



“GHC Results 1Q2022 Conference Call”

Friday, May 13th, 2022, 16:30 CET

MODERATORS: Mrs. Maria Laura Garofalo, CEO
Mr. Alessandro Maria Rinaldi, Chairman of the Board of Directors
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 GHC Garofalo Health Care 2022 presentation of financial results. After the initial presentation, you will have the opportunity to ask questions. Now I would like to give the floor to Mr. Mimmo Nesi, Investor Relator and Chief Sustainability Officer of GHC Group. Mr. Nesi, the floor is yours.

MIMMO NESI: Good afternoon everyone and welcome. Thank you very much for your participation. I briefly introduce who is here in Rome: the CEO, Mrs. Maria Laura Garofalo, the Chairman of the Board of Directors Mr. Alessandro Maria Rinaldi, the CFO Mr. Luigi Celentano, and the Head of Administration and Reporting Mr. Riccardo Rossetti. The presentation will be made in Italian language. In the next few days, the text of the call will be published on the official website both in Italian and English. I now leave the floor to the CEO of the Group.

MARIA LAURA GAROFALO: First and foremost, thank you for your attention. You have had the opportunity to read our press release, then to see our figures produced within the first quarter 2022. We are clearly very satisfied with these results, because these are even better results compared to 2021, which was very positive as well, from the point of view of both economic and financial performance. As I previously declared, I am very satisfied and proud, because we have managed to produce these figures by continuing to support the system in containing the pandemic and we have also intensified a series of assistance activities through a large technological content. By now, we know that the technological evolution represents a significant growth trend. And notwithstanding the fact that this performance is expensive, we have managed to produce these numbers. I am pleased to underline this aspect by sharing it with you. I would immediately give space to your questions in order to shift the conversation to what interests you most. Thank you.

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

EMANUELE GALLAZZI: Good evening everyone. I would start with three points. The first is in the context of incremental budgets. You have indicated EUR 3,800,000 of contracts that have been already signed and extra EUR 10 million potential contracts in negotiation with local health authorities. Can you tell us how these negotiations are progressing to date, and how much of these budget increases fall into the first quarter? The second point concerns cost inflation. In the last conference call, you indicated that you did not have big pushups. From the point of view of surgical consumables, I ask you for an update from this point of view and if you are considering an increase in out-of-pocket activity. One last point: in the first quarter you have reached EUR 3 million CAPEX. In the last call you indicated



around EUR 20 million as guidance. Can you give us an update on this plan?

MARIA LAURA GAROFALO: Very quickly, for the first question we confirm our news regarding the incremental budget. To date, approximately EUR 5.3 million have been attributed to us with already issued decrees. Regarding the second question, currently we do not yet register cost increases apart from the increase in energy consumption. If this happens in the future, we will not only review the private rates, but also the rates stipulated with insurance companies. We have our own private rates which apply to patients who pay either out of their own pockets, or who have a policy with an insurance company with which we are not directly affiliated. If this is this case, our rates apply, the patient anticipates the expense and then requests reimbursement from his insurance company. Obviously, we will review not only our internal rates, but also with regard to accreditation services: since the rates have been established on the basis of production costs, associations would move to ask for cost adjustments. This is what happened also in the past with respect to specific performances. For the third question I pass the floor to the CFO.

LUIGI CELENTANO: Yes, thanks. On the subject of investments we can absolutely confirm the view on the annual estimate which you referred to in your question. The trend in the first quarter has undergone some phasing effects in the implementation of some initiatives, considering that there are ongoing initiatives. Of course, if there are specific themes, we are available to go deeper, but I have nothing else to report to you.

OPERATOR: The next question is by Mr. Isacco Brambilla from Mediobanca.

ISACCO BRAMBILLA: Good afternoon. My first question is about the margin growth of the acquired structures, given the remarkable result. Can you give us a little more information on the marginality of the private facilities Clinica San Francesco and Domus Nova? The second question is at the overall strategic level: what kind of asset availability do you foresee in the market?

