



Press Release

GAROFALO HEALTH CARE S.P.A.: BOARD OF DIRECTORS APPROVES H1 2021 CONSOLIDATED RESULTS

EXCELLENT HALF-YEAR RESULTS, WITH REVENUES UP 48.5%, OP. EBITDA ADJUSTED MORE THAN DOUBLING AND NET PROFIT UP NEARLY EIGHT-FOLD ON H1 2020

- Revenues of €133.5M, increasing 48.5% vs. €89.9M in H1 2020⁽¹⁾, of which €12.7M from the contribution of the new facilities acquired progressively over 2020 and 2021. At like-for-like consolidation perimeter, revenues totalled €120.8M, up 34.3% vs. H1 2020:
 - Q2 2021 revenues of €73.1M (+83.1% vs Q2 2020), of which €10.9M from XRay One and Clinica S. Francesco. At like-for-like consolidation perimeter, revenues were €62.2M, growing 55.9% vs. Q2 2020;
- Operating EBITDA Adjusted⁽²⁾ of €24.7M (more than doubling on €11.2M in H1 2020), with a margin of 18.5% (vs. 12.5% in H1 2020). Contribution of XRay One and Clinica S. Francesco in the period equal to €2.7M, with a margin of 21.9% higher than the Group average:
 - Op. EBITDA Adjusted in Q2 2021 of €14.1M (vs. €3.2M in Q2 2020), with a margin of 19.4%. At like-for-like consolidation perimeter, Op. EBITDA Adjusted was €11.9M, up nearly four-fold on Q2 2020;
- Group Net Profit of €9.8M, increasing nearly eight-fold over €1.2M in H1 2020;
- Net Financial Position of €108.1M (debt of €153.4M and cash of €45.3M):
 - Excluding non-recurring cash outflows, the NFP would amount to €83.4M, corresponding to a cash generation of €14.3M in the six months.

Rome, September 13, 2021 – The Board of Directors of Garofalo Health Care S.p.A. (“GHC” or the “Company”), listed on the STAR segment of the Italian Stock Exchange, today approved the Consolidated Half-Year Report at June 30, 2021, drawn up as per IAS/IFRS international accounting principles.

Maria Laura Garofalo, Chief Executive Officer of GHC, stated: “*The results of the half year reward the significant efforts made by all our managers in the territory. A commitment that has led our facilities, albeit in a still not ordinary context, to generate extraordinary results and in many cases even higher than those of 2019. GHC thus confirms itself as a healthy and dynamic Group with the necessary resources to invest both in organic growth - through the purchase of cutting-edge technology and the expansion of its facilities - and in M&A growth, which remains the fundamental part of its growth strategy as evidenced in this semester by the acquisition of 3 facilities of absolute excellence such as the S. Francesco Clinic in Verona, and the accredited private hospitals Domus Nova and S. Francesco di Ravenna.*”

⁽¹⁾ The H1 2020 figures did not include Xray One (acquired in July 2020) and Clinica S. Francesco (acquired in April 2021)

⁽²⁾ Operating EBITDA Adjusted defined as EBIT + amortisation and depreciation + provisions and write-downs + non-core costs (these latter in H1 2021 of approx. €2.5M, of which approx. €1.7M due to “extra-Covid costs” and approx. €0.8M due to M&A costs. Non-core costs in H1 2020 of €1.7M concern for €1.6M “extra-Covid costs” and for €0.1M M&A costs)

Highlights of GHC Group H1 2021 key economic results

Consolidated Half-Year Revenues

At June 30, 2021, GHC consolidated revenues totalled €133.5M, increasing 48.5% on €89.9M in H1 2020, with this latter impacted, from March, by the national and local rules imposed to tackle the Covid-19 pandemic. These results include €12.7M concerning the contribution of XRay One (for 6 months) and Clinica S. Francesco (for 3 months), facilities respectively acquired in July 2020 and April 2021.

In addition, these results include, in comparison with the first half of the previous year, €0.9M related to the repayment of the “extra-Covid costs”⁽³⁾ incurred by the Group in the period and not recognized in the first semester of the previous year and €1.0M related to contribution of the Regional Healthcare System defined within the renewal of the National Collective Labour Contract (“NCLC”)⁽⁴⁾ in October 2020.

