MedLife SA

Buy

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Share price (RON) close as of 04/03/2022	17.6	Reuters	ROM.BX	Free float	59.0%
Number of shares (mn)	132.9	Bloomberg	M RO	Shareholders	Marcu Mihail (15.8%)
Market capitalization (RON mn / EUR mn)	2,332 / 471	Div. Ex-date	11/04/22		Cristescu Mihaela Gabriela (14.04%)
Enterprise value (RON mn / EUR mn)	2,599 / 525	**Target price**	**28.5**	Homepage:	www.medlife.ro

Key figures Overview

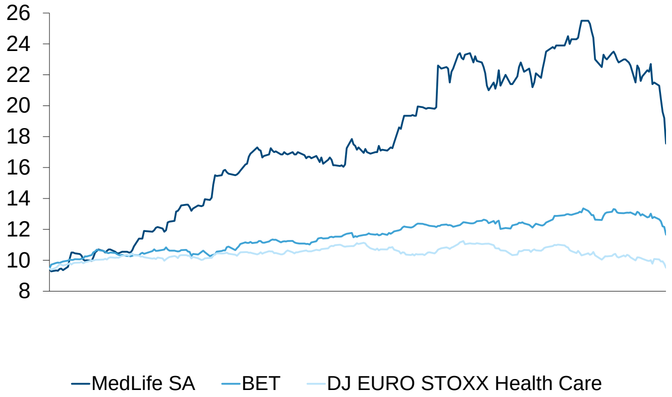
RON mn	2020	2021	2022e	2023e
Net sales	1,078.3	1,432.0	1,701.0	1,946.0
EBITDA	212.6	287.5	296.7	392.2
EBIT	109.5	176.4	170.8	253.8
EBT	78.8	141.2	139.6	233.7
Net profit	62.2	117.6	117.3	196.3
EPS (RON)	0.47	0.88	0.88	1.48
CEPS (RON)	1.25	1.75	1.86	2.55
BVPS (RON)	2.02	2.91	3.67	5.07
Dividend/Share (RON)				
EV/EBITDA (x)	8.91	12.42	8.76	6.07
P/E (x)	23.93	27.01	19.88	11.88
P/CE (x)	8.99	13.69	9.42	6.88
Dividend yield (%)				
EBITDA margin (%)	19.71	20.08	17.44	20.15
Operating margin (%)	10.16	12.32	10.04	13.04
Net profit margin (%)	5.77	8.21	6.90	10.09

Financial Strength

	2020	2021	2022e	2023e
ROE (%)	26.07	35.91	26.84	33.81
ROCE (%)	10.88	16.04	14.93	22.73
Equity ratio (%)	22.72	27.15	32.85	44.99
Net debt (RON mn)	406.30	395.53	267.40	50.01
Gearing (%)	151.09	102.46	54.78	7.43

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	227,354	125,084	90,067
Trading value (RON mn)	4.5	2.6	1.7



Price performance:	1M	3M	6M	12M
in EUR	**-23.1%**	**-18.0%**	**1.4%**	**82.9%**

2021 results and acquisitions create solid growth base going forward

Major upside under conservative assumptions

Notwithstanding the current events in the region, the latest annual results of Medlife, together with the fulfillment of another year of successful acquisitions, continue to paint the picture of a premier company that has ample upside, even under a conservative CAGR forecast in both volumes and prices.

In absence of a regional meltdown, or an unparalleled economic downturn in the country, Medlife should remain one of the alternatives of choice for medical services, both in a premier and a medium consumer segment. The company should continue to capitalize on the superior quality of services, geographical presence and active acquisition strategy complementing the organic growth and innovative corporate strategy.

We maintain our BUY recommendation on MedLife and we increase our target price to RON28.5/share. Our TP increase, on a DCF basis, has come on the back of the higher basis of recently released 2021 financials, however maintaining conservative growth assumptions.

The recent market correction, in view of the Ukrainian crisis translates into a considerable upside to TP for Medlife shares, however if changes in our institutional risk perception will alter valuations across the board, we will also be amending our valuation and TP accordingly.

2021 results: Y-o-y growth in revenues and profits

2021 above last year and pre-pandemic period

MedLife 2021 results show a significant boost of in top and bottom lines. Vs. 2020, revenues increase by 33%, EBITDA vy 45% and net income grew by 84%. Vs. the pre-pandemic period, 2019, the top line increased by 48%, with EBITA two-fold and net profit 5 times higher. Margins also increased steadily, with EBITDA margin reaching 21.4%, vs. 19.5% in 2020 and 15.2% in 2019. The net margin expanded to 8.2% vs. 5.9% in 2020 and 1.9% in 2019.

