



“GHC Results FY2023 Conference Call”

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MODERATORS: Mrs. Maria Laura Garofalo, CEO
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 GHC Group 2023 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 and Chief Sustainability Officer of the Group. Please.

MIMMO NESI: Good afternoon everyone and thanks as always for your time and availability. The company today released its press release on the results for the year 2023. I remind you that the call will be held in Italian and the transcripts will be published shortly on the website in both Italian and English. I would like to briefly introduce who is here from Rome, therefore the CEO, Mrs. Maria Laura Garofalo; the CFO, Mr. Celentano; the Head of Administration and Reporting, Mr. Riccardo Rossetti. At this point I give the floor to the CEO for an initial overview comment on the extremely satisfactory results and above all on the prospects that await us for the current results. Please.

MARIA LAURA GAROFALO: Good evening everyone. I will be very quick, to then leave room for your questions. In any case, I imagine you have read our press release. We are very satisfied because we have recorded significant growth, both in terms of Revenues and EBITDA, especially with regards to organic growth. An organic growth that grew above the physiological organic growth of the sector, which therefore stands at around 2%. We had an organic growth of over 3%, a growth linked above all to an increase truly above any expectation in private activity and, obviously, also an increase in healthcare services provided to extra-regional patients. What has grown significantly, however, are private services, a trend that continues to grow further even in the first months of the year, where we are detecting private growth of around 16%. As you know, we have taken over the Aurelia Hospital Group in Rome, which is made up of four facilities, two acute facilities, Aurelia Hospital and European Hospital, and two dependency care facilities, the Hospice Sant'Antonio da Padova and the Samadi, a psychiatric. We are working and have worked a lot on the Aurelia Group since the signing, which took place, if you remember, in July 2023, while the closing took place in mid-November 2023. Immediately, in July-August, we took over a structure that was quite familiar to us, but completely disastrous, because it came from a period of conflicts between the shareholders, therefore a paralyzed, unmanaged structure, and then from over a year of liquidation because, precisely, the company had stalled because at the moment of the appointment of the corporate bodies and then of the approval of the financial statements, 50% had sided against the other 50%. 50% "pro-firm" versus 50% who had a different view from the "pro-firm" one. We were the winners of the auction. It was an operation with which we must be deeply satisfied, because we managed to take over the Group at a very



convenient Enterprise Value, for two reasons: the first is that the Group owns all the properties, for 32,000sqm, and if we want to consider them at a very low, therefore very prudent, market value, we arrive at a valuation that exceeds the Enterprise Value; but I am even more satisfied because, by taking control of the structure quickly and decisively, we also closed the 2023 financial year with a significantly higher EBITDA than what we announced at the signing.

You will remember that at the signing we announced an EBITDA of 5.5 million, but in reality we closed with an EBITDA of around 7 million. Furthermore, we have a prospect of further growth in 2024, both because the maneuvers that we have implemented during the year and which have determined this increase in margins will have an impact in 2024 for all 12 months, but also because we are very focused on this reorganization and this efficiency improvement of the structure, me personally, and between January and February we are carrying out further interventions of great impact from a cost point of view, always keeping revenues under control, with great satisfaction. The growth in the private sector that I pointed out at the beginning regarding the first two months of the year obviously also includes Aurelia Hospital and the European Hospital.

This is an important reasoning also because we have spoken many times about the acquisition multiples of these facilities and, if we consider the value of the EBITDA that we announced at the time of the signing, of 5.5 million, the multiplier was around 13 times, but in reality since the 2023 EBITDA is not 5.5 million but 7 million, the multiplier drops to 10 times. We will then go deeper into 2024, but we are confidently aiming for an EBITDA that could bring the multiplier down to around 7, and then reach 6 with the Heart Centre. Without going too far, however, to date, with today's real data, the multiplier is 10, but with the 2024 data we will easily reach 7 times the EBITDA.

