



**“GHC Results 9M2024 Conference Call”
Thursday, November 14, 2024, 6:00PM 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
Mr. Mimmo Nesi, Investor Relator & Chief Sustainability Officer



OPERATOR: Good evening, this is the Chorus Call operator. Welcome to the GHC Group's 9-months 2024 results call. 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 the GHC Group. Mr. Nesi, please.

MIMMO NESI: Good afternoon, everyone. Thank you very much, as usual, for your time and availability. The company has published the press release for the 9 months of 2024 with the markets closed. I would like to remind you that the call will be in Italian, and the *transcript* will also be published in English shortly. I will briefly introduce those who are here in the room from Rome, so the Group CEO, Mrs. Maria Laura Garofalo; the Chairman of the Board of Directors, Mr. Alessandro Maria Rinaldi; the CFO, Mr. Luigi Celentano; and the Head of Administration and Reporting and CEO of GHC Real Estate, Mr. Riccardo Rossetti. At this point I yield the floor to the GHC Group CEO for an initial overview of the results, then of course to follow there will be room for your questions. Thank you very much.

MARIA LAURA GAROFALO: Good evening everyone. We have published 9 months results which, as you may have noticed, continues to grow compared to 2023. Revenues, in fact, are up 84.2 million compared to last year, so up 32%, and EBITDA is up about 8 million, so up about 16%. This growth gives us great satisfaction, because in large part it was driven by the growth of private activity, which continues to be at very satisfying percentages, i.e., private individuals grew by about 7.5%, and Out-of-Region, so patients coming from other Italian regions, also continues to grow by about 6.5%. We observe, moreover, that these excellent results emerge despite the fact that the third quarter was, even physiologically, slower than the others. We know that it is the quarter that is predominantly impacted by seasonality, and it is a quarter that has slowed down even more than the quarter last year, during the same period, for a number of reasons. First of all, we know that in the first half of the year we significantly pushed our foot on the accelerator, partly because, unlike in other years, this year the Regions gave us the extra budgets for waiting lists at the beginning of the year. Therefore, this resulted in a major advance, also because we had waiting lists to clear and there were obviously patients who needed the care service, patients on the list from the previous year. We then, of course, slowed down in the middle quarter, in the summer quarter, which, moreover, was also impacted by negative events, partly foreseen, partly unforeseen, which, however, were “a



parenthesis,” so they only impacted the third quarter; as well as one-off costs, for example, the costs of aligning Aurelia Group procedures with GHC Group procedures and similar costs.

Events and costs, then, that occurred in the quarter but will not occur again, so we will then have a final quarter that will resume the trend of previous quarters. To be clearer on this topic, I can represent to you, by way of example and not exhaustively, a number of situations.

For example, one negative situation, which impacted the summer quarter and had not been foreseen, was precisely the breakdown of these AHU (“Air Handling Unit”) equipment, which regulates the humidity level in the operating rooms. This forced us to keep the large rooms closed for quite a significant period of time, and therefore we had to completely change the scheduling, so the *case mix* of surgeries, using mainly the small rooms, where we do outpatient surgery, so lower margin surgeries.

Obviously the situation has been repaired, the AHUs have been changed, in fact in October we saw an exponential growth in the turnover of Hesperia Hospital.

Regarding Villa Berica itself, in comparison with the previous quarter, last year we were assured of an extra-budget of 1.5 million at the end of the year, so we accelerated our production in the third quarter, but in the last quarter we were then suddenly told that that extra-budget was no longer there. In this year's quarter, of course, the 1.5 million therefore is not there, however it compares with a quarter last year when it was there. The impact will no longer be there in the fourth quarter, because already in the fourth quarter of last year Villa Berica had stopped all activities, having received news of the cancellation of the extra-budget of 1.5 million.

I can also say about the Eremo di Miazzina. As you know, the Eremo di Miazzina as of today has two locations, one is the historical location, the other is the new location in Gravellona Toce, where we have moved all the inpatient rehabilitation and outpatient activities, activities that marginalize significantly; left in the historical location are the social welfare activities, which, generating a loss, we had decided to divest, however, we had evaluated the divestment with shorter time frames.

In fact, we have prolonged the activity of social welfare services at the original location, with full employment of the workforce, with full fixed costs, and with production activity that has been declining instead. We then completed the sale of that business to another operator, so this negative impact of this loss in the fourth quarter we will not have.

I also want to make one last point about the Aurelia Group. Again, we had some situations, but they only impacted the third quarter, such as we had a change of the primary caregiver in the Rehabilitation Department. In fact, this head physician did not work at all, in fact we have already replaced him. So we had, therefore, a lower productivity in the quarter, for 250 thousand euros, but we



are already recovering from the end of August, early September. Now we have, indeed, an overproduction that will allow us to recover this gap.

