



“GHC GVDR Acquisition Conference Call” Thursday, October 13th, 2022, 16:30 CET

MODERATORS: Mrs. Maria Laura Garofalo, CEO
Mr. Alessandro Maria Rinaldi, Chairman of the Board of Directors
Mr. Giuseppe Giannasio, Member of the 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 the Garofalo Health Care Conference call to comment on the acquisition of GVDR. 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 of the GHC Group. Mr. Nesi, please.

MIMMO NESI: Good evening everyone, thank you very much for the usual availability and participation. I will briefly introduce participants to the call on the GHC side: CEO Maria Laura Garofalo, today also accompanied by Mr. Giannasio, Director of GHC and responsible for the activities related to the growth of the Group's external lines; there is also Mr. Alessandro Maria Rinaldi, Chairman of the Board of Directors; the CFO, Mr. Luigi Celentano and the Head of Administration and Budget, Mr. Rossetti. At this point I immediately give the floor to CEO Maria Laura Garofalo and to Mr. Giannasio to illustrate the acquisition of GVDR, please.

MARIA LAURA GAROFALO: We presented a press release where we summarized all the fundamental elements of the operation, so I would not repeat myself, obviously we are available for any questions and clarifications on the matter. I can only say that we are very happy because it is a center of the highest excellence that has its offices in strategic areas, in areas of the Veneto Region where we were not yet present. It is one of the most important diagnostic centers in the Region, it was in fact a very coveted Target; I can say that there were competitors, including investment funds, in short, rather large operators who were competing with us. I must say that this time too, the fact that two entrepreneurs were selling, the founders of this group, prevailed, also with respect to enhancements, and they favored GHC with all its characteristics. It is a reality that, as you also read in the press release, can give great growth opportunities to this Group. These are two people of a certain age, they do not have children so they do not have continuity after them and in any case they have valued their company by remaining to manage it within a Group that can certainly give great opportunities. It was a tiring operation, because there were some rather fierce competitors also because it was the last Target of value in Padua, in the Paduan territory, but, in short, once again GHC with its characteristics has managed to win over the other. There are huge possibilities for growth also because, in fact, in the first months of 2023 a new building will come into operation which will be very strategically destined in part to general practitioners' clinics in order to create a large induction between general practitioners and the center. The ground floor will be used as a gym for rehabilitation and the first floor, on the other hand, will always be used for outpatient surgery and outpatient surgery.



There you can do eye surgery, cataracts, you can do outpatient surgery, a certain type of arthroscopy, you can do cosmetic surgery, you can do some specialties. It is a quality center that is very focused on research in some areas related to phlebology, to Parkinson's. For example, in this new building they have created a biodynamic greenhouse for psychomotricity aimed at the disabled and the elderly, so they are basically areas of cultivation.

Then they started private activities: to say, Saturday mornings are dedicated to mothers with newborns, there is a huge swimming pool in one of the four locations that is set aside on Saturday mornings for newborns. In short, they manage to range over an important number of activities, including some innovative areas and therefore we are very happy.

We are still here because we have recently signed, it was an operation that we tried to bring home with all possible and imaginable energy. Last night it was given up, also because one of the minority shareholders has started to throw a tantrum on some technical aspects on which I do not bore you.

Our determination, mine and my colleague, Mr. Giannasio, meant that today we were able to bring the operation home. I don't know, Giuseppe, if you want to add something.

GIUSEPPE GIANNASIO: As a corollary to what the CEO said there are two aspects of further interest in this operation: on the one hand we have brought all the other companies of the Group closer, because with this operation Padua brings the San Biagio Medical Center closer to the rest of the Group that was between Vicenza and Verona and therefore the physical presence on the territory increases, covering not only the province of Padua but also that of Treviso. The second is that, given the specificities of this center, which is particularly recognized in terms of skills in the rehabilitation area, not only on cognitive studies but also from a functional point of view, taking into account the significant prosthetic surgery activity carried out by the other structures of the group in the region and considering that a non-trivial number of patients come from the province of Padua, we certainly expect this to be a clinical synergy that could give further positive implications from an economic point of view.

It is an operation that takes on a particularly important significance for the Group and was the last opportunity to have a significant presence in the province of Padua, because it is a province that has already undergone a significant consolidation process.