However, I also want to point out another thing, which is very important, for the purposes of defining the Enterprise Value, because the Enterprise Value, which includes the Net Financial Position, mainly includes bond loans to bondholders on the debt side.

Since we had a Net Financial Position of approximately 24-25 million euros, of these 25 million euros approximately 21.2 million are bond loans. There is only one loan, a subsidized one, from banks of 4 million euros.

With respect to these bond loans, Aurelia Hospital, before the start of the liquidation process, therefore before the liquidator was appointed, had initiated proceedings against the two shareholders, i.e. the other 50% which was not represented by me, but represented by the other shareholders, who had requested the collection of these loans and the related interest, which had also been suspended.

Aurelia 80, the company, has therefore taken the necessary actions to ask the judge to ascertain the subordinated nature of these bond loans and their interests. In practice, both consultants and party experts were appointed, but



above all the “CTU” was appointed, the Technical Consultant appointed by the judge, who ascertained the subordinated nature of all the bond loans. The sentence will have to be issued, but it is clear that with an expert witness who unequivocally declares the subordinated nature of all these loans, the sentence should incorporate this expert opinion. At that point as long as I'm there it means that these are subordinated and therefore must be paid after having fulfilled the other debts. As long as the company has debts, these bonds will not be repaid. Since this reasoning makes us remove from the Net Financial Position, since if they are subordinated in theory, at least at the moment, they do not exist as debts, if we remove the 21.2 million we arrive at an Enterprise Value of 50.2 million, which on the EBITDA communicated at the time of signing of 5.5 million leads to a multiplier of 9.1 times, but on the real EBITDA of 7 million they lead to a multiplier of even 7.3, and then drops to 5 times in 2024. I don't know if I was clear, I'll keep quiet for a moment and leave room for questions.

However, we are very on track and very optimistic and satisfied.

OPERATOR:

We will now begin the question and answer session. The first question is from Emanuele Gallazzi, from Equita.

EMANUELE GALLAZZI: Good afternoon everybody. I'll start with three questions from me and then I'll leave space for the other analysts, in case I'll join them later.

The first question is about Aurelia Hospital. If I understand correctly, from the 7 million EBITDA of 2023 you are effectively guiding between 9 and 10 million EBITDA and, consequently, I was wondering at Group level, therefore Aurelia Hospital plus the existing perimeter, if we are in fact targeting a 2024 with an EBITDA around 80 million.

Second topic that I wanted to address with you: we read the topic of the tariff revision in the newspapers and I wanted to understand more, from your point of view, what the impacts could be, what you expect from this tariff revision.

Third aspect: I saw in the Press Release that you indicated that starting from this year you expect a benefit from discussions with the social security institutions and healthcare funds that have recently entered your share capital, if from this point of view you can give us an update of your expectations, of what you expect from this point of view.

LUIGI CELENTANO:

Good afternoon, I'm Luigi Celentano. I will go in order with respect to the three questions that Mr. Gallazzi asked, essentially confirming his intention, in the sense that on Aurelia the growth compared to the 7 million in 2023, which we expect in terms of EBITDA, would then take us to area 9 -10 million, actually more in the area of 10 million, with a margin that improves significantly because the expectation is that it will be around 11%.



Regarding Aurelia's contribution in terms of Revenues and EBITDA, together with the growth that we expect on the organic perimeter, I confirm what you indicated, that is, the expectation is that the Revenues will land at around 460 million, with an EBITDA in 80 million area.

Aurelia has a series of initiatives, as our CEO recalled, already started in 2023 but which will then produce the first effect in 2024. Initiatives that concern both the development of the business, and therefore the Revenues, in particular an extra-budget was recognized on general medical activity, authorizing and accrediting 16 more beds, with a budget of 1.6 million. A lot of work is being done to optimize and increase access to the emergency room. We would like to remind you that Aurelia Hospital is a hospital with a first level DEA, where the previous management did not allow us to exploit the potential that Aurelia has to accommodate patients who present themselves in emergency, or the development, or rather, the activation of the activity aimed at private patients, in agreement with funds and insurance companies, being able to count on the possibility of offering surgical treatments assisted by robotics, mainly in the orthopedic and urological fields. Aurelia has the Da Vinci and Mako robots, which are respectively the robots used for urological and prosthetic surgery.