During the course of the year, already before the summer, new legislation also intervened in Lazio, which regulated the remuneration of intensive care and the Emergency Room with respect to the year 2023, with a worsening of the amounts even at the level of pricing.

This negative impact is already contained in the novestral, as a contingent liability, but the Region has given us news that as early as 2024 it will change the remuneration of the ER and critical areas with additional funding for about 2.2 million. However, this resolution, which will bring us an increase of 2.2 million, has not yet come out and is expected to come out in the last quarter, so we have necessarily continued to bill with the method related to 2023, and this obviously marks a lower production, but this will be recovered in 2024 because the resolution is soon to come out.

I will close by saying that I am happy because we have shown that we were also able to cope and make these situations one-off, because a slower intervention, a slower awareness of these negative events, could perhaps have extended over the last quarter as well. I am very happy because the data tell us that despite the seasonality and the physiological reduction in the third quarter, and despite the fact that the third quarter was also impacted by several negative events, we nevertheless continued to grow and you will see that we will have great satisfaction in the fourth quarter.

With respect to this, in front of you I also want to officially congratulate my team and the CEOs of the controlled facilities, because, as you will realize and as I think you have realized, running a hospital is really complex and you should not miss anything, because events happen however the important thing is that the event is immediately addressed, and we have shown, in this, that we are very capable.

I will close by saying that, as far as the Rome Group is concerned, but not only that, we also have interesting talks about the other facilities in the north, however, the interventions we are making for 2025 on the Rome Group are very significant, where the interlocutions I am having with the Lazio Region tell us that we will have budget increases on outpatient specialty care, general medicine and orthopedic surgery.

I don't know the amounts yet but I am really very optimistic.

With that I will close my remarks. I don't know if there are any questions or to then turn the floor over to our CFO.



OPERATOR: We will now begin the Q&A session. The first question is from Isacco Brambilla, of Mediobanca.

ISACCO BRAMBILLA: Good evening everybody, I have two questions on my side. The first is whether you can help us translate the very confident outlook on the fourth quarter into somewhat more quantitative expectations. In the last call you referred to an EBITDA on the year around 80 million, I would like to understand if this expectation is confirmed.

The second question instead is about Aurelia. Beyond this quarter's results, if you can share what is the target as a marginality for this year and, if possible, also for 2025, given that clearly it will depend, I guess, on the various budget discussions that you have mentioned to us.

LUIGI CELENTANO: Good evening, Luigi Celentano. Regarding the outlook for the fourth quarter, and therefore also the expectation for the end of the year, we confirm to you what we have already communicated on the occasion of the presentation of the half-yearly data: the expectations are in line with the consensus of you analysts, in terms of EBITDA, so in the area of 80 million, and in terms of Revenues in the area of 465 million, which are exactly the values of the consensus.

This answer also contains the answer to the other point, so the 2024 margin target for Aurelia. For this we also confirm what we had indicated at the beginning of the year, then confirmed at the half-yearly report. We are talking about a marginality overall in the area of 9 to 10 million, in terms of a percentage of about 10 percent.

Consider that an important element, for the purpose of reading this guidance, is what the CEO was saying earlier about the critical area remuneration mechanism. This new mechanism will bring a benefit over the entire year, and it will be a benefit that we will find on the accounts at the end of the year, compounded by a quarter that we expect to be in line with the first and second.

MARIA LAURA GAROFALO: The 2024 financing system will cover the entire year 2024, however, 2024 is also impacted by the contingent liability of 2023, which we will not have in 2025. This is very important. We will have the full benefit of the new remuneration of critical areas and Emergency Room. I can't absolutely get off the hook as far as 2025 is concerned, because I have no idea what the amount will be, and I have to go and discuss it, of the budget increases that I mentioned to you, which will be important. Qualitatively, though, I can tell you that we will have a benefit from the remuneration, as I told you, of critical areas and the ER, especially the ER; we will have a benefit from the private activity, which started slower than we expected, because we were faced with a situation that was all to be built, not so much because there was no demand, but because it was a reality that had never done private, so it was not really organized and



