

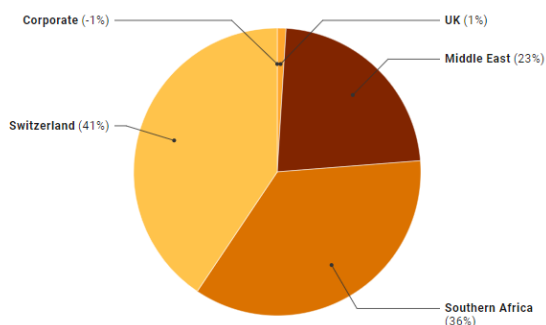
SHARE INFORMATION

Share Code	MEI
Industry	Healthcare Providers & Services
Sector	Health Care
Market Capital (ZAR m)	43 732
Current Price (ZAR)	59,46
Target Price	67,00
Price - 52 Week High:	102,80
Price - 52 Week Low:	51,99
Dividend Yield	2,51%
Beta 5 Year (JSE All Share)	1,34

SHARE PRICE PERFORMANCE**



Segment contribution to adjusted earnings



VALUATION RATIOS **

Period	P/E	P/SALES	EV/EBITDA
Last 12 Months	11,5x	0,8x	8,4x
Current Year Est	12,2x	0,8x	8,0x
Expected	11,0x	0,7x	7,4x

** Data provided by Thomson Reuters

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MEDICLINIC INTERNATIONAL PLC (JSE:MEI)

RECOMMENDATION: HOLD

Mediclinic International Plc is an international private healthcare provider. The company's segments include Mediclinic Southern Africa, Mediclinic Switzerland, Mediclinic Middle East, United Kingdom and Corporate. It focuses on providing acute care and multidisciplinary healthcare services. The group has an interest in Spire Healthcare, a United Kingdom-based private healthcare company. It has approximately 76 hospitals and 29 clinics across its operating platforms. Mediclinic Southern Africa operates 51 hospitals and 4 day-clinics and approximately 8 100 in-patient beds in total. It has an interest in Hirslanden AG, which operates over 20 private acute care facilities and at least 4 clinics in Switzerland with over 1 900 in-patient beds. Mediclinic Middle East operates 7 hospitals and 22 clinics with over 900 in-patient beds in the United Arab Emirates.

FUNDAMENTAL/TECHNICAL OVERVIEW

Mediclinic reported its full year (FY) results for the period ending 31 March 2019. The group's revenue increased slightly, up by 2% to £2 932bn (2018: £2 876bn) compared to the previous period. The company managed to turn around the operating loss of £288m incurred in the previous period and reported an operating profit of £81m. Mediclinic's adjusted earnings per share for the period declined by 10% to 26.9 pence per share (2018: 30 pence per share), while the final dividend remained unchanged at 4.70 pence per share.

Segmenting the group's underlying businesses, Mediclinic Hirslanden contributed 47% towards group revenue. Revenue increased slightly, up by 1.5% to £1 368bn (2018: £1 349bn) compared to the previous period. The lacklustre growth experienced by Mediclinic Hirslanden came as a result of regulators introducing legislation that reduced outpatient tariffs, negatively impacting profit margins.

The South African business, which is the third largest private health care group in Southern Africa, contributed 30% towards group revenue. The South African business showed an increase of 1% in revenue to £886m (2018: £877m), however in local currency, the revenue grew by 5%, helped by an increase in average revenue per bed. Management attributed the low single digit increase to flat medical aid membership growth and lower admissions into hospitals. The occupancy rate remained flat at 69.2% (2018: 69.7%) compared to the previous period.

Mediclinic Middle East accounted for 23% of total revenue and grew revenue by 5.28% year on year, arguably the best performing segment of the Mediclinic group in sterling terms. The Abu Dhabi-based business had better volume growth relative to other segments within the group. Volumes for out and in-patients increased by 5.2% and 2% respectively. The group successfully opened the 182-bed Dubai-based Parkview Hospital in September 2018. Despite being in the early ramp-up stage, Parkview contributed AED88 million in revenue for the period under review.