INCOME ST. (RON, mn.)	4Q21	4Q20	chng (%)	3Q21	chng (%)	4Q19	chng (%)	2021	2020	chng (%)	2019	chng (%)
Sales	389.7	306.6	27%	365.0	7%	256.3	52%	1,432.0	1,077.4	33%	967.4	48%
Other operating income	6.5	5.9	11%	1.5	342%	2.8	130%	10.3	9.3	12%	7.6	35%
Operating income	**396.2**	**312.5**	**27%**	**366.5**	**8%**	**259.2**	**53%**	**1,442.4**	**1,086.7**	**33%**	**975.0**	**48%**
Operating expenses	(365.9)	(279.9)	31%	(323.6)	13%	(246.1)	49%	(1,266.0)	(977.6)	30%	(918.1)	38%
Operating profit	**30.3**	**32.6**	**-7%**	**42.9**	**-30%**	**13.1**	**131%**	**176.3**	**109.1**	**62%**	**56.9**	**210%**
EBITDA	**67.9**	**56.7**	**20%**	**83.1**	**-18%**	**34.1**	**99%**	**308.4**	**212.2**	**45%**	**147.9**	**109%**
Financial result	(7.2)	(8.0)	-10%	(10.1)	-29%	(10.5)	-31%	(35.2)	(30.6)	15%	(29.8)	18%
Profit before taxes	**23.1**	**24.6**	**-6%**	**32.8**	**-30%**	**2.6**	**779%**	**141.1**	**78.6**	**80%**	**27.1**	**420%**
Income tax	(4.2)	(4.8)	-14%	(5.7)	-27%	(4.0)	4%	(23.6)	(14.8)	60%	(9.2)	157%
Net profit	**18.9**	**19.8**	**-5%**	**27.1**	**-30%**	**(1.4)**	**-1433%**	**117.5**	**63.8**	**84%**	**18.0**	**554%**
EBITDA margin	*17.1%*	*18.1%*		*22.7%*		*13.2%*		*21.4%*	*19.5%*		*15.2%*	
Net margin	*4.8%*	*6.4%*		*7.4%*		*-0.6%*		*8.2%*	*5.9%*		*1.9%*	

Source: Company data, Erste Group Research

On a quarterly basis, 4Q21 showed a top line growth of 27% vs. the last quarter of the previous year, and a more than 50% increase vs the pre-pandemic period. At the same time, operating and net profit showed a slight decline, also when compared to the previous quarter of last year. The trend of the second part of the year demonstrated an increase in operating expenses, at a rate higher than the growth in revenues, mostly due to the pandemic related expenses.

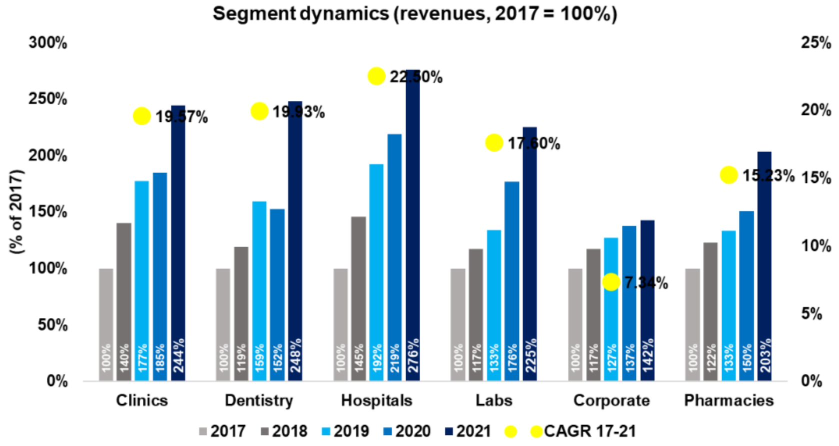
Top line growth across the board

All business segments registered significant growth in revenues, with the largest expansion in stomatology, while the main revenue contributors, clinics, hospitals and laboratories also posting growth rates of around 30% on an yearly basis. On a quarterly basis, the results largely replicated the annual trend, however with marginally higher growth in the clinic segment and lower growth in the hospitals and stomatology businesses, while – during the last quarter of 2021, laboratories experienced a decline in overall revenues. Other revenues increased significantly due to the acquisition of the pharmacy distribution business.

Results by segment

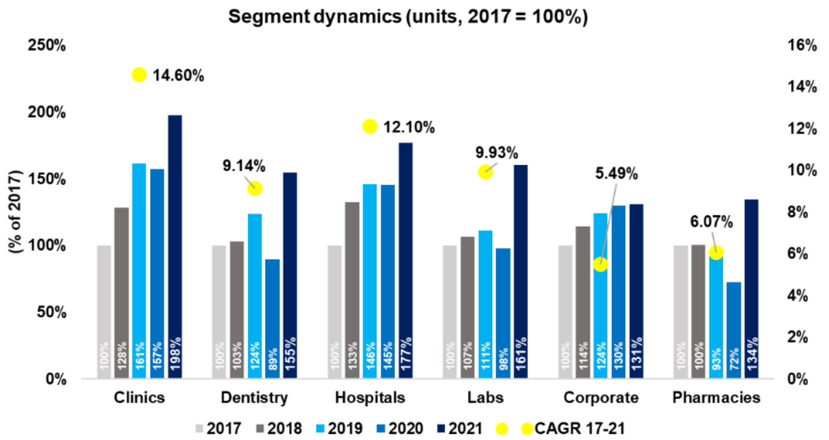
	Rev. (RON, mn)			Units ('000)			Avg. fees (RON)		
Bussiness line	**2021**	**2020**	**chng (%)**	**2021**	**2020**	**chng (%)**	**2021**	**2020**	**chng (%)**
Clinics	407.4	307.9	**32%**	2,279.6	1,815.0	**26%**	178.7	169.7	**5%**
Stomatology	93.2	57.2	**63%**	154.4	89.2	**73%**	603.8	641.0	**-6%**
Hospitals	317.3	251.9	**26%**	100.2	82.2	**22%**	3,165.8	3,064.6	**3%**
Laboratories	260.0	203.8	**28%**	8,541.0	5,211.7	**64%**	30.4	39.1	**-22%**
Corporate	206.1	198.5	**4%**	742.7	738.6	**1%**	278	268.8	**3%**
Pharmacies	59.9	44.4	**35%**	361.2	194.8	**85%**	165.9	227.9	**-27%**
Other	88.0	14.5	**507%**						

