



"GHC Results FY2024 Conference Call" Friday, 14 March, 2025, 3:00PM CET

MODERATORS: Mrs. Maria Laura Garofalo, CEO
Mr. Alessandro Maria Rinaldi, Chairman of the BoD
Mr. Luigi Celentano, Chief Financial Officer
Mr. Riccardo Rossetti, Head of Administration and Reporting and
CEO of GHC Real Estate
Mrs. Claudia Garofalo, Head of Finance
Mr. Marco Manili, Head of Finance, Planning and Control Aurelia
Hospital Group
Mr. Mimmo Nesi, Investor Relator & Chief Sustainability Officer



OPERATOR: Good afternoon, this is Chorus Call operator. Welcome to the presentation of the GHC Group's 2024 results. After the initial presentation there will be an opportunity to ask questions. I would now like to turn the floor over to Mr. Mimmo Nesi, Investor Relator and Chief Sustainability Officer of GHC Group. Please.

MIMMO NESI: Good afternoon, everyone. Thank you very much, as usual, for your time and availability. As you have seen, the company published the press release on the 2024 results a few hours ago. I remind you that the call will be in Italian and the transcript will also be published in English shortly.

I will briefly introduce who is present here from Rome: the CEO of GHC Group, Mrs. Maria Laura Garofalo; the Chairman of the Board of Directors, Mr. Alessandro Maria Rinaldi; the CFO, Mr. Luigi Celentano; the Head of Administration and Reporting and CEO of GHC Real Estate, Mr. Riccardo Rossetti; the Head of Finance, Mrs. Claudia Garofalo; and I will also introduce Mr. Marco Manili, Head of Finance, Planning and Control of the Aurelia Hospital Group.

At this point I give the floor to the Group CEO for an initial overview of the results, and then of course there will be room for your questions. Thank you very much.

MARIA LAURA GAROFALO: Good afternoon everyone. As you will have read from our press release, we are very happy with the growth we have recorded, both in terms of Revenues, EBITDA and, of course, Net Profit.

It is an important growth that has allowed us to start paying dividends. This is the first year, not only since the IPO, but since the beginning of my entrepreneurial activity, hence since GHC's inception, that we distribute dividends. This is the first dividend that the GHC Group distributes after decades of reinvesting all profits and cash in the growth project.

Today we are very happy because, obviously, we are doing this without modifying our growth project, both organic and by external lines, on which, indeed, we intend to accelerate significantly; and our financial structure, which is obviously linked to our performance, today finally allows us to do so.

Having said that, I would also like to specify that these excellent results leave some marginality on the ground, which will be recovered in 2025, as far as the Aurelia Group is concerned.

The Aurelia Group, and Aurelia Hospital in particular, should have received 3 million euros in funding for the Emergency Room function as early as 2024, linked to a new decree that regulates funding for the Emergency Room function differently.

This funding was tied to the achievement of 25 thousand accesses, which we regularly did and which would have brought in 6.6 million in funding for the



Emergency Room, but in December the Region told us that this new remuneration for the Emergency Room function would come into effect as of 2025 and not as of 2024, and obviously only for operators who, like us, had reached 25 thousand accesses in 2024, a target that we in any case exceeded.

This causes us to lose, in 2024, 3 million euros of marginality, because it is not an amount that remunerates services rendered, but is a pure funding, so it all goes into EBITDA.

Then there are other small so-called one-off items, i.e., which only have an impact in 2024, especially related to the acquisition, i.e., the transfer of the management structure from Aurelia80 to Aurelia Hospital S.r.l., which will obviously no longer occur in 2025.

This is a part of EBITDA that we have left on the ground, but which we postpone to 2025, with respect to which we are also very satisfied because, in addition to what I have represented to you, fortunately the December resolution recognises us quite significant incremental budgets. Specifically: 2 million euros on outpatient specialisation, which has a 70% marginality; another 700 thousand euros on general medicine, which basically has a profitability of 90% because there are no surgeries, so there are not even increased personnel costs, but only costs related to medicines, drugs; and then we also received an increase in the budget, for 400 thousand euros, for rehabilitation, which leads to a marginality of 100% in that case too, because there are not even drugs there, there is the staff, which is composed of physiatrists and physiotherapists.

This is as far as the Aurelia Group is concerned, on which we have done a lot of work and in respect of which we are also very satisfied, albeit exhausted, with the results we have achieved.

In addition, at the Group level, with regard to the other GHC facilities, we are waiting for the extra budgets for reducing waiting lists to be communicated to us, as in previous years, but another significant budget increase, which has already been allocated to us and which must be mentioned because of its size, is that of the 5 million euros for Rugani Hospital in Siena.

