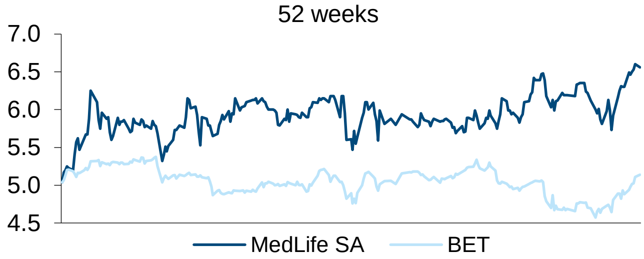
COMPANY REPORT

MedLife SA

Accumulate

RON mn	2023	2024	2025e	2026e
Net sales	2,210.4	2,715.6	3,157.8	3,565.6
EBITDA	289.9	395.0	471.3	590.1
EBIT	91.5	140.4	199.2	290.0
Net result after min.	3.7	25.0	58.8	115.8
EPS (RON)	0.01	0.05	0.11	0.22
CEPS (RON)	0.35	0.54	0.77	1.04
BVPS (RON)	0.90	0.96	1.07	1.20
Div./share (RON)				
EV/EBITDA (x)	10.9	10.8	10.0	7.7
P/E (x)	nm	123.2	59.3	30.1
P/CE (x)	11.5	10.8	8.6	6.3
Dividend Yield				



Performance	12M	6M	3M	1M
in RON	28.6%	16.9%	10.8%	7.2%

Share price (RON) close as of 02/06/2025	6.56	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)	3,487 / 688	Div. Ex-date	11/04/25		Cristescu Mihaela Gabriela (14.04%)
Enterprise value (RON mn / EUR mn)	4,696 / 927	**Target price**	**7.40**	Homepage:	www.medlife.ro

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On a positive trend

We are amending our price target on MedLife to RON7.4/share and maintain our Accumulate recommendation, based on the 1Q25 results which establish a new basis for future projections and the results of the expansion policy that allows for organic growth with little additional investments.

The company appears to be on a positive trend, enjoying the advantages of the acquisition spree of years past. And is currently impacted by the extensive acquisition spree that increased footprint and allowed it to become a major player. While the price for expansion may have seemed steep in terms of financial costs, we believe it now positions the group at the forefront of the sector, with capacity to take additional business even without any major investments.

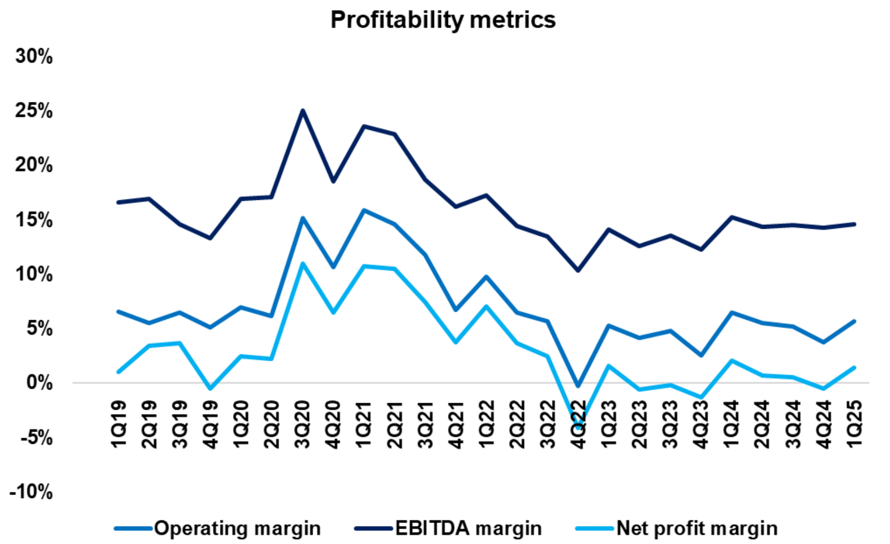
The management announced during the conference call it has suspended temporarily the investment activity. At the same time, MedLife should benefit from the forays in high tech and innovative medicine. The medium-term could pose macro challenges and management is eminently equipped to weather the difficult period ahead.

We have performed an additional valuation exercise, assuming a much reduced expansion CAPEX and no growth in units, and even so the target price under this scenario, would be marginally above current stock price. Thus, we believe that – under normal circumstances and in the absence of a major macro meltdown – the company is set to benefit from its premier position, its potential for organic growth and it’s pricing power.

1Q25 results: on a positive trend

MedLife reported a 20% y/y increase in consolidated pro forma turnover to RON 779 million in Q1 2025, supported by broad-based growth across its main business lines. EBITDA rose 15% y/y to RON 113 million, while EBIT advanced 5% y/y to RON 44 million. Net profit declined 19% y/y to RON 10.6 million, reflecting a 16% increase in financial expenses driven by higher debt levels associated with investments and acquisitions. The EBITDA margin declined slightly to 14.5% from 15.1% in the prior-year period, while the operating margin softened to 5.7% from 6.5%.

INCOME ST. (RON, mn.)	1Q25	1Q24	chng (%)	4Q24	chng (%)	1Q23	chng (%)
Sales	778	646.6	20%	736.8	6%	529.5	47%
Other operating income	2	1.8	-12%	3.2	-51%	3.3	-52%
Operating income	**779**	**648.4**	**20%**	**740.0**	**5.3%**	**532.8**	**46%**
Operating expenses	(735)	(606.6)	21%	(710.5)	3.5%	(505.2)	46%
Operating profit	**44**	**41.8**	**5%**	**29.5**	**49%**	**27.6**	**59%**
EBITDA	**113**	**98.1**	**15%**	**101.8**	**11%**	**74.7**	**51%**
Financial result	(26)	(22.7)	16%	(23.0)	15%	(15.1)	75%
Profit before taxes	**18**	**19.1**	**-8%**	**6.4**	**173%**	**12.5**	**41%**
Income tax	(7)	(6.0)	18%	(8.9)	-21%	(4.1)	72%
Net profit	**11**	**13.1**	**-19%**	**(2.5)**	**-527%**	**8.4**	**25%**
EBITDA margin	*14.5%*	*15.1%*		*13.8%*		*14.0%*	
Net margin	*1.4%*	*2.0%*		*-0.3%*		*1.6%*	
Operating margin	**5.66%**	**6.46%**		**4.00%**		**5%**	



Source: Company data, Erste Group Research

In addition to the reported figures, the company presented the Group's pro forma adjustments. Considering the usual pro-forma adjustments the company presents, the picture merges even better in terms of year end profitability. When including with the consolidated group figures, the portion of income statements of the acquired companies.

The revenue breakdown by business line on a pro forma basis confirms that the hospitals and laboratories divisions were the primary contributors to overall growth, with the pro forma figures providing a clearer view of the underlying trends adjusted for acquisitions and divestitures. This approach enhances the comparability of the Group's business lines over time, offering a more accurate reflection of the organic and inorganic contributions to revenue evolution.

	Rev. (RON, mn)			Proforma		
Bussiness line	**1Q25**	**1Q24**	**chng (%)**	**Adjustm.**	**1Q25**	**chng (%)**
Clinics	290.7	247.3	**18%**	(19.3)	271.4	**9.7%**
Stomatology	30.1	32.3	**-7%**	-	30.1	**-7%**
Hospitals	209.0	150.9	**39%**	(36.4)	172.7	**14%**
Laboratories	86.7	68.3	**27%**	0.2	86.9	**27%**
Corporate	75.1	74.2	**1%**	-	75.1	**1%**
Pharmacies	18.3	16.7	**9%**	-	18.3	**9%**
Other	67.8	57.1	**19%**	-	67.8	**19%**
Total	**777.6**	**646.8**	**20%**	**(55.4)**	**722.2**	**12%**

Source: Company data, Erste Group Research

Furthermore, the pro forma adjustments presented in the income statement bridge from IFRS reported figures to pro forma metrics, highlighting the impact of M&A transactions and adjustments for non-recurring items. This reconciliation underlines the importance of analyzing the Group's performance on a pro forma basis to capture the full effects of the Group's strategic actions and the integration of acquired entities.

