



**“GHC Results 1H2022 Conference Call”
Monday, September 12th, 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. I would like to remind you that all participants are in listen-only mode. 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 & 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, Ms. Maria Laura Garofalo, the Chairman of the Board of Directors Mr. Alessandro Maria Rinaldi, the CFO Mr. Luigi Celentano, and the Administration and Budget manager 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: We approved the six-monthly report this morning and through a press release you had the opportunity to see our numbers. We are very satisfied, as you have been able to appreciate. These are numbers exceeding our expectations both from the point of view of turnover volumes, and from the point of view of margins. Before going into the metrics, I want to point out some fundamental aspects, namely the growth of our production, therefore of our turnover, is linked to the allocation of incremental budgets granted by different regions. The increase in turnover mainly depends on the increase in the activity carried out towards private patients and extra-regional activities. Specifically, I can say that the activities for extra-regional patients, compared to the previous year, increased by 3%. The activities provided to out-of region patients increased by 11.3 and the activities provided to private patients increased by 9.1%. This is a very positive sign that we expected in line with the general context. The aspects of the pandemic crisis, as we have said several times, have generated an exponential amount of welfare activities, and this has increased two strands relating to the private and extra-regional sectors. The other aspect that I wanted to bring to your attention concerns the great results in terms of performance and production volumes, during 2021. Specifically, the Domus Nova in Ravenna and the San Francesco Clinic in Verona. In particular, as for the San Francesco clinic, in the period prior to our purchase, it had a margin of 15.4% in the first quarter, while in the second quarter, after the entry within the Group, the margin rose to 19.6%. This means that we registered a total margin of 18.5% in 2021. This year we have had a margin of 22.3% in the first quarter which rose to 23.5% in the second quarter, this means that we had a margin of 24.5%. Even more important results were those of the Domus Nova in Ravenna which started a bit slower, because we found a situation not managed in an optimal way, therefore we had a margin of 2.5% before our management. Last



year the margin rose to 10.4%, and overall there was an increase of 4.7%. This year in the first quarter we had a margin of 15.4%, and 20.8% in the second quarter. I say this to highlight once again how the acquisitions that enter our group over a short period are able to optimize their margins. Another essential thing that you read in the press release is undoubtedly this rating increase, so let's move from an adequate positive outlook to a strong positive outlook. This means that our efficiency activities are in line with the absolutely sustainable activity of our facilities. If there are no questions already in this first part, I leave the floor to our CFO, Dr. Celentano, for the numerical aspect.

LUIGI CELENTANO: Thank you. Personally, I would like to focus on the results of the second quarter: they are generally satisfactory on all the metrics of our sector, with a margin of growth compared to the second quarter of 2021, but also compared to the first quarter of 2022. The growth concerned the contribution of the targets acquired during 2021, but also the organic perimeter. I care about underline this element because in the growth achieved in terms of revenues, 12.8 million, approximately 3.3 million is the growth recorded by the organic perimeter, or 5.1%. In the adjusted operating EBITDA, growth over the quarter was 2.7 millions; 0.3, or 2.1%, is attributable to the organic perimeter. Combined with the strong first quarter performance, this second quarter achieved optimal results as indicated in the press release, i.e. 166.3 million with a growth of 24.6%, an adjusted operating EBITDA of € 31.2 million, with a growth in percentage terms, compared to the first half of 2021, as much as 26%, and a net profit of 13.2 million, with a increase of over 35% compared to the first half of 2021. I would close with a mention of the net financial position of the group, which continues to decline compared with to the position we had at 31 December 2021 and stands at 125 million, and with a financial leverage, I add this information, which stands at 2.1 times, comparing the NFP to the adjusted operating EBITDA of the last 12 months. This NFP, if we neutralize the effects of non-recurring items, would have been equal to just under 118 million, thus expressing a cash generation in the 6 months of 24.5 million. I would end this representation of the numbers here quarter and semester, to leave room for questions from those who follow us I would close with a nod to the financial position of the group which continues to decline compared to the position we had at 31 December 2021, equal to 125 million. It currently stands at 2.1 times these numbers. I would immediately leave room for questions.

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.

EMANUELE GALLAZZI: Good afternoon everyone, I have three questions. First point: I was wondering with respect to the evolution of the margins of the two structures mentioned



above, if you can give us more visibility on the growth drivers in terms of margins. The second point was mentioned by the CFO on the subject of energy. Would you give us more visibility on your expectations for the future with respect to energy costs. And as regards the cost of labor, what dynamics do you foresee? The last point concerns the 2022 outlook, what are the potential targets?

MARIA LAURA GAROFALO: Regarding the growth data compared to the two structures acquired, as regards the San Francesco clinic we have had on the one hand small efficiencies from the point of view of costs, especially in the field of robotic prosthetic surgery, and on the other hand an important development of production. Thanks to a very young but very prepared new General Manager who has partially changed the organization of the operating theaters. The San Francesco clinic was a clinic very centered on the figure of Professor Perazzini, we have reworked this organization by also giving space to other surgeons to ensure operational continuity, and a greater efficiency of the organizational activities of the room, linked to an increase in the number of interventions. All this has allowed us to have this result. As regards Domus Nova, there was a huge intervention in terms of cost efficiency: it was a path that we had already identified during the due diligence, with the consequent increase in surgical production activity, and with a general improvement in the medical department. The trend is continuing, and we are sure that Domus Nova will also give us great satisfaction. For the second question, I leave the floor to the CFO.

