

# MÉDICA SUR: 3Q20 RESULTS

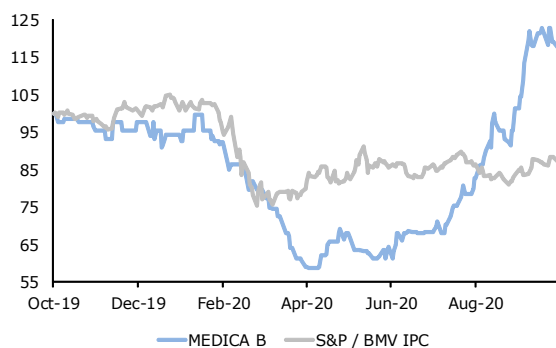
## Favorable 3Q20 Results With Significant Increases In All Operating Indicators; We Are Increasing Our Target Price to MXN\$32.0

### BUY

2020E Target Price (MXN\$) [1]	\$ 32.00
Current Price (MXN\$)	\$ 25.90
Min / Max (L12M)	\$12.65 - 27.01
Expected Return	23.6%
Market Cap (MXN\$ Mn)	3,193
Enterprise Value (MXN\$ Mn)	3,833
Outstanding Shares (Mn)	123.3
Float	49.9%
ADTV (MXN\$ Mn)	\$ 1.81

### Opinion and Recommendation:

- MÉDICA presented very favorable 3Q20 results that exceeded our projections by far as the company treated a greater number of patients with COVID-19. Revenues were up 32.8% YoY, EBITDA grew 107.9% YoY and net income was more than seven times higher. We expect a favorable short-term reaction in the share price.
- We reiterate our BUY recommendation and we are increasing our target price to MXN\$32.00 per share, from MXN\$26.50.



### Revenues

MÉDICA's 3Q20 revenues were up 32.8% YoY to MXN\$1,233.8 million, since the company treated a greater number of patients with COVID-19. During the pandemic, the company treated 698 patients with this condition. In the laboratory segment, MÉDICA presented higher revenues in the Médica Sur internal laboratory, the COVID-19 sampling units of the three brands, higher sales to reference customers and processed a greater number of samples in hospital care. In patient care not related to COVID-19, the company reported higher revenues in the Integral Oncology Center associated with chronic diseases care. This was partially offset by a lower activity of patients with elective surgeries and a lower demand for diagnostic services.

### Volume

MÉDICA treated 2,914 patients in hospitalization in 3Q20, down 8.1% YoY due to the impact of the pandemic and mobility restrictions. The average stay of patients with COVID-19 was 6.7 days in the case of non-critical patients and 13.3 days in the case of critical ones. The average stay of non-COVID-19 patients rose 8.3% YoY to 3.54 days. In hospitalization, the company had 121 bed days, with an increase of 23.5% YoY.

### Profitability

MÉDICA implemented strict costs and expenses control policies, mainly in terms of salaries, fees and subscriptions, advertising and maintenance expenses, which offset the higher medicines and materials costs, since these are denominated in dollars mostly. These measures, in conjunction with the aforementioned strong revenue growth, boosted EBITDA by 107.9% YoY to

## **MÉDICA SUR: 3Q20 Results**

MXN\$377.7 million. The EBITDA margin was 30.5% in 3Q20, well above the 19.5% in the same period of the previous year.

### **Net Profits**

The very favorable operating performance boosted 3Q20 net profits to MXN\$181.5 million, compared to only MXN\$24.6 million in 3Q19. The net margin was 14.7% in the current quarter, from 2.6% in 3Q19. This offset the increase in the comprehensive financing cost as a result of the debt refinancing.

### **Bond Issuance / Financial Structure**

As previously announced, MÉDICA issued bonds amounting to MXN\$1,000 million with a 6.99% coupon and maturity in 2025. The company used these financial resources to refinance debt. The net debt to EBITDA ratio was 0.7x at the end of 3Q20.