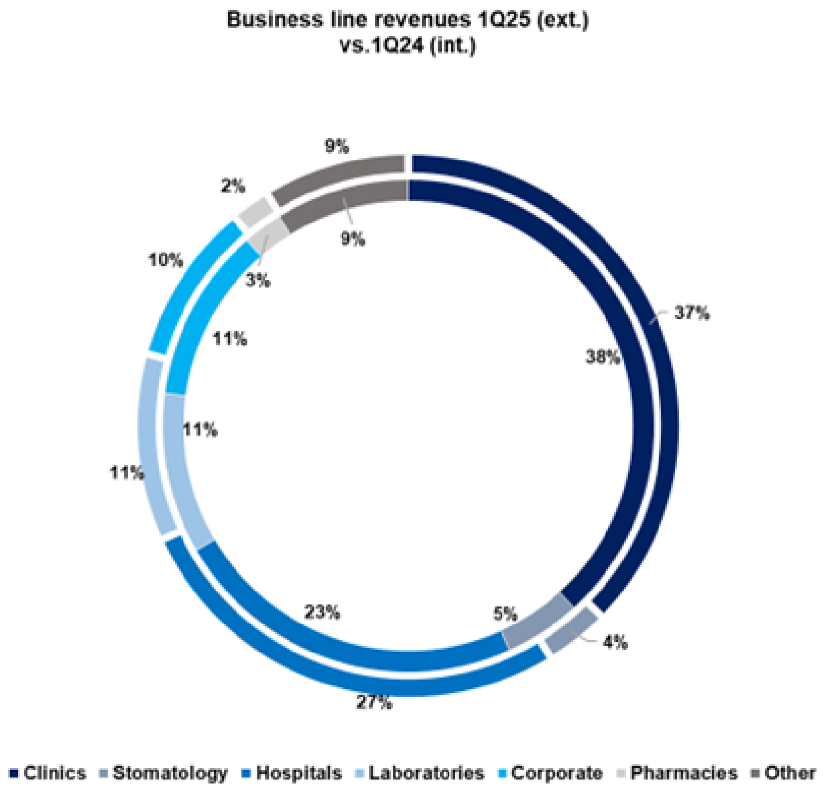
	IFRS			Adjustm.		Proforma		
INCOME ST. (RON, mn.)	**1Q25**	**1Q24**	**chng (%)**	**1Q25**	**1Q24**	**1Q25**	**1Q24**	**chng (%)**
Sales	777.6	646.6	20%	(55.4)	(31.9)	722.2	614.7	17%
Other operating income	1.6	1.8	-12%	0.0	-	1.6	1.8	-12%
Operating income	**779.2**	**648.4**	**20.2%**	**(55.4)**	**(31.9)**	**723.8**	**616.5**	**17%**
Operating expenses	(735.2)	(606.6)	21.2%	58.4	32.9	(676.8)	(573.8)	18%
Operating profit	**44.0**	**41.8**	**5%**	**3.0**	**0.9**	**47.0**	**42.7**	**10%**
EBITDA	**113.1**	**98.1**	**15%**	**3.1**	**0.9**	**116.1**	**99.1**	**17%**
Financial result	(26.4)	(22.7)	16%	(0.0)	-	(26.4)	(22.7)	16%
Profit before taxes	**17.6**	**19.1**	**-8%**	**3.0**	**0.9**	**20.5**	**20.0**	**3%**
Income tax	(7.0)	(6.0)	18%	(0.5)	-	(7.5)	(6.0)	26%
Net profit	**10.6**	**13.1**	**-19%**	**2.5**	**0.9**	**13.0**	**14.0**	**-7%**
EBITDA margin	*14.5%*	*15.1%*				*16.0%*	*16.1%*	
Net margin	*1.4%*	*2.0%*				*1.8%*	*2.3%*	
Operating margin	*5.6%*	*6.4%*				*6.5%*	*6.9%*	

Source: Company data, Erste Group Research

Thus, under IFRS accounting, the entire debt and cost of financing for the acquisitions is included, while the earnings of the acquired companies are not. However, the proforma analysis is included only for illustrative purposes and the data is unaudited.

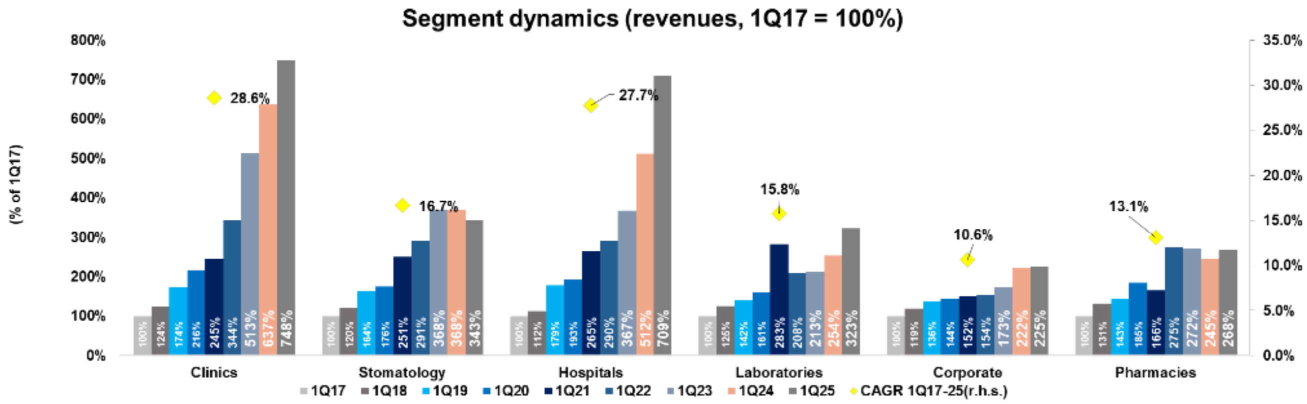
The RON155mn sales negative correction is due to the elimination of amounts from the National Healthcare Program for Oncology in clinics and hospitals segments. The use of pro forma metrics provides a more relevant framework for assessing both operational trends and profitability dynamics in the context of MedLife's active M&A strategy.

Revenue Performance by Business Line



Source: Company data, Erste Group Research

Hospitals recorded revenues of RON 209 million, representing a 38.5% y/y increase, supported by a 31% rise in patient volumes and a 5.9% improvement in the average fee per patient. Laboratories delivered a 27% y/y increase in revenues to RON 86.7 million, driven by a 28.2% rise in analyses volumes. Clinics posted revenues of RON 290.7 million, up 17.5% y/y. Corporate services revenues remained broadly stable, increasing by 1.3% y/y to RON 75.1 million.



Source: Company data, Erste Group Research

Pharmacies grew revenues by 9.3% y/y to RON 18.3 million, supported by a 13.4% increase in sales per client, despite a 3.6% decrease in client numbers. Stomatology revenues decreased 6.9% y/y to RON 30.1 million, reflecting both lower visits and pricing pressures.

