



# Investor presentation

## ***Fourth quarter and full year of 2021 results***

*An extract from parent company's, Georgia capital PLC, results file while for the full version they can refer to the following link: [Financial Results | Georgia Capital](#)*

# FORWARD LOOKING STATEMENTS



This announcement contains forward-looking statements, including, but not limited to, statements concerning expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position and future operations and development. Although Georgia Capital PLC believes that the expectations and opinions reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations and opinions will prove to have been correct. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events could differ materially from those currently being anticipated as reflected in such statements. Important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, certain of which are beyond our control, include, among other things: impact of COVID-19; regional instability; regulatory risk across a wide range of industries; investment risk; liquidity risk; portfolio company strategic and execution risks; currency fluctuations, including depreciation of the Georgian Lari, and macroeconomic risk; and other key factors that could adversely affect our business and financial performance, which are contained elsewhere in this document and in our past and future filings and reports and also the 'Principal Risks and Uncertainties' included in the 1H21 Result Announcement and in Georgia Capital PLC's Annual Report and Accounts 2020. No part of this document constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Capital PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Capital PLC and other entities undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required. Nothing in this document should be construed as a profit forecast.

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**02** GHG at a glance

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**03** GHG's track record of delivering strong results

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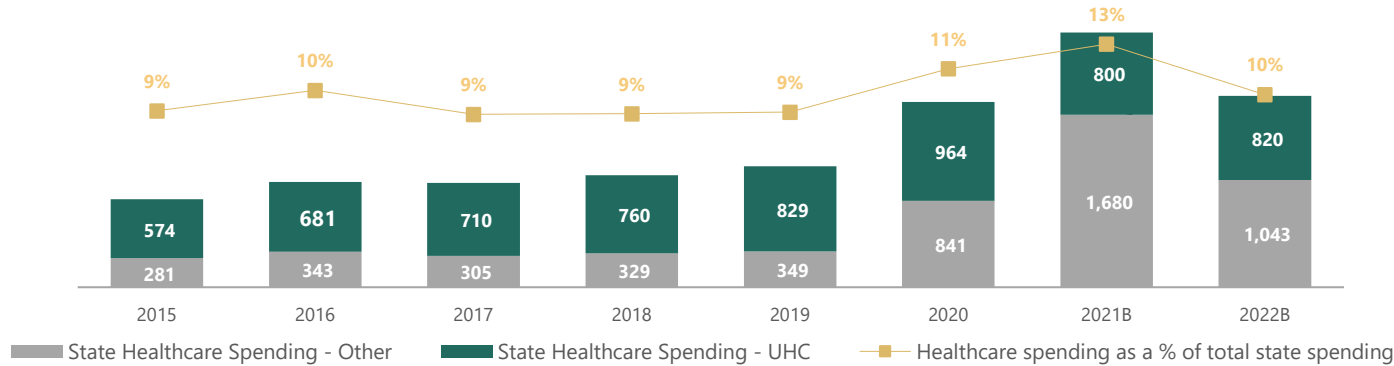
**04** GHG's businesses Overview

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# GEORGIAN HEALTHCARE MARKET OVERVIEW

## STATE HEALTHCARE BUDGET IS INCREASING FOR THE LAST SEVERAL YEARS

### State healthcare spending dynamics

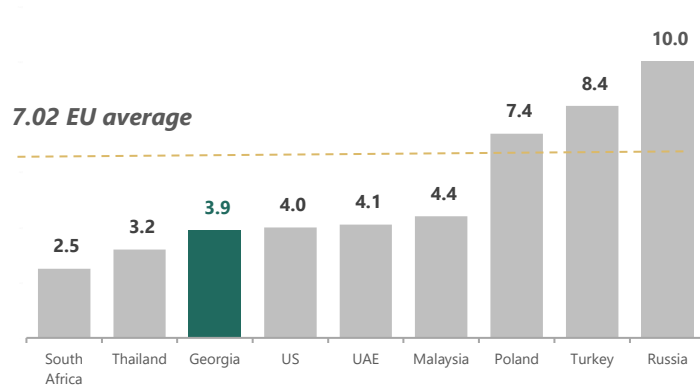


- The country's expenditure on healthcare – c. 9% of GDP;
- c. 40% of the total healthcare expenditure is financed by the State;
- Government expenditure on healthcare as a % of GDP reached c. 4% from 1.6% in 2013;
- Government spending on healthcare accounts for 13% of the total budget;
- In 2020 and 2021 increase in Other State Healthcare Spending is due to the evolved COVID-19 pandemic.

