

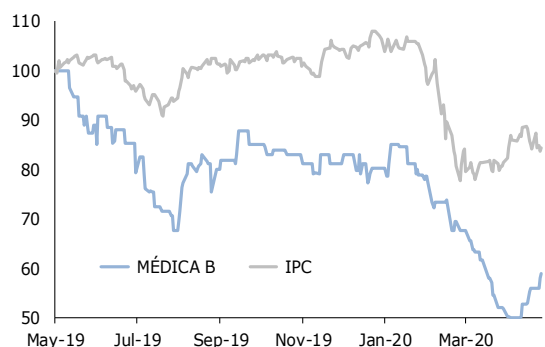
# MÉDICA SUR: 1Q20 RESULTS

## Positive Results With a Higher-Than-Expected Profitability

### BUY

2020E Target Price (MXN\$) [1]	\$ 26.50
Current Price (MXN\$)	\$ 14.60
Min / Max (L12M)	\$12.65 - 25.90
Expected Return	81.5%
Market Cap (MXN\$ Mn)	1,800
Enterprise Value (MXN\$ Mn)	2,659
Outstanding Shares (Mn)	123.3
Float	49.9%
ADTV (MXN\$ Mn)	\$ 0.40

[1] MXN\$40.40 including real estate assets



### Opinion and Recommendation:

- **We consider that MÉDICA's 1Q20 results were positive, mainly due to higher-than-expected profitability levels as a result of the cost containment efforts and optimization of labor expenses that the company implemented. This generated significant increases of 13.1% in EBITDA and 35.6% in net profit, despite the fact that revenues grew 1.6%. In addition, it maintained a very low leverage and reinforced its liquidity position.**
- **MÉDICA is offering new Covid-19 detection services while IGG antibody tests will be offered through its 3 brands of clinical analysis laboratories. Antibody tests will be extended to all laboratory branches in the future.**
- **Laboratorio Médico Polanco (LMP), a subsidiary, operates an in-situ laboratory within a temporary hospital unit located at the Banamex Center with 243 beds with the possibility of expanding it in 3 stages. It also installed an auto express unit in downtown Mexico City which can be expanded to other locations in late May. MÉDICA plans to carry out a similar strategy in Puebla through Laboratorios Ruiz, another subsidiary.**
- **For 2Q20, we expect lower revenues as a result of the impact of the pandemic. However, we anticipate a gradual recovery from 3Q20.**

### Volume

MÉDICA attended 3,128 hospital patients in 1Q20, down 3.2%. The average stay was 3.04 days, with a marginal 0.7% increase due to the fact that Covid-19 related conditions require a longer hospitalization time.

Occupancy was 54.1%, which means that the company has the adequate capacity to receive non-Covid patients as well as patients coming from the public health system under the temporary one-month agreement with the Federal Government. Such contract can be extended depending on the duration of the pandemic and under mutual agreement between the parties. MÉDICA closed the quarter with 112 diagnose units with coverage in 6 cities.

## **MÉDICA SUR: 1Q20 Results**

### **Revenues**

Revenues were MXN\$926.9 million in 1Q20, up 1.6%. In hospitalization, the company experienced a higher demand in surgical activity, in emergencies, and in critical units. In clinical services, the cancer center and urology service grew. Diagnose units recorded higher revenues from PET-CT, Angiography and nuclear medicine. Laboratory services revenues were supported by referral services and sales to hospitals, which was partially offset by lower sales to companies and third parties as a result of the start of Phase-2, since this included the closure of non-essential companies.

### **Profitability**

EBITDA rose 13.1% to MXN\$190.7 million driven by significant cost containment efforts (price renegotiations), optimization of labor expenses and lower fees expenses. The EBITDA margin experienced a significant improvement, reaching 20.6% in 1Q20, from 18.5% in 1Q19.

### **Net Profit**

Net income rose 35.6% in 1Q20 supported by a solid operating performance, which offset the increase in taxes.

### **Financial structure**

MÉDICA maintained a very solid financial structure with a net debt to EBITDA ratio of only 1.3x at the end of 1Q20, down from 1.6x in 1Q19. The company is in compliance with all its financial covenants and reinforced its liquidity through a MXN\$195 million revolving loan. Due to the Covid-19 outbreak, we anticipate that the company could propose not paying dividends this year at its next annual meeting in order to protect its liquidity.