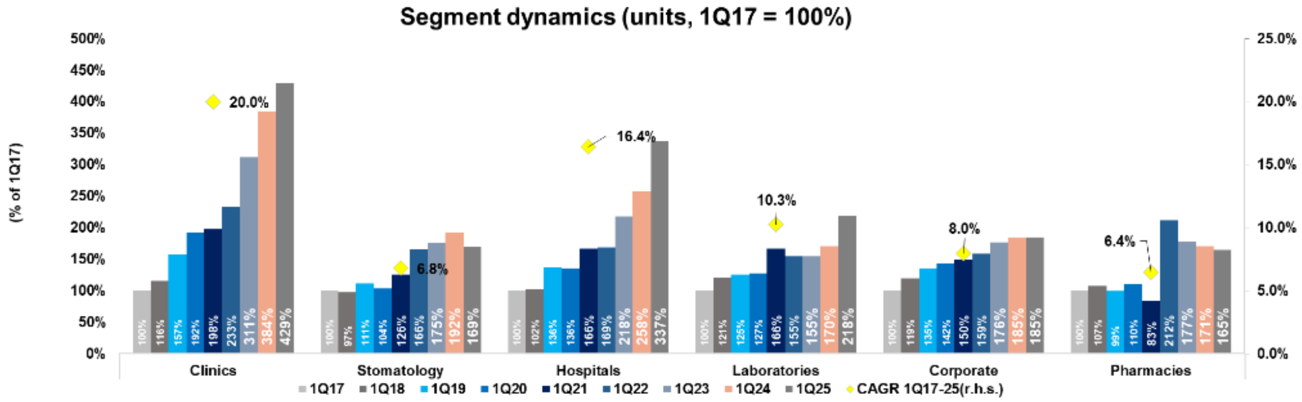
Bussiness line	Rev. (RON, mn) 1Q25	4Q24	chng (%)	Units ('000) 1Q25	4Q24	chng (%)	Avg. fees (RON) 1Q25	4Q24	chng (%)
Clinics	290.7	280.7	3.6%	1,190.6	1,153.2	3.2%	244.1	243.4	0.3%
Stomatology	30.1	30.5	-1.4%	45.0	43.1	4.4%	668.1	707.3	-5.5%
Hospitals	209.0	192.8	8.4%	51.5	47.1	9.5%	4055.9	4096.9	-1.0%
Laboratories	86.7	69.5	24.8%	2,614.8	2,152.7	21.5%	33.2	32.3	2.8%
Corporate	75.1	72.4	3.7%	886.4	872.0	1.6%	84.8	83.1	2.0%
Pharmacies	18.3	18.8	-3.1%	115.5	134.0	-13.8%	158.1	140.6	12.4%
Other	67.8	72.1	-6.0%						
Total	777.6	736.8	5.5%						

Bussiness line	Rev. (RON, mn) 1Q25	1Q24	chng (%)	Units ('000) 1Q25	1Q24	chng (%)	Avg. fees (RON) 1Q25	1Q24	chng (%)
Clinics	290.7	247.3	17.5%	1,190.6	1,064.1	11.9%	244.1	232.4	5.0%
Stomatology	30.1	32.3	-6.9%	45.0	51.1	-11.8%	668.1	632.7	5.6%
Hospitals	209.0	150.9	38.5%	51.5	39.4	30.8%	4055.9	3829.9	5.9%
Laboratories	86.7	68.3	27.0%	2,614.8	2,039.4	28.2%	33.2	33.5	-1.0%
Corporate	75.1	74.2	1.3%	886.4	888.6	-0.2%	84.8	83.5	1.5%
Pharmacies	18.3	16.7	9.3%	115.5	119.8	-3.6%	158.1	139.4	13.4%
Other	67.8	57.1	18.7%						
Total	777.6	646.8	20.2%						

Source: Company data, Erste Group Research

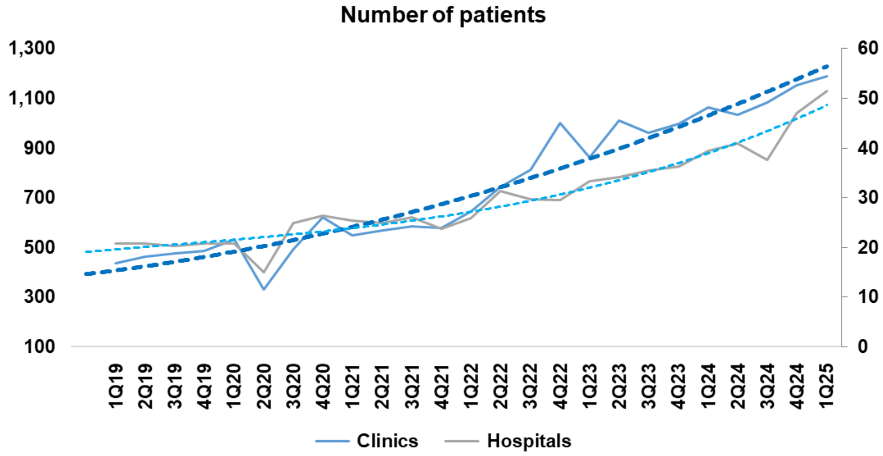
Most importantly 16% of the 20% y/y turnover growth was organic, led by hospitals and laboratories. Technology advancements included the rollout of AI-guided apps, the Rosa robot for orthopedic surgery, and automation initiatives. The emergency department at MedLife Medical Park was launched to expand acute services capabilities. The corporate segment maintained over 886,000 active subscriptions, supported by the launch of the LevelUp product targeting SMEs.

Operational KPIs



Source: Company data, Erste Group Research

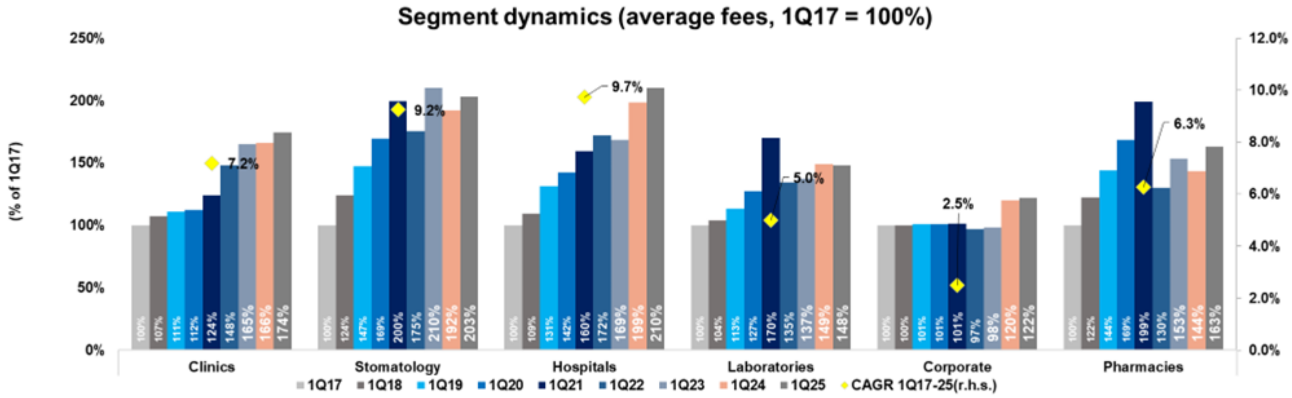
Clinic visits increased 11.9% y/y to 1.19 million, while hospital patients rose 31% y/y to 51,538. Laboratory analyses increased 28.2% y/y to 2.61 million. Corporate subscriptions remained stable at 886,378, while pharmacies reported a 3.6% y/y decline in clients to 115,512. Stomatology visits declined 11.8% y/y to 45,011.