This is a budget for acute activity, i.e. inpatient. Obviously to make such a large budget we would also have to hire new staff, it's surgical operations, so we are assuming a margin of around 30-35%.

This is the introduction I wanted to give you, at which point I would open the space for questions from analysts. Thank you.

OPERATOR: We will now begin the question and answer session. The first question is from Isacco Brambilla, from Mediobanca.

ISACCO BRAMBILLA: Thank you, good afternoon everyone. Three questions, from my side. The first is just a clarification on this last topic of budget increases with regard to Aurelia. This funding of 3 million I understand correctly that can be translated



100% into EBITDA for 2025, that is, just to speak trivially, starting from the 78.5 million of consolidated EBITDA in 2024, just for this technical effect, can we assume 3 million of growth in 2025?

The second question is more on a general level, on the whole subject of the 'Tariff Decree'. We have read so much in the newspaper articles in recent weeks and months, if you can give us an idea if you have done a quantification at a consolidated level of the potential impact as a Group and maybe a little bit of detail region by region, for the facilities impacted.

Last question, maybe more on the CFO side: regarding cash generation we are talking about commitment, at the level of Capex also organic, if you can give us an idea of how you see Capex in 2025 compared to last year; and also if we can imagine that working capital, after this year's discontinuity, could return to the usual dynamics, a neutral or slight cash generation dynamics in 2025. Thank you.

MARIA LAURA GAROFALO: Regarding the first question, I confirm that the 3 million is funding for the function and not remuneration for services rendered, so it is a 100% pure increase on EBITDA.

As for the "Tariff Decree", I think we had already told you before that the impact on the entire Group was not very significant, so apart from Veneto, which extended the old tariff, at least until the end of March, on everything else we had an impact of around 500,000 euros.

Now, as you have read in the newspapers, the suspension was not granted, because the justification was that a hearing on the merits was scheduled very shortly, for 27 May. In addition, the category, especially the associations, in particular ANISAP, which is the Association of Diagnostic Centres, is nevertheless also proposing an appeal, to the sentence that does not recognize the suspension, in the Council of State. At this point it is of little significance, since in any case the hearing that will discuss the issue on the merits is imminent.

As far as the Veneto is concerned, in both the Veneto and Friuli-Venezia Giulia Regions there was a show of force by all the operators, who made it clear that they would not open the agendas for the reservation of those services that were subject to significant reductions, so a round table was opened in the Veneto Region, in which our representatives are participating, as well as the associations of our direct representatives, i.e. General Managers or Directors of our facilities. This round table is discussing what could be the definitive price list, which will certainly not be the national one.

This is a bit of the picture.

I did say, however, that the impacted regions were few. To give you an example, in Lazio Region we have no impact at all. On the contrary, on some items of



Magnetic Resonance Imaging and CT scans there is even a small increase in the national tariff. This is a bit of a discourse.

We are not at all frightened by this tariff issue, because apart from the more or less marginal impact, I am certain that this tariff, as it stands, will not be able to be applied. This is because, in any case, the public sector, without the help of the accredited private sector, has no chance of reducing waiting lists, it needs the private sector, because you know that public hospitals are congested, so they are absolutely unable to provide extra outpatient specialist services.

We have waiting lists that are constantly growing, so the public, the system, knows perfectly well that only with the private sector can it tackle and solve this problem.

I personally am not worried at all.

For the third question I pass the floor to the CFO.

LUIGI CELENTANO On cash generation, Capex and working capital dynamics, I would start with the 2024 Capex and then give you an indication of the 2025 expectations.

In 2024 we realised an important value of investments, amounting to 22.5 million. These 22.5 million have an equally important share of maintenance Capex, which, however, when compared to turnover, are at the levels we historically record, around 3.5%, but we have also carried out a series of expansion initiatives, which particularly concern the San Francesco clinic and Domus Nova in Ravenna, as well as the purchase then of the Aesculapio Real Estate assets.

This level of investment is what we expect to find and realize again in 2025.

On the expansion component, there is also a project, concerning the Hesperia Hospital in Modena, to build a new intensive care unit and the start of a series of design works to also build a new hybrid operating theatre, to further develop both Out-of-Region and private operations.

MARIA LAURA GAROFALO: I'm going to get into this point that you touched on, of the Hesperia Hospital, because we are going to build a new operating theatre, which we will use to increase both private and Out-of-Region activity. We are doing a deal, we are bringing in a team that brings in 4 million euros in turnover and patients. Obviously we have to create the space, so these are investments for growth.

