



“GHC Results 1H2023 Conference Call”

Tuesday, September 12, 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. Giuseppe Laganga, General Manager of Aurelia 80 Group
Mr. Mimmo Nesi, Investor Relator & Chief Sustainability Officer



OPERATOR: Good evening, this is the Chorus Call operator. Welcome to the H1 2023 GHC 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 & Chief Sustainability Officer of Garofalo Health Care. Mr. Nesi, please.

MIMMO NESI: Good afternoon everyone and thank you very much as usual for your time and availability. As you have seen, at lunch the company communicated its results through the press release, which we will now obviously comment on, in particular to notify the excellent growth of the Group in the first half of the year. I remind you that the call will be held in Italian and that the transcript of the call will be available on the website, both in Italian and in English. Before proceeding, I would like to briefly introduce who is present here in the room from Rome, therefore the CEO of the GHC Group, Mrs. Maria Laura Garofalo; the Chairman of the Board of Directors, Mr. Alessandro Maria Rinaldi; the CFO, Mr. Luigi Celentano; the Head of Administration and Reporting, Mr. Riccardo Rossetti; and the General Manager of the Aurelia 80 Group, Mr. Giuseppe Laganga. At this point I give the floor to the CEO for an overview of the results of the first half of the year and obviously there will be the opportunity to ask questions.

MARIA LAURA GAROFALO: Good evening everyone. Before leaving the floor to the CFO for the specific analysis of the numbers, I would like to make some general considerations. It is clear that we are particularly satisfied with this half-yearly report. A half-yearly report that goes in continuity, indeed, is even an improvement compared to the first quarter. The important thing I want to point out is a really significant growth in the organic activity. In fact, overall Revenues increased by 20.4 million euros, therefore by 12.3%. If we exclude from the evaluation the two facilities that we have recently acquired, GVDR and Sanatorio Triestino, thus making the data comparable with the previous year, we have a Like-for-Like Revenue growth of 9.5 million and 5.8%. The even more important thing, focusing on the Like-for-Like values, is that, as regards EBITDA, compared to the 9.5 million in revenue growth we have an EBITDA growth of 4.8 million: this means that these incremental Revenues generated a margin of 50.5%. The other element of fundamental importance, which must absolutely be highlighted, is the growth of private activity, which has grown substantially. Overall we have a growth of 25.3%, a figure that also includes GVDR and the Sanatorio Triestino, where I remember that the GVDR has private Revenues of



approx. 50% of its turnover and Sanatorio Triestino produces private Revenues equal to approx. 25% of its turnover. However, making a comparison exclusively with homogeneous data, therefore excluding GVDR and Sanatorio, we still have a growth of 11.7%.

Outside-Region figures are growing by 7% this year, an important figure because last year Outside-Region numbers grew by 10.5% and private figures by 2.1%, while this year Outside-Region numbers are growing by 7% and private by 11.7%.

This is a very important data, because it gives us the pulse of the general situation of the country, that is, we operate in a sector which, whatever happens, even at a regulatory, structural or organizational level, on the side of the National Healthcare Service, healthcare, regardless, grows, because obviously it is a non-compressible need, indeed, it is a growing need, especially in our country, due to the well-known problem of the elderly and chronic patients. I repeat: we are the European country with the highest number of elderly and chronically ill people ever.

As I have said in many previous calls, obviously Covid has exponentially increased healthcare needs, we continually read in the newspapers the problem relating to waiting lists therefore, since assistance is an irrepressible necessity, the patients, even if the system is unable to support them and satisfy all their needs, in any case they grow, through insurance policies; now all citizens are taking out healthcare policies and there is even a great growth in the "out-of-pocket" private sector not covered by insurance policies, because health is a basic necessity. This is to say that we had understood this trend, perhaps not fully, in the sense that we had perceived it but compared to our perception the phenomenon is growing very quickly. Our numbers, as I have represented them, highlight this phenomenon.

