



# **“GHC Full Year 2021 Results Conference Call”**

## **Wednesday, March 16, 2022, 4.30p.m. CET**

**MODERATORS:** Cav.Lav.Avv. Maria Laura Garofalo, Chief Executive Officer  
Mr. Alessandro Maria Rinaldi, Chairman of the Board of Directors  
Mr. Umberto Suriani, General Manager  
Mr. Luigi Celentano, Chief Financial Officer  
Mr. Riccardo Rossetti, Head of Administration  
Mr. Mimmo Nesi, Investor Relator & Chief Sustainability Officer



**OPERATOR:** Good evening, this is the Chorus Call operator. Welcome to the GHC Garofalo Health Care full year 2021 results presentation. I remind you that all participants are in listen-only mode. After the initial presentation, there will be an opportunity to ask questions. To receive assistance from an operator during the conference call, type \* followed by 0. Now I would like to give the floor to Mr. Mimmo Nesi, investor relator and chief sustainability officer of the GHC group. Mr. Nesi, the floor is yours.

**MIMMO NESI:** Good afternoon everyone and welcome. Thank you very much for your participation. I briefly introduce who is here in the room: the CEO, Cav. Avv. Maria Laura Garofalo, the Chairman of the board of directors Mr. Alessandro Maria Rinaldi, the General Manager Mr. Umberto Suriani, CFO Mr. Luigi Celentano and the administration and budget manager Mr. Riccardo Rossetti.

The presentation of the 2021 results will be made in Italian language. In the next few days, the text of the call both in Italian and English will be published on the official website. I now leave the floor to the CEO of the Group.

**MARIA LAURA GAROFALO:** Good evening everyone, thanks for participating, thanks for the attention you dedicate to us. As you know today we approved the 2021 budget, we are particularly satisfied with the economic results. As you may have noticed, they were superior to consensus. This is a very important result achieved by the group in a year that has in any case been very challenging, because the Covid pandemic has continued to persist in our facilities and in the world. We have given massive support to the system in containing the pandemic, we have opened new wards in various structures, we have hosted the most delicate surgeries of the reference public hospitals that obviously could not coexist within the hospitals themselves with Covid. I must say that compared to the first year, that is to 2020 in which Covid took everyone by surprise, our operators, our administrators, ourselves, we ourselves have acquired a certain familiarity in the management of the pandemic and therefore this has allowed us to continue our ordinary management in an absolutely effective and efficient way, but also to transform those activities supporting the system which are obviously more effective also in terms of margins. For this, my main thanks obviously goes to all the administrators of the Group's structures who were personally with their entire team on the field and were able to achieve the experience gained the previous year in the management of Covid. And this can be seen in the results. At the same time they managed to make ordinary activities work just as effectively and moreover, especially towards the second half of the year - towards the end - the system, as we had foreseen and announced in the various meetings we had with investors and analysts, the system has realized that already in Italy there was an important social problem that is connected to the



waiting lists. Let's not forget that we are the European country with the highest number of chronic patients ever, and therefore the waiting lists have only exacerbated this absolutely negative phenomenon. Even before Covid, the various regions were trying to contain waiting lists, obviously the suspension of all non-urgent activities that took place in the first part of the pandemic crisis generated a lot of outstanding welfare benefits that forced Italy and the individual regions to allocate additional funds for the containment of waiting lists and in some cases for the reduction of passive mobility. By passive mobility we mean patients from a region who, not finding answers to their care needs in their home region, go to find assistance in other Italian regions. We have benefited from these incremental budgets, even if we have not been able to produce them all in full because some were approved in November, early December, but we have received significant incremental budgets in all the structures for the reduction of waiting lists. In Veneto region we have also received a budget for the reduction of passive mobility. This is a very positive element, because we are convinced that these budgets, which are expected to increase significantly in 2022, will be structured and recognized and historicized in the system. What I am pleased to emphasize with respect to performance is that in this context, our last quarter, in terms of turnover and EBITDA, was the best quarter ever achieved since the start to date, even on a like-for-like basis. And this is a very important fact, because they are resulting produced in a particularly complicated and complex context. Another element that I am pleased to emphasize is that towards the end of the year, in addition to the various regulations including the finance law which provided for an increase in funds to support the reduction of waiting lists, a provision was also issued at ministerial level that provides for the recognition to structures like ours that have opened Covid departments of contributions for our function. The Piedmont region already received a contribution of around two million euros at the end of the year and we expect these contributions to arrive in the other regions where there are GHC structures that have opened Covid departments. Having said that, I now pass the floor to the CFO if there are no particular questions - or if we want to ask the questions later - to go into the details of the financial statements that we approved today. You're welcome, Dr. Celentano.