Source: Company data, Erste Group Research



Source: Company data, Erste Group Research

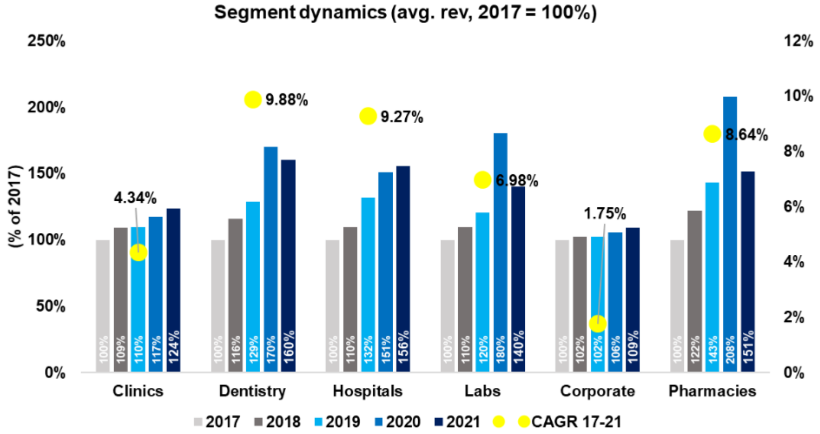
Revenue 5yr CAGR remains impressive…
With the corporate business showing the lowest 5 yr CAGR, at 7.3%, the rest of the segments are showing impressive growth rates. Clinics, stomatology and hospitals' revenues grew each by close or above 20% with laboratories coming close at about 18% and pharmacies posting a solid 15% growth rate.



Source: Company data, Erste Group Research

… mostly on the back of higher number of patients…
The number of units, i.e. patients/visits/tests has continued to grow at a high pace, more than making up the slight downturn of last year's lockdown. Thus, for the whole year, the number of patient visits in clinics increased by 26% compared to 2020, in hospitals by 22%, while the growth in stomatology visits was 73%, in laboratories 64% and in pharmacies 85%. This overall growth was present mostly in the first part of the year, as a result of the low comparable basis of the closed-down first part of 2020. During the last quarter of 2021, the number of patients actually declined somewhat vs. the same period of the previous year, with the rest of the business segments showing double digit growth.

As expected, the highest multiannual growth in number of patients has been recorded by the clinics, with almost 15% 5 yr CAGR. Hospitals, laboratories and dentistry are close with 9-12% growth rates, followed by the rest of the business segments at about 6%.



Source: Company data, Erste Group Research

… and marginal 2021 y-o-y decline in average fees for highest-growth segments…

The high growth in patient numbers came inherently at the price of marginally lower fees in a number of segments, especially in the laboratories and pharmacies segments. Labs had less PCR tests to process while the acquisition in the pharmacies' segment came with more clients but at lower average receipts. It is a natural development as in the past the company operated pharmacies on their premises, clinics or hospitals, but the current fleet now has more foot traffic of non-patients (that buy off-the-counter medicine). In clinics, hospitals and corporates' segments – the average fees are marginally higher than those of 2020 and the 5 yrs CAGR remains very solid.

Results by segment

	Rev. (RON, mn)			Units ('000)			Avg. fees (RON)		
Bussiness line	4Q21	4Q20	chng (%)	4Q21	4Q20	chng (%)	4Q21	4Q20	chng (%)
Clinics	110.3	82.6	**34%**	576.9	622.0	**-7%**	191.2	132.8	**44%**
Stomatology	22.7	15.4	**48%**	38.5	33.3	**16%**	590.1	461.2	**28%**
Hospitals	78.6	69.7	**13%**	23.8	26.3	**-10%**	3,300.4	2,647.7	**25%**
Laboratories	59.2	72.0	**-18%**	2,120.7	1,772.0	**20%**	27.9	40.6	**-31%**
Corporate	53.1	55.9	**-5%**	742.7	676.3	**10%**	72	82.6	**-13%**
Pharmacies	18.0	11.2	**61%**	110.0	62.0	**78%**	164.0	180.5	**-9%**
Other	47.7	1.7	**2724%**						

Source: Company data, Erste Group Research

… while in 4Q21 fee expansion resumes …

At the same time, on a quarterly basis, the average fees have shown remarkable expansion in clinics, stomatology and hospitals. Price hikes in these important revenue generators demonstrate again the superior pricing power of Medlife and the capacity of the company to increase fees once most restrictions have been lifted and patient demand resumed.

