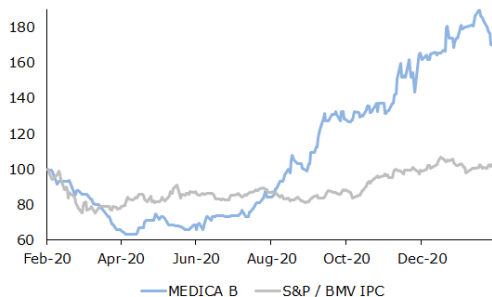


# MÉDICA: 4Q20 Results

Excellent Results With Record Sales, EBITDA and Net Profits

**BUY**

Target Price (MXN\$)	\$ 46.00
Current Price (MXN\$)	\$ 34.08
Min / Max (L12M)	\$12.65 - 39.00
Expected Dividend (MXN\$)	\$ 0.70
Expected Return	37.0%
Market Cap (MXN\$ Mn)	4,545
Enterprise Value (MXN\$ Mn)	4,981
Oustanding Shares (Mn)	133.4
Float	49.9%
ADTV (MXN\$ Mn)	\$ 3.40



## Opinion and Recommendation

MÉDICA reported excellent 4Q20 results that exceeded our expectations as a result of the strategies that the company carried out to serve a greater number of Covid-19 patients, which offset the lower volume. The company registered significant increases of 59.7% YoY in revenues, 220.1% YoY in EBITDA and 638.1% YoY in net profits, above our forecasts of + 44.3%, + 178.2% and + 366.7%, respectively. In addition, the substantial free cash flow generation allowed it to reduce its leverage to only 0.3x. We believe these results will support MÉDICA's share price in the short term. We reiterate our BUY recommendation with a target price of MXN\$46.0 per share.

## Revenues

MÉDICA presented total revenues of MXN\$1,467.5 million in 4Q20, with a notable 59.7% YoY growth (we expected + 44.3% YoY) which was mainly attributed to higher spending per patient in hospital and diagnostic services as a result of the prevailing health situation. During the year, the company carried out several strategies to attend Covid-19 patients that included an hospital reconversion, telemedicine, “Homecare”, Covid-19 laboratories and “Drive-Thru” branches. In addition, its affiliate “Laboratorio Médico Polanco” (LMP) increased in a considerable way the number of tests it processes at its Covid-19 unit in the Banamex Center which tripled its capacity from 243 to 607 beds.

MÉDICA attended more than 1,100 hospital patients and applied more than 230 thousand Covid-19 related laboratory tests during the March-December 2020 period. In 1Q21, LMP won the bidding process to perform antigen tests at Grupo Aeroportuario del Pacífico’s 12 airports.

**Martin Lara**

+5255-6413-8563

[martin.lara@miranda-gr.com](mailto:martin.lara@miranda-gr.com)

February 22, 2021

This offset the 10.7% reduction in the number of total patients to 10,978 for the year. This drop occurred mainly in diagnostic services and elective surgeries for non-Covid-19 patients due to mobility restrictions. However, demand recovered towards the end of last year and early 2021. The average stay of non-Covid-19 patients was 3.53 days in 2020, 4.1% higher than the previous year. In the case of Covid-19 patients, the average stay was 8 days for non-critical cases and 24 days for critical cases. In hospitalization, the company registered 109 bed days in 2020, up 6.9% as a result of the pandemic. The number of diagnose units and points of care was 115 at the end of the year, which included 22 Covid-19 units. In addition, the company has home sampling.

### **Profitability**

Higher revenues in conjunction with cost and expense containment strategies boosted the EBITDA by 220.1% YoY (vs. our +178.2% YoY expectation), to MXN\$514.1 million in the quarter. The EBITDA margin doubled to 35.0%.

### **Comprehensive Financing Cost**

The Comprehensive Financing Cost was only MXN\$25.4 million in 4Q20, significantly lower compared to the same period of the previous year due to the reduction in interests paid following the issuance of MXN\$1 billion in Cebures that the company carried out in 3Q20 .

### **Net Profits**

Deriving from the strong operating results and a lower CIF, MÉDICA presented a quarterly net profit of MXN\$283.6 million, with an impressive 638.1% (vs. 366.7% E) YoY rise. The net margin rose 15.1 percentage points to 19.3%.

