



## Press Release

**GAROFALO HEALTH CARE S.P.A.: BOARD OF DIRECTORS APPROVES ADDITIONAL PERIODIC FINANCIAL DISCLOSURE AT MARCH 31, 2020**

**REVENUES OF €50.0M, UP €6.5M (+15.0%), THANKS TO WINNING BUSINESS MODEL BASED ON ACQUISITION-LED GROWTH**

**EXCELLENT PERFORMANCE FOR INITIAL TWO MONTHS OF THE YEAR, SLOWED IN MARCH BY MEASURES IMPOSED TO SUSPEND ALL ACTIVITIES WITH THE EXCEPTION OF URGENT AND NON-DEFERRABLE INTERVENTIONS**

**ALL GHC GROUP FACILITIES HAVE PROVIDED FULL SUPPORT TO THE PUBLIC HEALTHCARE SYSTEM IN TACKLING THE COVID-19 EMERGENCY**

**M&A STRATEGY CONFIRMED IN LIGHT OF A SOLID FINANCIAL POSITION AND AVAILABILITY OF NEW FUNDING LINE FOR ACQUISITIONS BEYOND CASH FLOW GENERATED**

**RECOVERY IN PRODUCTION EXPECTED FOR THE SECOND HALF OF THE YEAR, BENEFITTING FROM FULL USE OF FACILITY PRODUCTION CAPACITY**

**GHC GROUP OUTLOOK BOLSTERED BY GROWING HEALTHCARE NEEDS, EMPHASIZED BY THE COVID-19 EMERGENCY**

- Revenues of Euro 50.0m, up Euro 6.5m vs. Euro 43.5m in Q1 2019 (+15.0%), which did not include the full effect of acquisitions completed over the course of the previous year <sup>(1)</sup>;
- Operating EBITDA Adjusted<sup>(2)</sup> of Euro 8.0m, with a margin of 16.0%, a decrease of Euro 1.3m vs. Euro 9.3m in Q1 2019 (-13.4%), exclusively due to the suspension of activities imposed from March, which has not allowed for full absorption of fixed costs:
  - M&A perimeter<sup>(3)</sup> contribution of Euro 2.8m, with a margin of 18.8%;
- Like-for-like revenues would be down Euro 7.9m vs. Q1 2019 Normalized<sup>(4)</sup> revenues of Euro 57.9m (-13.8%), while the reduction in Operating EBITDA Adjusted would be of Euro 4.1m vs. Euro 12.1m, exclusively due to the forced suspension of the activities;
- Net Financial Position of Euro 94.1m vs. Euro 94.7m for FY2019, with debt of Euro 120.6m and liquidity of Euro 26.5m:
  - Excluding non-recurring cash outflows, NFP would be Euro 91.5m, improving Euro 3.2m in the quarter;
- No measures required to support liquidity or working capital, following the signing of financial agreements with the local governments of the Regions in which the Group operates;
- Subscription in April of a Euro 35m financing to support M&A activity, which remains one of the key pillars of GHC's equity story;
- Appointment of Chairpersons of the Control, Risks and Sustainability Committee and of the Appointments and Remuneration Committee

<sup>(1)</sup> Q1 2019 figures included the only contribution of the Poliambulatorio Dalla Rosa Prati of Parma in February and March

<sup>(2)</sup> Operating EBITDA Adjusted defined as EBIT + depreciation and amortisation + provisions and write-downs + non-core costs (the latter equal to approx. Euro 0.6m in Q1 2019 and related to M&A costs incurred for the acquisition of Poliambulatorio Dalla Rosa Prati and the additional minority holdings in Casa di Cura Prof. Nobili)

<sup>(3)</sup> From 2019, the M&A perimeter includes the results of Poliambulatorio Dalla Rosa Prati of Parma, acquired on February 5, 2019, of Ospedali Privati Riuniti of Bologna, acquired on May 6, 2019, of Centro Medico S. Biagio and Bimar, acquired on July 25, 2019, of Centro Medico Università Castrense, acquired on September 17, 2019, and of Aesculapio, acquired on September 19, 2019

<sup>(4)</sup> "Normalized" figures, prepared according to IAS/IFRS, refer to restatements carried out to allow comparison of financial data from Q1 2019, including contributions from the companies progressively acquired throughout 2019. These "Normalized" figures are provided to enable better understanding of Group performance on a like-for-like basis, i.e. at like-for-like perimeter



**Rome, May 15, 2020** – The Board of Directors of Garofalo Health Care S.p.A. (“**GHC**”), listed on the MTA segment of the Italian Stock Exchange, today approved the additional periodic financial disclosure at March 31, 2020, drawn up as per IAS/IFRS international accounting principles.