MARIA LAURA GAROFALO: I dealt with Aurelia several years ago, long before the IPO, when Aurelia's numbers and EBITDA were different. They were different even though they could have been more even then, but obviously when the shareholders are not all going in the same direction it is difficult to take certain steps. Today, however, we have this freedom.

In practice we took charge of a situation that had not been managed, for obvious reasons, both because due to the conflicts with the shareholders there was no longer a strong guide, because I had not been dealing with it for years, so they took turns of General Managers who, no matter how prepared, when the situation is very difficult they eventually leave, and then there was more than a year of liquidation, so it was an unmanaged situation.

It was not managed to the point that the rehabilitation department, because the hospital also has 52 rehabilitation beds, with a budget of 4.5 million, was unable to express the entire production. We left 800-900,000 euros of rehabilitation turnover on the ground.

Furthermore, the law says that emergency room accesses must be at least 25,000 and had dropped to 18,000. Today we closed the year at 25,000 and we are aiming for 30,000 and this is very important because then accesses not followed by hospitalization carry a fee, they are Revenues without a budget. The more you do, the more your turnover grows and, obviously, you are also in line with the regulations.

With regard to the occupation of intensive care units, both the cardiac intensive care unit and the resuscitation unit, in Lazio Region the legislation provides that,



depending on full occupancy - even if it is a fairly complex mechanism, because it is necessary to leave a bed for the emergencies - calculating the best and most performing occupation at 85%, the financing for the function increases, which is a financing that is not given to you based on the services you perform, but is given to you to finance the resuscitation and recovery function critical area, coronary unit.

This occupation was not controlled by anyone, so we were under-occupied because the patients were rotated in the wrong way, and the possibility of collecting this financing was not exploited to the maximum.

Private practice hadn't really started, that is, they didn't even have a private patient. Instead we opened, which is not so simple, we created an organizational structure dedicated exclusively to private activity, with a separate reception, obviously without increasing the staff but reorganizing the resources with a reception and a rear office dedicated exclusively to the private sector.

We have also adapted the IT tool by inserting all the agreements of all the companies and right before this call I was looking at all the bookings that have been made and there are many of them. Above all we are interested in hospitalizations and instrumental diagnostics.

Obviously we have also trained the staff who respond, because it is also very important how the secretary responds and how she proposes the private service: if you want the accredited one you wait a year, with a social price list however you can access the private one within a week.

All these initiatives obviously also led to an increase in revenues. In addition to all the very important maneuver we are making on the cost side, where there were some scary inefficiencies. The more I find them, however, the happier I am, because it means that there is a lot to recover.

I would also like to say, without being excessively optimistic, that the estimate of that EBITDA is also very prudent. I say this because I personally am on the field, now I go to Aurelia almost every morning and I have an eye on the situation. That number you received is fine, but in my opinion it is also prudential.

On the second question, regarding the new nomenclator, frankly we are not particularly scared and I'll tell you why. First of all, this nomenclature, which was put in place unconsciously by the State-Regions Conference, therefore at a central level, must then be implemented by the individual Regions, but in reality, first of all the Regions are not ready and then they are afraid because they have the waiting lists that can be recovered exclusively thanks to the private accredited operators. The hospitals are already collapsing, they are unable to provide further services, those who can provide them are private accredited operators, but all the associations have said that the agendas cannot be opened.



Not opening the agendas means that from our point of view the private sector is growing, because it is obvious that if you have an important offer on the accredited side the private side is more limited, because the patient who calls and knows that he can access with the system, perhaps waiting not very long, prefers to access with that; but if you don't have the accredited offer, the patient necessarily goes private.