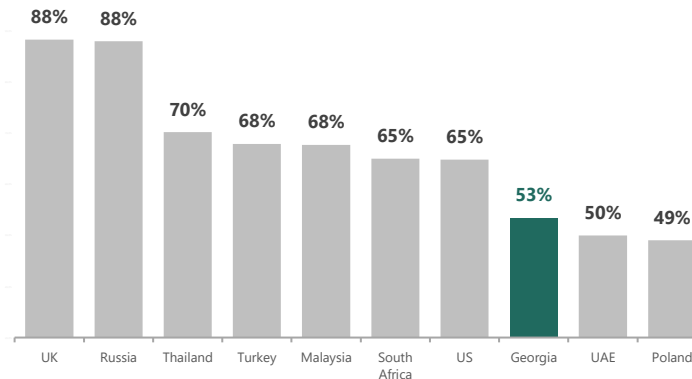
Source: Ministry of Finance of Georgia

## LONG-TERM, HIGH GROWTH PROSPECTS

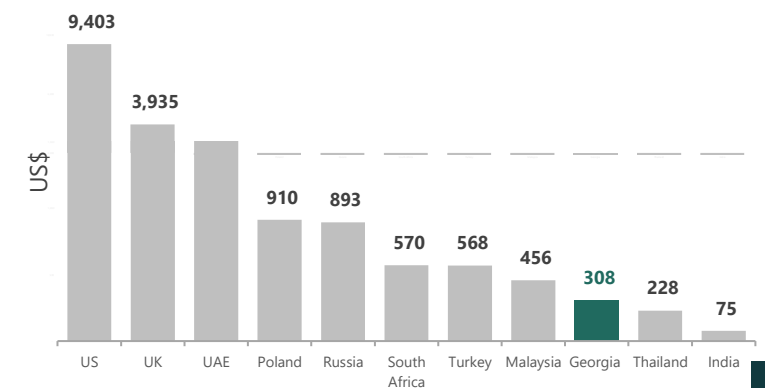
### Outpatient visits per capita, 2014–2016



### Bed occupancy rate by country, 2014–2016



### Per capita expenditures on healthcare by country, 2014–2018



Source: Frost & Sullivan analysis 2017

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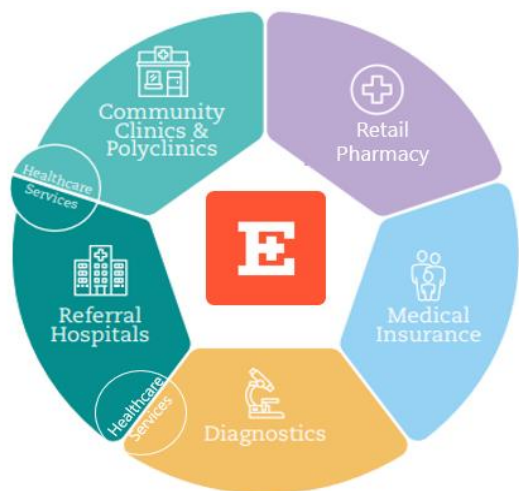
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# GHG AT A GLANCE

## A well diversified business model with cost and synergy advantages

**Georgia Healthcare Group** – The only fully integrated healthcare provider in the region with solidified digital channels

**Extensive geographic coverage** - diversified healthcare services and pharmacy network **covering 3/4 of Georgia's population**



Comprises of three businesses: Healthcare Services, Retail (pharmacy) and Medical Insurance

Market leader in each operating segment

Advanced technology and IT infrastructure solidified Group's further growth opportunities on integrated level

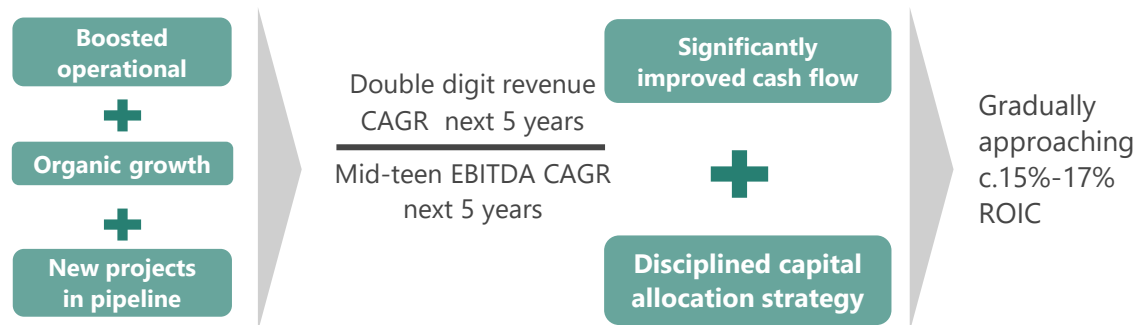
### INVESTMENT RATIONALE

- Very low base: healthcare services spending per capita only US\$ 308 (EU average is US\$ 3,211).
- Growing market: healthcare spending growth estimated at 8% 2020-2021.