2021 expenses grow less than revenues, but pick up in 4Q

During 2021, the 30% increase in expenses was lower than the 33% increase in revenues. The main expense item that grew was consumables and commodities, on the back of higher utilization rate as a result of the pandemic. Notably, the wage and personnel related expenses have marginally declined as a percentage of revenues. IFRS mandated changes in rent and depreciation accounting are neutral, taken together. On a quarterly basis, the impact of the growth in consumables and commodities is marginally higher as are the third party expenses and together led to total operating expenses growing by 31% on a 27% increase n revenues and led to a decline of 5% in net income and a 7% decline in operating profit.

Costs by category

Op. exp. (RON,mn.)	2021	2020	chng (%)	2019	chng (%)	% of total rev. 2021	2020	2019
Wages & social	346.00	287.80	20.2%	302	14.6%	24.0%	26.5%	31.0%
Third party	383.2	282.7	35.6%	264	45.2%	26.6%	26.0%	27.1%
Consum.& commod.	340.90	225.70	51.0%	189	80.4%	23.6%	20.8%	19.4%
Rent, utilit, maint, ins.	42.10	33.55	25.5%	36	16.9%	2.9%	3.1%	3.7%
Promotion, comm.	20	17.64	13.4%	18	11.1%	1.4%	1.6%	1.8%
Depreciation	111	103	7.8%	93	19.4%	7.7%	9.5%	9.5%
Other	22.5	27.6	-18.5%	17	32.4%	1.6%	2.5%	1.7%
Total	1265.7	978.0	29.4%	919.0	37.7%	87.8%	90.0%	94.3%

Source: Company data, Erste Group Research

Op. exp. (RON,mn.)	4Q21	4Q20	chng (%)	4Q19	chng (%)	% of total rev. 4Q21	4Q20	4Q19
Wages & social	92.67	75.30	23.1%	78.603	17.9%	23.4%	24.1%	30.3%
Third party	104.5	73.27	42.6%	71.6	45.9%	26.4%	23.4%	27.6%
Consum.& commod.	93.74	68.16	37.5%	49.8	88.2%	23.7%	21.8%	19.2%
Rent, utilit, maint, ins.	8.63	11.69	-26.1%	9.492	-9.1%	2.2%	3.7%	3.7%
Promotion, comm.	7.55	5.655	33.5%	4.9875	51.4%	1.9%	1.8%	1.9%
Depreciation	31.77	24.02	32.3%	23.09	37.6%	8.0%	7.7%	8.9%
Other	10.5	20.568	-48.9%	5.786	81.5%	2.7%	6.6%	2.2%
Total	349.4	278.7	25.4%	243.4	43.6%	88.2%	89.2%	93.9%

Source: Company data, Erste Group Research

Balance sheet remains solid, in wake of acquisitions

Net debt increased marginally, yet it is still in line with 2020YE. Based on 2021 data, the gearing of the company is roughly half of that of five years ago, and the ratio of net debt to EBITDA is 2.07x *(Note: in our net debt calculations, we have included leasing obligations and overdraft.)*

(RON, mn.) EOP	2016	2017	2018	2019	2020	2021
Cash and equivalents	20.7	79.2	34.2	38.9	82.0	129.5
Current port. of debt	19.1	36.6	23.2	24.8	46.4	58.5
LT debt	202.8	242.8	287.0	346.0	414.7	441.1
Net debt	**219.9**	**215.5**	**342.4**	**542.9**	**594.6**	**596.0**
Net debt/EBITDA* (x)	**3.95**	**2.77**	**3.59**	**3.67**	**2.80**	**2.07**

Source: Company data, Erste Group Research

Looking ahead: conservative growth forecasts yields consistent upside

Underlying investment rationale unchanged since our previous update

The attractiveness of MedLife as an investment vehicle encompasses the combined exposure to desirable geography, sector and product. Our main investment tenets remain unchanged, as detailed in previous reports:

• Underserviced market with ample upside potential for Government and private spending, with ongoing consolidation activity.
• Pent-up demand, that remained unsatisfied during pandemic.
• Company superior pricing power, resulting from lack of adequate alternatives.
• Effective cost management.
• Superior management of expansion via acquisitions.

We do not account for the impact of the recent events in Ukraine, with the potential for costs tied to free medical assistance to refugees. This will indeed have a potential negative impact on the company margins, that is difficult to ascertain at this time.

M&A activity continues along existing successful strategy

Distribution expansion. The company has consolidated 75% of Pharmachem Distributie, a distribution company with a network or warehouses in the country (2019 turnover: RON83mn). It completed the acquisition of CED Pharma, where Leti Pharm, Monix Pharm were already consolidated within the acquisition. The results are recognized under “other” revenues.

