



“GHC Results 9M2023 Conference Call”

Tuesday, November 14, 2023, 4:00PM CET

MODERATORS: Mrs. Maria Laura Garofalo, CEO
Mr. Alessandro Maria Rinaldi, Chairman of the BoD
Mr. Luigi Celentano, Chief Financial Officer
Mr. Riccardo Rossetti, Head of Administration and Reporting
Mr. Mimmo Nesi, Investor Relator & Chief Sustainability Officer



OPERATOR: Good evening, this is the Chorus Call operator. Welcome to the GHC Group's 2023 nine-month results presentation. After the initial presentation, there will be an opportunity to ask questions. Now, I would like to give the floor to Mr. Mimmo Nesi, Investor Relator and Chief Sustainability Officer. Mr. Nesi, please.

MIMMO NESI: Good afternoon everyone and obviously thank you very much for your time and availability. The company, as you have read, has issued its press release on the results for the first nine months of 2023. I remind you that this call will be held in Italian and the transcripts will then be published on the website in both Italian and English.

I would like to briefly introduce who is here in the office from Rome, therefore the CEO, Mrs. Maria Laura Garofalo, the Chairman of the Board of Directors, Mr. Alessandro Maria Rinaldi, the CFO, Mr. Celentano, and the Head of Administration and Reporting, Mr. Rossetti. At this point I give the floor to the CEO for an initial introductory comment on these truly satisfactory results and obviously there will be space for your questions to follow. Please.

MARIA LAURA GAROFALO: Good evening everyone. Very quickly, and then I'll leave room for your questions, I would like to say that obviously we are also very satisfied with this nine months report, even though the nine months report, as you well know, is impacted by a less strong quarter than the other quarters, because it is a quarter with August and July which therefore suffers the effects of seasonality. Nonetheless, I must say that we did very well, with an increase in Revenues, as you have read, of 11.2% and EBITDA of 20.4%. The financial aspect is also very satisfying because, despite the acquisitions we completed during the year, the financial leverage dropped from 2.4x to 1.9x. This also demonstrates and absolutely confirms the fact that we have a huge capacity to generate cash. The other thing I wanted to underline is that there has been truly exponential growth, above all expectations, in the private business. This is now a trend that will continue to grow, not only in the coming months but also in the coming years, because healthcare needs are now growing and the National Healthcare Service has amply demonstrated that it is unable to satisfy all the healthcare needs of the population. territory. Corporate welfare phenomena are growing enormously, insurance coverage is growing exponentially, and all this is being reflected in significant growth in the private sector. Consider that the private sector is growing by 25.9% compared to last year. The regional turnover grew by 10.8% compared to last year, the turnover outside the region grew by 4.5% and this time too there was an important boost from the private sector, which grew by 25.9%. This figure obviously includes the contribution given by the two structures: from GVDR which we acquired in December last year, which



therefore impacts this year for nine months, and also from the Sanatorio Triestino, which we acquired in the spring. Without the contribution of the two acquired facilities we have an increase in the private sector of 11.3%. This is also a very important data, because it tells us that the two acquired facilities generate a large private turnover. They allow us to double our private turnover. This especially GVDR, which has a very important private turnover, and also the Sanatorio Triestino quite well, which has a private turnover of around 28%. This, in my opinion, is an element worthy of note compared to everything else, because it will then help us understand the growth trend of the coming years. I would now leave the floor to the analysts for the relevant questions, in order to answer more specifically on the topics you would like to explore further.

OPERATOR: This is the Chorus Call operator. We will now begin the question and answer session. The first question is from Emanuele Gallazzi, from Equita. Please.

EMANUELE GALLAZZI: Good afternoon everybody. I have three questions. I'll start with the first, on the indication of turnover and EBITDA for the year, considering the solid results in the first nine months in this third quarter. I was wondering if that indication you gave in the last conference call, of around 355-356 million in turnover and an EBITDA margin of around 19%, therefore 67-68 million euros of EBITDA Adjusted, is still your target on the year or if you see room to do better. Second element: in the third quarter as always at a seasonality level we see an important contribution from the working capital side, if you can give us an idea of what you expect in the fourth quarter in terms of working capital and, here too, if the target of 135-140 million euros of net debt is still the indication for the year. Third element, however, if there is an update on the closing of Aurelia 80 deal. Thank you.