I would also like to make a quick point about the last two facilities we have acquired. As regards the GVDR, the diagnostic center in Veneto, with various locations between Padua, Venice and Treviso, 2022 brought a margin of 19.3%, the half-year figures - I remember that we acquired it in December last year - bring a margin of 23.9%. I repeat: the facility makes 50% of private turnover. This gives the signal of how the facilities, six months after joining GHC, are already increasing their margins by several points. However, it doesn't end here, because there is an important growth project in the pipeline at GVDR, as I had anticipated, which will end in early October. An adjacent building had already been purchased by the previous owners, now communicating with the main building in Cadoneghe, which is the reference centre, the largest in the entire GVDR reality. They had acquired this adjoining building to develop a completely private business. The renovation will be completed in early October and in the meantime, we are building an operating room there to develop outpatient surgery, but we will already start with an incremental private turnover, which is



connected to a couple of agreements that we have practically already brought home. For an agreement we are taking over the package of a company that deals exclusively with occupational medicine. GVDR also deals with occupational medicine, therefore they are welfare services for companies, which are now all oriented towards corporate welfare. We at GVDR already make around 500,000 euros of turnover in occupational medicine and have bought packages for a further 700,000 euros of turnover. This doctor who gives us this branch of the company will move into our building, bringing with her this entire package of contracts with large companies and will occupy some of the clinics in the building. Obviously this is very important not so much for the profitability of the 700,000 euros, which in the end is not very high, it will be around 12%, but for the large private sector that it will generate for the entire centre, because it is clear that, when checks are carried out which are part of the company contract package, it always turns out that patients need further tests and obviously those are extra package and all private.

Even the Sanatorio Triestino in 2022 had a margin of 15.7%, we only have two months, so they are not indicative, because we acquired it in May 2023, but it still goes to 17.7%. However, it is the signal of a trend. We are also particularly active with this facility. Just today they told me that we managed to obtain an incremental budget of 550,000 euros for ophthalmology and orthopaedics. In fact, in synergy with Centro Medico San Biagio, also owned by us, which is in Veneto but on the border with Friuli-Venezia Giulia, we are trying to develop ophthalmology. You know that the Centro Medico San Biagio has a very strong know-how in ophthalmology, so we are bringing in ophthalmologists to develop ophthalmology and, obviously, based on this we are also very happy to develop orthopedics which, as you know, is one of the specialties with the highest margin. Especially in view of the development of ophthalmology, I must say that Sanatorio Triestino is a wonderful property, completely renovated, with newly purchased machinery. It was a very convenient operation that we carried out on the Sanatorio, not only because we purchased it at a very low multiplier, but also because it was completely renovated and with newly purchased properties. The only thing that needed to be renovated was the outpatient surgery room, which we are happy to do also as part of this project to develop the ophthalmology business. It will be a small intervention, which we will do around Christmas, to avoid hindering business continuity. All these interventions will bring further growth to the acquired targets.

The latest update: we have finally concluded the IRG 2 project (Istituto Raffaele Garofalo 2), in Piedmont, in Gravellona Toce, which unfortunately had suffered a major setback because the works were starting with the start of the Covid pandemic and therefore we had to stop. Instead, now we have completed them and I must say that it is a beautiful building, connected to the Raffaele Garofalo 1 Institute, which is on the other side of the road, with a futuristic glass



walkway. Overall, the growth of the private department of the IRG is also going very well and we are working to try to give the Eremo di Miazzina, i.e. the original headquarters, which will be exclusively social-welfare to some cooperatives. We only left the dependency care beds there, but with not too interesting margins, which would take away a lot of energy from a management and investment point of view. Instead, there are these cooperatives, we are dealing with one in particular, which provide personnel intended in particular for dependency care services, which are interested in the business management because they have more possibilities to develop it and find synergies. In the meantime, our intention is perhaps to give it under management for three or four years and then concentrate on the new Raffaele Garofalo Institute. In this way the margins of IRG would also increase, because it is clear that the original headquarters would otherwise dilute the results.

These are the objectives we are bringing home, like all those we have set ourselves up to now. I keep quiet, because I think I've put a lot of irons in the fire. Before speaking to the CFO, are there any questions?

OPERATOR:

This is the Chorus Call operator. We will now begin the Q&A session. The first question is from Emanuele Gallazzi, from Equita. Please.

EMANUELE GALLAZZI: Good afternoon everybody. I'll start with the first three questions. The first: you indicated the different growth between private activity and outside-Region, I was wondering if you could give us an indication of what you are seeing between the different types of facilities, therefore at the level of hospitals, diagnostic centers and polyclinics if there are of the differences in speed trends in this phase and market context.