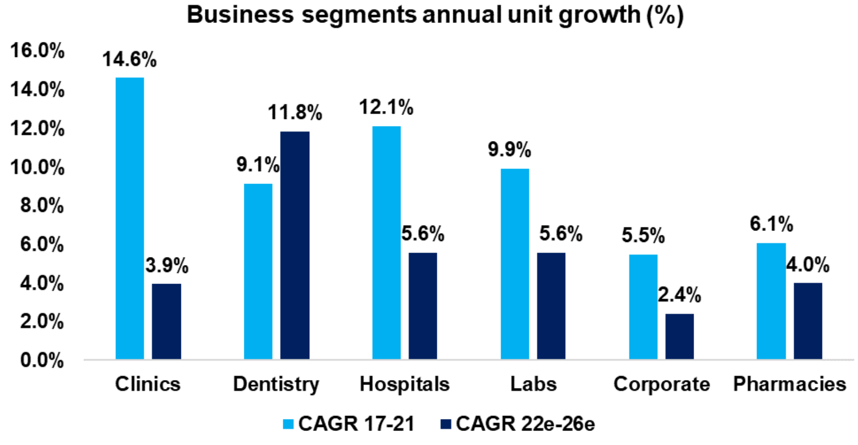
Oncology expansion. Additionally, MedLife management has continued its successful acquisition strategy the acquisition of 50% of Neolife, in the oncology segment, where it was not represented. Recently approved by the Competition Council, this would expand the company’s offering in this hi-tech segment in the large population centers of Bucharest, Brasov and Iasi and enable expansion in Bulgaria and Moldova, together with other neighboring countries. 2021 turnover of Neolife reached RON110mn, posting a 20% growth y-o-y. In the same field, the company acquired 100% of the OncoCard Hospital in Brasov, with a 2020 turnover of RON56mn, a transaction still waiting for approval from the Competition council.

Stomatology expansion. Medlife acquired 60% of shares of Oradent, the stomatology market leader in Oradea, adding to the 60% stake in Krondent clinic in Brasov (2019 turnover RON5mn) and the 60% in the Stomestet clinic in Cluj-Napoca (2020 turnover: RON8mn.)

Extending geographical coverage. Medlife acquired during 2021 76% of Expert Med Centrul Medical Irina, the largest independent supplier of integrated medical services in Galati, in an area where the company was underrepresented. 2020 turnover of the entity was RON3.5mn. It also finished the acquisition of a 60% stake in Medica Sibiu (2020 turnover: RON4mn.) and 100% of Veridia Medical Center in Bucharest.

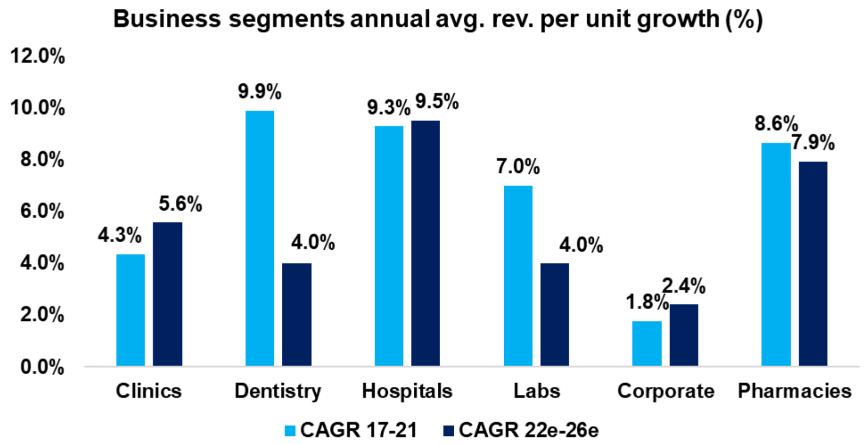
Acquisition spree to continue. According to management, MedLife has a strong pipeline of acquisitions with discussions being held with 3 large and medium-size companies and 5 smaller companies, most of these transactions expected to be finalized during 2022.

Strategy to continue beyond 2022. The company plans to launch a new state-of-the-art Hyperclinic, connected to the long term development plans of MedLife Park, which entered the second stage of development. The development will continue in 2023 with the expansion of hospitalization capacity, opening new surgery rooms and extended in the medium and long term with similar projects in major population centers in the country.



Source: Company data, Erste Group Research

5 yr. CAGR forecasts conservative compared to historical averages
Our forecasts of unit sales and average sales per unit remain largely unchanged from our previous review of the company. We take into consideration existing capacity constraints and continue to forecast a conservative rate of growth going forward overall, both in term of organic growth and in terms of realized sales per unit.



Source: Company data, Erste Group Research

Forecast on new base set by 2021 data…
We have recalibrated our forecasts of unit sales and average sales per unit on the back of the new data that take into consideration the latest acquisitions of the company. The major changes are in the pharmacies' segment where the number of customers has increased significantly, however the average receipt per customer has declined. As we mention above, the changes are the result of the acquisition of units that are not located within clinics or hospitals, thus addressing a different customer profile. At the same, we amended our 5yr CAGR forecast for 2022e-2026e vis-a-vis the results of 2021 that clearly make up a new basis compared to the low numbers of 2020.

… leads inherently to lower compound growth to reach capacity limits
This is a reason for our rolling 5yr CAGR forecast to appear lower in the interval of 2022e-2026e, compared to our previous rolling 5yr CAGR forecast for the interval of 2021e-2025e. The capacity constraints we considered in the past have remained in place, and the compound growth to reach capacity limits is lower starting from the higher basis of 2021 vs. the lower basis of 2020.