MARIA LAURA GAROFALO: We are happy, there has been a management improvement in the two facilities that were acquired in 2021. We are very satisfied for Clinica San Francesco and in the first half we have recorded a margin of 22.3% against 18.5% in 2021. This trend has to do with a facility whose technological trend is particularly innovative. These are high-cost services, we maintain and increase the quality of care, but we also improve marginality, so this is a result that makes me prouder than ever, as I said earlier. Domus Nova started a little late because when we acquired it, we found a rather difficult situation, but the first quarter of this year has given us great satisfaction, because we now see a



margin of 15.4% against 4.7% last year. These data also confirm our ability to aggregate targets and make them more efficient. I'm glad you noticed and pointed this out. With regard to possible acquisitions, further new opportunities have recently been created on which there have already been meetings and exchanges of documentation, considering that the sector is very moving. There are more new opportunities than those presented last time, but at the level of multipliers I have not noticed any particular changes. We have very clear ideas on valorisation, on the potential, and frankly I can tell you that I have not noticed any big changes in terms of multiples.

OPERATOR: The next question is by Mr. Dario Michi from Exane BNP Paribas.

DARIO MICHI: I have a couple of questions. The first one is on the guidance: in the press release the confirmation of the communications that were already given in the past is indicated with an expectation of revenues and EBITDA growing compared to 2021, even on a like-for-like basis. Here I wanted to ask if the important growth we have assisted to in the first quarter of over 5% at the organic level can also be taken as a reference for the next period. The second question concerns updates on the group's real estate assets reorganization side.

MARIA LAURA GAROFALO: We start from the last question and then I will give the floor to the Chairman.

ALESSANDRO MARIA RINALDI: Yes, let's start with the last question. The board of directors is studying the reorganization of real estate assets, both to bring out a value and to rationalize the group's assets, but also to use its leverage in the event of future transactions. We are studying, I think that by the middle of this year we will be able to start this project and therefore to reach this first goal. Did I answer to your question?

DARIO MICHI: Yes, and what could be the consequences of this step in terms of impacts?

ALESSANDRO MARIA RINALDI: Well, you are very familiar with our financial structure and the asset value we have. In future operations, our goal is to rationalize and make our real estate function more efficient also by involving third parties specialized in this market segment, to go and buy business and not real estate assets. But I can tell you that the investments we have made are also in the value of the property. We have some other operations planned, but in the future we must prepare for an acquisition strategy only for the operational part, not on the real estate part. This will be our change of pace to accelerate growth. I repeat a couple of figures: we have a book value of around 150 million with a market value that could be 30-40% more. Estimates were made around 200-250 million. At the



moment we care how we manage to support growth with our financial capacity, with our instruments and cash flow.

LUIGI CELENTANO: This is Mr. Celentano. I take the floor to come back to your first question concerning expectations. The first quarter results are obviously satisfactory, for the reasons that I mentioned and that we described with figures in our official notice. They are absolutely in line with our expectations, therefore we can say that we are fully on track. These figures are in line not only with our expectations, but also with the forecasts of analysts and the consensus for GHC. This is a particularly important element that we registered in this first quarter concerning activities for private patients, which experienced a relevant growth in comparison with the activities carried out in the first quarter of last year. This is something we welcome very positively because it is an important growth driver, considering that as regards affiliated services, they are managed by budget experts, who also carry out regular extra services related with initiatives such as the recovery of waiting lists and of passive mobility.

MARIA LAURA GAROFALO: May I add something? In my opinion, another very important element that is in line with this demand also includes April revenues, which were very satisfactory. If we add April revenues to the quarter revenues, we overcome the revenues we obtained last financial year in the same period corresponding to 4.6 million. The main element representing the trend is that among these additional revenues, 35% of them include private activities, i.e. out-of-pocket activities; another 35% of them include activities and services for patients outside the region; the rest include activities and services for patients within the region. This means that among total revenues, more spending is shifting towards private activities and out-of-region patients. This is very important. I would also like to add more information that does not directly concern this matter: beyond incremental budgets we talked about at the beginning of our meeting, Veneto Region has recently allocated, through already issued regional provisions concerning regional facilities, EUR 1.5 million of reimbursement for Covid expenditures. As you know, when we provide our adjusted EBITDA, we already neutralise these figures relating to these extraordinary expenses, but clearly this amount will have a financial impact on net income, among others. Just to be thorough, of this EUR 1.5 million amount, there will be a net income impact of about EUR 1 million, because San Francesco clinic, which was among the facilities obtaining this reimbursement, had already set aside more than EUR 400,000 for these expenditures. I just wanted to add this information, which I found interesting to add. I specify that these reimbursed amounts apply on 2020 expenses of the facility.