**Maria Laura Garofalo, Chief Executive Officer of GHC** stated: *“The results for the first three months of 2020 are testament to the strength of our acquisition-led growth value creation project, diversified both at regional and segment level, and based on an effective integration of the acquired targets. Despite the serious effects generated by the pandemic, our turnover increased and the M&A perimeter reported higher margins than the organic perimeter. I am also convinced that the suspension of all outpatient and hospitalization activities, except for urgent and non-deferrable interventions, as required by the Government and the individual regions, will produce just temporary effects which are largely recoverable in the year. There is no doubt therefore that the outlook for GHC remains as solid as ever, in part due to the growing healthcare needs and supported by the additional funding allocations contained in the “Relaunch Decree”. The Group also remains ready to take advantage of the best M&A opportunities available in the firm conviction that acquisition-led growth remains a fundamental element of its business model”.*

#### **Overview of the effects deriving from the Covid-19 emergency**

After an extremely positive start of the year in January and February, consolidated figures for the first quarter of 2020 reflect the initial impact of Covid-19, which, starting from March, led to local and national provisions enforcing the suspension of all outpatient and hospitalisation activities (with the exception of urgent and non-deferrable procedures, i.e. those requiring intervention within 24 hours or 10 days).

GHC has been able to curb the spread of Covid-19 thanks to a synergic and co-ordinated response to the emergency. This has also had a significant impact in reducing the spread of the virus within its facilities (including dependency care clinics). This was made possible by specific actions, including:

- i) the definition of Group operating protocols, which has allowed each facility to operate according to safety standards that are both stringent and shared;
- ii) centralised management of the supply of Personal Protection Equipment (“PPE”), which has ensured the prompt and cost-effective provision of PPE for every facility;
- iii) constant sharing of technical-specialist expertise regarding the clinical and epidemiological aspects of the virus;
- iv) the temporary relocation of healthcare staff from one facility to another in line with the extraordinary requirements related to Covid-19 during the quarter.

All GHC Group facilities have actively collaborated with the public healthcare system to tackle the pandemic. Specifically:

- the Casa di Cura Prof. Nobili, Rugani Hospital and Eremo di Miazzina, in collaboration with the relevant local healthcare authorities, established wards dedicated to Covid-19 patients emerging from the acute phase, but still testing positive for the virus. These were equipped with 30, 20, and 32 beds, respectively. To ensure that this was carried out in complete safety, staff at all facilities were adequately trained, and suitable PPE was provided. Structural works were also undertaken to ensure the total separation of Covid-19 wards from other essential care areas;
- the Eremo di Miazzina also dedicated a further 15 beds to “post-Covid” patients, i.e. those testing negative for the virus but awaiting further clinical tests, and as such not yet ready to be discharged;
- the Hesperia Hospital of Modena collaborated with Modena General Hospital and the local healthcare authority to provide urgent oncological surgery for patients of the General Hospital and all the other hospitals managed by that healthcare authority. To do this, the facility opened to patients a recovery ward equipped with 30 beds, operating theatres, intensive care facilities and all other auxiliary services, along with its own highly qualified staff;

- The Ospedali Privati Riuniti of Bologna provided 40 beds and 4 operating theatres for the Sant’Orsola-Malpighi and Maggiore Hospitals of Bologna, allowing non-deferrable oncological surgery to be provided for patients of those hospitals;
- Specific rooms were set up within the Poliambulatorio Dalla Rosa Prati of Parma for the use of the oncological Day Hospital at Parma Hospital, allowing patients to continue their chemotherapy treatments in a safe and protected environment;
- Finally, the Casa di Cura Villa Berica provided San Bortolo Hospital with pulmonary ventilators and intensive care nursing support.