The second point is whether you can give us an idea of the performance of the various facilities or how the business went in July and August: I know summer months are not very busy, but an indication of how the activity continued in the last two months can be useful.

Third element: in the press release you indicated the possibility of new incremental budgets for the second part of the year, you gave an indication in the call about Sanatorio Triestino, I was wondering if there were other opportunities and, connected to this, on the topic of waiting lists, how the regions are moving, I am thinking above all of Emilia-Romagna and Veneto which are the most important for you. Thank you.

LUIGI CELENTANO:

I take the floor and try to go through the questions in order. Regarding the first question, if we point out the different speeds of private growth between facilities, I would say that the growth we express at a consolidated level is a generalized growth that concerns both hospital structures and outpatient



structures. We do not report a significantly different speed between facilities, nor between regions. It is a rather widespread phenomenon.

As regards the performances of July and August, I confirm that the months of July and August were also important although, especially August, it is a period in which activity physiologically reduces significantly. However, these were months in which we recorded, compared to the same months last year, growth in terms of volume of activity and value of activity, so we also expect in the third quarter of this year to confirm the trend we have recorded in the first half of the year, although probably in absolute terms, for the seasonality reasons I mentioned before, they will inevitably be a little more limited.

As regards the issue of the extra budget, the months of June and July are months in which the local health authorities have to deal with the critical issues they have in terms of waiting lists. First the CEO reported the extra budget assigned to Sanatorio, there are other extra budgets that have already been assigned in some facilities in the Veneto Region, others are in the process of being assigned, so we expect this month, at the latest at beginning of the next one, to have a series of assignments of additional resources for the topic mainly for the waiting lists and, therefore, more or less to align the overall value on an annual basis with that which was also recognized in the two previous years to the group facilities.

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

ISACCO BRAMBILLA: Good afternoon everybody. Three questions from me too. The first, returning to the data you provided as trends for the activity with private patients and outside-region, the half year showed a small normalization compared to the 1Q numbers, which were very very strong. If we look at the performance of the semester, can it be considered more or less sustainable also in the coming quarters, at least for this year?

The second question is about Sanatorio Triestino. If I understand correctly, a margin of 17% was mentioned, which however I believe is only for the two months of Garofalo's consolidation. Do you have data in terms of margins for the six months, therefore for the entire first half of 2023, which you consider reliable or which makes sense to share regardless of the consolidation within GHC?

The last question is on the potential activity of greater integration with social security institutions. In recent quarters and in previous conference calls there had been mention of an intention to move in this direction, I wanted to understand what type of strategy you are implementing on this also in reference to the fact that I have seen press articles in recent days which mentioned a potential investment of a relevant social security institution in Italy and in GHC.



LUIGI CELENTANO: Certainly the expectation also in the second half of the year is to maintain the growth recorded in the private sector in the first six months. It is true, as you said, that private growth was particularly strong in the first quarter: it continued in the second quarter but with a slightly lower percentage. On an annual basis we essentially expect to see growth equivalent in percentage terms to that of the first half of the year. I remember that in 2022 compared to 2021 we had recorded a growth of just under 3%, we had predicted in our plans a further growth of 5%, today however we are recording just under 12%. We expect this to continue, at least the performance of the month of July in particular confirmed this trend for us, so our expectations are that this growth will substantially consolidate in percentage terms also in the second part of the year.

As regards Sanatorio Triestino, I confirm that the percentage margin that the CEO gave us earlier concerns the two months in which the Sanatorio became part of the Group. If we observe the margins of Sanatorio Triestino in the first half of the year it is around 16.5%, however it must be said that in these two months it is partially affected by a series of initiatives identified during the due diligence phase in terms of revenue development but above all also efficiency of the cost base, which evidently had not been achieved in the first four months of the year, had not produced any effect. This is why the CEO only mentioned these two months, even though they represent a partial view, but she did so on purpose precisely because these two months are beginning to see the effects also in economic terms of a series of initiatives identified during the due diligence.

ALESSANDRO MARIA RINALDI: I answer the last question. As mentioned several times this time too in the Outlook section also reported in the press releases, an important development driver will be to extend commercial agreements not only with traditional insurance funds but also with supplementary social security funds and internal healthcare funds, both to establish agreements with their associates and to give them an investment opportunity. Today they are considered professional institutional investors, therefore to give them an investment opportunity in both the securities and real estate fields. For this purpose we have also developed a precise program for our Real Estate, which will lead to it being particularly attractive also as an investment target.

