

# MÉDICA: 1Q21 Results

Another Record Quarter That Exceeded our Expectations; EBITDA up 150.7%

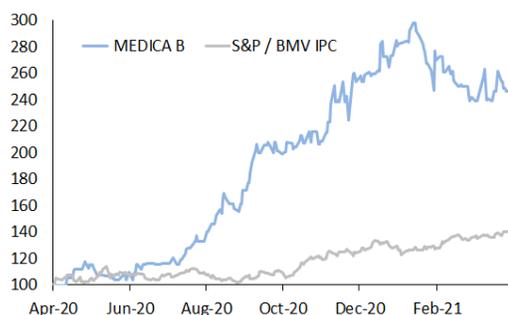
<b>BUY</b>	
Target Price (MXN\$)	\$ 46.00
Current Price (MXN\$)	\$ 31.50
Min / Max (L12M)	\$12.65 - 39.00
Expected Dividend (MXN\$)	\$ 0.70
Expected Return	48.3%
Market Cap (MXN\$ Mn)	4,201
Enterprise Value (MXN\$ Mn)	4,579
Outstanding Shares (Mn)	133.4
Float	49.9%
ADTV (MXN\$ Mn)	\$ 3.20

## Opinion and Recommendation

MÉDICA continued to deliver a significant growth in all its operating indicators due to company's measures against the health contingency. Revenues were up 54.0%, EBITDA 150.7% and net income 437.3%, exceeding our projections. Furthermore, the company's balance sheet continued to strengthen with a net debt to EBITDA ratio of only 0.3x in the current quarter, down from 1.3x in the previous year. We expect a positive short-term reaction in MÉDICA's stock price and we are reiterating our BUY recommendation with a MXN\$46.0/share target price.

## Revenues

MÉDICA reported total revenues of MXN\$1,428 million in 1Q21, with a high 54.0% YoY increase, exceeding our projections of a 33.8% rise to MXN\$1,240 million. This favorable performance was due to the measures that the company took to attend COVID-19 patients, which more than offset the 14.5% drop in the number of hospitalized patients to 2,703. This included 364 new COVID-19 patients during the quarter, with which MÉDICA has treated more than 1,500 patients since the beginning of the pandemic. In addition, the company also experienced a recovery from elective surgeries. In the case of non-COVID-19 patients, MÉDICA presented higher revenues in critical units, obstetric gynecology (revenues + 26%), UCEC, radiotherapy (+ 41%), imaging, gastroenterology and Gamma KNife.



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The average stay of non-COVID-19 patients was 3.83 days, up 12.7% YoY. The average stay of COVID-19 patients in non-critical areas was 6.94 days, while those of COVID-19 patients in critical areas was 12.93 days. The occupancy rate was between 94-100% during the quarter given the health contingency. In addition, the company has two floors, which represent 25% of its capacity, to serve patients with mild COVID-19.

During the quarter, Laboratorios Médicos Polanco (LMP) won a tender to carry out COVID-19 tests at 12 of Grupo Aeroportuario del Pacífico's airports. This has substantially expanded the company's geographic presence with 124 diagnostic and care branches in 14 cities nationwide. During the period, LMP applied more than 100 thousand tests, reaching a total of 330 thousand tests since the beginning of the pandemic. It also entered into agreements with major airlines to conduct COVID-19 tests on flights to the United States.

### **Profitability**

As a result of a high operating leverage, MÉDICA's EBITDA grew 150.7% YoY, standing at MXN\$478.1 million (vs. MXN\$397 million E). The EBITDA margin expanded significantly, reaching 33.5% (vs. 32.0% E) in the current quarter, from 20.6% the previous year.

Net profit was up 437.3% YoY to MXN\$266.9 million (vs. MXN\$201 million E), driven by the excellent operating performance and lower interest paid thanks to the bond issuance at the end of the previous year. This was partially offset by a higher fiscal reserve.

### **Financial Structure**

MÉDICA maintained a high free cash flow generation, with which its net debt to EBITDA ratio improved to only 0.3x in 1Q21, from 0.4x in 4Q20 and 1.3x in 1Q20.

On March 24<sup>th</sup>, the company made the first interest payment corresponding to its MÉDICA 20 bonds, in compliance with its obligations.

### **Share Buy-Back Reserve**

The company did not carry out any share buy-backs during the quarter, and has MXN\$2.9 million available in its share buy-back reserve.

### **Strategic Options**

On March 9<sup>th</sup>, MÉDICA contracted the investment banking services of two financial institutions in order to analyze strategic options for the diagnose business.

### **Others**

In January, MÉDICA was rated as "Mexico's Best Hospital" by the "Newsweek" magazine, with a rating of 93%. It also obtained the second place in Mexico from the "Expansión" magazine and the thirteenth place in Latin America from the "America Economía" magazine.

On March 3, the Robotic Surgery Program began to operate with the DAVINCI robot with which safer and more precise outpatient surgeries can be performed.

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(Figures in Millions of MXN\$)	1Q21	1Q21E	Diff.	1Q20	Chg.
Revenues	1,428	1,240	15.2%	927	54.0%
Operating Profit	398	317	25.5%	109	265.2%
<i>Operating Margin</i>	27.9%	25.6%		11.8%	
EBITDA	478	397	20.3%	191	150.7%
<i>EBITDA Margin</i>	33.5%	32.0%		20.6%	
Financial Gains	9	1	568.0%	5	73.0%
Financial Cost	-26	-28	-7.6%	-41	-36.2%
Pre-Tax Profit	381	290	31.2%	73	421.5%
Income Tax & Profit Sharing	-114	-89	27.3%	-23	387.8%
<i>Tax &amp; Profit Sharing Rate</i>	29.9%	30.8%		32.0%	
Profit Before Minorities	267	201	32.9%	50	437.3%
Minority Interest	0	0	1947.7%	-0	-514.3%
Net Profit	267	201	32.9%	50	437.5%
EPS	P\$ 2.00	P\$ 1.51	32.9%	P\$ 0.40	397.7%

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