Regardless of this, however, I think that it will not even be applied, for a simple reason: it was supposed to start on January 1st, it didn't start because they are in difficulty, because this decree has been challenged by all the associations and, among the other, we are very strong in court because the law says that you can review the tariffs, but the tariffs you review must be contemplated and determined in light of a cost analysis.

Furthermore, the decree must be accompanied both by a document issued by the Ministry of Health, which clearly shows how the evaluation was made, therefore on the basis of which criteria, but above all there must be the opinion of Agenas, the public healthcare agency. In the challenge to the provision, it was requested that these two provisions were brought to the preliminary investigation.

The provision that was supposed to highlight the calculation methodology is absolutely inapplicable, because they took the tariffs of three Regions, made a downward average and applied these tariffs, but there is no cost calculation and, therefore, a proportionate tariff compared to costs; but, above all, the opinion of Agenas, the public healthcare agency, is negative.

On the basis of this, the suspension of the measure was requested. The Ministry then decided to postpone the application until April 1st and the judge said he would not then grant the suspension, but directly set the hearing on the merits for early May. I expect, also based on how the situation is moving in the individual Regions and at central level, that in April it will be further extended at least until the hearing in May, where I don't think this provision will be able to be accepted by the judge, because there are no the elements, for the reasons I told you about earlier.

The Regions and also the Ministry are very worried, as they don't know how to get out of this impasse. Furthermore, the Regions are not even ready from a technical point of view, because they have not even introduced the new tariffs, there is total disorganisation. They are not even ready from a technical point of view but, above all, they are very afraid because they risk finding their agendas, as far as we are concerned, closed. We open the agendas only for those services that have coverage, but not for services that are losing money. On this, at a time when we are talking about nothing other than waiting lists, the Ministry does not know how to get out of this situation and, moreover, I know that in the next few days there will be here in Rome, at Brancaccio on March 20th, a mega event



where the Minister of Health and his entire government entourage will come, with all the presidents and representatives of the various associations.

It doesn't scare me because I see this provision as inapplicable, because it would mean that in Italy there is no longer an outpatient healthcare system, I don't see it as applicable at all.

In any case we will update you, because it is precisely these days. In any case, we are not particularly worried, because we know the history, genesis and evolution of this story well.

Finally, to our great satisfaction, with the exit of Peninsula, as you know, social security funds have entered massively, including Enasarco, Enpam, with whom we are also talking about possible forms of collaboration regarding agreements or welfare services to be provided to their associates. This is a feature of the overall operation, which had several advantages. The entry of these social security funds into our capital had the advantages that we all know and can see, with the exit of Peninsula and with the entry of social security funds that also consider this investment to be very long-term.

They are subjects who want to carry forward this collaborative plan for welfare services to be provided to their members, which are obviously all private activities.

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

ISACCO BRAMBILLA: In reality, most of the topics I wanted to discuss have already been touched on, in any case I have three questions for myself.

The first is to complete the information on Aurelia Hospital. The press release talks about, when fully operational, a margin in line with your complex hospital facilities: perhaps if you can quantify, in terms of percentage margins, what we can refer to. I imagine something between 15 and 20%, I ask where we are moving in this range, that it is a medium-term target.

The second question is a clarification on two points of the 2023 results in terms of tax rate: if you can give us some color on what happened, given that it is a significantly higher level than that of the previous two years; and at the working capital level whether there is any distorting impact of the consolidation of Aurelia on the receivable and payable part, given that both items have grown significantly compared to the previous year.

The last question, which is quicker, touching on the sore point of financial costs: looking at 2024, can we take the approximately 11 million in 2023 as a good proxy for what we should expect for the coming year?

MARIA LAURA GAROFALO: Regarding the first question, I confirm that we can talk about a margin that can range from a minimum of 15% to 20%. The range can be considered wide, but there is a series of elements that will have to be defined and which



will have a significant impact on the definition of the margin, which however will certainly not be below 15%. I would move more towards the top of the range.