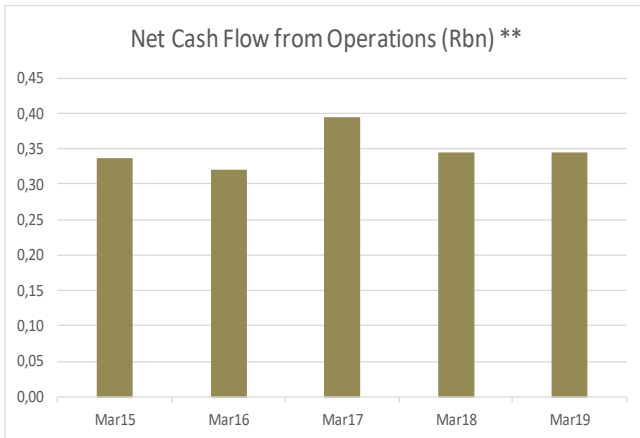
Management will focus on driving efficiencies, cost savings and revenue opportunities going forward. Relative to local peers, Mediclinic appears to be offering value.

Research contributors

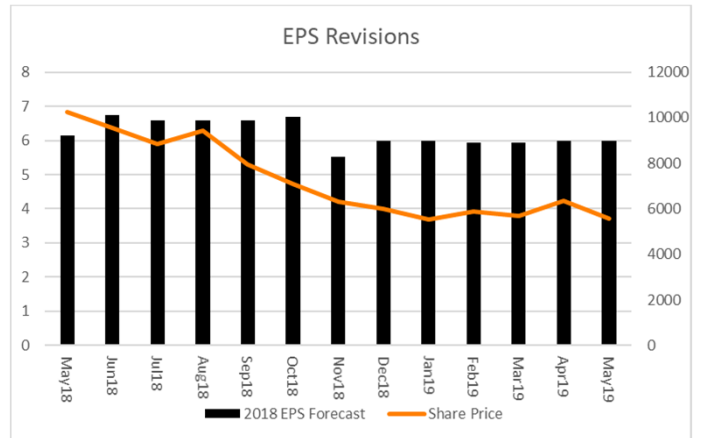
Pieter-Jan van Niekerk, Ben Petersen, Schalk Louw

EQUITY REPORT

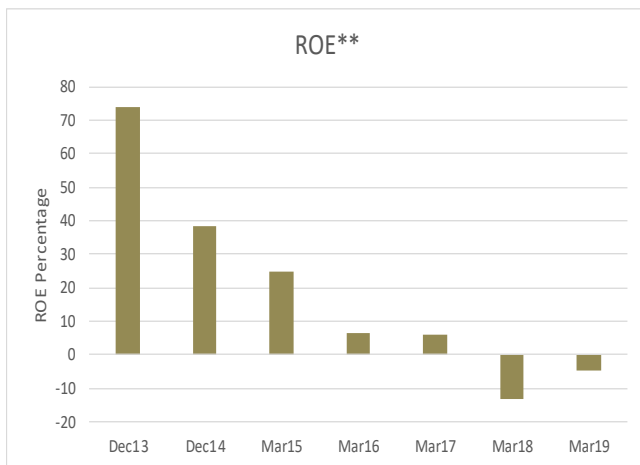
7 JUNE 2019



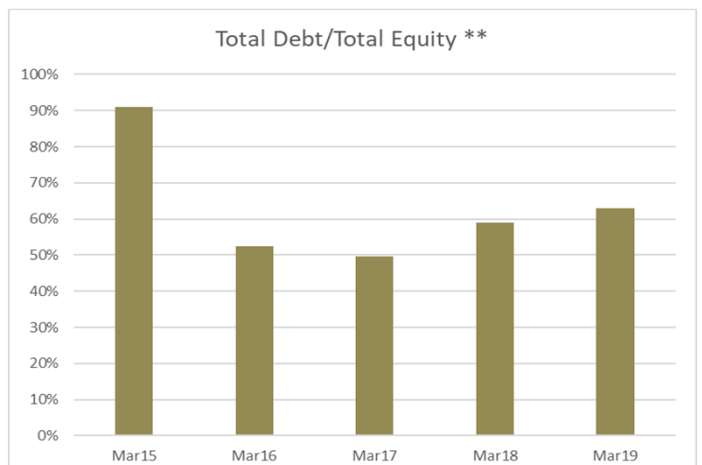
Net cash flow from operations decreased marginally since FY18.



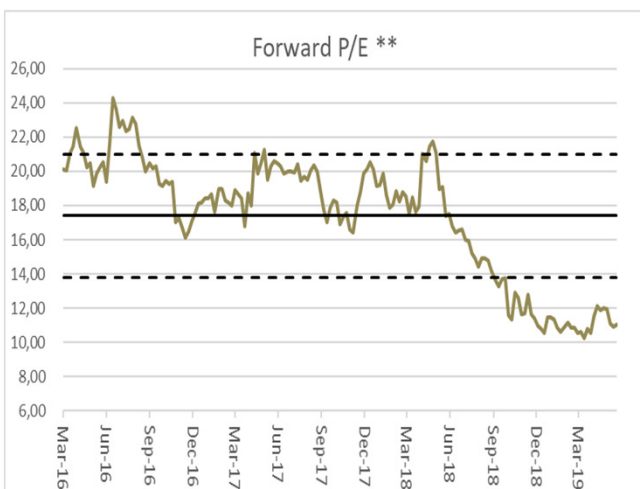
There has been no significant earnings revisions since Dec 2018.