structured, because to do private also requires different professionalism, especially in the front office, in the management of the patient, insurance policies and whatnot. From the zero we had, however, we now have significantly important amounts. I also expect significant private growth on outpatient activity, because we have brought in a new chief of radiology, who is a number one in Rome especially for CT scans and coronary MRIs, cardiac and others, and he has a not inconsiderable private patient base. Obviously then we also made cost efficiencies, although some of the efficiencies we reinvested on some areas. Now we're going to have to make a little investment on the dedicated ER area, so raise the physician fee, because the ER is the heart of that business. 70% of the accesses to the facility come from the ER, so the physicians have to be very trained. Obviously these are limited interventions, and then we will have these budget increases, which I expect to be very significant on the outpatient side, where today we have a budget around 400 thousand euros, so very low, unlike the other accredited private facilities in the same area, which have a few million. In the region we have talked about some kind of rebalancing and realignment compared to other providers, but the figures have not been done yet. On general medicine, I can imagine what the budget increase might be, because I'm providing 6 more beds, about 100 thousand euros per bed: and on the orthopedic part, on the other hand, I really have no idea. I know that the Region has needs and we have waiting times that are twice as long as the Region could afford, so I expect this increase, however, I have no idea how much the amount will be. In light of these question marks, it is very difficult to be able to give a serious forecast.

LUIGI CELENTANO: We can add that 2025 will not have the weight of RSA, which was then decommissioned in April and which weighed on the first 4 months of the year with fixed costs, so also on 2024 results overall.

MARIA LAURA GAROFALO: Yes, I remind you that Aurelia had a 20-bed R1 ward, which would be an RSA for critical patients. We started decommissioning, so no longer admitting patients, however, the staffing remained full, because the requirements demanded it, while the patients decreased. We had up to 3 patients with full staffing for 20 beds.

This ward we were able to close it in April, so the loss that generated this ward in those months in 2025 will not be there. I really expect a good year.

I also promised that the Aurelia Group will match the performance of our high-complexity facilities, and I have generally shown that I always keep my promises. I am really getting into it personally.



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

EMANUELE GALLAZZI: Good evening everyone. On my side I have four questions, maybe I'll start with the first two and then add the other two. The first one. You have confirmed the *guidance* at the level of sales and EBITDA, I was wondering if you could give us more details on the working capital trend. I was also seeing the indication you gave of a less favorable working capital than last year, also due to one-offs from the Aurelia Group. Contextually, if you still see Net Debt at the end of 2024 in the 180 million area.

The second question is instead linked to the Aurelia Hospital, if you can give us an update on the investment plan planned for the Aurelia Hospital.

LUIGI CELENTANO: On the performance of working capital, we have devoted a bit of commentary aimed at understanding and explaining what the performance has been this year, at least these first nine months, and certainly there is a theme that we have already pointed out in the semiannual report, that we this year for the first time, also thanks to the refinancing operation that we did in July, did not consider it necessary to proceed with the disinvestment of receivables on the Out-of-Region of Emilia-Romagna, which are certified receivables, in order not to perhaps unnecessarily face financial charges. It is clear that blocking this process, which was repeated year after year, generates in 2024, and only this year, a slowdown.

This year then we faced, compared to last year, however, higher financial charges related, on the one hand, to the acquisitions we made in 2023, of Sanatorio Triestino and Aurelia Hospital, and on the other hand also to the refinancing operation last July.

The performance of working capital in general on some facilities has been slightly less favorable, but simply because of dynamics at the turn of the year. Last year, for example, some facilities had been late in collecting some items, which actually pertained to 2022, while others, on the other hand, had received payments even ahead of the contractual timeframe, they were paid at 30 days, and the LHAs then gradually realigned to the contractual timeframe, then to 60. This obviously generated effects limited to this year.

I then go to the issue of the NFP outlook. Because of the trend we have just commented to you on these 9 months, we see more of a year-end NFP in the area of 190 million, rather than 180.

MARIA LAURA GAROFALO: With regard to Aurelia's investments, the prevailing investment I think you are referring to the construction of the wing dedicated to the Cardiovascular Heart Center. As I had anticipated, I think in the last few meetings, at the end of October the executive project finally arrived, which required a rather in-depth study because, from the structural point of view, we



also tried to identify the fastest construction methodology. So the choice fell on the XLAM method, which is used a lot in the construction of hospitals because it can reduce the construction time by about 40 percent.

Of course, this method is a tad more expensive than the traditional method, but the traditional method would have resulted in a timeline that would have slowed down the activation of the Heart Center too much.

Now there is the firm that we have appointed to carry out the executive design, and at the same time we have also finished all the procedure in the municipality, so I expect that the construction permit should come soon as well, but in the meantime we have to open the tender to the firms that will be in charge of the construction. Just tonight I will get the list of these firms, we will choose a General Contractor as far as the implementation of the work is concerned, so that it can be managed with one party taking responsibility, and this also speeds up the implementation process, because it creates less confusion, but the condition will be that the purchases of the facilities, of the more expensive materials, we will do them directly to avoid the General Contractor's mark-up.

We will open the tender, I believe, as early as next week, so then we can also be more precise about the amount of investment.