### **Financial Structure**

As a result of the high free cash flow generation, cash was MXN\$572.8 million at the end of 4Q20, up 106.6% YoY. MÉDICA closed the quarter with a net debt to EBITDA ratio of only 0.3x, below the 1.5x of the same period last year.

### **Share Buybacks**

The company repurchased shares amounting to MXN\$167.4 million during 4Q20.

### **Other Achievements**

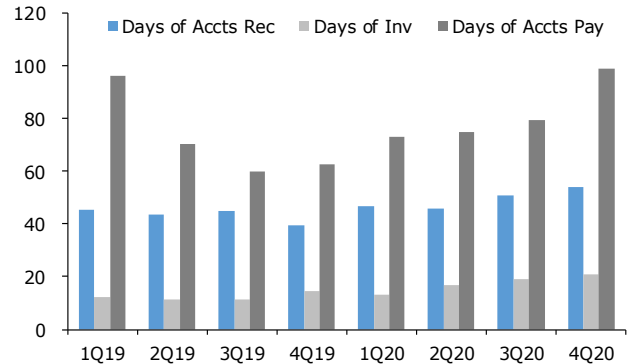
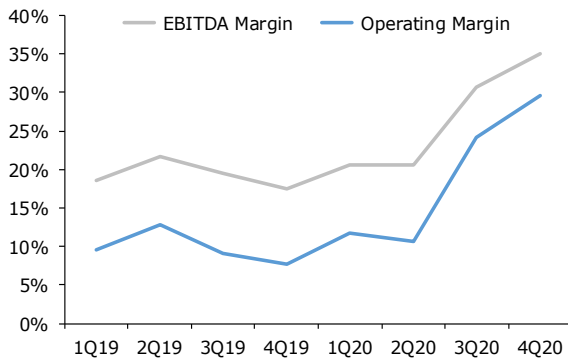
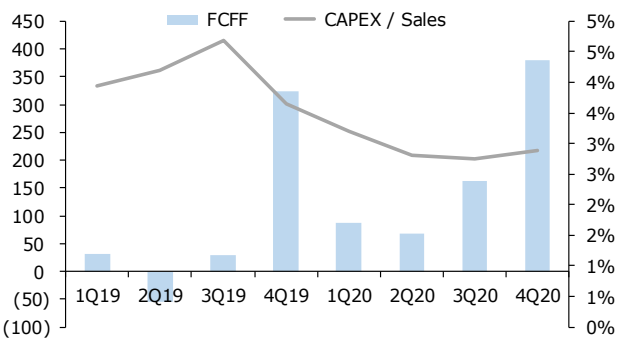
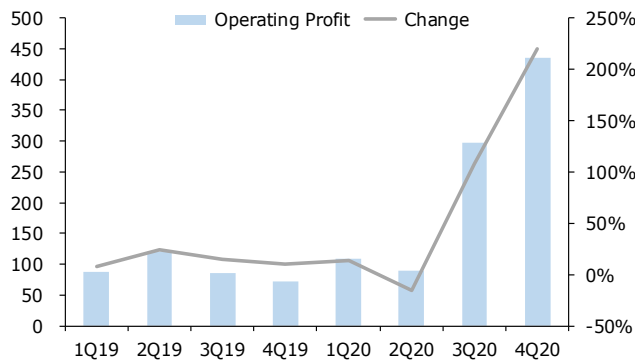
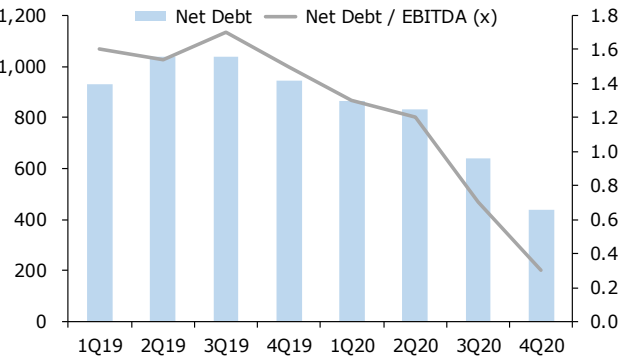
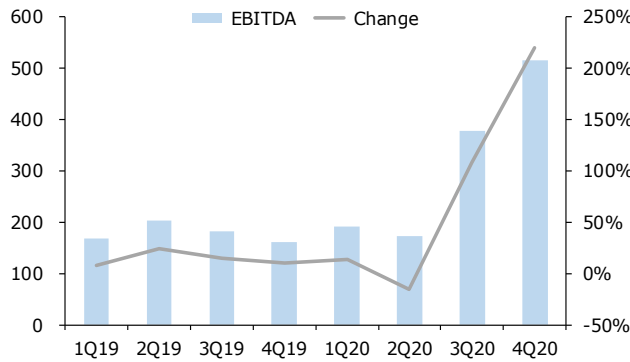
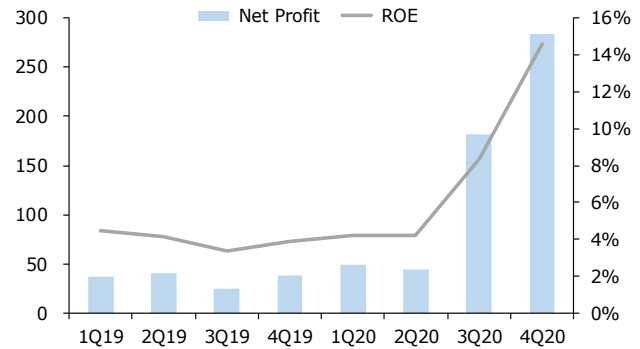
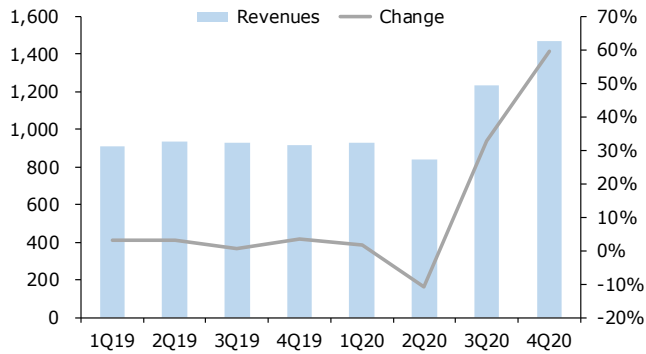
During 4Q20, MÉDICA received the auditors of the “Joint Commission International” (JCI), which evaluated the quality of the safety standards in the care of patients. This accreditation is valid for three years.