### **Agreement with the Federal Government / New services**

As of April 23, MÉDICA participates in the "Todos Juntos Contra el Covid-19" program through which it provides services to patients referred from the public health system, which include the IMSS, ISSSTE, INSABI, PEMEX, SEDENA and Centro Médico Naval.

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Since April 29, the subsidiary Laboratorio Médico Polanco (LMP), collaborates with the temporary hospital unit in the Banamex Center with 243 beds with the possibility of expanding in 3 stages. LMP installed an on-site testing unit for recovering Covid-19 patients. LMP also installed an auto express branch in Mexico City downtown area that can be expanded to more locations at the end of May. In the city of Puebla, this model will be implemented through Laboratorios Ruiz.

## MÉDICA SUR: 1Q20 Results

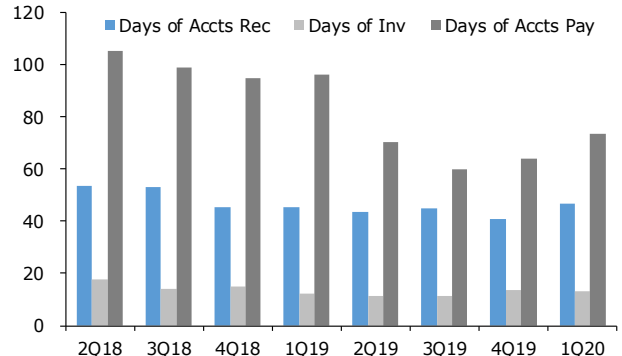
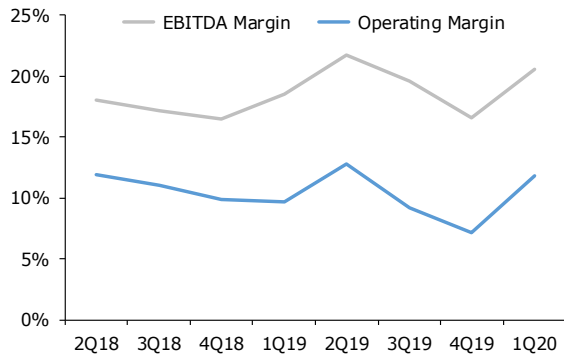
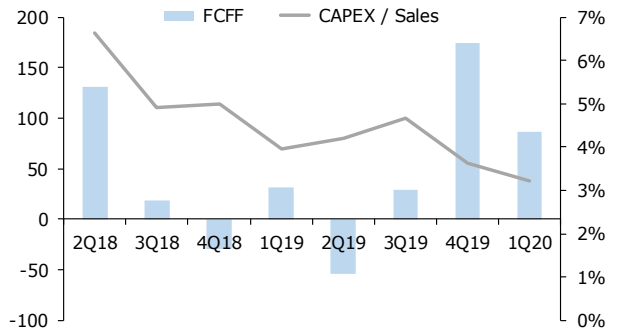
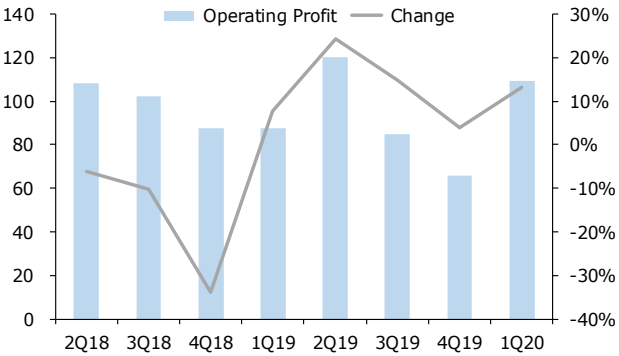
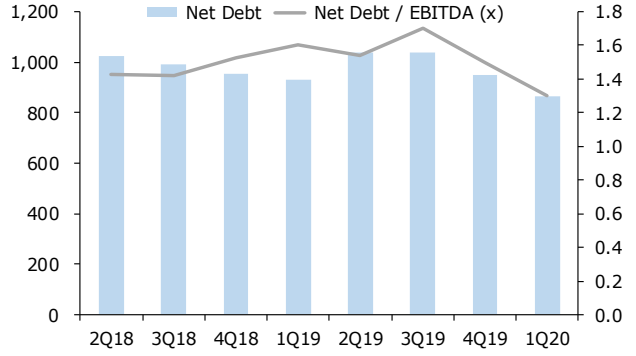
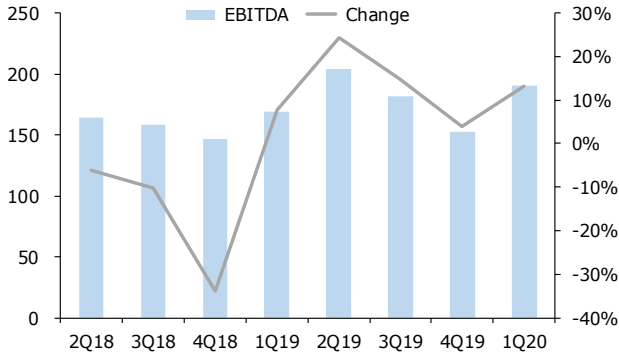