I then wanted to give two financial data that are usually given little attention by investors because they rightly remain focused only on the business. We always talk about leverage as a hedge, as a NFP, perhaps we said it before. We communicated a leverage of 2.1 times, but I wanted to underline that pure financial leverage is the ratio between equity capital and net debt. In this case we are not even at 50%, so it is a very important figure. If we then combine our



real estate portfolio which today, including the Aurelia perimeter, perhaps we exceed, correct me, over 250,000 square meters in total, we could build so many other operations to support the business itself.

OPERATOR: The next question is a follow-up from Emanuele Gallazzi, from Equita. Please.

EMANUELE GALLAZZI: Two or three more questions. The first concerns the update on special projects, including the Raffaele Garofalo Institute. First of all, thank you very much for giving us an update on this point of view. From a numerical point of view, if I'm not mistaken, you were talking about approximately 2 million at full capacity of incremental EBITDA from the completion of the two projects, in this case I am also referring to Santa Marta, I ask you if you can confirm this value now that it is starting to be more visible in both projects.

Two updates instead, if you can give them to us, one on the topic of Real Estate since we have touched on it and that in the press release you also indicated and confirmed the objective of arriving at the transfer of all or a large part of the real estate assets by the end of the year. If you give us an update from this point of view.

The other instead is on the topic of the process linked to Aurelia 80 and therefore to the integration of the Aurelia 80 Group: you indicated autumn, I ask if from this point of view there is any news related to the timing.

LUIGI CELENTANO: Regarding special projects, absolutely yes, we confirm that these two projects, both fully operational, will produce a benefit in terms of incremental margin of approximately 2 million, as reported. Obviously we are talking about a project, that of Santa Marta and the Ligurian facilities, which was already started last December and has reached employment levels in line with the maximum levels we expected, so basically full capacity has been reached precisely in this first half of the year. While in the second it is clear that it has started the transfer of activities from the historic headquarters to the new structure, therefore it will progressively develop and bring its business up to speed. An important element that the CEO also mentioned concerns the discussions we are having with operators who are interested in taking over the management of the historic site, which essentially has always been an element that wasted resources and therefore did not allow the Eremo di Miazzina as a company to express margins in line with the Group average. Once the activity is concentrated in the two Gravellona locations, the margins will be in line with the Group and fundamentally there will be the possibility of achieving the objective you mentioned of incremental EBITDA. From next year these two projects will be fully operational and we will have this net effect in terms of incremental margins.



Regarding the real estate project, I can only confirm that the activities are continuing in line with our plans, which are the ones we have communicated on several occasions. By the end of the year, all the demerger operations will be completed, therefore the transfer of the majority of the properties or in any case those that we have always indicated are of greatest value on the Real Estate company. In fact, there are already three properties that will become property of the Real Estate in the month of September, for other projects we are at the approval and completion stage of the demerger deeds, for which we will have to wait for the legal deadlines to expire for the transfer to be completed of real estate. I confirm that the activities are proceeding according to the plans we have communicated.

GIUSEPPE LAGANGA: Regarding the third question, I can tell you that we have completed the preparatory phase to proceed with the demerger of the business unit to NewCo and it is an activity that we will do this week. Subsequently, starting from the beginning of the next one, we will formally present the request for the transfer of authorizations and accreditations. On that activity we have already carried out a careful verification analysis of all the requirements, therefore also with contacts with the local health authorities and the Region, we moved forward to see if there were any problems and we received the green light on all points. Once this application for transfer has been presented, there is a purely technical deadline for the Lazio Region to be able to give us the transfer for authorization and accreditation, which we believe is very quick because it is a purely documentary analysis and not an inspection one. We believe that in the third week of October we will be able to proceed with the closure of the activities as Aurelia 80, then actually proceed with the closing and start with the activities with NewCo within GHC, without prejudice to the fact that obviously, as agreed with the availability of the liquidator and in management continuity, right from the start, even in the month of August, we carried out a whole series of saving, integration but also production development activities that had emerged in the due diligence phases. When corrective actions were identified both in terms of costs and revenues, we immediately proceeded to carry them out and they are taking shape.