**LUIGI CELENTANO:** Thank you, the CEO has just commented on the particularly satisfactory result of the last quarter, a record quarter. I'm going to the full year results, the consolidated results for 2021. The group has reported revenues of 283.7 million euros, up both compared to 2020 with + 34.5%, and also compared to 2019 with + 27.5%. 2019 is a year that we still use today as a benchmark, being the pre-pandemic year and this growth compared to 2020 and compared to 2019 was also recorded on a like-for-like basis, therefore not only thanks to the contribution of the M&As that it has achieved in this two years. Against the



increase in revenues, the group achieved an adjusted operating EBITDA in 2021 of 53.1 million with a margin of 18.7%, also up by 56% compared to 2020 and about 20% compared to 2019. Also in this case, the growth with respect to these two reference years was recorded in an organic and constant manner. The net profit recorded in 2021 was 18.8 million, up 60% compared to 2020. The net financial position at 31 December 2021 stood at 142.4 million euros, and cash generation amounted to approximately 28 million. Financial leverage, another important parameter for us, i.e. the ratio between net financial leverage and adjusted operating ebitda is 2.6 times, down from 2.9 times at the end of last year, despite the fact that the company achieved two important MNA operations during the year, making use not only of own means - capital increase last January - but also of financial leverage. These are the overall highlights of the 2021 results, and at this point I would leave room for any questions you may have.

**MIMMO NESI:** All right, we're ready to move on to the question and answer session. I leave the floor to the operator for the details.

**OPERATOR:** This is the Chorus Call operator, we will now begin the question and answer session. Anyone who wants to ask a question, type \* followed by 1 on their phone. To exit the booking list enter \* followed by 2. Please ask your questions using the handset. Anyone who wants to ask a question, type \* followed by 1 now.

The first question is from Emanuele Gallazzi, of Equita. Please.

**EMANUELE GALLAZZI:** Hello everyone, I have four questions. The first question is about the budget increase part, in particular if you can help us understand how much it weighed on fourth quarter turnover. You have talked about a measure for these to be structural and greater in 2022; if even here you could help to quantify the expectations for 2022 in terms of budget increases. The second point generally concerns what kind of recovery speed you are seeing among patients outside the region, regional and private, and if there is a specific difference on these three channels. Then, what kind of pressures are there on labour costs today, what kind of pressures are there on surgical consumables. And finally, a hint on the EBITDA estimate for 2022 - if you can give some more details - given that the consensus today is between 61 and 62 million euros, I wanted to understand what your confidence is on this figure. Thank you very much.

**MIMMO NESI:** So, I summarize the questions: there are four questions, one is related to budget increases with particular reference to the fourth quarter of the year. How much did the budget increase impact and what are the expectations for



2022? The second question is about the speed of recovery that society is seeing in terms of flows between regional, queen and private patients.

The third question relates to any incremental pressures on service material costs. I know there is a fourth question, but let's start with this three.