LUIGI CELENTANO: As regards the cost of energy, we recorded an increase compared to last year, we have an incidence of the cost on revenues that is around 2.5%. Last year in the same period it reached 1.4%. It was a major increase. The initiatives we have in place on the energy issue concern both the possibility of intervening at group level with framework agreements, and new terms of general efficiency. About this, Mr. Nesi can add some valuable information.

MIMMO NESI: The framework project that we had already presented on energy analysis has gone ahead and we soon expect to pool the first benefits as early as January 2023.

MARIA LAURA GAROFALO: On the last question relating to M&A, we all know that too specific indications cannot be given. I can answer that it could be, let's hope so.

LUIGI CELENTANO: As for the dynamics we are applying to the cost of labor at the group level, at the moment there are no dynamics, so we do not have a push to adjust the cost of labor.



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

ISACCO BRAMBILLA: Good evening everyone, I have three questions. The first concerns the split in turnover: you have given some very interesting information on the performance of regional, extra-regional and private patients. If I remember correctly, the regional ones during Covid weighed 50%, the extra regional 30% and the private patients 20%. Is this type of split still valid? Weren't there any major changes to report? The second question considers the whole group, and also the degree of saturation: do you still feel in a situation of full capacity? The last question regarding the CAPEX which amounted to just under 10 million in the first quarter: can we assume a similar pace also in the second half of the year? Thank you.

MARIA LAURA GAROFALO: As for the revenues between private, regional and extra-regional, we maintain the same percentages on a larger turnover, so we maintain the same split that we gave you the last time. The turnover has grown, so within this growth there is the further growth of the various operating areas. As far as saturation is concerned, we have not yet reached this degree of saturation. In principle, our operating theaters have sessions that rarely occupy the afternoon, so the operating activity is concentrated in the morning and ends at 2 pm, but we could clearly have a second session in the afternoon. For the moment, the operating session rarely extends into the afternoon. This is part of the great efficiency of our facilities, because keeping an operating room open without using it in the dead time (pre- and post-operative phase) would be a waste of resources. As regards the San Francesco clinic, we had a problem regarding rehabilitation, but we have made available up to 20 beds in the context of motor rehabilitation in the Villa Garda area. In general, we are moving a lot to push the private sector, and the extra-regional where possible.

LUIGI CELENTANO: Regarding our expectation of CAPEX over the year, I confirm what we had said at the beginning of the year: we were expecting around 20 million CAPEX, now we are just under half, but we expect to be able to reach this figure by 2022.

OPERATOR: The next question is from Dario Michi from Paribas.

DARIO MICHI: My first question concerns the new initiatives included in the competition decree: what are these measures and what are the implications they may have for your business. Are there any risks? How effective do you expect these new measures to be? The second question concerns the dynamics of market multiples from the point of view of the private perspective.

MARIA LAURA GAROFALO: As for the competition decree, I can briefly say that for our group for the



first time this gives us more opportunities, in fact we are more attentive to accreditations, to the assistance request, to the quality of the services provided. In the past I have seen accreditations granted even without a real correspondence with respect to the regional health plan. Now, however, we are adhering more closely to the assistance activity and to the quality of the services that the group provides, and this is something that does not scare us, indeed it benefits us. As for market multiples, I understand what the market is saying and I respect it, but two aspects must also be considered: this is a very special moment for the market, a moment in which realities like ours that create indisputable value succeed to express little value in the market. It is also true that the market knows us, so it is evident that today we are underestimated, but it is also evident that this happens due to the general context that will not last for a lifetime. It is a transitory moment of context that cannot influence the industrial planning of our group or prevent us from seizing important opportunities. I would say that we understand the market but our industrial plan always wants to create value in the short and medium term.

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

EMANUELE GALLAZZI: A very quick question on the subject of advances: is there any type of update by the regions? In a very general way, we are in a post Covid scenario: has something changed on the strategy side of the group, both in terms of services and in terms of attractiveness?

MARIA LAURA GAROFALO: As far as our business and growth strategies are concerned, it remains what we have always represented for you. The discipline always remains the same, areas such as hospitals, diagnostic centers always have and maintain certain characteristics in terms of economic and financial performance. What has changed is a new opportunity linked to the PNRR (National Recovery and Resilience Plan) and which I hope will be concluded by the end of the year, next autumn. This is the opening of a community hospital at the San Francesco clinic in Ravenna, we are moving forward with the Municipality of Ravenna and with the ASL of reference to open a new department, precisely a community hospital with 20 beds. This is an absolute novelty that we hope to export to other regions. On the advances, however, we have no news.

OPERATOR: The next question is from Isacco Brambilla from Mediobanca

ISACCO BRAMBILLA: Good evening, a quick follow-up. In the press release there is information on the turnover of the San Francesco and Domus Nova clinic. Can you give us some further information on growth margins in the first half of 2022 compared to the first half of 2021?



LUIGI CELENTANO: The San Francesco clinic growth has increased by 7%, while Domus Nova about 8%

OPERATOR: 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. The transcript of the call will be published. Thank you very much and good afternoon.