Revenues in Euro millions	H1 2021	H1 2020	vs. H1 20 (€M)	vs. H1 20 (%)
Total	133.5	89.9	+43.6	+48.5%
<i>o/w at LFL perimeter</i>	<i>120.8</i>	<i>89.9</i>	<i>+30.9</i>	<i>+34.3%</i>
<i>o/w M&A 2020 and 2021</i>	<i>12.7</i>	<i>-</i>	<i>+12.7</i>	<i>-</i>

In comparison with the Pro-Forma H1 2019 results⁽⁵⁾, a period not impacted by the Covid-19 healthcare emergency, consolidated H1 2021 revenues would increase by a total of €17.8M (+15.4%) or €5.1M at like-for-like consolidation perimeter (+4.4%).

Revenues in Euro millions	H1 2021	H1 2019 Pro-Forma	vs. H1 19PF (€M)	vs. H1 19PF (%)
Total	133.5	115.7	+17.8	+15.4%
<i>o/w at LFL perimeter</i>	<i>120.8</i>	<i>115.7</i>	<i>+5.1</i>	<i>+4.4%</i>
<i>o/w M&A 2020 and 2021</i>	<i>12.7</i>	<i>-</i>	<i>+12.7</i>	<i>-</i>

Q2 Consolidated Revenues

In order to highlight the excellent Group Q2 performances, featuring a gradual improvement of the Covid-19 emergency situation, the Group’s revenues for Q2 2021 (compared with Q2 2020) are presented below. These results, which include the full contribution both of XRay One and Clinica S. Francesco for the three months, indicate growth of €33.2M (+83.1%) or of €22.3M at like-for-like consolidation perimeter (+55.9%).

These results include, in comparison with the same quarter of the previous year, €0.3M for the repayment of “extra-Covid costs”, incurred by the Group in the period and not recognized in Q2 2020 and €0.5M related to the contribution of the Regional Healthcare System, as established within the renewal of the NCLC indicated above.

Revenues in Euro millions	Q2 2021	Q2 2020	vs. Q2 20 (€M)	vs. Q2 20 (%)
Total	73.1	39.9	+33.2	+83.1%
<i>o/w at LFL perimeter</i>	<i>62.2</i>	<i>39.9</i>	<i>+22.3</i>	<i>+55.9%</i>
<i>o/w M&A 2020 and 2021</i>	<i>10.9</i>	<i>-</i>	<i>+10.9</i>	<i>-</i>

⁽³⁾ One-off costs incurred by the Group to tackle the Covid-19 emergency and concerning expenses for Personnel Protective Equipment (“PPE”), swabs / tests, the preparation and management of triage areas and the dedicated distancing pathways

⁽⁴⁾ This renewal of the “NCLC” concerned non-medical employees of private healthcare clinics

⁽⁵⁾ The 2019 Pro-Forma figures include the full contribution of all acquisitions made in 2019. The contribution of XRay One and Clinica S. Francesco, acquired in 2020 and 2021, is however not included

Compared with the Q2 2019 Pro-Forma figures, Q2 Revenues would indicate an increase of €15.3M (+26.6%) or of €4.5M at like-for-like consolidation perimeter (+7.8%), highlighting the gradual return to “normal” production levels.

Revenues in Euro millions	Q2 2021	Q2 2019 Pro-Forma	vs. Q2 19PF (€M)	vs. Q2 19PF (%)
Total	73.1	57.7	+15.3	+26.6%
<i>o/w at LFL perimeter</i>	62.2	57.7	+4.5	+7.8%
<i>o/w M&A 2020 and 2021</i>	10.9	-	+10.9	-

Consolidated Half-Year Operating EBITDA Adjusted

Consolidated Operating EBITDA Adjusted in the period was €24.7M, up 120.4% on €11.2M in the previous year, a period impacted by the suspension of the activities imposed from March, which did not allow for the full absorption of fixed costs. This result includes the contribution of XRay One (for 6 months) and of Clinica S. Francesco (for 3 months), acquired subsequent to H1 2020, of €2.7M.