---

(Figures in Millions of MXN\$)	4Q20	4Q20E	Diff.	4Q19	Change	Acum 2020	Acum 2019	Change
Revenues	1,467	1,325	10.7%	919	59.7%	4,466	3,698	20.8%
Operating Profit	435	340	27.9%	71	513.8%	932	364	156.1%
<i>Operating Margin</i>	29.7%	25.7%		7.7%		20.9%	9.8%	
EBITDA	514	423	21.5%	161	220.1%	1,255	715	75.7%
<i>EBITDA Margin</i>	35.0%	31.9%		17.5%		28.1%	19.3%	
Financial Gains	1	6	-80.8%	3	-62.3%	17	9	89.2%
Financial Cost	-27	-18	49.8%	-47	-43.9%	-157	-176	-10.4%
Pre-Tax Profit	410	329	24.8%	27	1437.2%	791	197	301.4%
Income Tax & Profit Sharing	-126	-99	28.1%	12	-1174.0%	-232	-57	310.7%
<i>Tax &amp; Profit Sharing Rate</i>	30.8%	30.0%		-44.1%		29.4%	28.7%	
Profit Before Minorities	284	230	23.3%	38	638.1%	559	141	297.6%
Minority Interest	0	-0	-126.3%	-0	-300.0%	-0	-0	43.8%
Net Profit	284	230	23.3%	38	638.2%	559	141	297.6%
EPS	P\$ 2.18	P\$ 1.81	20.4%	P\$ 0.31	598.7%	P\$ 4.37	P\$ 1.14	283.0%

Source: BMV

(Figures in Millions of MXN\$)



Source: BMV

**DISCLAIMER**

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Médica Sur, S.A.B. de C.V for independent analyst services.

---