LUIGI CELENTANO: Thanks for the question, I'm Luigi Celentano. Regarding the first question and the expectations for the year 2023, we can confirm what is expressed by the consensus, therefore the forecast of Revenues of 358 million and EBITDA of 67 million, even if we assume we can do something better and also to have a margin slightly higher than 19%. As regards the forecast in terms of NFP, to which the issue of working capital is also linked, in this case too we can confirm the indication reported by the consensus of approximately 135 million NFP. Obviously this value does not include the operation of Aurelia 80, which is the other question. Now you have also learned a little about the dynamics of our business and this NFP discounts, from a cash flow point of view, the summer seasonality. Obviously the cash flows discount it in deferred terms compared to the summer months, cashing in on the lower production achieved in the summer months, instead of full production which concerns the last quarter of



the year. There will therefore be a partial reabsorption of the delta in the working capital differential that we recorded at 30 September compared to the beginning of the year.

MARIA LAURA GAROFALO: We can also say, I would add this, that for example we can align the October turnover with one of the best months of the first half of 2023. We did very well. Obviously, around December 20th, activity begins to decline, but costs also decrease because we begin to close the departments and dispose of all the unused holidays of employees, which otherwise represent a cost. However, we are doing very well and I must say that unexpected extra-budgets have also been allocated, for example at the Sanatorio Triestino it seems to me that in the first days of October an incremental budget of over 500,000 euros was allocated for the waiting lists, in particularly in relation to ophthalmology and orthopaedics. We are in fact creating, precisely because we want to develop it, with the help of Centro Medico San Biagio and Centro Medico Università Castrense - also part of our Group, the latter in Friuli Venezia-Giulia, an important ophthalmology centre, so we are also working to the creation of an outpatient surgery room specifically dedicated to ophthalmology.

As regards the Rome issue, I can say that the closing will take place very shortly, in the next few days. I can tell you, however, that, obviously, we have taken the target into our own hands since July and have completely reversed some situations, also thanks to the fact that we already had in-depth knowledge of them. The facility - and this also allowed us to pay very little for it compared to its real value - had highlighted negative data, linked to "management-non-management", because when the shareholders are in conflict 50% against 50% obviously there is it is a "management-non-management" of the last period. However, the situation has completely changed. I can tell you that in August 2022, taking only Aurelia, not the Group but Aurelia Hospital, it had a negative EBITDA of 1.2 million, while in August this year it had a positive EBITDA of approximately 1.5 million. This means that it made 2.7 million more in EBITDA than last year. The European Hospital is also doing very well. They have already significantly exceeded the numbers we had predicted, in terms of both Revenue and EBITDA. This is thanks to a series of interventions which, as regards the European Hospital, concerned in particular a strong development of the private sector, both due to the growth in the agreements with insurance companies and thanks to a relationship we have with the Libyan embassy, who sends us important patients from Libya. Furthermore, the European Hospital has also grown in terms of accreditation thanks to the fact that it has managed to better manage the occupancy of intensive care units, to which additional funding is linked. Aurelia has grown a lot and I must say that I am very happy because we have had these results with interventions that were set during the year, therefore which concern a few months of the year, but which in 2024 we will



see spread over the entire year. Meanwhile we increased revenues by over 4 million euros in October, also thanks to a better use of the coronary intensive care unit, thanks to a significant increase in access to the emergency room, because each access is linked a remuneration, and thanks to the fact that they also have rehabilitation but could not produce the entire budget. Instead, through synergies and group interventions, we have also gone into full employment on rehabilitation. We have cut many costs, intervening both on staff in terms of overtime and by eliminating a series of useless consultancies, and we are also reviewing a series of supply and service contracts. For 2024 we have plans for further growth, not only because these interventions will be spread throughout the year, but because we are also going to the Region and we have asked, and the Region has responded favorably, for an incremental budget for general medicine, converting unoccupied general surgery beds into general medicine, because President Rocca has a project to reduce the occupancy of the city's emergency rooms. We will therefore be granted a budget for general medicine and we are also working to have new accreditations and conversions for Samadi, which is a psychiatric facility, in which we see, as we anticipated, great potential for development. I close by saying that Aurelia has never had private business, precisely due to a lack of management, because private business in a hospital facility still means creating an ad hoc structure, that is, an office, with dedicated people, with the price lists of the insurance companies included in the system and with separate invoicing. It has never been done out of carelessness, I can't say anything else, instead we have already created this reality with internal staff, therefore without increasing the cost of personnel, and we have already inserted all the price lists of the insurance companies. Obviously, since the agreements with the companies will then have to be signed by the new operating entity, therefore the Aurelia Hospital and no longer the Aurelia 80, we are waiting for the closing to be able to sign the agreements and at this point next year, immediately but we will see the effect next year, we will also have a large private entry because the companies are eager to have services in robotics, because in Aurelia we have both the da Vinci robot, mainly for urological and gynecological surgery, and the Mako robot for prosthetic and orthopedic surgery. I have to say that we are very happy.