Operating EBITDA Adjusted in the period, in comparison with the preceding year, includes €0.6M of additional costs for the renewal of the previously stated NCLC⁽⁶⁾.

Op. EBITDA Adj. in Euro millions	H1 2021	H1 2020	vs. H1 20 (€M)	vs. H1 20 (%)
Total	24.7	11.2	+13.5	+120.4%
<i>o/w at LFL perimeter</i>	22.0	11.2	+10.7	+95.7%
<i>o/w M&A 2020 and 2021</i>	2.7	-	+2.7	-

In H1 2021, the Group Operating EBITDA Adjusted margin was 18.5% (18.2% at like-for-like consolidation perimeter), increasing on 12.5% in the previous period. The contribution of XRay One and of Clinica S. Francesco was higher than the Group average, with a margin of 21.9%.

In comparison with the H1 2019 Pro-Forma figures, Operating EBITDA Adjusted rose €0.3M (+1.5%). At like-for-like consolidation perimeter, Operating EBITDA Adjusted decreases €2.4M (-9.9%), due to the fact that the Group facilities were partly impacted - particularly in the first quarter of the year - by the activities in support of the Public Healthcare System - which affected the full use of the production capacity and a completely ordered and efficient operating schedule - in addition to higher personnel costs due to the renewal from July 2020 of the NCLC.

Op. EBITDA Adj. in Euro millions	H1 2021	H1 2019 Pro-Forma	vs. H1 19PF (€M)	vs. H1 19PF (%)
Total	24.7	24.4	+0.3	+1.5%
<i>o/w at LFL perimeter</i>	22.0	24.4	-2.4	-9.9%
<i>o/w M&A 2020 and 2021</i>	2.7	-	+2.7	-

⁽⁶⁾ Figures derived from increased costs incurred in H1 2021, totaling €1.6M, net of the recognised Regional Health System contribution at the same date (€1.0M)

Q2 Consolidated Operating EBITDA Adjusted

The Group Q2 2021 Operating EBITDA Adjusted figures (compared with Q2 2020) are presented below. These results, which include the full contribution both of XRay One and of Clinica S. Francesco for the three months, report an increase of €10.9M (over four-fold improvement on 2020) or of €8.7M at like-for-like consolidation perimeter (over three-times the 2020 results).

Operating EBITDA Adjusted in the second quarter, in comparison with Q2 2020, includes €0.3M of additional costs for the renewal of the previously stated NCLC⁽⁷⁾.

Op. EBITDA Adj. in Euro millions	Q2 2021	Q2 2020	vs. Q2 20 (€M)	vs. Q2 20 (%)
Total	14.1	3.2	+10.9	+341.6%
<i>o/w at LFL perimeter</i>	<i>11.9</i>	<i>3.2</i>	<i>+8.7</i>	<i>+271.4%</i>
<i>o/w M&A 2020 and 2021</i>	<i>2.2</i>	<i>-</i>	<i>+2.2</i>	<i>-</i>

In comparison with Q2 2019 Pro-Forma, Operating EBITDA Adjusted in the second quarter would show an increase of €1.9M (+15.6%), slightly contracting at like-for-like consolidation perimeter (-2.8%) due to the still to be fully-optimised use of production capacity and the increased costs for the renewal of the previously stated NCLC.

Op. EBITDA Adj. in Euro millions	Q2 2021	Q2 2019 Pro-Forma	vs. Q2 19PF (€M)	vs. Q2 19PF (%)
Total	14.1	12.2	+1.9	+15.6%
<i>o/w at LFL perimeter</i>	<i>11.9</i>	<i>12.2</i>	<i>-0.3</i>	<i>-2.8%</i>
<i>o/w M&A 2020 and 2021</i>	<i>2.2</i>	<i>-</i>	<i>+2.2</i>	<i>-</i>

Consolidated Operating Results Overview

EBIT Adjusted⁽⁸⁾ of €16.5M was up €11.5M on €5.0M in H1 2020. This amount reflects: (i) amortisation, depreciation and write-downs of €6.9M, increasing €1.4M on H1 2020, mainly due to the change in the perimeter; (ii) value adjustments and provisions of €1.3M, increasing €0.5M on H1 2020. H1 2019 Pro-Forma EBIT Adjusted would have been €17.6M.