An important part of the activity we did in the month of August is that which will lead us within the next week to confer the design task and the review in terms of routes, therefore also of better efficiency of the project which brings the transfer of the heart area from European Hospital to Aurelia. We also reviewed the project with the CEO of GHC, we reviewed some paths in terms of improvement and we quantified and also defined what the work activities could be, ascertaining that this activity must be done continuously, therefore without interruption of activity by Aurelia Hospital, therefore we will award the design assignment by the end of next week. The project times to bring us to the



procurement phase, therefore the start of the works, are estimated at 90 days and then the construction phase will start in order to have the new part of the operating block with the seven surgical rooms and the new intensive care units, the second haemodynamics room, the renovation of the outpatient procedures and also of the surgical departments, a restyling of the reception area, as the priority objective is also to increase the aspect of perceived quality considered as an important lever for the increase in demand. Among the important actions that emerged in the due diligence phase was the increase in activities not directly connected, those defined as non-tariffed activities, i.e. the production of cardiovascular intensive care and the emergency room. These activities are remunerated by the Healthcare System in relation to the number of accesses performed on a particular formula used by the Lazio Region. We can absolutely confirm, also on data obtained as of 31 August 2023, that the number of accesses to the emergency room has practically increased by 50%, we stood at around 50 accesses daily and we also reached 74 accesses, both in the part linked to the emergency , therefore of the ambulance channel, and also of self-introduction, which represents an important part of accesses to the emergency room in the Lazio region. This is an element that we evaluate positively as a level of great attraction compared to the Aurelia Hospital Emergency Department. Just as the saturations, thanks to internal interventions to modify the care mix, have led us to increase appropriate access within the intensive care units which will guarantee us a very significant increase in that part of the revenues linked to function fees. We estimate that we will close 2023 with the actions taken in the emergency room at 28,000 accesses, starting from a 2022 in which we were just under 20,000 accesses. A very important increase therefore with a trend that started in June thanks to an important active policy towards the operations center but also to an attraction system which is currently working.

EMANUELE GALLAZZI: If I may, returning to the GHC perimeter, in 2023, seeing the consensus, in fact today at EBITDA level we are between 65 and 66 million, or a margin of around 18.5%. I was also wondering in light of the excellent performance of margins in the first half of the year if this is a target that you still consider reasonable or if there is instead confidence that we can do better.

LUIGI CELENTANO: You touched a point that we may have overlooked when describing the results, that of marginality. In the first half of the year we recorded a margin, therefore an adjusted EBITDA on revenues, of 20.5%. A historical note. The last year in which we recorded such a margin was the year before Covid, 2019. Obviously we are talking about a semester and we are also waiting for the other part of the year, but the signal is very important because it gives us the idea of having returned to levels of marginality before the upheavals of Covid. In the second



half of the year we do not expect to confirm this margin, because as you know our business is characterized by seasonality which has a major impact especially in the month of August and partly in the month of December, but we certainly expect to do better than the 18.5% represented by the consensus, therefore our expectation is to reach at least 19% on an annual basis compared to the approximately 18% recorded in 2022 as margin. In terms of Revenues, the consensus is approximately 356 million, which we believe is in line with our expectations. In summary, therefore, in terms of EBITDA we expect to do better than the consensus.

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

ISACCO BRAMBILLA: Just one additional question. The semester, and especially the second quarter, showed excellent cash generation, I was wondering if on the NFP side you have a specific target for 2023 that you can share with us, whether in millions of euros or compared to the value of the semester or in terms of financial leverage.

LUIGI CELENTANO: In terms of NFP, the second quarter saw significant cash generation also because we collected a series of receivables which concerned the year-end activity of some facilities, so we had, if you remember, a slowdown in the first quarter, we had anticipated that it would have been reabsorbed in the second quarter and so it happened.

In terms of forecasting the year, our estimates do not take us far from the consensus, so in terms of NFP we are around 135-140 million and 2.1 times leverage. Obviously these estimates will have to be updated to take into account the acquisition of the Rome facilities both in terms of NFP and in relation to when the closing will take place and therefore the contribution that they will give, although limited to the months of the end of this year.

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

MIMMO NESI: If there are no questions, we as IR office are at your complete disposal, we hope to see or hear from you soon. For any other needs do not hesitate to contact us. We thank you and see you soon.