LUIGI CELENTANO: In addition to this investment base in 2024, which we also expect to realize in 2025, there is also the investment related to the project to build the new Heart Centre.

You know that during the course of the year we carried out planning activities for the new operating theatre to be built and also for the intensive care rooms, which will be in this new building.



We then carried out the tender and identified the company that will carry out the works. These works, in total, are worth about 18 million in terms of investment, to be realized in two years.

Together with these works, the overall Aurelia redevelopment project, in addition to the construction of the Heart Centre, envisages other investments involving equipment, apparatuses and the overall redevelopment of other departments, such as the medical department, the cardiology department, the waiting room, thus completely changing the structure's skin, for an additional 10 million euros over two years, which we can distribute approximately 50% in 2025 and 50% in 2026.

Therefore, at the basis of the investments I mentioned earlier, in 2025 and 2026 we will have these Aurelia-related investments that will then allow us to realize and complete the project we have talked about so much in the past.

MARIA LAURA GAROFALO: I wanted to make a clarification on this issue: 18 million is a little bit more than what we had estimated, because in the end we opted for a slightly more expensive method, but a method of construction that is not only state-of-the-art, but which allows us to reduce the construction time by 40 per cent, also with an organisation of the construction site, which is obviously within the park of the facility, but in front of the Emergency Room, much less invasive than a traditional construction site.

This method is called X-LAM and is based on the use of wood and steel beams. It is considered cutting edge because, despite what one might think, using wood exposes one to much less risk of fire, cracks or wear, also because it is a very elastic material.

It also, as I said, allows for a non-invasive construction site. We were told by the company that won the tender that the construction will take 13.5 months, but the external building site, with a crane that will be a little more invasive on the outside in front of the Emergency Room, will only last five months, because in five months they will carry out the construction and then the work is all internal. That is why we opted for this type of procedure.

Then of course we also budgeted for investments in technology, because we also received this budget increase. We are off to an even better start this year, with the private sector, so we need high-performance machines that can perform examinations in a shorter time, to enable us to perform more examinations.

LUIGI CELENTANO: I continue the story to get to the expectation that we have in terms of cash generation, hence NFP.

With regard to the dynamics of working capital, we certainly expect this dynamic to be regularized, while taking into account the fact that the financing mechanism, which provides for an increase in terms of Revenues and margin,



has a deferred adjustment system, so that in 2025 we will not find the effect and benefit from a cash point of view, but we will find it in 2026.

This will certainly be a small effect that we will have on the working capital, together with that dynamic that pertains to the Out-of-Region, whereby, as soon as the financial ceilings given to the regions are exceeded, the production surplus is adjusted after 1.5 years. This can produce, on the working capital and credit side, a slight slowdown.

As the CEO also said, then in May of this year we will distribute dividends and the effect of this is to have, at the end of the year, an expected Net Financial Position in the area of 190 million euros, with leverage around 2.3 times EBITDA.

OPERATOR: The next question is from Emanuele Gallazzi, Equita. Please.

EMANUELE GALLAZZI: Good afternoon everyone. I have several questions, if you want we can go one by one, as they are also quite quick.

The first is on the Capex part. Just for clarity: tell me if I am wrong, but is it 36 million per year, 2025-2026, overall?

LUIGI CELENTANO: Including the Heart project, they are roughly around that amount you mentioned.

EMANUELE GALLAZZI: On the Aurelia side, on the other hand, the message is very clear that these 3 million will be recovered in 2025. I was wondering: are they conditional on reaching the target of 25,000 Emergency Room admissions? And, if so, is this target easily attainable? In 2024 did you do much better?

MARIA LAURA GAROFALO: Yes, certainly. We have reached it and it is attainable, in the sense that we monitor access almost daily, so our estimates and experience, because the ER also has its own seasonality, tell us that we will far exceed that target.

On the other hand, the Aurelia, historically - I'm referring to the times before the liquidation, at least 7-8 years ago, when I was in charge of it - was doing 27-28 thousand accesses, without even great effort on our part. So absolutely yes, the target is that, but we will exceed it. Incidentally, we have also calculated how much it is worth to us to exceed it, because the funding remains the same up to 45,000 visits, and obviously it is not worth it to us to go that much further, but a little more, also because each visit that is not followed by hospitalisation is paid to us at around EUR 90.

My guess is that they will easily be around 27-28 thousand, without going that much further, as the financing remains the same.

EMANUELE GALLAZZI: On 2024, we saw a growth in the part with private patients of 6.5%, Out-of-



Region of 8.5%. It is always difficult to look at it month by month, but I was interested to see the trend you are seeing on January and February, that is how the year started.

