

MÉDICA: 4Q21 Results

Significant Extraordinary Gain on the Sale of LMP; EBITDA Before Non-Recurring Items Fell 53.3%

MÉDICA B	BUY
Target Price (MXN\$) [1]	\$ 60.00
Current Price (MXN\$)	\$ 50.50
Min / Max (L12M)	\$30.50 - 58.10
Expected Dividend (MXN\$)	\$ 0.70
Expected Return	20.2%
Market Cap (MXN\$ Mn)	6,226
Enterprise Value (MXN\$ Mn)	3,694
Outstanding Shares (Mn)	123.3
Float	49.9%
ADTV (MXN\$ Mn)	\$ 1.31

[1] P\$88.40 including land

Opinion and Recommendation

MÉDICA generated a MXN\$982 million extraordinary gain on the LMP sale, which closed last November 1st. The company received MXN\$2.25 billion plus a variable amount subject to the fulfillment of certain conditions in fiscal years 2021 and 2022. As a result, it closed the quarter with a net debt to EBITDA ratio of -2.7x, compared to 0.5x in the previous year. .

4Q21 revenues were down 8.2% due to lower demand for COVID-19 related services, although these were 40.0% higher compared to pre-pandemic levels. Reported EBITDA, which included the extraordinary gain, was up 86.7%. Adjusted EBITDA excluding non-recurring items fell 53.3% due to the impact of the labor reform, productivity bonuses and certain indirect expenses.

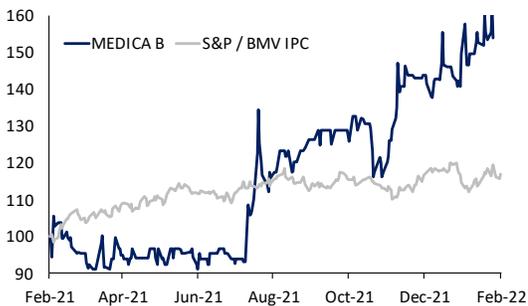
In the year, revenues reached record levels as they were 22.2% higher than in 2020 and 43.4% above pre-pandemic levels.

We reiterate our BUY recommendation as MÉDICA's shares as they are currently trading at an EV/EBITDA of only 4.3x, which we find very attractive.

Revenues

MÉDICA's revenues stood at MXN\$953.7 million (vs. P\$1,002 million E) in 4Q21, down 8.2% YoY, which was mainly due to a lower demand for COVID-19 related services. However, sales were 40.0% higher than pre-pandemic levels.

MÉDICA attended 12,729 patients during the year, up 16.0%, which included a recovery in non COVIDA-19 patients, as well as a greater number of surgeries, critical units and emergencies. Regarding COVID-19, the company treated 1,900 patients (+74%) and processed more than 115 thousand tests.



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The median stay for non-COVID patients declined to 2.94 days, from 3.14 days, in 2021. The median stay for non-critical COVID patients fell marginally to 7.16 days, from 7.20 days. The stay of COVID patients in critical areas rose to 15.54 days, compared to 13.31 days.

Profitability

Reported EBITDA grew 86.7% YoY on a non-comparable basis to MXN\$959.9 million. This indicator included a MXN\$982 million extraordinary net gain related to the LMP sale, which closed on November 1st. Excluding such non-recurring item, EBITDA would have decreased 53.3% to MXN\$154.6 million (vs. MXN\$179.8 million) as a result of lower demand for COVID services, costs related to the labor reform that resulted in higher profit sharing, productivity bonuses and certain indirect expenses.

The company reported a MXN\$13.3 million financial gain, from last year's a negative MXN\$17.4 million figure, which was due to higher interest gains. On the other hand, taxes were 74.5% higher than the previous year due to the LMP divestiture.

As a result of the extraordinary gain on the sale of LMP and financial gains, MÉDICA registered a MXN\$632.4 million net profit in 4Q21, which was 123.0% higher than last year's figure.

Annual Results

MÉDICA recorded total revenues of MXN\$3.9 billion in 2021, up 2.2% YoY and 43.4% QoQ. EBITDA grew 62.0% to MXN\$2.0 billion. For its part, net profits rose 142.9% to MXN\$1.36 billion, driven by the extraordinary gain on the LMP sale.

Financial structure

The financial structure continued to strengthen due to the LMP sale and the significant free cash flow generation. The net debt to EBITDA ratio stood at -2.7x at the end of the quarter, compared to 0.5x in 4Q20.

Worth mentioning that the MÉDICA share buy-back reserve had 12.2 million shares with a market value of approximately P\$616.1 million.

Others

MÉDICA received the HospiRank certificate from Global Health and HospiRank, which recognized the company as one of the best equipped hospitals to serve patients in Latin America.

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