Net financial charges of €1.5M are reported in H1 2021 (€1.3M in H1 2020).

The Adjusted Profit before taxes⁽⁹⁾ was €15.1M, increasing €11.4M on €3.7M in H1 2020.

The Pro-Forma Adjusted Net Profit however amounts to €16.5M.

Consolidated Net Profit overview

The Group Net Profit in H1 2021 was €9.8M (increasing nearly eight-fold on €1.2M in H1 2020) and was impacted by €2.5M of non-core costs related to the above-mentioned “extra-Covid costs” and M&A costs.

The Pro-Forma H1 2019 Group Net Profit amounts to €11.3M.

⁽⁷⁾ Deriving from increased costs incurred in Q2 2021, totaling €0.8M, net of the recognised Regional Healthcare System contribution in the period (equal to €0.5M)

⁽⁸⁾ EBIT Adjusted defined as EBIT + non-core costs as defined above

⁽⁹⁾ Defined as the Pre-tax profit + non-core costs as defined above



Highlights of GHC Group H1 2021 key balance sheet results

Consolidated Net Financial Position Overview

At June 30, 2021, the Net Financial Position (NFP) of GHC was €108.1M, increasing €10.4M vs. €97.7M in FY 2020, and comprising financial debt for €153.4M and liquidity for €45.3M.

Net Financial Position in Euro millions	H1 2021	FY 2020	Change vs. FY 2020
Total	108.1	97.7	+10.4
Financial leverage (x)	2.2x ⁽¹⁰⁾	2.9x	-0.7x

Excluding non-recurring items, the NFP would be €83.4M, improving €14.3M on December 31, 2020. These non-recurring items, totalling €24.6M, principally concern: (i) the Accelerated Book Building transaction executed in January 2021 (€41.1M), (ii) the acquisition of Clinica S. Francesco of Verona completed in April 2021 (€60.3M, including taxes), (iii) capex for extension and development (€3.4M) and (iv) non-recurring items totalling €2.0M, mainly for extra-Covid costs, M&A costs and the purchase of treasury shares. The NFP at June 30, 2021 includes the benefit from the advances disbursed by the main regions in which the Group operates⁽¹¹⁾, totalling approx. €8.0M.

Subsequent events to June 30, 2021

On July 28, 2021, GHC completed the acquisition of Domus Nova S.p.A., owner of the Domus Nova and San Francesco multi-specialist private acute hospitals, both located in Ravenna and National Healthcare Service accredited. The total interest acquired by GHC constitutes 99.5% of the share capital of Domus Nova. The acquisition was based on an Enterprise Value of €41.9M.

On July 30, 2021, GHC announced that as of Monday, August 2, 2021, its ordinary shares would be included in the FTSE Italia Mid Cap Index, which comprises the top 60 Italian companies by market capitalisation not included in the FTSE MIB Index.

Outlook

In a context still affected by the national spread of Covid-19, the ongoing vaccination campaign and the measures approved at institutional level to support a rapid recovery are gradually restoring confidence that the situation will continue to improve, though some uncertainty remains regarding the variants of the virus. Assuming that the pandemic would not worsen, in 2021 the Group, that successfully continued its acquisition-led growth strategy completing two M&A transactions in April and July, considers that over the coming quarters production levels and margins will gradually return to those seen in 2019 in all segments in which it operates. In line with the development path announced on IPO and formalised with the acquisitions of recent years, the Group will continue with its acquisition-led growth process, as the sector in which the GHC Group operates offers significant merger opportunities in a market that is still more fragmented than other European countries.

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The Executive Officer for Financial Reporting, Danilo Barletta, states in accordance with paragraph 2, Article 154-*bis* of the Consolidated Finance Act that the accounting information in this press release corresponds to the underlying accounting documents, records and entries. The figures in this press release have been subject to limited audit.