Breakdown by segments

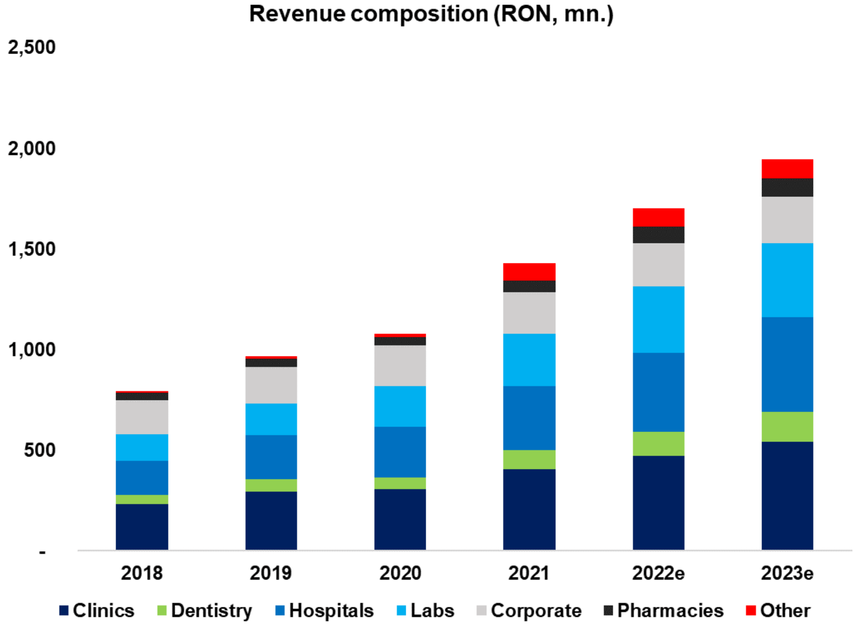
% of total rev.	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Clinics	26%	27%	29%	31%	29%	28%	28%	28%	28%
Dentistry	4%	6%	6%	6%	5%	7%	7%	8%	8%
Hospitals	21%	19%	21%	23%	23%	22%	23%	24%	25%
Labs	19%	19%	17%	16%	19%	18%	19%	19%	19%
Corporate	25%	23%	21%	19%	18%	14%	13%	12%	11%
Pharmacies	5%	5%	5%	4%	4%	4%	5%	5%	5%
Other	1%	2%	1%	1%	1%	6%	5%	5%	4%

Source: Company data, Erste Group Research

We forecast only organic growth, thus less than full value potential
The expansion strategy of MedLife continues to be a major growth factor, both in terms of absolute values, and profitability. Nevertheless, we are only forecasting the organic growth of the company as is, without the impact of future, value accretive acquisitions. The impact of a successful

continuation of the acquisition strategy is considerable albeit difficult to quantify and time accurately.

Share of revenues evolves based on recent acquisitions, capacity limits and price potential
As we mention above, our forecasts are for the company – as is – thus the relative share of total revenues and the respective growth rates of each business segment takes into consideration the capacity constraints and what we believe to be the price appreciation potential, function of market saturation, concentration, service complexity and degree of demand for the specific service. Where, for instance, in the case of pharmacies the price appreciation potential is key, in dentistry the main driver is the number of clients.



Source: Company data, Erste Group Research

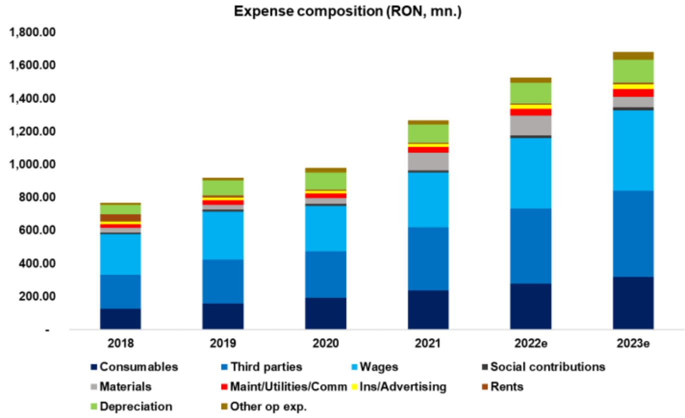
Breakdown by cost category

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

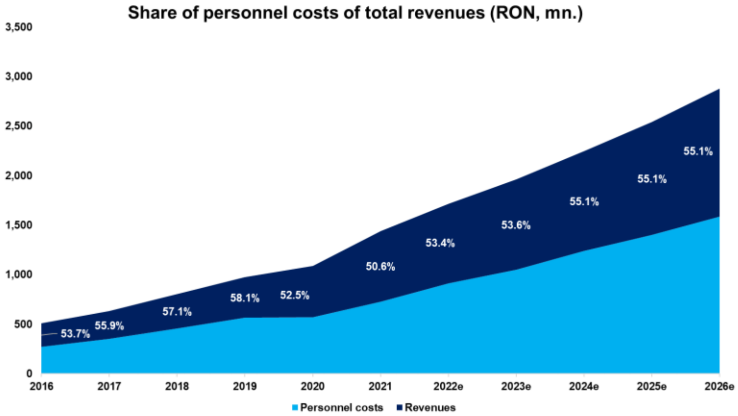
Source: Company data, Erste Group Research

Minor changes to income statement drivers

Our initial assumptions regarding the income statement drivers have held true. On the expense side, we have adjusted our outlook for the increase of consumables and commodities and for an increase in personnel related costs as a percentage of revenues, while the expenses for third prices increase as well for contract personnel. This is admittedly a conservative assumption that runs somewhat contrary to the recent trend, however we believe that under current circumstances is appropriate to forecast an increase in the cost of talent. Albeit we do not anticipate a hike in wages in the state sector as in 2018-2019 that will have to be matched in the private sector. We have not operated any other significant changes to our existing model.