I close by saying that it is practically as if we had completed the closing even before the award, because we intervened immediately and are very far ahead on the project. We also lightened it a lot, we worked a lot on it in August and September and we should have arrived at the final version. This definitive version will be given to me with a single-line project, therefore a definitive version that will allow us to start the procedures to obtain the building permit. That's all.



EMANUELE GALLAZZI: Thanks so much for the details. Just two elements to clarify: if I understand correctly, compared to the numbers you gave us a few months ago, of an expected turnover of around 85 million and 5.5 million EBITDA linked to Aurelia 80, there is room to do better and therefore have a better starting point for 2023 than that?

MARIA LAURA GAROFALO: Yes.

EMANUELE GALLAZZI: Also, an element on the last indication you gave us on the project you worked on and which you lightened: have the capex also changed? I remember that you talked about 14 million in capex, which were then divided between you and other parties: has the Capex plan changed or are we still on that figure?

MARIA LAURA GAROFALO: They will give me the precise amount with the final project, which saw many changes. We have also involved the professionals who will work in the operating rooms. From the numbers they gave me, however, the last number that I hadn't yet negotiated was around 12 million, so 2 million less, but it should drop further in the further version. I don't want to say random numbers because I haven't seen them yet and I haven't dealt with them yet, but the investment will be lower.

OPERATOR: The next question is from Isacco Brambilla, from Mediobanca. Please.

ISACCO BRAMBILLA: Good afternoon everyone, a couple of questions from me. The first is if you can give us some granularity in terms of performance of the last two facilities acquired, therefore GVDR and Sanatorio Triestino, if you have data available on the nine months of turnover and EBITDA.
The second question: the press release talks about discussions well underway with social security institutions and health funds, if you can comment a little on the developments in recent months. Thank you.

LUIGI CELENTANO: As regards the first question on the performance of the Targets, the performance of GVDR is very satisfactory in these nine months which, specifically because it is important to take this into consideration, also capture the summer period, a period of natural decline in activity. GVDR recorded a margin well above that of last year, therefore the acquisition EBITDA, which was around 19%. Today we are around 23% over the nine months, 23.3%, to be precise. There is great satisfaction in this. As regards the Sanatorio, it is clear that the Sanatorio has a limited period, because we are talking about five months of contribution within which there is always this summer seasonality period. At the moment there is a margin on these five months of contribution, which is slightly lower than that of last year, but on the whole year, also



considering the extra-budget to which the CEO referred earlier, the expectation is that it aligns with, if not exceeds, the margins of the previous year, and has an exit speed, this is an important thing, also with a view to 2024, very interesting, also due to the investment we are making and which will be concluded by the end of the year, to also significantly develop outpatient surgery in that structure, especially ophthalmology, which will also bring with it an even more significant component of private activity, although the Sanatorio has an already interesting share of out-of-pocket activities overall.

MARIA LAURA GAROFALO: I specify that the comparison of the Sanatorio is not exactly with the previous year, it is the revised previous year. The previous year could not be taken into consideration, because it was another Sanatorio, it was the Sanatorio converted into what had been asked of it by the Region for Covid purposes, so we had another reality. In practice we took the previous year but removed everything that was extraordinary, linked to Covid, and introduced a series of manoeuvres, which the CEO had indicated to us, both to improve Revenues and to make costs more efficient. These maneuvers all took place, but some a little later than we had expected. This is also why there is this slight delay which we hope to make up for at the end of the year and to make up for it in full next year, where the maneuvers will be seen over the 12 months. Obviously there will be a further improvement, which was not linked to the maneuvers and was not foreseen: these 500,000 euros of incremental budget that were recognized two weeks ago on orthopedics and ophthalmology. I take advantage of the fact that I have the floor because I wanted to underline two things. Since we are talking about GVDR, which is the diagnostic center in Padua, with four locations, in the main headquarters in Cadoneghe we have completed the construction of the additional pavilion. We also inaugurated it last week and within this pavilion the ground floor will be used for an accredited neurorehabilitation activity, while everything else will be private. We will therefore have a large development in GVDR's turnover, because we are already making agreements to bring an ophthalmologist who has a number of private patients, therefore a significant turnover of over 1 million euros, we are negotiating the conditions to bring him into the center. Furthermore, we have already made an agreement and taken over the activity of a company that dealt with occupational medicine, we do occupational medicine and we have bought the contracts of this company, because within this new building there will be occupational medicine, the private outpatient specialist, the outpatient surgery and on the ground floor, as I was saying, neurorehabilitation activities under the accreditation regime. I also expect a large portion of Revenues from outpatient surgery, not only from ophthalmology but from endoscopy. There too we are making an agreement with a large endoscopist who is very attracted to our structure because we have also bought for endoscopy, colonoscopies and gastroscopies, a