### **Significant Measures**

MÉDICA carried out the following measures in order to provide a comprehensive response to its patients:

- Assessment of respiratory emergencies
- Safe Ambulatory Surgery Packages (CAS)
- Safe Hospital
- Consolidation of the Digital Hospital Médica Sur
- Exclusive COVID-19 areas
- Laboratory, COVID-19 Attention Center
- Units for COVID-19 care
- Issuance of the MEDICA20 Bonds

## MÉDICA SUR: 3Q20 Results

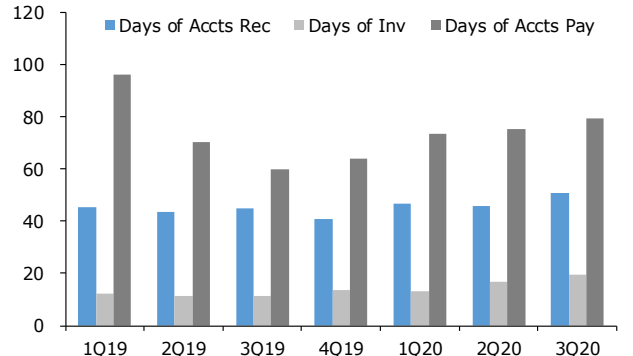
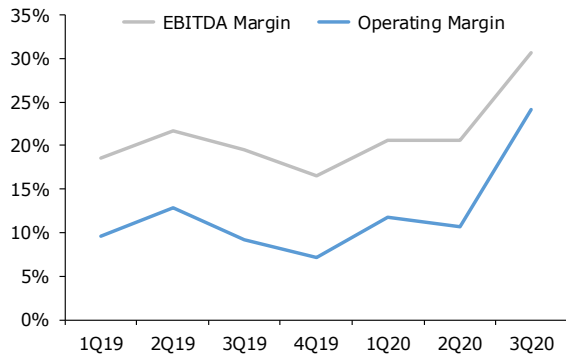
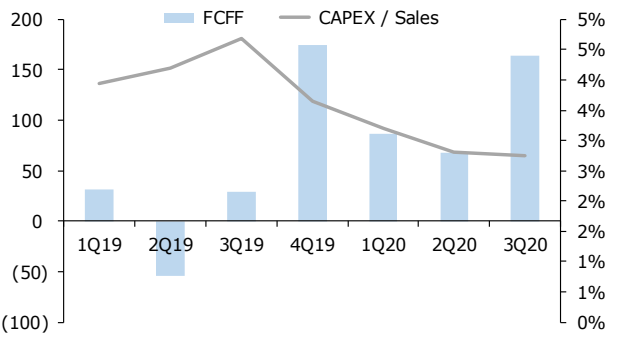
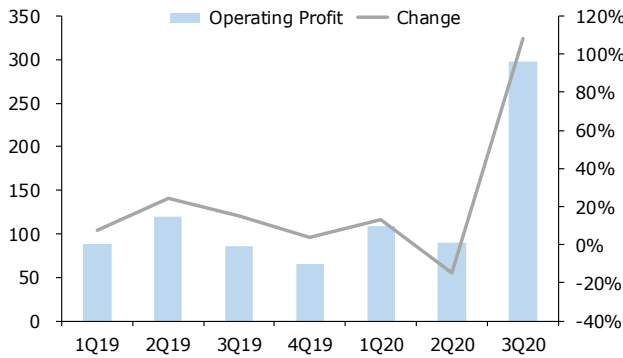
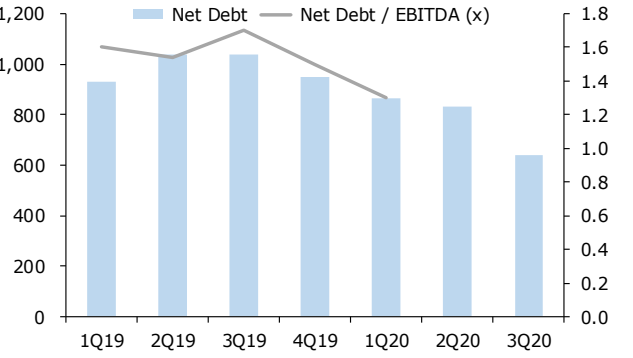
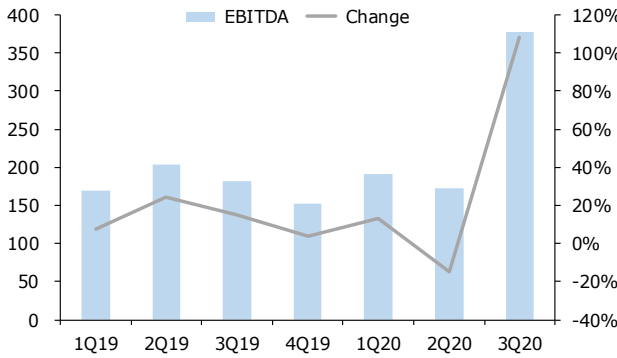
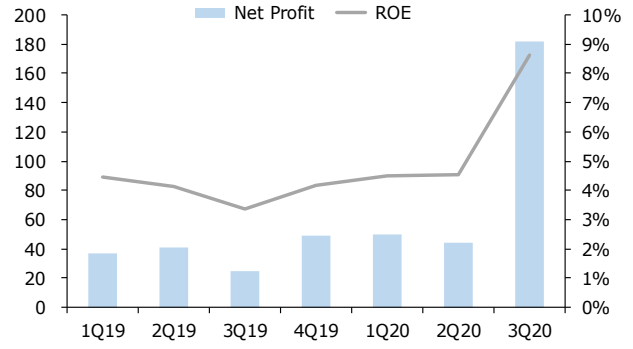
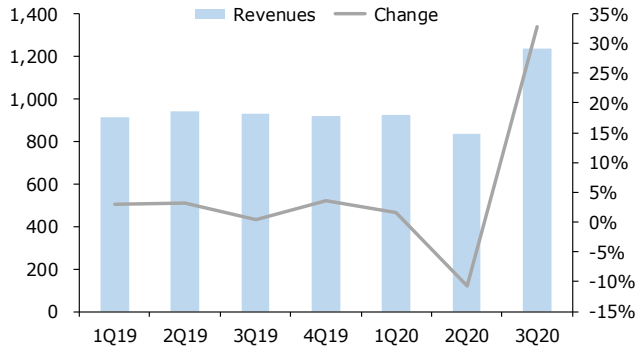
(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>3Q20</b>	<b>3Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
Revenues	1,234	929	32.8%	2,999	2,779	7.9%
Operating Profit	297	85	250.0%	496	293	69.5%
<i>Operating Margin</i>	<i>24.1%</i>	<i>9.1%</i>		<i>16.6%</i>	<i>10.5%</i>	
EBITDA	378	182	107.9%	741	554	33.8%
<i>EBITDA Margin</i>	<i>30.6%</i>	<i>19.5%</i>		<i>24.7%</i>	<i>19.9%</i>	