**MARIA LAURA GAROFALO:** So, as regards the first question, I tell you that in the last two months of the year we have been assigned approximately EUR 3,4 million of incremental budget of which we have managed to produce approximately EUR 2,6 million because some attributions were communicated to us in the month of December. With regard to 2022, we have already received the allocation of approximately EUR 3,8 million of incremental budget, we expect another approximately EUR 5,8 million for a total for the year of approximately EUR 9,5 million. This last amount includes important items regarding budgets assigned for the reduction of passive mobility, i.e. a part of these contributions will concern the reduction of waiting lists and a part the reduction of passive mobility, therefore the outgoing patients. This with regards to the first question, I hope I have been clear. As for the second question, certainly compared to 2020 we have seen a recovery in the flows of extra-regional patients, because we have settled on the numbers of 2019, I honestly also expect a growth in the private sector in the years to come, therefore from 2022 onwards, because the care needs that have increased especially due to Covid in all specialties, mean that patients are moving to have insurance coverage, knowing that some needs are more urgent and sometimes they have neither the possibility nor the desire to wait for the times of the public system. So I expect - as happened in the 2-3 years before Covid, in which we witnessed a major leap forward in health care costs for patients with insurance coverage - a further leap forward in this expense in future years. Just by being in the field we perceive system stress from this perspective. Let's not forget that during Covid the system has only or mainly faced this pathology and the mortality rate in other specialties has sometimes skyrocketed. Today the Italian system can no longer afford to lengthen waiting lists, also considering that chronic patients represent a considerable economic burden for the country system in general. Let us not forget that a chronic patient first stops being a taxpayer and becomes exclusively a subject to be assisted by the system. This aspect is now clear to everyone. I also expect more consistent incremental budgets in the years to come, because let's not forget that this year the regions come out financially stressed by Covid, so even the budgets of the most virtuous regions are stressed by the management of Covid which was an important financial commitment for all regions. Nonetheless, there was significant funding for us. When we move towards a normalization of the situation, I also expect a greater availability of additional resources towards waiting lists. As for the third question, everyone can see that on the consumption side there is a strong surge in this expenditure,



fortunately we are not an energy-intensive company, so we certainly have an increase in consumption costs that affects all sectors, but this pressure largely absorbed in terms of turnover does not have a particularly significant impact in our sector. As for the costs for other materials, we still have no perception, we do not have our suppliers under control and we are continually trying to stress them down, but to date we have not had a sign of an increase in these costs yet, if not in consumption.

**MIMMO NESI:** There was the last question relating to the 2022 EBITDA forecasts with a consensus between EUR 61 and 62 million. Obviously I remember that the company cannot provide public information.

**LUIGI CELENTANO:** Yes, the premise is correct, but I can say that compared to the consensus on 2022, what we are registering is the surge in the cost of energy which, as the CEO said, does not have such a significant impact as we are not an energy-intensive reality. In any case, we expect this to impact the costs of the company. Another element that, in order to correct the consensus, must perhaps be traced back to the strengthening process that is taking place in the holding company. This process accompanies the dimensional growth of the group, so we can say that we are not far in our expectations from the value of the consensus, probably in my opinion the consensus does not capture these two elements.

**EMANUELE GALLAZZI:** Perfect, thanks a lot to everyone.

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

**ISACCO BRAMBILLA:** Good evening everyone, I have a couple of questions, then eventually I get back in line to ask others. The first is about this year's numbers: could you give us some indications on the turnover and proforma EBITDA by including both Domus Nova and the San Francesco clinic for 12 months? The second question concerns the contributions for Covid management: can you remind us of the other facilities in which you have made additional beds available? Thank you.

**MARIA LAURA GAROFALO:** So I will start to reply to the last question, first. Beyond Eremo, the companies which opened Covid departments are the following: Casa di Cura Prof. Nobili in Castiglione dei Pepoli in Bologna province, Nigrisoli, Rugani Hospital and Villa Berica in Vicenza. As for your question about proforma, I will give the floor to the CFO.

**LUIGI CELENTANO:** If I understood well, you were asking about 2021 proforma data for revenues and operating EBITDA-adjusted, right?



**ISACCO BRAMBILLA:** Exactly, taking into account the facilities that were included this year for 12 months, if you have this information available.

**LUIGI CELENTANO:** Revenues amount to 309.8 million and adjusted operating EBITDA amounts to EUR 54.8 million.

**ISACCO BRAMBILLA:** Okay, thank you.

**OPERATOR:** The next question is by Dario Michi from Exane BNP Paribas. Please.

**DARIO MICHI:** Good afternoon everyone. My first question is about M&A: could you please give us some indications? According to the press release, the external line growth will play a role in 2022. What are the latest developments? Are there any files?

My second question is about the already agreed amounts which have an impact on the budget and on agreed and known compensations for the year 2022 compared to 2021. I am referring to incremental budgets amounting to 9.5 million, as well as Covid compensations that you are expecting for 2022.

My last question: are you thinking about any additional possibilities of enhancing your assets? Thank you.

**MIMMO NESI:** I repeat the three questions: the first question concerns year 2022, is about M&A and asks for some indications.