You didn't ask me, but I would like to make a clarification, because perhaps it comes after your curiosity, which concerns Aurelia. You may have noticed that in the last months of the year the EBITDA result lowered and this, for Aurelia, fundamentally depends on the fact that it did not produce EBITDA in the last month. Not having been managed, as I told you earlier, the production of the budget was also entirely carried out before the month of October and in the last two months of the year the facility only dealt with emergencies, that is, it only treated cases coming from Emergency Room. Obviously for this reason it made low revenues, which did not cover fixed costs. This obviously will never happen again, because it is part of that lack of management and confusion that I was telling you about earlier.

RICCARDO ROSSETTI: Good morning, I'm Riccardo Rossetti. The tax rate has increased compared to last year, you can see that it has an impact of approximately 27.8% on the pre-tax profit, and this basically derives from the fact that the Group had two "tax shields", which were a subsidized IRES on two important companies, Hesperia and Rugani, which were also "presidi ospedalieri", which has ceased since 2023, so they pay a full IRES, at 24%, while previously it was 12%; another tax shield which the group benefited from was the so-called ACE (Aid for Economic Growth) which this year has already partially disappeared due to a dividend policy that is more intra-group, within the Group, which it increased the Shareholders' Equity, and in 2024 it has already been totally canceled by the latest Finance Law. We can now consider this tax rate of around 28% a little more structural, even at regime.

The other question was about working capital. You asked if the consolidation of the Aurelia Group had had an effect: absolutely yes, it had it in absolute value and also in terms of variation. A few more details: you have seen that trade receivables are now close to 101 million euros, from 76.5 million last year, and all the increase comes from the Aurelia Group and Sanatorio Triestino, approx. 30 million euros, because in reality on a constant basis trade receivables decreased by approximately 5.6 million, with a positive effect on working capital. The same thing goes for debt receivables. You read a consolidated value of approximately 87.8 million, compared to 51 million last year: of the 36.7 million of this variation, the majority is from the Aurelia Group, 32 million, and another part is from the Sanatorio. Inventories essentially increased by 1.3 million and this is all a change in the perimeter. In summary, if we were to exclude the change in the perimeter from working capital, we would see trade receivables decreasing by around 5.6 million, inventories stable and debt receivables slightly increasing, therefore a positive change in working capital,



which however does not mean absolute improvements in collection and payment times, but simply temporary differences in the collections or payments of some invoices. The production dynamics, as has already been said before, this year, compared to last year, in the last quarter was a little less accentuated, because the productions had already been developed even in terms of extra-budgets in the first nine months of the year.

LUIGI CELENTANO: Regarding financial charges, the question was what we expect for 2024. For 2024, at least for the first half of the year, we already have a clear idea of what the variable interest rate is, at least on the main debt component, the bank loan we have, which has already been established. On the horizon, especially in the forward curves that are expressed by the market, we can glimpse an expectation of a reduction in the interest rate starting from the second half of the year, although we will obviously have to check on this and wait for the ECB's initiatives. Overall, however, for the year we expect a variable interest rate which, combined with the spread we have on the loans, more or less lands us on an all-in rate on average equal to 5%.
If we translate it in relation to financial charges, in terms of percentage ratio on expected revenues in 2024, we are approximately on the same order of magnitude as in 2023, therefore we are at an incidence just above 2%.

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

EMANUELE GALLAZZI: Just a clarification on Aurelia Hospital. In the last conference call you talked about approximately 12 million in estimated Capex, which could have been even less, for the project to relaunch the facilities: I ask if you can give us an update from this point of view and how we should imagine the Capex in 2024.
Consequently, I also ask you if you can give us an indication, given that you talked about these approximately 80 million of EBITDA, of where we could land in terms of Net Financial Position. Thank you.