latest generation machine, equipped with artificial intelligence which is able to identify those polyps that are turning into cancer. It is a cutting-edge machine, there are few in Italy, and also from this point of view, since in Veneto there is an incredible waiting list for gastroscopies and colonoscopies, I expect a great flow of revenue.

Fifteen days before the inauguration of Padua we also inaugurated the Raffaele Garofalo Institute in Gravellona Toce, with full and total occupancy. The building is beautiful, with this panoramic corridor that unites the two structures. Indeed, the Mayor told me that he would like to take the image of our institute with this panoramic corridor as the trademark of Gravellona Toce. These were two topics that I thought were important to bring to your attention.

On the third question, I would pass the floor to the President, who held the relationships.

ALESSANDRO MARIA RINALDI: As we have also said in other conference calls, we have identified an important new space to make new agreements with other parties, in addition to those we already have with insurance companies and obviously with the agreements with the Regions. In fact, in recent months there have also been discussions with social security institutions to develop healthcare agreements for their members. We therefore plan to share with them not only healthcare and medical services, but also preventive and home care packages and, therefore, also open a new flow of revenue from this. For us this is very important, because we highlight precisely what was said before, that is, a new and important request because the National Healthcare Service is unable to satisfy the citizens' needs.

Obviously there is also an interest from these entities in entering our capital and this has been partly announced but we still have no evidence, to date, of this entry.

MARIA LAURA GAROFALO: We hope to be able to announce this too in a few days.

OPERATOR: The next question is a follow-up from Isacco Brambilla, from Mediobanca. Please.

ISACCO BRAMBILLA: If there are no other questions, I'll take this opportunity and ask for a generic comment, as far as you can, in terms of consolidation strategy, if you see other spaces after the numerous deals done recently.

MARIA LAURA GAROFALO: Yes, of course, we don't stop. As long as we are here there will always be new spaces. For us, growth through external lines, as we have always said, is a sort of ordinary growth, not so extraordinary, we now have it in our DNA. We have our pipeline, with some very important and interesting Targets we are



working on. Indeed, I would say that recently there has been an intensification of these opportunities, certainly due to the difficult period. The difficulties that we all understand and know, which are there for all to see, push individuals to exit the market. I personally receive emails all the time, now everyone on the market perceives us as acquisitive and therefore those who want to sell first of all turn to us. As you know, we obviously make a careful selection. In the meantime, we are working on some Targets that we have already identified for some time, but further opportunities have also arisen, so absolutely yes.

Obviously this will not and must not distract us from the integration process of the newly acquired Targets, in particular that of the Aurelia Group. It is a process we are already working on, but it will be quite challenging because they are quite behind in many respects. It will be a challenging journey but we have organized ourselves very well. I must say that the General Director, who will later be the CEO, is very strong. The European Hospital is also managed by Mrs. Stefania Genchi, who really runs it like a “swiss watch”, so the European Hospital is also very well managed. Aurelia is a complex reality, they are also behind from the IT system point of view and therefore there will be a lot of work to do. But we have already organized ourselves on this. Even before the award, despite there being days of great excitement, we were already working as if it were ours. The numbers you will see say it.

ALESSANDRO MARIA RINALDI: On this we can add that the closing is also expected very soon and it should also be added that our project is progressing, which we have already announced a few other times in the calls, which is the concentration of the Real Estate assets in our GHC Real Estate, which among other things it is part of this other strategy, which we had already announced, namely that of separating operational activities from Real Estate ones, also to attract investors to this important Real Estate assets that we have in our portfolio and obviously to make the most of our activities.

OPERATOR: Mr. Nesi, gentlemen, at the moment there are no further questions reserved.

MIMMO NESI: Perfect, we thank you for your availability once again. As the IR office we are at your complete disposal for any further requests for information or clarifications. We thank you and see you soon.