⁽¹⁰⁾ Calculated as the ratio between NFP and Operating EBITDA Adj. in the last 12 months based on the Pro-Forma figures, i.e. including in H2 2020 and in H1 2021 the full effect of the acquisitions

⁽¹¹⁾ In view of the Covid-19 emergency, as previously announced to the market, the Regions granted GHC's clinics a monthly advance of between 80% and 100%, according to each individual case, of the agreed regional and extra-regional production for the previous year or that of the budget agreement



* * *

In accordance with Article 154-*ter*, paragraph 2 of Legislative Decree No. 58 of February 24, 1998, the Half-Year Report at June 30, 2021, approved today by the Board of Directors and including the Consolidated Half-Year Financial Statements at June 30, 2021, together with the declaration letter as per Article 154-*bis*, paragraph 5 of Legislative Decree No. 58/1998 and the Auditor's Report, in addition to the Interim Directors' Report, is available to the public at the registered office in Rome, Piazzale delle Belle Arti No. 6, in the specific section of the company website (www.garofalohealthcare.com, Investor Relations/Financial Statements and Reports section) and on the "eMarket STORAGE" authorised storage mechanism, managed by Spafid Connect S.p.A., available at www.emarketstorage.com. The notice shall be published in the MF-Milano Finanza newspaper.

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The GHC Group

The GHC Group, listed on the Milan Stock Exchange, is an Italian accredited private healthcare leader operating through 28 healthcare clinics demonstrating excellence, located in Italy's strongest regions and offering a comprehensive range of services covering all areas of healthcare thanks to diversified specialties, the use of cutting-edge technologies and highly-qualified personnel. The Group in fact operates across eight regions in Northern and Central Italy (Piedmont, Lombardy, Veneto, Friuli-Venezia Giulia, Emilia Romagna, Liguria, Tuscany and Lazio), covering in the hospital sector acute admissions, long-term care, post-acute rehabilitations and outpatient services (the "Hospital Sector"), and in the social services and dependency care sector covering residential admissions and district outpatient services (the "Dependency Care Sector").

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FOR FURTHER DETAILS:

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Consolidated Balance Sheet of the GHC Group at June 30, 2021

ASSETS <i>in Euro thousands</i>	30/06/2021	of which related parties	31/12/2020	of which related parties
Goodwill	91,323		54,438	
Other intangible assets	140,194		140,128	
Property, plant and equipment	186,565		159,169	
Investment property	944		963	
Equity investments	760		928	
Other non-current financial assets	277		236	
Other non-current assets	1,098		1,199	
Deferred tax assets	6,155		5,140	
Total Non-Current Assets	427,315		362,200	
Inventories	3,938		3,487	
Trade receivables	68,605		61,411	
Tax receivables	3,431		4,995	
Other receivables and current assets	3,353		2,822	1
Other current financial assets	280		129	
Cash and cash equivalents	45,330		24,810	
Total Current Assets	124,937		97,654	
Total Assets	552,252		459,855	

Consolidated Balance Sheet of the GHC Group at June 30, 2021

LIABILITIES <i>in Euro thousands</i>	30/06/2021	of which related parties	31/12/2020	of which related parties
Share capital	31,570		28,700	
Legal reserve	471		394	
Other reserves	211,529		162,280	
Group result for the period	9,769		11,781	
Total Group Shareholders' Equity	253,339		203,155	
Minority interest capital and reserves	66		63	
Minority interest result	4		3	
Total Shareholders' Equity	253,409		203,221	
Employee benefits	11,344		11,054	
Provisions for risks and charges	12,372		12,045	
Non-current financial payables	117,168	2,124	89,522	2,099
Other non-current liabilities	249		360	
Deferred tax liabilities	47,848		47,787	
Derivative financial instrument liabilities - non-current	344		326	
Total Non-Current Liabilities	189,325		161,094	
Trade payables	42,295		35,857	
Current financial payables	36,151		32,782	
Tax payables	2,089		1,403	
Other current liabilities	28,984	72	25,498	87
Total Current Liabilities	109,519		95,540	
Total liabilities	298,843		256,634	
Total Shareholders' Equity and Liabilities	552,252		459,855	