### Consolidated Revenues Overview

GHC consolidated revenues in Q1 2020 were Euro 50.0m, increasing Euro 6.5m (15.0%) from Euro 43.5m in Q1 2019 that however, considering the acquisitions completed in 2019, included only the contribution of the Poliambulatorio Dalla Rosa Prati of Parma for February and March and equal to approx. Euro 2.7m.

Revenues in Euro millions	Q1 2020	Q1 2019	% vs. Q1 2019
<b>Total</b>	50.0	43.5	+15.0%

Revenues for Q1 2020 were affected by the forced suspension of all activities except for urgent and non-deferrable interventions imposed by local and national authorities from March to tackle the Covid-19 emergency.

Considering the full contribution of the acquisitions completed during the year on the Q1 results, this effect would translate into a revenue reduction of Euro 7.9m (-13.8%) compared to Q1 2019 Normalized, exclusively relating to the above mentioned forced suspension of activities.

Revenues in Euro millions	Q1 2020	Q1 2019 Normalized	% vs. Q1 2019 Normalized
<b>Total</b>	50.0	57.9	-13.8%

### Consolidated Operating EBITDA Adjusted

Consolidated Operating EBITDA Adjusted was Euro 8.0m, decreasing Euro 1.3m from Euro 9.3m in Q1 2019 (-13.4%) that however, considering the acquisitions completed in 2019, included only the contribution of the Poliambulatorio Dalla Rosa Prati of Parma for February and March and equal to approx. Euro 0.7m.

This decrease is exclusively due to the suspension of the activities outlined above imposed from March, which did not permit the full absorption of fixed costs. In order to offset the suspension in production, activities were immediately initiated to contain costs, whose effects shall be visible from April.

Op. EBITDA Adj. in Euro millions	Q1 2020	Q1 2019	% vs. Q1 2019
<b>Total</b>	8.0	9.3	-13.4%

Overall, the Group Operating EBITDA Adjusted margin in Q1 2020 was 16.0% (21.3% in the previous year): the reduction in the profitability is entirely due to the forced suspension of all activities, except for urgent and non-deferrable interventions, imposed from March.

Op. EBITDA Adj. Margin (%)	Q1 2020	Q1 2019
<b>Margin (%)</b>	16.0%	21.3%



This effect would translate, at like-for-like perimeter, into a reduction in Operating EBITDA Adjusted of Euro 4.1m (-33.9%) compared to the Q1 2019 Normalized figure.

Op. EBITDA Adj. in Euro millions	Q1 2020	Q1 2019 Normalized	% vs. Q1 2019 Normalized
<b>Total</b>	8.0	12.1	-33.9%

The full validity of the business model, based on acquisition-led growth, is confirmed by the performance of the M&A perimeter which, although impacted by the suspension of activities related to Covid-19, reports a margin of 18.8% - ahead of the Group average.

Op. EBITDA Adj. Margin (%)	Q1 2020	Q1 2019 Normalized
<b>Margin (%)</b>	16.0%	20.9%
Organic (%)	14.9%	20.9%
M&A (%)	18.8%	21.0%

### Consolidated Net Financial Position Overview

At March 31, 2020, the Net Financial Position (NFP) of GHC was Euro 94.1m. This amount is based on liquidity of Euro 26.5m and debt of approx. Euro 120.6m, improving Euro 0.6m compared to the same figure at December 31, 2019.

Excluding non-recurring cash outflows, the NFP would be Euro 91.5m, improving Euro 3.2m vs. FY2019.

Net Financial Position in Euro millions	31/03/2020	31/12/2019	Change vs. 2019
<b>Total</b>	94.1	94.7	-0.6
Financial leverage (x)	2.3x <sup>(5)</sup>	2.1x	0.2x

GHC's financial solidity was also guaranteed by the signature, after the end of the quarter, of specific agreements with local governments in the main Regions in which the Group operates. These granted hospitals facilities a monthly advance of between 80% and 100%, according to each individual case, of regional and extra-regional production for the previous year or the 2020 budget. As a result of these agreements, no measures to support liquidity or working capital were necessary.