**MARIA LAURA GAROFALO:** I will reply to this question first. As for M&A, since our foundation we have always based our growth on external lines, this is why we are very much focused on M&A. We have some quite big and interesting files on the table. What we are worrying about is the long assessment times, it is not easy to find the reference financial year for assessment purposes, because for last year's operations we used as reference financial year, year 2019 - since 2020 was obviously an extraordinary year that was very much impacted by Covid -, today 2019 is too far away in time for us, but 2021 is still impacted by Covid in some facilities. This means somewhat longer assessment times. Nevertheless we have on the table some very interesting targets that are in line with our current facility inclusion process, with a target concerning the inclusion of bigger facilities. What was the second question?

**MIMMO NESI:** The second question was asking for information about the impact on the budget and on the agreed compensations for 2022.

**MARIA LAURA GAROFALO:** As far as year 2022 is concerned, the already allocated funds we are informed about amount to around 3.8 million, whereas the funds we are



confident about amount to 5.8 million.

- MIMMO NESI:** There was a one third question relating to any possibilities of enhancing assets that the company is now taking into account.
- MARIA LAURA GAROFALO:** What I can tell you is that we started with some concrete actions, we have already found a consultant who will support us in the enhancement process of our real-estate assets, and I hope I will be able to give you some more concrete information over the next few months.
- DARIO MICHI:** Can you hear me?
- MIMMO NESI:** Yes, we can hear you. I am not sure if you heard our replies.
- DARIO MICHI:** Yes, thank you, they were very clear. The information you have of 3.8 million is additional to what you have already agreed for year 2021 - that is 3.4 million - or not? So EUR 400,000?
- MARIA LAURA GAROFALO:** No, 3.8 million do not add up to last year's 3.4 million, but they are 3.8 million that we already received, whereas we are very confident that we will get 5.8 million over the next few weeks, because we are constantly in touch with our reference local health authorities. Therefore I think it that over the next few weeks we will also get those EUR 5.8 million. Please.
- LUIGI CELENTANO:** I would like to add something. 3.4 million of 2021 is the amount they accepted to give us, of which we have 2.6 million in 2021, so 3.8 million are actually 2.6 million.
- MARIA LAURA GAROFALO:** This is correct, because as I said at the beginning, we were assigned 3.4 million between November and December of last year, so we where not able to use them completely and our budget only took advantage of 2.6 million. This year we will use all 3.8 million we received, as we have known about them since from the beginning of the year, and I think that over the next few weeks we will also have the chance to use an important amount from the EUR 5.8 million amount. Our strategy, in order to avoid the same conditions we had last year - we are also very confident about the allocation of this incremental budget - we ordered our facilities to carry out activities in the first semester, so that if we get some more incremental budget at the end of the year - which according to some local health authorities we may get in addition - we can already start production in the first semester, so as not to lose the chance to use any additional budget we may get at the end of the year. What the CFO said is very important, because 3.8 million take into account those 2.6 million and not those



3.4 million.

**DARIO MICHI:** Excuse me, and what is the amount of compensation for the opening of Covid departments, in your opinion?

**MARIA LAURA GAROFALO:** Frankly we have not calculated it yet. The amount will change based on the facility, each region allowed us to open this Covid departments through an agreement which may be similar to the ministerial provisions. The difference will be based on how much over the last few years we have opened departments through agreements with our reference local health authorities that were closer to the current ministerial provisions. We should stress that the compensation we are talking about is relating to year 2020 for Eremo, therefore we are expecting an additional compensation for year 2021, covering the first year of Covid, when we opened the department. In the first year all agreements were quite different compared to ministerial provisions. In the second year some regions had agreements which are closer to ministerial provisions. What should be stressed is that the compensation we got was for year 2020 and not for year 2021, therefore I expect for the same facility to get a contribution for the same function for 2021.

**DARIO MICHI:** Sorry for taking too much of your time, but could you give us some information about investments, considering the strong development of capex that were recorded in 2021, which have almost doubled compared to 2020? Thank you.