EMANUELE GALLAZZI: The other two questions were more general. One is whether you can give us an update on the M&A topic, if there is any news from that point of view.

The second one is on the topic of private business, which continues to be solid. In the first 9 months you have indicated this 7.5% growth, then beyond the third quarter, which clearly has seasonal themes, I liked to understand a little bit more from you what you are seeing now and what is your *view* for the fourth quarter but also for 2025 for private business growth, whether these high levels are sustainable even given the data we are seeing of growth in private health insurance penetration. Thank you.

MARIA LAURA GAROFALO: Not only do I think they will be sustainable, but we are going to increase more and more. These trends are now going to increase to the point where they will replace a large part of the National Health System, because there is now no question that the system is not meeting the care needs, so now everyone is getting equipped with a policy. A normal policy costs 3,000-4,000 euros a year, so even a family that is not particularly well off, I think that in order to guarantee health and care for all the members of that family, in the end this is an effort that they make, preferring perhaps to forego other expenses.

I expect this growth to increase more and more, not surprisingly I can also give as a signal the fact that the same pension funds that are in our capital, and that give us the signal of the context, are also very interested in offering this kind of services to their members.



As I anticipated, we have made this agreement with Enasarco regarding certain specialist services to their members. I must say that we are seeing flows that are going to grow and also other funds that are paying attention to us and want to repeat the same path.

Many companies are focusing on corporate welfare, because we know that if we want to gratify our employees, it's useless to put 200 euros a month increase on them, because then in the end very little goes into their pockets, since it all goes away between contributions, taxes and whatnot; instead, an insurance is certainly much more welcome, so this phenomenon is also growing. While at the beginning, when we started with this major trend, I was surprised, because the growth went far above our expectations, today I really would be surprised at the opposite. I expect more and more important growth.

This is our view, on which I can give reassurance.

For example, I also wanted to point out that Dalla Rosa Prati Diagnostic Center, which moreover is a center that does important numbers both in terms of turnover and marginality, has almost everything private, because it has a budget of not even 2 million, 1.7-1.8 million, with a total turnover of about 20 million.

Private also includes this agreement that Dalla Rosa Prati has with the hospital in Parma, which, because it could not afford the investment in a PET-CT scan, had the Dalla Rosa Prati diagnostic center make the investment and send patients to our center with no budget constraints.

We recently changed this year the PET-CT scan, which was now more than 7-8 years old, so it was quite old and slow. There it is very important to do the examinations quickly because, since in the agreement with the hospital there is no budget limit, the more examinations you do in the day, the more you increase the turnover.

So we have invested in this very latest generation PET-CT. Consider that there are only three others in Italy, which are installed in very important realities such as San Raffale, such as the Azienda Ospedaliera in Padua, and such as the Gemelli in Rome. It is a rather small diagnostic center, as a reality, compared to these big giants, and instead it is the fourth one in reality that has installed in Italy this PET-CT, which moreover allows us to see very small lesions, that is, in an almost preformation phase, and also allows us to perform the examination without the patient undergoing ionizing radiation, which is usually normal in common CT scans.

Most importantly, it allows us to do exams in half the time. If we used to do 15-16 examinations a day, today we can go up to 25-28. This is very important. We installed it in September and will then see the full benefit in 2025. Since it is a very high-performance machine, in addition to the patients we will do at the hospital we will try to open sessions for private as well.



On M&A I confirm what I said last time. The timing is what it is, within the next semester I expect maybe some news, however more than that I cannot say. However, I confirm what was said in the last calls.

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

ISACCO BRAMBILLA: Very quickly, just to complete the series of updates, if you can give us an update also on the whole Real Estate file, which, if I'm not mistaken, at least as your internal activity, should have been almost completed, from the last news that you had given us.

RICCARDO ROSSETTI: Good morning, Riccardo Rossetti. The news is that we have completed these days the *onboarding* of all the Real Estate portfolio that we were planning to work on in 2024. We are missing the last corporate acts to be able to transfer all the properties. From here we are already analyzing and studying what "phase 2" could be, that is, the valorization of this Real Estate portfolio. As we have always said, we do not have a predefined timeline, because it is an operation that must be value-added for the Group and specifically to support the expansion strategy.

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

MIMMO NESI: Perfect, then we can say goodbye. I would just like to point out, as you read in the press release, that Standard Ethics has confirmed, for 2024, the ESG EE and EE+ rating, medium and long term, Strong and Very Strong, an element that places GHC at the top of the companies in terms of commitment to sustainability issues. I think it was an important issue to point out. That said, if there are no other questions, as an IR office we are obviously at your disposal for any further need for further information, we thank you and hope to see you soon. Good evening.