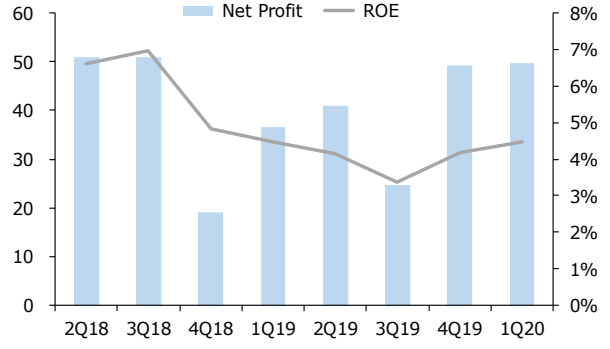
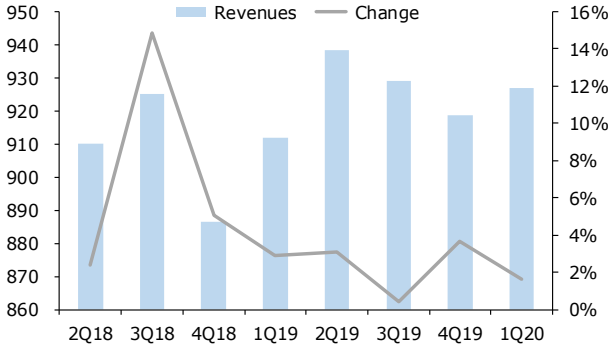
(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>
Revenues	927	912	1.6%
Operating Profit	109	88	24.2%
<i>Operating Margin</i>	<i>11.8%</i>	<i>9.6%</i>	
EBITDA	191	169	13.1%
<i>EBITDA Margin</i>	<i>20.6%</i>	<i>18.5%</i>	
Financial Gains	5	2	179.0%
Financial Cost	-41	-38	8.5%
Pre-Tax Profit	73	52	41.1%
Income Tax & Profit Sharing	-23	-15	54.5%
<i>Tax &amp; Profit Sharing Rate</i>	<i>32.0%</i>	<i>29.2%</i>	
Profit Before Minorities	50	37	35.6%
Minority Interest	-0	-0	-22.2%
Net Profit	50	37	35.6%
EPS	P\$ 0.40	P\$ 0.30	35.5%
<b>BALANCE SHEET</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>
TOTAL ASSETS	5,883	5,915	-0.5%
LT Assets	4,838	4,743	2.0%
TOTAL LIABILITIES	2,152	2,336	-7.9%
ST Liabilities	1,070	949	12.7%
LT Liabilities	1,082	1,387	-22.0%
TOTAL CAPITAL	3,731	3,578	4.3%
Stockholder's Equity	3,730	3,577	4.3%
NET DEBT	859	848	1.3%
Net Debt / EBITDA (x)	1.3x	1.6x	

Source: BMV

# MÉDICA SUR: 1Q20 Results

(Figures in Millions of MXN\$)



Source: BMV

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