Source: Company data, Erste Group Research

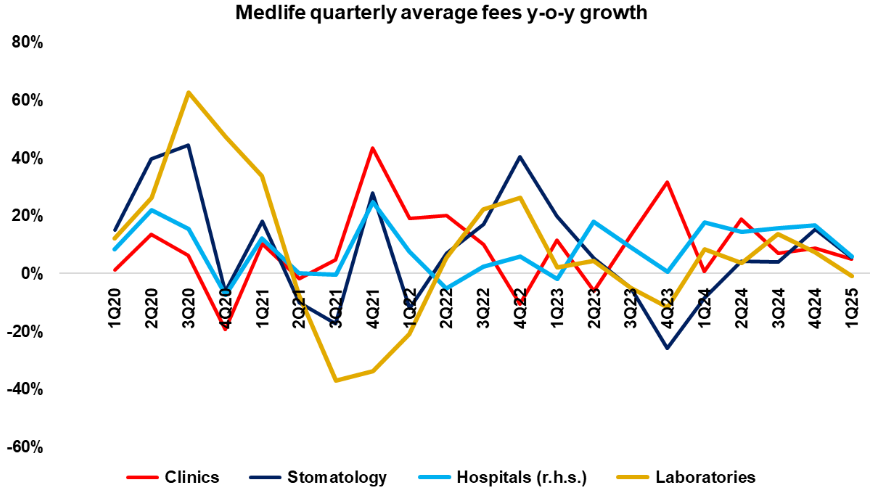
Management reported that the Group's daily service volumes reached an average of over 25,000 services per day, supported by the commissioning of new hospitals and extended facilities. Clinics maintained growth both in Bucharest and nationally, while laboratory performance benefited from recently integrated acquisitions and leadership in genetics and molecular biology services.

Average Fees and Pricing Dynamics



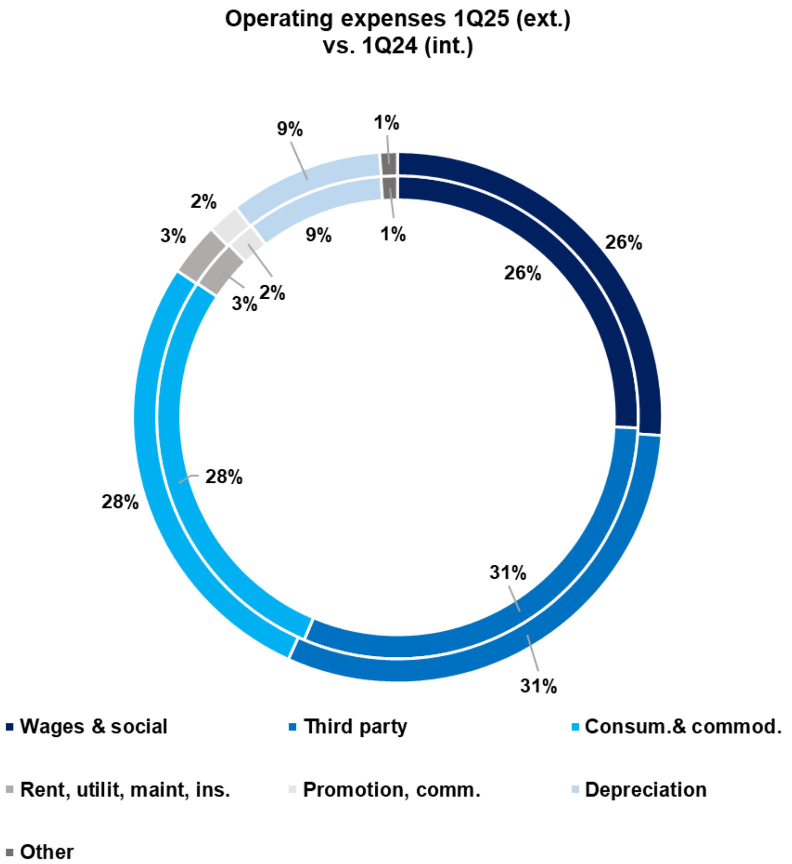
Source: Company data, Erste Group Research

Average fee per hospital patient increased 5.9% y/y to RON 4,055.9. Clinics posted a 5% y/y increase in average fee to RON 244.1. Pharmacies reported a 13.4% y/y rise in sales per client to RON 158.1. Corporate average fee per subscription increased to RON 84.8. Stomatology average fee rose 5.6% to RON 668.1, while laboratories reported a marginal 1% y/y decline in average fee to RON 33.2.



Source: Company data, Erste Group Research

Cost Structure



Source: Company data, Erste Group Research

Operating expenses increased 21.2% y/y to RON 735 million, driven by a 23% y/y increase in labor costs and a 21.3% y/y rise in third-party services. Consumables and commodities rose 19.2% y/y, while depreciation costs increased by 22.6% y/y. Labor and third-party services accounted for 53.6% and 28.9% of total operating expenses, respectively.

								% of total rev.				1Q25 % of y-o-y	
Opex breakdown (RON,m	1Q25	1Q24	chng (%)	4Q24	chng (%)	1Q23	chng (%)	1Q25	1Q24	4Q24	1Q23	cost incr	Qoq
Wages & social	191.84	155.94	23.0%	185.68	3.3%	130.75	46.7%	24.6%	24.0%	25.1%	24.5%	28%	25%
Third party	225.52	185.85	21.3%	205.2	9.9%	147.72	52.7%	28.9%	28.7%	27.7%	27.7%	31%	82%
Consum.& commod.	202.62	169.98	19.2%	200	1.3%	147.13	37.7%	26.0%	26.2%	27.0%	27.6%	25%	11%
Rent, utilit, maint, ins.	23.83	20.05	18.9%	19.24	23.9%	16.84	41.5%	3.1%	3.1%	2.6%	3.2%	3%	19%
Promotion, comm.	14.42	11.77	22.5%	16.5	-12.6%	9.45	52.6%	1.9%	1.8%	2.2%	1.8%	2%	-8%
Depreciation	69.1	56.38	22.6%	72.3	-4.4%	47.15	46.6%	8.9%	8.7%	9.8%	8.8%	10%	-13%
Other	7.92	6.67	18.7%	11.6	-31.7%	6.13	29.2%	1.0%	1.0%	1.6%	1.2%	1%	-15%
Total	735.3	606.6	21.2%	710.5	3.5%	505.2	45.5%	94.4%	93.6%	96.0%	94.8%	100.0%	100.0%
Labor costs	417.4	341.8	22.1%	390.9	6.8%	278.5	49.9%	53.6%	52.7%	52.8%	52.3%		

Source: Company data, Erste Group Research

Balance Sheet and Debt Position As of March 31, 2025, total assets amounted to RON 3.08 billion, reflecting investments in property, plant, and equipment and a cash position of RON 126 million. Non-current assets represented 78% of total assets, while current assets increased to RON 680 million, supported by higher trade receivables and inventories. Total interest-bearing debt stood at RON 1.75 billion, up 4% compared to December 2024. 70% of loans have maturities beyond 2 years, with an average cost of debt at 5.5%. Leverage, measured as net debt to EBITDA, was 3.7x, within the limits of the syndicated loan covenants.

Cash Flow. Operating cash flow was RON 102 million, up from RON 59 million in Q1 2024, reflecting improved working capital management and higher collections. Investments amounted to RON 72 million, mainly directed toward acquisitions, network expansion, and equipment upgrades. Financing cash flow reached a negative RON 16 million, reflecting lease repayments and net debt service.

Looking forward

MedLife maintains a cautious yet growth-oriented stance for 2025, supported by a reinforced financial position. Strategic priorities include completing projects such as the hospitals in Timisoara and Craiova, expanding MedLife Medical Park, and continuing the rollout of AI-driven and robotic solutions. The Group aims to balance growth ambitions with margin optimization and debt discipline while exploring selective regional expansion opportunities. The Group raised its syndicated loan limit by EUR 50 million to EUR 330 million to support ongoing projects and acquisitions, however as mentioned below, it only used about 10% of the total.