MARIA LAURA GAROFALO: Another thing that is perhaps important to point out is that the data we have given you relate to 2021 and that in 2022, in the light of the information we have to date, an increase in turnover of about 1 million euros is expected, of which half linked fundamentally to budget increases for the reduction of waiting lists and half for private activity, linked to the development of private activity.



Another key note is that this center has a very important private component, that is, about half of the activity is carried out under the accreditation system and the rest in the private sector. I don't know if there are any questions.

OPERATOR: Thank you. The first question is from Dario Michi of Exane BNP Paribas, please?

DARIO MICHI: Yes, good afternoon everyone, congratulations on the operation. I have a number of questions. The first is what kind and if you can quantify the synergies expected from this operation. The second question concerns a particular aspect, in the sense that I would like to ask if the structures on which GVDR operates are owned and if you can give us some general indications, if they are owned, on the size and value of these assets on the balance sheet. Thank you.

MARIA LAURA GAROFALO: As for the second question, I can say that the properties are not owned, GVDR pays a rent of about € 600,000 per year, more or less; as regards the first question, we obviously do not yet have a precise quantification of what can be, on a numerical level, the synergies or the efficiencies. We will certainly also be able to intervene on the cost-efficiency side, as we have already identified contracts in common with the other structures of the Group.

On the growth side of turnover, also considering the trend of '22, I expect in '23, with the activation of the new building, a further increase in turnover.

As for the synergies, in addition to what Dr. Giannasio has already represented, it is clear that there will be an exchange at a professional level, this is a structure that is already equipped with RIS-PACS, so professionals, for example at the radiological level, will be able to be shared with other structures in the Veneto region and beyond. In fact, today we know that some figures, including radiologists themselves, are starting to run out and from this point of view the radiologists, from GVDR or from the other structures of the Group, will be able to report exams done remotely.

The structure carries out an extensive rehabilitation activity also with innovative methods and therefore all the post-operative and post-rehabilitation part in hospitalization can be sent not only from the structures of the Veneto, but I say maybe also from other more neighboring realities. .

For example, with regard to the opening of new operating rooms, our surgeons, for example from Villa Berica or the orthopedists of Clinica San Francesco, will certainly be able to start private activities on outpatient surgery at this center.

From this point of view we do not have a precise quantification, but from a qualitative point of view I can tell you that the synergies can be many and very important.

GIUSEPPE GIANNASIO: I wanted to add that, unlike what happened in the past, where it is clear that the focus was post acquisition both on the top line and on the cost side, in order



to be able to be a little more efficient, in this case instead, stop. all the benefits remain due to the very fact of joining the Group, however this is an acquisition which, unlike the others, has a unique characteristic, in the sense that the growth prospects in turnover are better than those we have on the others, because the limit of the funds made available by the Region however represents a limit.

This is a reality that by type of offer and above all thanks to the increase in production capacity, makes us think - to be prudent - that in the next two or three years we will be able to develop revenues significantly.

Great attention to growth therefore.

MARIA LAURA GAROFALO: Also because activities are carried out with methodologies in which they are unique, they are a bit of a point of reference, for example in the rehabilitation of patients with Parkinson's and so on. However, they have an excellence, a uniqueness, an important attractiveness compared to some rehabilitations, particular, specific rehabilitation therapies. In fact, their share of business carried out under the out of pocket regime is obviously very high and is growing, moreover, because this year it has proven to be growing.

DARIO MICHI: Excuse me, yes, let's say that this was also visible by looking at the margin that the company manages to produce, if I can only ask for a clarification then if it is the case I book later. What is the share of non-regional activities on total revenues?

MARIA LAURA GAROFALO: Being a diagnostic center, the share outside the region is very low, it is very low, it is not significant, they are almost exclusively Venetian patients. both private and accredited. There is a scarce presence of people outside the region. But let's say that the center does not need it, because it is very attractive, the numbers say it, they represent it, even its growth represents it if we start from 2019 you can see it, then there was, obviously and as in all structures during Covid, in 2020 a setback and then an important recovery. The history of the center also represents this constant growth, all the more so in the coming years because we will expand the company's production capacity.

OPERATOR: The next question is from Emanuele Gallazzi of Equita. You are welcome.

EMANUELE GALLAZZI: Yes, good morning everyone. I basically have three questions. The first is on the numbers of 2022, you have given an indication of about 1 million more to reach 13 million. I do not know if you can also give us an indication at the level of EBITDA where the company is turning and I would also like to have an idea of the numbers for 2019. I have seen that you have indicated a growth in turnover



in 2021 of about 10% compared to the levels of the 2019. This is to understand in 2019 where we were at EBITDA level.