MARIA LAURA GAROFALO: As regards the project, we have started the procedure, therefore we have deposited the architectural project with the municipality to obtain the building permit. In the meantime we are starting the internal works with a simple "SCIA", because obviously the building concession is only needed for the part of the expansion which concerns the new operating rooms and the new intensive care units, therefore the critical areas.
The architectural project, however, does not yet have a metric calculation, that is, it is not an executive project because the systems are missing and, therefore, we do not have a metric calculation on the basis of which we can obtain various estimates from our interlocutors.



We are asking for a quote from two engineering firms to let us do the metric calculation, the actual executive project, complete with systems, but until we also have the executive project I don't feel like giving a number, because it also depends very much on the type of systems we will install, the type of construction we will carry out. Above all, plant engineering will have an important impact and will depend on a series of choices that we still have to make.

However, the project is moving forward very quickly, so it could also be earlier than the timing we had set ourselves. I will be able to be more precise on the timing in the next meetings, I also have some meetings in the Municipality in the next few days, once I have the executive project, also on the amounts.

LUIGI CELENTANO: I can perhaps add something regarding the Capex estimates we have for 2024, beyond the component relating to the Aurelia project. Basically we imagine a maintenance Capex level, always expressed as an impact on our Revenue, aligned with 2023, therefore in the order of 3.5%. We have a series of other projects, as you know, of development and expansion of the organizational structure, which will also include the Aurelia project. Overall, our estimates for 2024, including both the maintenance component and the expansion and organizational reorganization component, we believe will be around 5% of our revenue.

As regards the expectation in terms of Net Financial Position, we expect a leverage ratio at the end of the year in the order of 2.2 times EBITDA.

OPERATOR: The next question is a follow-up from Isacco Brambilla, from Mediobanca.

ISACCO BRAMBILLA: A quick follow-up on the inorganic part, if you can give us an update on the whole operation on the real estate side and what the agenda is at the beginning of the year for the whole M&A part, if there are any priorities perhaps as regions or as a specialty area, and what kind of movement do you see on multiples in the market, if there has been any since the last call.

LUIGI CELENTANO: On the real estate assets, in the previous call we had already indicated that in 2023 we would complete all the demerger projects to transfer the real estate assets to GHC Real Estate by 2023, for an equivalent value, in terms of rent, therefore overall value of the assets, equal to approximately 80% of the total assets. This has been done, therefore GHC Real Estate, as the merger projects are perfected and therefore the rental fees are activated, is populating itself with assets and, obviously, also with the revenues corresponding to the rental contracts. Obviously it is an intercompany operation, therefore it has no impact in terms of consolidated results, neither financial, nor economic, nor at balance sheet level. In 2024 we are working on the completion and therefore the



transfer of those assets, according to the same method we have followed to date, on those facilities that required preliminary activities to be able to implement them. We are talking about the assets of the Fides Group structures, therefore the dependency care ones located in Liguria, and we are talking about two or three other assets that concern companies where there was no form of 100% full control on the part of GHC but an indirect control. Once these aspects have been resolved, we will also proceed with the transfer of these assets and thus we will have completed the initial project. Evidently in the future there will also be the assets of the Aurelia Group, or of the Sanatorio Triestino, to mention the last two M&As, on which we will evaluate the way to bring them into the Real Estate assets.

MARIA LAURA GAROFALO: Regarding M&A, we have not changed our approach. We are moving forward quickly on this front too which, as I have always said, as far as we are concerned represents growth of an almost ordinary nature. We have also identified some Targets that are in line with our objectives of consolidating and improving our performance. They are Targets that can be enhanced or enhance the structures we already have in our portfolio. Yes, therefore, we will move forward quickly on both organic growth and disorganic growth.

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

MIMMO NESI: If there are no further questions, we thank you for your availability. We are obviously at your complete disposal as an IR office and next week, as many of you already know, we will be in Milan for the Star Conference. We hope to meet there or even before, if necessary. Thanks everyone for your time.