Financial Gains	6	2	158.2%	16	6	166.4%
Financial Cost	-52	-35	47.2%	-131	-128	1.9%
Pre-Tax Profit	252	52	381.5%	381	171	123.7%
Income Tax & Profit Sharing	-71	-28	154.2%	-106	-68	55.4%
<i>Tax &amp; Profit Sharing Rate</i>	<i>28.0%</i>	<i>53.0%</i>		<i>27.8%</i>	<i>40.1%</i>	
Profit Before Minorities	182	25	638.1%	275	102	169.5%
Minority Interest	-0	-0	500.0%	-0	-0	66.7%
Net Profit	182	25	638.1%	275	102	169.5%
EPS	P\$ 1.43	P\$ 0.20	618.9%	P\$ 2.19	P\$ 0.83	164.3%
<b>BALANCE SHEET</b>	<b>3Q20</b>	<b>3Q19</b>	<b>Change</b>	<b>Acum 2020</b>	<b>Acum 2019</b>	<b>Change</b>
TOTAL ASSETS	5,955	5,768	3.2%	5,955	5,768	3.2%
LT Assets	4,553	4,966	-8.3%	4,553	4,966	-8.3%
TOTAL LIABILITIES	2,060	2,125	-3.1%	2,060	2,125	-3.1%
ST Liabilities	807	876	-7.8%	807	876	-7.8%
LT Liabilities	1,253	1,250	0.3%	1,253	1,250	0.3%
TOTAL CAPITAL	3,895	3,643	6.9%	3,895	3,643	6.9%
Stockholder's Equity	3,894	3,642	6.9%	3,894	3,642	6.9%
NET DEBT	640	1,038	-38.4%	640	1,038	-38.4%
Net Debt / EBITDA (x)	0.7x	1.5x		0.7x	1.5x	

Source: BMV

# MÉDICA SUR: 3Q20 Results

(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.