Acquisitions. MedLife continued its targeted M&A strategy in Q1 2025, consolidating regional presence and testing new markets. The acquisition of Routine Med Group in Tulcea enhanced its footprint in southeastern Romania. Additionally, the company expanded internationally through the acquisition of a majority stake in All Clinic in Moldova—its second cross-border transaction. While All Clinic’s current revenue base is modest (~EUR 800K), management views it as a platform to pilot MedLife's operating model in an adjacent market with long-term development potential.

Strategic Investments. In line with its long-term growth strategy, MedLife advanced its investment program with selective upgrades in hospital infrastructure and surgical capabilities. The introduction of the Rosa orthopedic surgical robot underpins MedLife’s ambition to lead in high-precision robotic surgery. Meanwhile, the MedLife Medical Park Hospital launched a new emergency department, expanding its acute care offering and increasing patient throughput capacity.

Technology and Innovative Products. MedLife emphasized digitalization and consumer-centric innovation through the launch of Romania’s first AI-powered medical assistant integrated into its mobile app. This tool enhances triage efficiency and personalizes patient engagement. On the corporate side, the company launched 'LevelUp'—a hybrid medical subscription combining preventive health services with access to a nationwide gym network—targeted at SMEs and startups. This move positions MedLife as a provider of holistic health and wellness packages in the B2B segment.

Strategic Priorities. MedLife reiterated its commitment to transforming into a technology-driven healthcare provider. Strategic focus areas include AI integration, automation, surgical robotics, and drone logistics. Financial flexibility remains robust, with the syndicated loan facility increased by EUR 50 million (to EUR 330 million), of which only ~10% has been utilized. However, given the volatile macroeconomic environment—marked by fiscal uncertainty, elections, and a rising budget deficit—the group has adopted a cautious stance on capital deployment.

Investment Outlook. Management has effectively paused most investment initiatives since January 2025, citing fiscal policy ambiguity and expectations of public sector austerity. Both M&A and organic projects are currently frozen, pending clarity on the new government's fiscal roadmap. The company has refrained from drawing significantly on its available credit lines and intends to reassess its investment agenda once macro and policy signals stabilize.

Outlook for Clinics, Hospitals, and Labs. Operational headroom remains available across most units, although utilization varies. Facilities in Sibiu and Cluj are nearing full capacity, while Bucharest, Brasov, Arad, and the newly opened hospitals in Bucharest Nord and Timisoara offer meaningful room for growth. Laboratory infrastructure—particularly airborne-technology-based chemistry and immunology units—has ample scalability. Overall, the current footprint can support further volume expansion without immediate capex.

Demand for Medical Services and Corporate Subscriptions. MedLife reported sustained demand for medical services in Q1 2025, with no material deterioration despite economic headwinds. The case mix remains robust, supported by oncology, chronic disease management, and surgical procedures. The B2B segment remains resilient, with over 886,000 active corporate subscriptions. Historically, healthcare benefits have proven resistant to economic downturns, and management does not anticipate significant attrition in either demand or corporate retention even in a weaker macro backdrop.

Margin consolidation – continues to be a main measure of validation of strategy. We are generally very appreciative of the business model of the company. The development via a combination of acquisitions and organic growth transformed MedLife in a premier force in the universe of Romanian health providers. Our main investment tenets remain largely unchanged, as detailed in previous reports:

- Underserviced, growing market, with upside potential despite possible slowdown for Government and private spending, with ongoing consolidation activity.
- Solid demand, on the back of a general health state of the population and spending power
- Company superior pricing power, resulting from lack of adequate alternatives.
- Superior management of expansion via acquisitions.

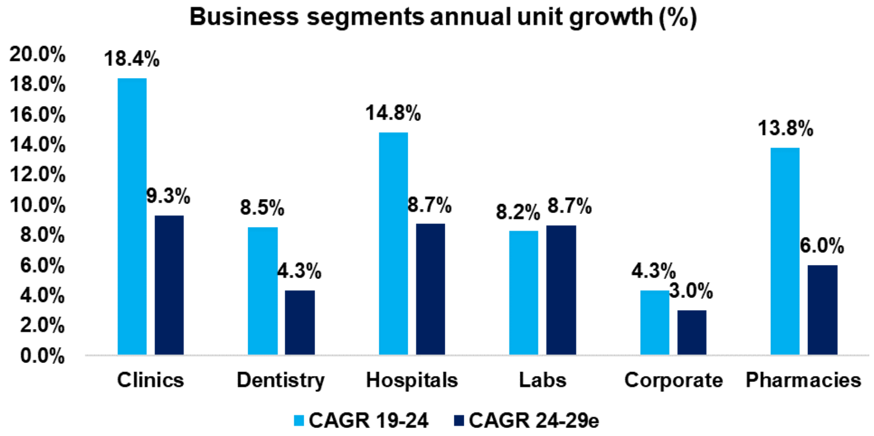
The drivers above remain valid, and the market may be encouraged by the seemingly positive trend in profitability and the seemingly manageable cost of financing. Increasing debt was indeed a prerequisite for fast expansion via M&A, and additional debt came with the acquired entities. However, as we showed in the chart above, the operating and EBITDA margins were declining on a similar trend with net margin, pointing to a situation that doesn't concern only financing, but also operating costs.

The company has indeed undergone a period of high inflationary pressures on consumables and commodities, together with high personnel costs. Nevertheless, we can appreciate the current margin appreciation trend on a virtuous circle of positive trend for fees and customers and a lessening of the wage related costs. Moreover, as we mention above, we appreciate the measured current approach to investing until a clearer macro picture emerges in the second half of the year.

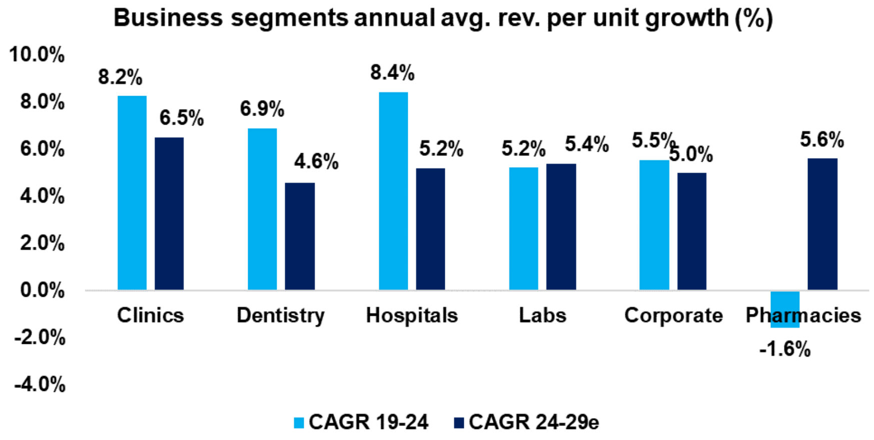
Adjustments to the model, and to target price We incorporated in our valuation model the new base for growth arising from the latest quarterly results. We had been expecting largely equal margins compared to the last quarter, however operating margin has improved, and profit was positive. We would be monitoring the evolution of profitability, in order to ascertain if there is a sustained upward trend in profitability.

We model mostly organic growth with adequate CAPEX. We are largely excluding from our model any important and costly acquisitions, as we are mostly modelling the current business and organic growth given by spare capacity and limited acquisitions, in line with the current policy stated by management. Thus for the coming three years, including 2025, we are accounting for a CAPEX of RON800mn, roughly half the CAPEX spend over the last three years (according to our estimates). At the same time, as we present below, our growth estimates are subdued compared to the growth of the last years.