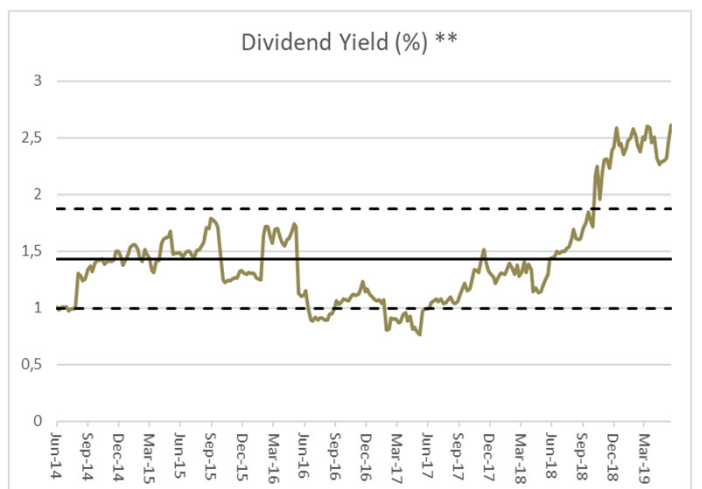
ROE has been declining since 2013 due to the weak performance of the group's international operations.



Total debt-to-equity increased marginally from FY18.

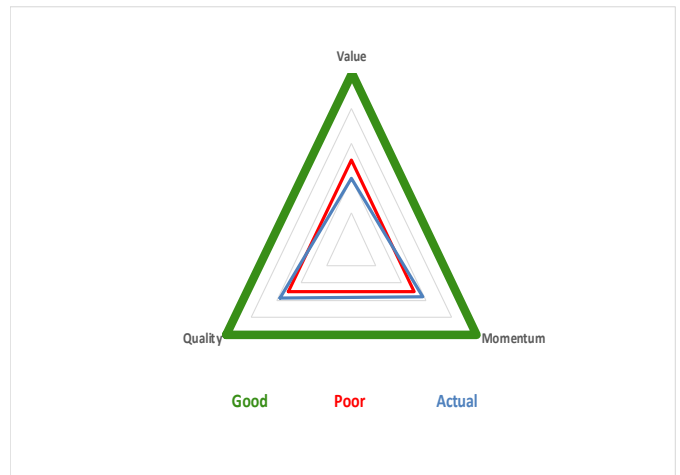
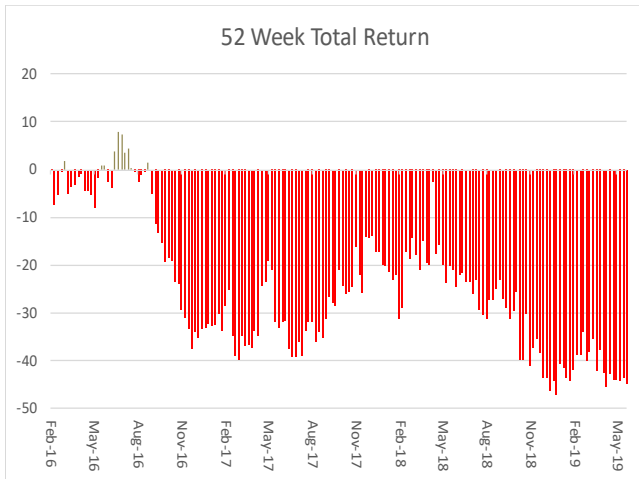


The company's forward PE is at 11.04, which is more than one standard deviation below the long-term average of 17.04.



Mediclinic's trailing dividend yield is at 2.61, which is more than one standard deviation above the long-term average of 1.43.

** Data provided by Thomson Reuters



Mediclinic's 52-week high/low is R102.8/R51.99 respectively, currently trading at R59.46 per share. The company's year to date performance is -2% and at the time of writing, was trading below its 50-day and 200-day moving averages. A test of the 200-day moving average at around R66.53 could be possible, should we gain upside momentum from current levels.



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