The second point that I would ask you is on the line of financing you used, if you remind us of the cost of financing for this operation.

The third point: can you give us an idea of the capex level of this group that you have acquired, of the Capex that are necessary? Thank you.

MARIA LAURA GAROFALO: I answer as far as the marginality of one million is concerned, we can, in a prudent manner, say that at least a 25% margin at EBITDA level can be safely considered. On the other answers, there is Mr Celentano, on site, with the numbers, if you want to intervene with Mr Rossetti.

LUIGI CELENTANO: On the turnover there was a growth of about 10%, the value of production went from € 11.1 million in 2019 to € 12.0 million in 2021. In the year of Covid, therefore 2020, there was a slight decline, due to the well-known facts that impacted all the facilities, but in any case the GVDR structures held up because they recorded a turnover of € 10.7 million in 2020 as well.

In terms of margins, GVDR grew by approximately € 400,000, again comparing 2021 with 2019, corresponding to approximately 2-3 margin points; this is somewhat the order of magnitude of the growth it has registered.

As for the other question, which concerned the cost of financing, I remember that we have the availability of a line of 81 million that we can use for M&A transactions and we can use up to 80% of the acquisition price. Then it will be our discretion to determine the exact extent with which we will use the debt and this line of financing.

Coming to the cost of the credit line, this is a variable rate line, with a spread of 1.9% plus six-month Euribor, these are the conditions in terms of cost.

EMANUELE GALLAZZI: Thanks, I don't know if you can give some indication on the Capex side, if we are always around 3-4%.

LUIGI CELENTANO: I would say that net of any particular initiatives that may concern purchases of material, or structural interventions, however we are absolutely in line with the percentage indicated.

EMANUELE GALLAZZI: Just to verify an element on the topic of 2022 margins, I realized that what could be a reasonable goal for the structure is to reach 25% of adjusted margins, is that right?

LUIGI CELENTANO: Reasonably yes.

OPERATOR: The next question is from Isacco Brambilla of Mediobanca. You are welcome.



ISACCO BRAMBILLA: Thanks, two questions from me. The first is still on Capex, if I read carefully from the local press I understand that the bulk of the investments in machinery at the level of the new Cadoneghe facility have already been supported by the previous management, if you can only confirm that the Garofalo side is not there will be a need for extraordinary investments in these four structures, at least in the short term.

The second question is actually more a curiosity for the Knight: if you can give us a little color on how negotiations with Target are evolving in this period, what numbers are you thinking about, if you look at 2021, 2022, to 2019 and generally how is the competition.

Financial investors have been mentioned on these transactions, I guess they have a few more difficulties, especially if they operate on leverage, to look at Target in this context of rising interest rates. Thank you.

GIUSEPPE GIANNASIO: Yes, I confirm that we do not see any significant needs for Capex, because the technologies have in fact been replaced in recent years, therefore, except for the need to seize particular opportunities that may arise, there are no particular needs for Capex.

As regards the new property, the investments will be supported by the real estate company, so I confirm that there are no significant investments in Capex planned.

As for an outlook on the market, let's say that it is a period in which, in general, a bit of caution is prevailing, the bubbles we have seen in the last 12-24 months are running out a bit. Also because the push, as you said, that somehow derived a bit from initiatives with backups of private equity funds have taken more prudent attitudes for a variety of reasons. I don't think it's just a matter of the cost of money, but I think it's a theme perhaps also from their point of view not of uncertainty in the full sense, but they are a little more cautious, a little less aggressive.

This obviously facilitates us a bit, because we have always maintained financial rigor in the past, we also had to decide not to run in some contexts because we felt that the valuations were not adequate for an industrial group that pursues medium and long-term objectives. , so we have never done madness and we will continue not to do it.

It seems to us that the context is a little more favorable, overall it is fair to say that it is a bit of a wait, because the sellers had made a good mouth at certain multiples and therefore a little bit they too must realize that, if they want to go on market, conditions may be a little different than they might have hoped for.

I hope I have fully answered the question



OPERATOR: Gentlemen, there are no more questions at the moment. I give you the floor for the final conclusions.

MIMMO NESI: Perfect, I simply remember that the transcript of the call will be present, as soon as it is available, on the company's website in both Italian and English. We obviously remain at your complete disposal for any further questions or requests for further information.
Thanks again everyone.