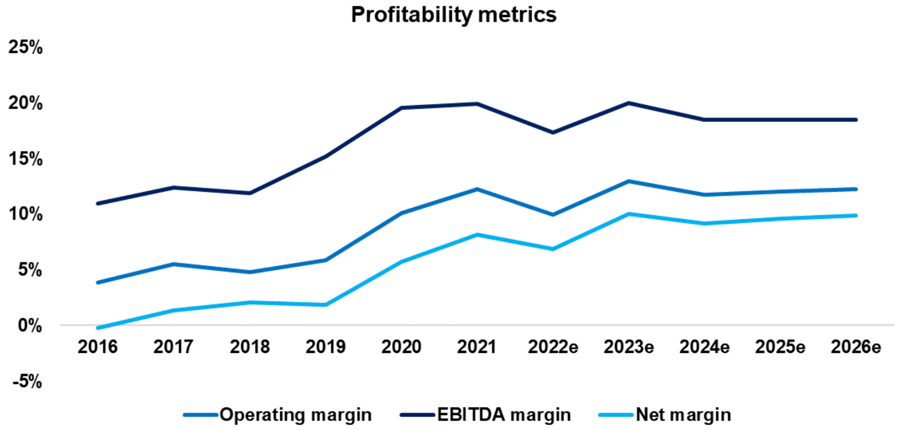
Source: Company data, Erste Group Research



Source: Company data, Erste Group Research

Conservative model in forecasting profitability

Our forecasts for organic growth and profitability continues to offer a conservative outlook with margins contracting slightly in 2022 and only marginally higher than in 2021 going forward. As described, we forecast for a moderate growth in revenues – at levels inferior to historical averages. At the same time, we have considered that the post crisis periods may witness a renewed negotiation power of employees and a degree of inputs inflation that should curtail margin expansion. While the input inflation is already present on the cost side, we are yet to witness any impact on the cost of labor. Nevertheless, as we describe above, this is a major asumption that impacts the general margin forecast for the company.



Source: Company data, Erste Group Research

Valuation

No major changes in previous valuation assumptions
We updated our DCF, DDM and comparables' valuations with the latest changes in the model, but we did not alter significantly any of the other assumptions. We reiterate that we find our model to be conservative, both in terms of unit and average fee rates and in terms of cost evolutions.

The assumptions of the DCF valuation are:

• Sales growth and margin levels as per our assumptions discussed above, sales growth in perpetuity is 3%

• Risk free rate of 4.81% till 2027 and 4.1% in perpetuity

• Equity risk premium of 7.45% during the next five years and 7% in perpetuity, Beta of 0.9

• Debt premium of 1%

• Target level of close to 70% equity of total liabilities and equity on the Balance Sheet

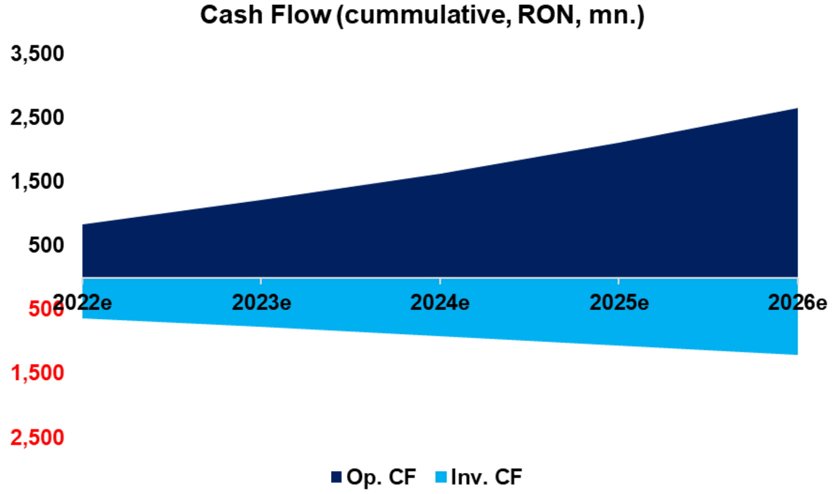
• Terminal value growth at 2%, roughly half of forecasted inflation

• EBIT margin in perpetuity of 13.5%, unchanged, in line with forecast levels

• Organic CAPEX growing with inflation

• We have assumed going forward a CAPEX yearly sum of RON120mn – in real terms.

Note: this CAPEX is considered as a cost of the ongoing business. As we discuss above, acquisition CAPEX has a higher return on investment and is value accretive.



Source: Company data, Erste Group Research

Comparables' valuation update

We have updated our comparables' valuation of MedLife stock, vs. international peers showing considerable appreciation potential on the basis of multiples. We continue nevertheless to believe that the most appropriate valuation exercise remains DCF based. At the same time, we note that – even in an environment where valuations have been punished across the board – a comparable P/E valuation for Medlife would warrant a positive stance on the stock.

