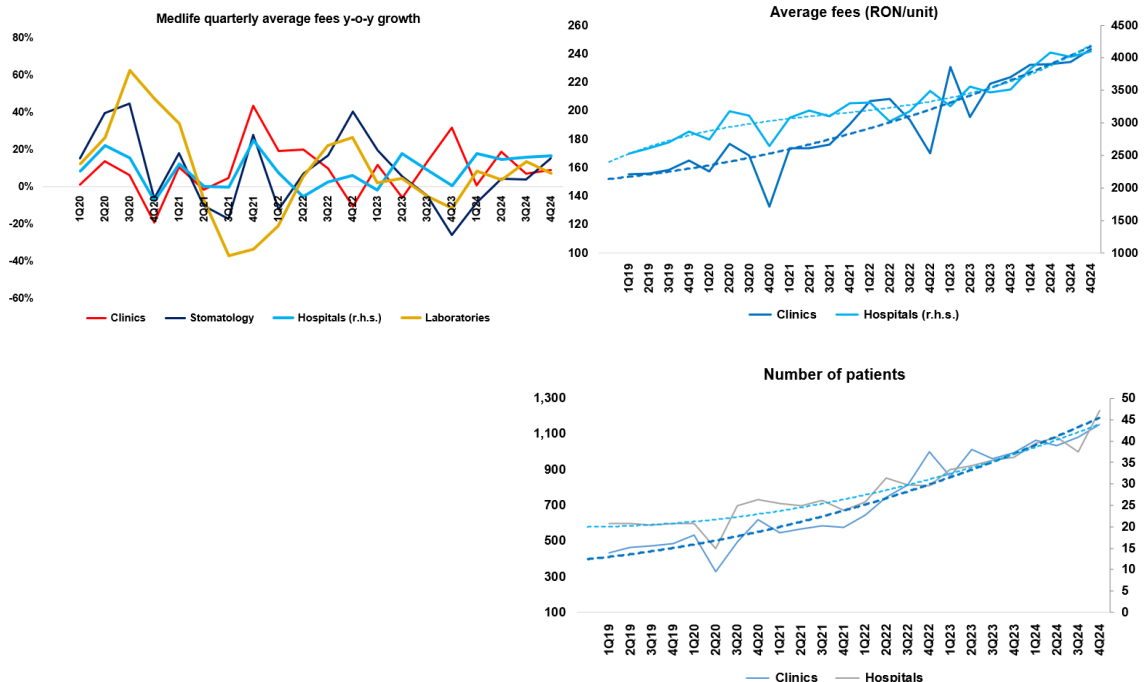
On a quarterly basis, the y-o-y dynamic remains largely similar with overall costs increasing 25.3% vs. the 26% growth in top line. Labor costs overall grew by 24.3%, and consumables and commodities by 21.3%. Y-o-y, the largest contribution to the cost increase remained third parties at 31% of total cost increase, with wages at 24% of total cost increases and

consumables and commodities at 28% of cost increases. Vs. the previous quarter, the increase in costs of 11.7% was higher than the advance in revenues (10%) however we do not discern any worrying trends, with all cost items relatively stable in terms of share of revenues. The exception is a small increase in the share of consumables and commodities, which is out of the management's scope of action.



Source: Company data, Erste Group Research

Margins retreated slightly compared to the previous quarter of 2024, showing rather a flattening, however the trend remains generally positive if calculated with a base in the worse quarter of 4Q22. Also, it is important to note that the previous negative margins in 2023 have been successfully reversed.



Source: Company data, Erste Group Research

On a positive trend

The solid YE24 y-o-y performance in profitability came on the back of 56% higher operating profit, that balanced the growth in net financing costs that increased by 12% y-o-y. Nevertheless, the dynamics of average fees and number of patients growth in absolute numbers shows what could continue to be a positive trend in respect to quarterly y-o-y growth of number of patients and average fees for clinics and hospitals, the largest revenue

generators for the company. The company doesn't release like-for-like data, and – as the acquisition targets are part of a diverse universe, it is difficult to assess if the variation in average fees is an intrinsic organic development, or the effect of acquisition of businesses with different characteristics and fee structure.

Marginally better than our expectations top line...

Overall revenues show better y-o-y growth compared to our expectations, with a top line coming at almost 23% growth compared to our more modest 19% growth forecast. The hospital segment revenues were showed the most upside vs our anticipation, growing 38% vs only 29% in our previous view. The number of patients treated grew more, and average fees grew marginally more. In the clinics segment as well, the number of patients jumped more than our forecast, by 13% compared to 10%, but the average fee growth was largely inline. The rest of the segments were basically in line with our forecasts, with minor variations.