Current price still justified by zero growth assumption. We have also modelled the company under the assumption of the complete lack of growth in terms of units. This is an overly conservative assumption, as there is enough capacity for organic growth. Nevertheless, under this valuations exercise, we have only applied average revenue growth rates to the units as per current values. At the same time, we assumed no more CAPEX, just the maintenance costs. Even so, the current price seems justified with a marginal upside. Consequently, we believe there is ample upside to the stock, justified by organic growth alone, and enhanced by the acquisition policies of the group.



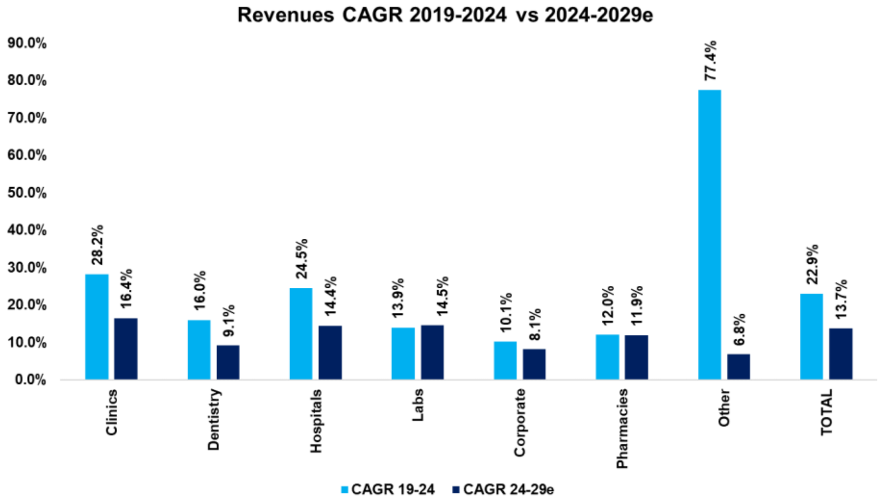
Source: Company data, Erste Group Research



Source: Company data, Erste Group Research

Conservative outlook, both from units' growth and average fee growth
Forecasting units i.e. number of patients, visits, prescriptions, etc… is always a difficult task especially long-term. The company doesn't release like-for-like units' data, consequently it is difficult to ascertain what is the contribution of the newly acquired businesses. Furthermore, it is difficult to ascertain a capacity utilization rate, in the past, or going forward. However, on short and medium term, our forecasts have been in line with actual numbers, which allows us a degree of confidence. Thus, we are forecasting conservatively, especially in terms of growth for the main revenue generators, especially considering management statements as to the spare capacity in certain main revenue generators and scalability of existing assets, as discussed above:

- In the lines of business where the acquisition spree was more fruitful, such as clinics, hospitals and dentistry we are looking at 5yr CAGRs significantly lower than those of the previous period.
- In the lines of business of corporates, we also forecast a lower unit growth than in the past due to our perception of the market to be more limited than in other segments, with growth due more to substitution than to a high growing customer base
- In pharmacies, we are also looking at a lower unit growth rate, on the back of the company's lack of emphasis on this relatively lower margin business
- In terms of average revenues growth we are generally forecasting taking into consideration forecasted inflation, and superior pricing power with higher-than-inflation average revenues in areas where the degree of complexity of the treatment grows overall, such as hospitals (oncology, etc) clinics, and dentistry. Nevertheless, we are continuing to account for lower than historical growth, compared to previous periods, even in these business segments.



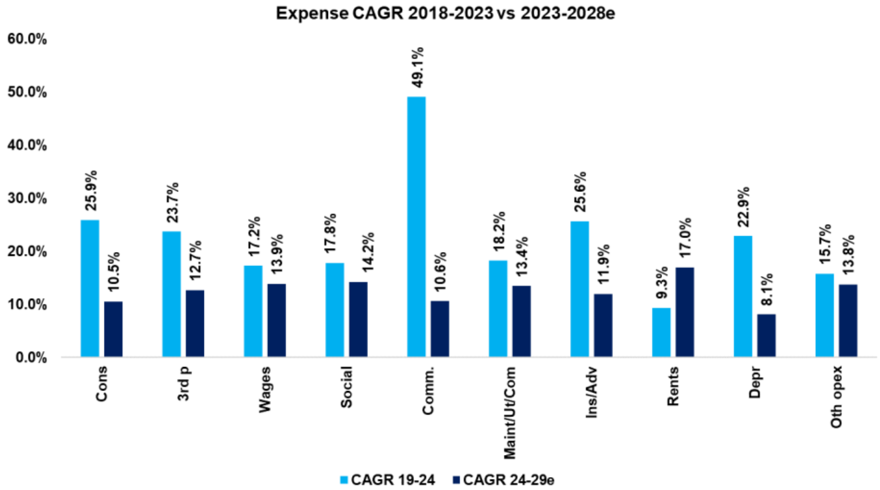
Source: Company data, Erste Group Research

Growing share of clinics' revenues in total revenues. We are looking at a higher share of total revenues being earned in clinics and hospitals, and marginally lower in labs, pharmacies and corporate (as we mention, due to our perception of the growth in this last segment being more substitution than customer pool appreciation). If anything, we believe that our forecast for the hospital segment may be too conservative, as the introduction of robotics and other state-of-the-art procedures should enable an increasing share of revenues for this segment.

% of total rev.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e	2029e
Clinics	26%	27%	29%	31%	29%	28%	34%	38%	38%	38%	39%	40%	41%	42%
Dentistry	4%	6%	6%	6%	5%	7%	7%	6%	5%	4%	4%	4%	4%	4%
Hospitals	21%	19%	21%	23%	23%	22%	21%	22%	24%	27%	26%	26%	26%	25%
Labs	19%	19%	17%	16%	19%	18%	11%	10%	11%	11%	11%	11%	11%	11%
Corporate	25%	23%	21%	19%	18%	14%	12%	12%	11%	10%	9%	9%	9%	9%
Pharmacies	5%	5%	5%	4%	4%	4%	4%	3%	3%	2%	2%	2%	2%	2%
Other	1%	2%	1%	1%	1%	6%	11%	10%	9%	8%	8%	7%	7%	7%

Source: Company data, Erste Group Research

Conservative forecast of expenses, above inflation We are maintaining our conservative forecasting stance, in terms of expenses. Indeed, it would appear that our aggregate forecasts fall below the expense growth of the last five years, however the past period has included the COVID crisis and a highly inflationary period in inputs and wages. Again, looking back, it is difficult to ascertain like-for-like cost increases, since the company doesn't provide such data. Nevertheless, we consider our approach to be conservative, especially considering that the difference between past and future rates of growth is – in our model – significantly lower in terms of unit/average fee growth than in that of cost growth, forecasting essentially a higher relative cost growth ahead than in the past period.