**LUIGI CELENTANO:** If I understood well, your question concerns the investments we expect for 2022?

**DARIO MICHI:** Yes, please.

**LUIGI CELENTANO:** For 2022 we can say that two important enlargement processes will be completed concerning Istituto Raffaele Garofalo 2 whose restructuring workings should be completed during this year. During the course of this year, phase 2 of another important organic development project we mentioned will be completed, i.e. the restructuring of Santa Marta care facility for the second semester of the year. There will be also a series of important interventions and organizational arrangements in order to improve the productive capabilities of two relevant facilities such as Hesperia and Domus Nova in Ravenna. These are extraordinary projects which in our opinion will be worth around EUR 12 million. As far as investments for maintenance activities are concerned, they aim at replacing obsolete materials and at following some regulatory adjustments or accreditation procedures or at improving service quality and facility functionality or at implementing energy-efficiency projects with were started



this year. I can give you an idea in terms of impact on this year's turnover, which is around 5%.

**DARIO MICHI:** Thank you.

**MARIA LAURA GAROFALO:** I would like to stress that the two structural and enlargement processes that were mentioned by Mr. Celentano – Istituto Raffaele Garofalo 2 and Santa Marta in Genova - represented two development investment projects, which will start at the end of 2022 but will have some important effects in terms of earnings and EBITDA in 2023.

**DARIO MICHI:** Good, thank you.

**OPERATOR:** I would like to remind you that if anyone wants to ask a question, type \* followed by 1 on their phone. Next question is a follow-up by Isacco Brambilla from Mediobanca. Please.

**ISACCO BRAMBILLA:** Good evening. I have a couple of additional questions: the first one is a follow-up question about capex. If I understood well the information provided by the CFO, we can expect a capex expenditure beyond 20 million for this year, almost equally divided between maintenance capex and development capex. My second question is relating to Domus Nova: could you give us an update on the integration? How is it moving forward compared to the plans that you shared during acquisition? Thank you.

**MIMMO NESI:** I repeat the questions: the first one was about capex and the question was if the amount of 20 million is confirmed.

**LUIGI CELENTANO:** I would start with this one. The 2022 estimated capex is even higher than 20 million, taking into account that an important amount is due to enlargement projects, which will impact for around 12 million plus maintenance capex which, in relation with the turnover, is around 5%. These amounts are higher than 20 million, because if we compare them to those of the year 2021, whose final balance amounted to 19 million of capex, the amount is extended due to the new acquisitions.

**MIMMO NESI:** There was one second question relating to integration.

**MARIA LAURA GAROFALO:** As far as San Francesco clinic is concerned, we are very satisfied. We would like to stress that compared to year 2019, which is the reference year for the acquisition process, San Francesco had a turnover of EUR 32 million, and finishes year 2021 with a turnover of EUR 32.7 million. From the financial perspective, we are perfectly in line with our forecasts. As for Domus Nova, as I



told you in our last call, the sellers left us in a more critical situation than expected, in July we faced a situation where some surgeons, anesthesiologists and GPs left the facility due to the uncertain transfer situation, we were able to manage the situation effectively quickly and we have made up the last semester, we called back the medical professional, GPs and anesthesiologists, even though in the case of GPs it was more difficult to find them. Now we can say that the facility was restructured and made more efficient in 2022, we have had a satisfying last semester, when the facility managed to reach the expected performance and this did not happen until last semester. So year 2021 was a less effective period due to how we managed the situation. About Domus Nova and San Francesco clinics in Ravenna, I can say that we are making some investments, which on the one hand will allow us to perform more surgeries. Unfortunately the former seller made the mistake of concentrating the whole surgical activity of San Francesco clinic in Verona in Domus Nova after removing some surgery beds. When we found this situation, we had to open another facility in the month of August in order to have 22 more surgery beds and reopen a department which had been closed. The current project that establishes to make interventions in San Francesco - which will probably provide outpatient services, day surgery, endoscopies – and we are negotiating with the local health authority the opportunity to open some intermediate care services in a department that is not being restructured yet, which is in line with the Italian National Recovery and Resilience Plan. This project is already on the table of the mayor, the local health authority and the region, and we would like to bring it forward. Domus Nova becomes a surgical facility and within this project, in Domus Nova - by moving the endoscopy department to San Francesco clinics - we will be able to recover more surgery beds. This will allow us to carry out more out-of-pocket activities, because when we acquired Domus Nova there was some private activity in outpatient clinics but no private activity in hospitals. This is how the situation looks like.

**ISACCO BRAMBILLA:** Very clear, thank you.

**MIMMO NESI:** As of now there are no further questions. If there are no further questions, we would like to thank you. We remain available in case of any questions. Thank you very much everybody.