During the month of April, the Group signed a financing with a leading international credit institution for Euro 35m, exclusively dedicated to M&A activities, which remains one of the key pillars of GHC's equity story.

### Other Board of Directors' motions

The Board of Directors, meeting today, also notes that the internal Committees, whose members are all independent Directors and were appointed by the Board on April 29, 2020, have appointed the following Chairpersons: Ms. Franca Brusco (Control, Risks and Sustainability Committee, including the duties of the Related Party Transactions Committee) and Mr. Federico Ferro-Luzzi (Appointments and Remuneration Committee).

<sup>(5)</sup> Calculated as the ratio between NFP and Operating EBITDA Adj. in the last 12 months based on Normalized data, i.e. including the full effect on Q1 2019 of all acquisitions completed during the previous year



### **Subsequent events**

Following the end of the quarter, the Covid-19 emergency continued and the restrictive measures imposed by national and local government authorities intensified, requiring the suspension of all activities, except for urgent and non-deferrable activities.

The full effect of these suspension measures became evident in April - a month however which will benefit from the cost-cutting measures to mitigate the effects on margins deriving from the enforced suspension of production.

Subsequent to period-end, as previously described, financial agreements were signed with the main Regions in which the Group operates, in addition to a funding line exclusively dedicated to M&A's.

### **Outlook**

With regards to the 2020 financial year, the Group will face a difficult situation that has been changed by the spread of Covid-19, which has had repercussions for the activities planned for the year.

From May, according to the different timeframes among the various Regions, activities will restart in full compliance with all regulatory provisions (including, inter alia, those relating to social distancing and the sanitising of environments), which are expected to have significant impacts on the organisation.

Production should pick up from June and accelerate further from July and August, thus allowing for a significant recovery in the second half of the year.

Such a recovery is forecast in light of the fact that, for budget reasons, Group facilities have higher production capacity than is required for the volume of work carried out. This means that once the emergency situation concludes, each individual facility will be able to intensify production for both regional and non-regional budgets. This increase will also be driven by the growth in healthcare needs resulting from the forced suspension of outpatient and hospitalisation activities imposed from March.

It should be noted, however, that this recovery is conditional on rapidly benefiting from the full availability of all the Group's facilities, including those that at the moment are still partially dedicated to supporting the public healthcare system in dealing with the Covid-19 emergency.

\* \* \*

The Executive Officer for Financial Reporting, Fabio Tomassini, states in accordance with paragraph 2, Article 154-bis of the Consolidated Finance Act that the accounting information in this press release corresponds to the underlying accounting documents, records and entries. The data in this press release have not been audited.



\* \* \*

### **The GHC Group**

The GHC Group, listed on the Milan Stock Exchange, is an Italian accredited private healthcare leader operating through 24 healthcare clinics demonstrating excellence, located in Italy's strongest regions and offering a comprehensive range of services covering all areas of healthcare thanks to diversified specialties, the use of cutting-edge technologies and highly-qualified personnel. The Group in fact operates across seven regions in Northern and Central Italy (Piedmont, Veneto, Friuli-Venezia Giulia, Emilia Romagna, Liguria, Tuscany and Lazio), covering in the hospital sector acute admissions, long hospitalization, post-acute rehabilitations and outpatient services (the "Hospital Sector"), and in the regional and social-care sector covering residential admissions and district outpatient services (the "Dependency Care Sector").

\* \* \*

### **FOR FURTHER DETAILS:**

Garofalo Health Care S.p.A.  
Mimmo Nesi - Investor Relator  
Tel. +39 06 68489231 - [ir@garofalohealthcare.com](mailto:ir@garofalohealthcare.com)  
Website: [www.garofalohealthcare.com](http://www.garofalohealthcare.com)

### **Press Office**

Close to Media  
Via Caradosso, 8 - Milan  
Tel.+39 02 7000 6237  
Luca Manzato - [luca.manzato@closetomedia.it](mailto:luca.manzato@closetomedia.it)  
Andrea Ravizza - [andrea.ravizza@closetomedia.it](mailto:andrea.ravizza@closetomedia.it)