		P/E	EV/EBITDA	P/Sales
Company	**Ticker**	**curr.**	**curr.**	**curr.**
Al Hammadi	ALHAMMAD.AB	32.82	13.04	4.57
Attendo	ATT.SS	93.24	8.90	0.40
Dallah Healthcare Co	DALLAH.AB	36.70	25.66	3.81
Fleury	FLRY3.BZ	13.59	12.15	1.50
Fresenius	FRE.GR	9.43	7.87	0.46
Life Healthcare Group	LHC.SJ	20.77	8.77	1.25
Lokman Hekim	LKMNH.TI	9.32	6.07	1.41
MD Medical Group	MDMG.LI	7.93	6.16	1.85
Mediclinic Int	MEI.SJ	n/a	n/a	n/a
Medicover	MCOVB.SS	30.28	21.52	2.24
Middle East Healthcare Co	MEH.AB	45.86	18.28	1.60
MLP Care	MPARK.TI	30.15	7.07	1.19
Mouwasat Medical	MOUWASAT.AB	36.88	19.89	9.97
National Medical	CARE.AB	23.13	11.79	3.74
Netcare	NTC.SJ	22.30	9.03	0.95
Pihlajalinna	PIHLIS.FH	12.22	7.41	0.43
Spire Healthcare	SPI.LN	n/a	10.33	0.85
Median		**23.13**	**9.68**	**1.46**
Medlife 2022e	**M.RO**	**19.90**	**10.29**	**1.54**
Implied MedLifeTP on 2022e financials (RON/Share		**23.02**	**18.37**	**18.78**

Source: Bloomberg, Erste Group Research

MedLife DCF valuation

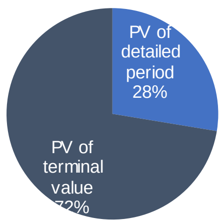
WACC calculation

	2022e	2023e	2024e	2025e	2026e	2027e TV
Risk free rate	4.8%	4.8%	4.8%	4.8%	4.8%	4.1%
Equity risk premium	7.5%	7.5%	7.5%	7.5%	7.5%	7.0%
Beta	0.9	0.9	0.9	0.9	0.9	0.9
Cost of equity	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**11.5%**	**10.4%**
Cost of debt	5.8%	5.8%	5.8%	5.8%	5.8%	5.1%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
After-tax cost of debt	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.9%**	**4.3%**
Equity w eight	70%	70%	70%	70%	70%	68%
WACC	**9.5%**	**9.5%**	**9.5%**	**9.5%**	**9.52%**	**8.44%**

DCF valuation

(RON mn)	2022e	2023e	2024e	2025e	2026e	2027e TV
Sales growth	*18.8%*	*14.4%*	*14.6%*	*13.1%*	*13.3%*	*3.0%*
EBIT	171	254	293	324	376	397
EBIT margin	*10.0%*	*13.0%*	*13.1%*	*12.9%*	*13.1%*	*13.5%*
Tax rate	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Taxes on EBIT	-27.3	-40.6	-46.8	-51.9	-60.1	-63.6
NOPLAT	**143.5**	**213.2**	**245.8**	**272.5**	**315.5**	**333.9**
+ Depreciation	126	138	151	165	179	197
Capital expenditures / Depreciation	*93.4%*	*88.3%*	*84.0%*	*80.2%*	*76.8%*	*100.0%*
+/- Change in w orking capital	-21	0	14	-13	-3	-17
Chg. working capital / chg. Sales	*-7.6%*	*0.2%*	*4.8%*	*-4.6%*	*-0.9%*	*-20.0%*
- Capital expenditures	-117.5	-122.2	-127.1	-132.2	-137.5	-196.9
Free cash flow to the firm	**131.3**	**229.8**	**283.8**	**292.0**	**354.1**	**316.7**
Terminal value growth						*2.0%*
Terminal value						5,014.1
Discounted free cash flow - December 31 :	119.9	191.6	216.0	202.9	224.7	3,119.1
Enterprise value - December 31 2021	**4,074**					
Minorities	44					
Non-operating assets	0					
Net debt (incl. lease liabilities)	595					
Other adjustments	0					
Equity value - (RON bn) December 31 2(	**3,435.6**					
Cost of equity	10.4%					
Fair value, RON mn	**3,792.9**					
Number of shares outstanding (mn)	132.9					
Fair value per share, RON	**28.5**					
Share price	17.55					
Upside/downside Official NAV (%)	*62.66%*					

Enterprise value breakdown



Sensitivity (Equity value - RON mn)

WACC	Terminal value EBIT margin 12.5%	13.0%	13.5%	14.0%	14.5%
7.4%	30.91	32.11	33.31	34.51	35.70
7.9%	28.53	29.63	30.73	31.82	32.92
8.4%	26.52	27.53	**28.5**	29.56	30.57
8.9%	24.80	25.74	26.68	27.62	28.56
9.4%	23.31	24.19	25.06	25.94	26.82

WACC	Terminal value growth 1.0%	1.5%	2.0%	2.5%	3.0%
7.4%	28.55	30.73	33.31	36.41	40.21
7.9%	26.68	28.55	30.73	33.31	36.41
8.4%	25.06	26.68	**28.5**	30.73	33.31
8.9%	23.65	25.06	26.68	28.55	30.73
9.4%	22.41	23.65	25.06	26.68	28.55

Source: 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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