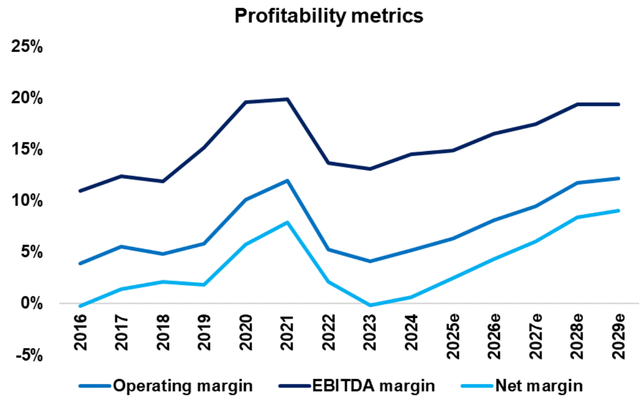
Source: Company data, Erste Group Research

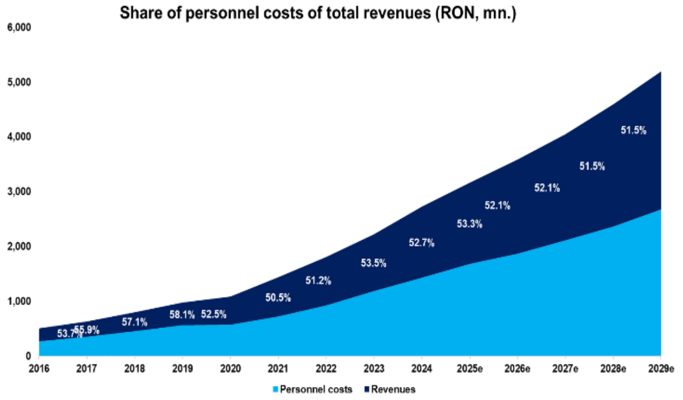
Personnel and consumables remain main cost items Personnel related costs: third parties, wages, and social contribution made up about 55% of total costs in 2024, while consumables and commodities made up another 28% of the costs. These are costs that are largely outside of the scope of the management to control. State wage policies in the healthcare sector are influencing wages and benefits in the private healthcare sector, while qualified personnel is sought after in other EU, more affluent countries. Thus, as a business which is build on a reputation for excellence, Medlife has to spend in order to maintain personnel. Nevertheless, the company anticipates a lower pressure in these items during the second half of 2025 after the electoral cycle in Romania. Commodities and consumables costs are dictated by the market and economies of scale are limited in scope.

% of op. exp.	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e	2029e	2030e
Consumables	17%	16%	16%	17%	19%	19%	18%	18%	19%	20%	19%	19%	18%	18%	18%
Third parties	27%	28%	27%	29%	29%	30%	27%	29%	30%	31%	30%	31%	30%	30%	31%
Wages	23%	26%	32%	32%	28%	26%	26%	25%	25%	25%	25%	26%	27%	27%	27%
Social contributi	5%	6%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Commodities	4%	4%	4%	3%	4%	8%	12%	10%	9%	8%	8%	8%	8%	8%	8%
Maint/Utilities/Cc	3%	3%	3%	3%	3%	3%	3%	3%	2%	3%	3%	3%	3%	3%	3%
Ins/Advertising	3%	2%	2%	2%	2%	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Rents	6%	6%	5%	1%	1%	1%	0%	1%	1%	1%	1%	1%	1%	1%	1%
Depreciation	7%	7%	7%	10%	11%	9%	9%	9%	10%	9%	9%	9%	9%	8%	8%
Other op exp.	5%	2%	2%	2%	3%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%

Source: Company data, Erste Group Research

Minimal and gradual margin appreciation underscores our conservative approach The combined result of our assumptions going forward make up for a modest profitability appreciation forecast. Our model shows a conservative EBITDA and operating margin appreciation, to levels congruent with the immediate pre-COVID period. Our net margin shows an improvement, since – as we mention above – we do not forecast acquisitions going forward, thus cash generation should contribute to decreasing debt and faster appreciation of net margin compared to operational indicators. Our lack of forecasting important acquisitions is not necessarily a strategic option, but just the reflection of our modelling only relatively minor additions to the current business. As we mention above, the expansion strategy of MedLife is probably the best tool to remain a premier player in the field and it comes with costs on multiple levels.

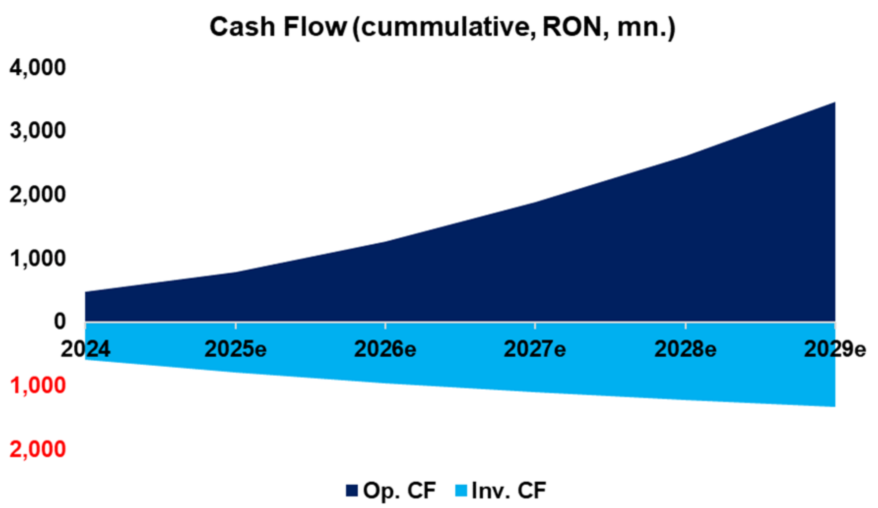




Source: Company data, Erste Group Research

Marginal changes to our DCF parameters The valuation change, and the target price upgrade come on the back of the re-basing of our model to reflect recent results and our approach to drivers' growth. Overall, general macro assumptions have changed little compared to the previous model and reflect current data:

- Our estimate risk free rate for the forecasting period is 6%, while in perpetuity it is 5%. Even if the ST rates may have fluctuated, our medium- and long-term forecast is congruent with these levels.
- Cost of debt is 7% for the forecasting period and is 6% in perpetuity.
- EBIT margin in perpetuity has been adjusted to 9.5% (from 9%) on the back of the new pricing and cost outlook, 50 basis points higher compared to our last forecast
- We have maintained our terminal value growth to 3%, reflecting a conservative approach and the outlook for inflation
- The rest of the parameters have remained largely unchanged.
- As per previous discussion with management, we understood that – for the existing business – maintenance CAPEX is somewhere around RON25mn/yr. We are considering a CAPEX outlay of RON260mn/yr. for a much lower pace of acquisitions as over the last three years (roughly half). This CAPEX is most probably too high compared to the rates of growth that we model, however it represents another conservative assumption that attempts to establish rather a floor valuation for the stock, and not account for the full upside of the shares.



Source: Company data, Erste Group Research

MedLife DCF valuation

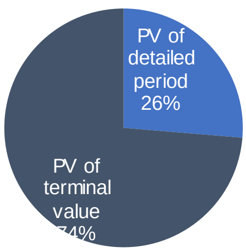
WACC calculation

	2025e	2026e	2027e	2028e	2029e	TV
Risk free rate	6.0%	6.0%	6.0%	6.0%	6.0%	5.0%
Equity risk premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.0%
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**13.5%**	**13.5%**	**13.5%**	**13.5%**	**13.5%**	**12.0%**
Cost of debt	7.0%	7.0%	7.0%	7.0%	7.0%	6.0%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	**5.9%**	**5.9%**	**5.9%**	**5.9%**	**5.9%**	**5.0%**
Equity w eight	70%	70%	70%	70%	70%	70%
WACC	**11.2%**	**11.18%**	**11.18%**	**11.18%**	**11.18%**	**9.91%**