I will link to this instead with an outlook. You gave an indication on the Net Financial Position part, I wanted to understand a little bit more about your expectations on the Turnover and EBITDA side, whether 82-83 million, which is the consensus today, and where you see EBITDA, whether you think something below or something above.

LUIGI CELENTANO: I will start with this last point. Overall, compared to the consensus we expect a slightly higher level of Turnover, as well as a slightly higher level of EBITDA than the consensus.

Taking 2024 as a benchmark, we expect growth of about 2% in total Revenues and about 7% in EBITDA.

EMANUELE GALLAZZI: And on the start of the year, if you would like to give some comments on January and February?

LUIGI CELENTANO: On the private sector side, the private sector trend compared to last year is more or less in line with the growth expectations we have for this year, which are around 3-4%. I remember that we come from two years in which we grew by 6.5%, 2024 over 2023, and 2023 over 2022 by almost 12%.

Obviously January and February are two months that are unrepresentative on the basis of the year, but they are in line with these expectations of ours, which we also expect to exceed for the whole year.

These are the expectations for 2025, which are minimal, and at the moment January and February are quietly confirming them.

EMANUELE GALLAZZI: Thank you very much. One last point was on the subject of dividends. First a technical aspect: you announced a 35% payout, it was just to understand if we should take it as a dividend policy, so we should also expect for the next few years to see a payout in the region of 35%; and, you announced it right at the beginning of the speech, but what I wanted to understand is if on M&A nothing changes and with leverage in 2025 around 2.3 times, it still remains a maximum leverage in the region of 3-3.5 times, or has something changed?

MIMMO NESI: On the subject of the dividend, I will answer. You have seen that the distribution of 35% of the consolidated profit has been proposed for 2024, it is reasonable to assume that this level of distribution can also be maintained in subsequent years. The answer to the question is therefore yes. On the subject of leverage, I will hand over to the CFO.



LUIGI CELENTANO: Our financial discipline, even with M&A, is absolutely confirmed, so I answer yes to this question as well.

MARIA LAURA GAROFALO: I have never considered the distribution of dividends for the past 20 years, because for me the creation of value was more important. From now on we have instead accepted it because we want to give satisfaction to all those investors who have trusted us for so many years and who have believed in our project, but obviously the condition was that this distribution would not have any impact on our financial capacity for growth.

OPERATOR: There is one more question from Isacco Brambilla of Mediobanca. Please.

ISACCO BRAMBILLA: Two follow-ups. The first is on the subject of M&A. Obviously you can't tell us too much about it, but in general what kind of asset availability you see in the market and whether the claims of potential sellers are changing a bit. The second question is more on a technicality. In 2024 I saw an increase in provisions under EBITDA, almost 7 million, which is quite a higher number than your usual average, 6.3 million is the precise number. Is this something that is the result of the increase in the perimeter, or was there some one-off item that maybe we might not consider as repeatable this year.

MARIA LAURA GAROFALO: On the first question, which concerns M&A, there are also no changes from what we have announced to you in previous meetings. We get so many opportunities now, but we try to focus on the most significant ones. We have been working on a few targets for some time now and we have stuck to those. Obviously, since they are perhaps a bit more important, they need a longer time frame. We considered smaller opportunities because they were synergic with other facilities already present in the area. Smaller opportunities have therefore been added that we have considered synergic with our existing facilities, but we are focused on more significant operations, which are always the same, which obviously require a greater commitment in terms of time and work. From the point of view of valuation and pricing, there were no changes.

RICCARDO ROSSETTI: I will answer the second question. To be precise, the increase you mentioned, of about 6.2 million euros, can be broken down into two phenomena: an increase of about 3 million euros in depreciation on tangible fixed assets, which derives mainly from the increase in the perimeter, i.e. from the fact that we have taken depreciation on the assets of the Aurelia Group for 12 months; and the other part derives from the higher provisions for health and LHA risks. This should not be of much concern, in the sense that this item is not a standard item like depreciation on assets, it is an item that can vary from year to year.



What is important for us is that it always remains within a range of 1% to 1.5% of turnover, in fact this year it is again 1.3%.

This year's events suggested that potential provisions for medical risks were a little higher than last year, but they are still within a normal range for us.

OPERATOR

Mr. Nesi, there are no questions at the moment.

MIMMO NESI

Perfect. If there are no questions, we thank you for your availability, and we remain at your complete disposal for any questions or insights. I would like to point out that at the end of March we will be, together with the CEO, at the Star Conference in Milan, so we hope to see you there very soon.

Thank you again and have a good afternoon.