OPERATOR: Next question is a follow-up question by Mr. Emanuele Gallazzi from Equita.



Please.

EMANUELE GALLAZZI: Thank you. I would like to highlight two points. The first one is a follow-up on what you mentioned. I would like to understand if EUR 1.5 million is already included in the first-quarter figures or if it is a more recent amount which we still consider for the second quarter. Second point: you provided an interesting overview on the service performance for private and out-of-region patients. I was just wondering if you can provide a similar description of the performance of hospitals and diagnostic facilities. After reaching 5% of organic growth in the first quarter, is there a difference between the performance of hospitals, diagnostic facilities or outpatient clinics in this phase? Thank you very much.

LUIGI CELENTANO: This is Mr. Celentano. Concerning your first point, I confirm that EUR 1.5 million of reimbursement for 2020 Covid expenditures in Veneto facilities is not included in the first quarter accounts. This is a recent provision, therefore we will probably find this reimbursement in the semester accounts. In response to your second question, the improved performance we mentioned earlier for regional and out-of-region patients concern all facilities. Clearly, when talking about out-of-region patients, we mainly mean hospital facilities; when talking about private patients, we mean both hospital facilities and clinics, because hospital facilities also include diagnostic clinics in their business, as well as other types of specialist clinics. The two realities do not present such a different performance.

OPERATOR: Next question is a follow-up by Mr. Dario Michi from Exane BNP Paribas. Please.

DARIO MICHI: Thank you. Were compensations allocated by Veneto Region? Do you expect the same dynamic also for other regions? Could you please tell us how much Covid expenditure was in 2020, to which more compensations may be applied? Is EUR 1.5 million referring to how much of Covid expenditure in the region of Veneto? How much was it for 2021 for Veneto and in general? Thank you.

LUIGI CELENTANO: As for your first point, I can say that among the regions that did not reimburse extra Covid expenses in facilities was Veneto Region, where GHC has several facilities, and Tuscany. As far as Veneto Region is concerned, through this provision they compensated a part of costs that were paid by facilities in Veneto, therefore we do not expect further compensation in the region of Veneto for 2020 in this case. What we expect is a similar provision for Rugani Hospital in Tuscany, even though we are referring to only one facility. As for 2021, GHC allocated extra Covid expenses for a total impact of around EUR 3 million, which is reported in the budget. We can estimate around 1.5 million for Veneto Region. Obviously we expect these costs to be compensated too; they



will not be compensated entirely, but at least for 2/3. This is what we expect if we make a comparison with the expenses that were covered in 2020.

DARIO MICHI: Sorry, but the line quality was not good and I could not hear your reply. I will now try to summarize what I understood. For 2020, the only facility that may be eligible for compensation is Rugani Hospital; what is the amount? For 2021, total expenditures for Veneto Region were EUR 3 million and you estimate you will recover around 2/3 for compensation. Am I right?

LUIGI CELENTANO: The first one is correct: the only region which in 2020 did not grant compensation was Tuscany, with reference to Rugani Hospital, which paid costs for around EUR 200,000. I need to clarify the point concerning 2021: the group had Covid extra costs – exclusive of reimbursement amounts received by other regions – of around EUR 3 million in 2021. Of EUR 3 million, EUR 1.5 million concern Veneto Region, and we do not expect a total coverage of extra Covid costs, but a coverage of around 2/3. These are our expectations.

OPERATORE: Dear sirs, as of now there are no other booked questions.

MIMMO NESI: If there are no further questions, we thank you for your interest. We will update you as soon as possible and we remain available as investor relations team for any further question or request for clarification. Thank you very much and good afternoon.