DCF valuation

(RON mn)	2025e	2026e	2027e	2028e	2029e	TV
Sales growth	*16.3%*	*12.9%*	*13.0%*	*13.1%*	*13.1%*	*3.0%*
EBIT	199	290	382	539	631	504
EBIT margin	*6.3%*	*8.1%*	*9.5%*	*11.8%*	*12.2%*	*9.5%*
Tax rate	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Taxes on EBIT	-31.9	-46.4	-61.1	-86.2	-100.9	-80.7
NOPLAT	**167.4**	**243.6**	**320.9**	**452.7**	**529.7**	**423.7**
+ Depreciation	272	300	325	350	376	276
Capital expenditures / Depreciation	*102.9%*	*86.6%*	*79.9%*	*74.2%*	*69.2%*	*100.0%*
+/- Change in w orking capital	61	-35	-37	-11	-40	23
Chg. working capital / chg. Sales	*13.8%*	*-8.7%*	*-8.0%*	*-2.1%*	*-6.7%*	*3.0%*
- Capital expenditures	-280.0	-260.0	-260.0	-260.0	-260.0	-276.4
Free cash flow to the firm	**220.6**	**248.3**	**348.9**	**532.2**	**605.2**	**446.3**
Terminal value growth						*3.0%*
Terminal value						6,651.0
Disc. free cash flow - December 31 2024	198.4	200.9	253.9	348.3	356.3	3,801.3
Enterprise value - December 31 2024	**5,159**					
Minorities	72					
Non-operating assets	0					
Net debt (incl. lease liabilities)	1,573					
Other adjustments	0					
Equity value - (RON bn) December 31 202	**3,514.0**					
Cost of equity	13.5%					
Fair value, RON mn	**3,933.2**					
Number of shares outstanding (mn)	531.5					
Fair value per share, RON	**7.40**					
Share price	6.55					
Upside/downside Official NAV (%)	*13.0%*					

Enterprise value breakdown



Sensitivity (Equity value - RON mn)

Terminal value EBIT margin

WACC	8.5%	9.0%	9.5%	10.0%	10.5%
8.9%	7.82	8.29	8.75	9.22	9.69
9.4%	7.16	7.59	8.02	8.46	8.89
9.9%	6.60	7.00	**7.40**	7.80	8.20
10.4%	6.11	6.49	6.86	7.23	7.61
10.9%	5.69	6.04	6.39	6.74	7.09

Terminal value growth

WACC	2.0%	2.5%	3.0%	3.5%	4.0%
8.9%	7.40	8.02	8.75	9.62	10.66
9.4%	6.86	7.40	8.02	8.75	9.62
9.9%	6.39	6.86	**7.40**	8.02	8.75
10.4%	5.97	6.39	6.86	7.40	8.02
10.9%	5.60	5.97	6.39	6.86	7.40

Source: Erste Group Research

Income Statement	**2021**	**2022**	**2023**	**2024**	**2025e**	**2026e**
(IFRS, RON mn, 31/12)	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026
Net sales	**1,427.22**	**1,795.43**	**2,210.44**	**2,715.57**	**3,157.85**	**3,565.64**
Invent. changes + capitalized costs	0.00	0.00	0.00	0.00	0.00	0.00
Total revenues	**1,427.22**	**1,795.43**	**2,210.44**	**2,715.57**	**3,157.85**	**3,565.64**
Other operating revenues	10.36	14.12	11.30	8.85	7.89	17.83
Material costs	-375.71	-565.73	-657.45	-789.78	-892.09	-989.46
Personnel costs	-726.45	-926.90	-1,187.81	-1,435.08	-1,686.29	-1,868.39
Other operating expenses	-49.86	-70.30	-86.58	-104.56	-116.05	-135.49
EBITDA	**285.56**	**246.62**	**289.91**	**395.00**	**471.31**	**590.11**
Depreciation/amortization	-113.76	-152.41	-198.40	-254.60	-272.08	-300.15
EBIT	**171.80**	**94.21**	**91.51**	**140.40**	**199.23**	**289.97**
Financial result	-36.43	-44.70	-87.22	-101.34	-105.87	-106.15
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	**135.37**	**49.51**	**4.29**	**39.06**	**93.37**	**183.82**
Income taxes	-22.50	-12.12	-8.46	-22.32	-14.94	-29.41
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	-10.30	-5.26	7.85	8.28	-19.61	-38.60
Net result after minorities	**102.57**	**32.13**	**3.68**	**25.02**	**58.82**	**115.81**

Balance Sheet	**2021**	**2022**	**2023**	**2024**	**2025e**	**2026e**
(IFRS, RON mn, 31/12)						
Intangible assets	450.94	775.30	960.90	999.29	1,029.54	1,010.96
Tangible assets	552.20	828.50	1,101.00	1,303.97	1,285.42	1,256.17
Financial assets	31.60	82.80	40.90	54.14	65.60	65.60
Total fixed assets	**1,034.74**	**1,686.60**	**2,102.80**	**2,357.40**	**2,380.56**	**2,332.73**
Inventories	74.20	98.80	109.70	148.80	157.89	178.28
Receivables and other current assets	172.70	277.60	323.60	397.30	430.65	486.26
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	136.00	89.10	100.30	112.81	150.00	356.56
Total current assets	**382.90**	**465.50**	**533.60**	**658.91**	**738.54**	**1,021.11**
TOTAL ASSETS	**1,417.64**	**2,152.10**	**2,636.40**	**3,016.31**	**3,119.10**	**3,353.84**
Shareholders'equity	**381.81**	**482.10**	**476.03**	**507.78**	**568.31**	**640.12**
Minorities	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Hybrid capital and other reserves	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Pension and other LT personnel accruals	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
LT provisions	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Interest-bearing LT debts	440.84	803.30	1,040.60	1,135.07	1,187.80	1,224.19
Other LT liabilities	180.81	291.15	401.90	400.38	405.44	420.53
Total long-term liabilities	**621.65**	**1,094.45**	**1,442.50**	**1,535.45**	**1,593.24**	**1,644.72**
Interest-bearing ST debts	83.96	83.50	112.14	156.50	171.24	181.16
Other ST liabilities	330.67	492.15	587.62	819.73	786.30	887.84
Total short-term liabilities	**414.63**	**575.65**	**699.75**	**976.23**	**957.55**	**1,069.00**
TOTAL LIAB. , EQUITY	**1,418.09**	**2,152.20**	**2,618.28**	**3,019.46**	**3,119.10**	**3,353.84**

Cash Flow Statement	**2021**	**2022**	**2023**	**2024**	**2025e**	**2026e**
(IFRS,RON mn, 31/12)						
Cash flow from operating activities	227.40	184.62	183.55	285.60	407.25	554.99
Cash flow from investing activities	-149.41	-485.92	-286.49	-307.52	-314.99	-256.18
Cash flow from financing activities	-24.09	254.49	114.14	34.40	-55.07	-92.25
CHANGE IN CASH , CASH EQU.	**54.03**	**-46.90**	**11.20**	**12.51**	**37.19**	**206.57**

Margins & Ratios	**2021**	**2022**	**2023**	**2024**	**2025e**	**2026e**
Sales growth	32.4%	25.8%	23.1%	22.9%	16.3%	12.9%
EBITDA margin	20.0%	13.7%	13.1%	14.5%	14.9%	16.6%
EBIT margin	12.0%	5.2%	4.1%	5.2%	6.3%	8.1%
Net profit margin	7.9%	2.1%	-0.2%	0.6%	2.5%	4.3%
ROE	31.5%	7.4%	0.8%	5.1%	10.9%	19.2%
ROCE	15.8%	5.6%	-5.1%	3.0%	7.8%	11.3%
Equity ratio	26.9%	22.4%	18.2%	16.8%	18.2%	19.1%
Net debt	388.8	797.7	1,052.4	1,178.8	1,209.0	1,048.8
Working capital	-83.8	-115.8	-154.3	-273.6	-197.8	-223.3
Capital employed	951.4	1,571.0	1,930.4	2,086.9	2,182.8	2,109.4
Inventory turnover	3.7	3.6	3.7	3.9	3.8	3.8

Source: Company data, Erste Group Research

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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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