Consolidated Income Statement of the GHC Group at June 30, 2021

<i>in Euro thousands</i>	H1 2021	of which related parties	H1 2020	of which related parties
Revenues from services	131,305		89,046	
Other revenues	2,168		855	
Total Revenues	133,473		89,901	
Raw materials and consumables	19,189		13,020	
Service costs	55,177	1,025	38,924	733
Personnel costs	30,725		23,501	
Other operating costs	6,123		4,913	
Amortisation, depreciation & write-downs	6,921		5,499	
Impairments and other provisions	1,288		772	
Total Operating Costs	119,423		86,628	
EBIT	14,050		3,272	
Financial income	45		1	
Financial charges	(1,638)	(26)	(1,361)	(35)
Results of investments at equity	113		101	
Total Financial Income and Charges	(1,481)		(1,259)	
Profit before taxes	12,570		2,014	
Income taxes	2,796		765	
Result for the period	9,773		1,248	
Attributable to:				
Group	9,769		1,249	
Minority interests	4		(1)	
Earnings per share – basic and diluted	0.11		0.02	

Consolidated Cash Flow Statement of the GHC Group at June 30, 2021

<i>in Euro thousands</i>	30/06/2021	30/06/2020
Profit for the period	9,773	1,248
Adjustments for:		
- Amortisation and depreciation	6,863	5,475
- Provisions for employee benefit liabilities	349	283
- Provisions for risks and charges	1,288	772
- Doubtful debt provision	57	24
- Change in investments in associates valued under the equity method	(113)	(207)
- Change in other non-current assets and liabilities	(51)	70
- Net change in deferred tax assets and liabilities	281	210
- Payments for employee benefits	(553)	(596)
- Payments for provisions for risks and charges	(1,401)	-
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(3,101)	7,649
(Increase) decrease in inventories	(9)	(193)
Increase (decrease) in trade and other payables	813	(5,671)
Other current assets and liabilities	5,616	1,611
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	19,812	10,675
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in intangible assets	(280)	(197)
Investments in tangible assets	(15,819)	(2,536)
Sale of tangible assets	64	37
Dividends from associates	120	188
Acquisition of Clinica San Francesco, net of cash acquired	(35,882)	-
CASH FLOW ABSORBED BY INVESTING ACTIVITIES (B)	(51,796)	(2,508)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of medium/long term loans	24,480	2,477
Repayment of medium/long-term loans	(8,721)	(5,898)
Issue/(repayment) of short-term loans	(1,333)	(632)
Change in other non-current financial payables	(1,981)	(2,266)
Share capital increase and shareholder payments	40,937	-
(Acquisition) minority interests	-	(10)
(Acquisition) treasury shares	(877)	(149)
NET CASH FLOW GENERATED/(ABSORBED) BY FINANCING ACTIVITIES (C)	52,504	(6,479)
TOTAL CASH FLOWS (D=A+B+C)	20,520	1,689
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD (E)	24,810	27,763
CASH & CASH EQUIVALENTS AT END OF PERIOD (F=D+E)	45,330	29,452
Additional information:		
Interest paid	791	691
Income taxes paid	866	741



Consolidated Net Financial Position of the GHC Group at June 30, 2021

<i>in Euro thousands</i>	30/06/2021	31/12/2020
A Cash	279	140
B Cash and cash equivalents	45,051	24,670
C Securities held-for-trading	41	41
D Liquidity (A) + (B) + (C)	45,371	24,851
E Current financial receivables	239	88
F Current bank payables	10,846	12,179
G Current portion of non-current debt	20,778	16,894
H Other current financial payables	4,526	3,709
I Current debt (F)+(G)+(H)	36,151	32,782
J Net current financial debt (I) - (E) - (D)	-9,459	7,843
K Non-current bank payables	92,736	68,067
L Bonds issued		
M Other non-current payables	24,432	21,456
N Derivative financial instrument liabilities - non-current	344	326
O Non-current financial debt (K) + (L) + (M) + (N)	117,512	89,848
P Net financial debt (J) + (O)	108,053	97,691