Business line	Rev growth (%)		Units growth (%)		Avg fees growth (%)	
	2024/2023	2024E/2023	2024/2023	2024E/2023	2024/2023	2024E/2023
Clinics	23.0%	18.8%	13.0%	10.0%	8.8%	8.0%
Stomatology	3.1%	3.5%	-0.1%	1.5%	3.2%	2.0%
Hospitals	37.7%	28.8%	18.5%	12.0%	16.2%	15.0%
Laboratories	28.0%	29.8%	18.1%	18.0%	8.4%	10.0%
Corporate	14.4%	15.1%	-0.1%	1.0%	14.6%	14.0%
Pharmacies	14.0%	10.7%	2.0%	-2.0%	11.9%	13.0%
Other	8.2%	0.5%				
Total	22.8%	18.7%				

Source: Company data, Erste Group Research

... while profitability was in line

With top line 3.4% higher than our anticipation, and a 3.1% higher operating costs, EBITDA was 3.6% higher than our forecast and EBIT 9% higher, while operating and operating margins are largely in line with our previous view. (To note, the company had to pay a 1% turnover tax, since this amount is higher than the 16% tax rate of PBT)

INCOME ST. (RON, mn.)	2024	2024e	chng (%)
Sales	2715.5	2626.2	3.4%
Other operating income	9.0	7.9	14.4%
Operating income	2724.5	2634.1	3.4%
Operating expenses	2582.1	2503.3	3.1%
Operating profit	142.4	130.7	8.9%
EBITDA	391.7	378.2	3.6%
EBITDA margin	14.4%	14.4%	
Operating margin	5.2%	5.0%	

Source: Company data, Erste Group Research

Overall operating costs were marginally higher that our forecasts, on the back of higher revenues than our anticipations. It seems the company has employed more own talent compared to third parties vs our forecast, while most other cost increases came on the back of higher activity.

Opex breakdown (RON, mn.)	2024	2024e	(%)
Wages & social	669.6	640.1	4.6%
Third party	766.1	749.8	2.2%
Consum.& commod.	725.4	701.2	3.5%
Maint/Utilities/Comm	63.4	61.7	2.7%
Ins/Advertising	56.2	52.5	7.0%
Rents	14.6	16.4	-11.0%
Depreciation	249.3	247.4	0.8%
Other	37.5	34.1	9.8%
Total	2582.1	2503.3	3.1%
Labor costs	1435.7	1389.9	3.3%

Source: Company data, Erste Group Research

Lower IFRS gearing, and even better picture pro-forma

Net debt continued to increase, however the jump in EBITDA made gearing revert to a level lower than that of 2022. Moreover, on a pro-forma basis, the net debt to EBITDA ratio is below 4.

(RON, mn.) EOP	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash and equivalents	20.7	79.2	34.2	38.9	82.0	136.0	89.1	100.3	113.0
Current port. of debt*	27.4	41.8	63.0	103.2	114.7	136.6	160.6	211.7	264.0
LT debt*	213.1	252.9	313.5	478.6	561.8	590.5	1,028.5	1,349.8	1,487.9
Net debt	219.9	215.5	342.4	542.9	594.6	591.1	1,100.0	1,461.2	1,638.9
Net debt/EBITDA** (x)	3.95	2.77	3.59	3.67	2.80	2.07	4.46	5.04	4.18

* - includes leasing and overdraft ** - yearly EBITDA

Source: Company data, Erste Group Research

Looking forward: continuing to build...

During 2024, the company has grown organically, besides the acquisitions we list above. The MedLife Craiova Hospital, opened during 4Q24 for outpatient and daily hospitalization, and will expand to continuous hospitalization, operating block and intensive care providing advanced surgical capabilities, including a digital operating room and emergency room. The Medicis Hospital in Timisoara, is the 1st digitalized hospital in western Romania, represents a major investment of EUR25mn, and offers state-of-the art surgery capabilities. The company has opened two new fitness centers in Bucharest and two MindCare clinics. In the quest for increasing digitalization, it has integrated AI into the application for interpreting laboratory results.

... with confidence and caution...

The company states as strategic priorities the finalization of the 2nd stage of development of MedLife Craiova Hospital, the addition of a hyperclinic in central-south Romania; a new radiotherapy center, new mental health and fitness units. Also, it plans the consolidation of the Corporate business line, with new products, combining medical prevention and fitness. Additionally, it remains committed to non-organic growth on a selective basis, and while maintaining and NetDebt/EBITDA ratio of below 4, on an adjusted, normalized, pro-forma basis. Shareholders would be called to approve in March 2025 a supplementation of the syndicated loan by another EUR50mn.

... trying to hedge against a possible downturn

The stated strategy of the company, call for increasing the sophistication of services and integration of high-level digitalization and AI. This would add to a backbone of strategic development of hospitals and a concentration on oncology. Both are leading to a lesser exposure to an economic downturn as such services are vital or emergency treatments that cannot be postponed to a more benign economic cycle.

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Company description

Medlife is the leading private healthcare provider in Romania, operating the widest network of clinics, medical laboratories, mono and multidisciplinary hospitals and largest HPP client database in the country. The company operates 22 hyperclinics, 53 clinics, 10 hospitals, 13 stomatology centers, 5 maternities, a stem cell bank, 33 laboratories and more than 180 sampling points. It owns 20 pharmacies and services more than 705k HPP corporate clients.

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Published by:

Erste Group Bank AG
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1100 Vienna, Austria, Am Belvedere 1
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Commercial Register No: FN 33209m
Commercial Court of Vienna
Erste Group Homepage: www.erstegroup.com