### VALUE CREATION POTENTIAL

- The single largest integrated company in the Georgian healthcare ecosystem, with a cost advantage due to the scale of operations.
- High-growth potential driven by opportunity to develop medical tourism, pick-up in polyclinics - outpatient market, the provision of beauty, dental, aesthetics and laboratory diagnostics.
- Well positioned to take advantage of the expected long-term macroeconomic and structural growth drivers.
- ROIC enhancement and substantially increased free cash flow generation following the completion of a significant three-year investment programme in 2018.

### GHG Group's medium to long term strategic targets



### OWNERSHIP

- Georgia Capital owns 100% in GHG at 31 December 2021. Our holding in GHG increased from 70.6% at 31 December 2019 following the completion of a recommended share exchange offer. Further details of the transaction are available at the following link: [Offer for GHG | Georgia Capital](#)

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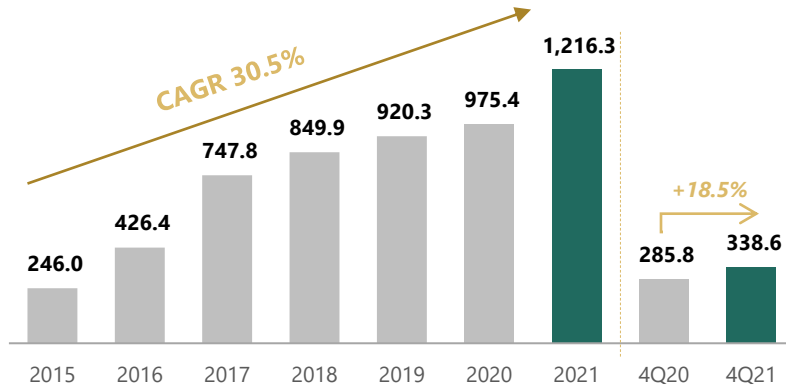
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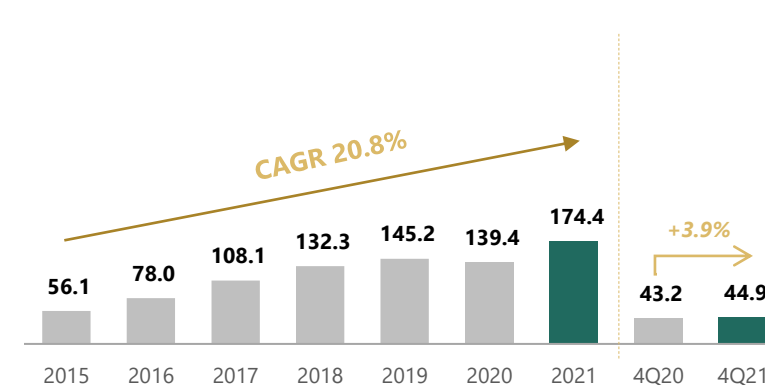
# GHG'S TRACK RECORD OF DELIVERING STRONG RESULTS



REVENUE, GROSS (GEL MILLION)

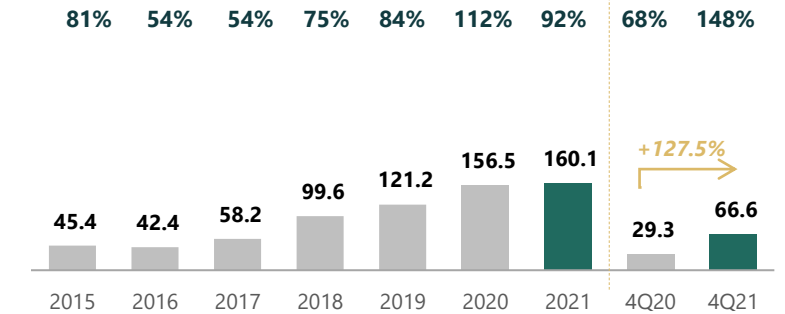


EBITDA<sup>1</sup> (GEL MILLION)

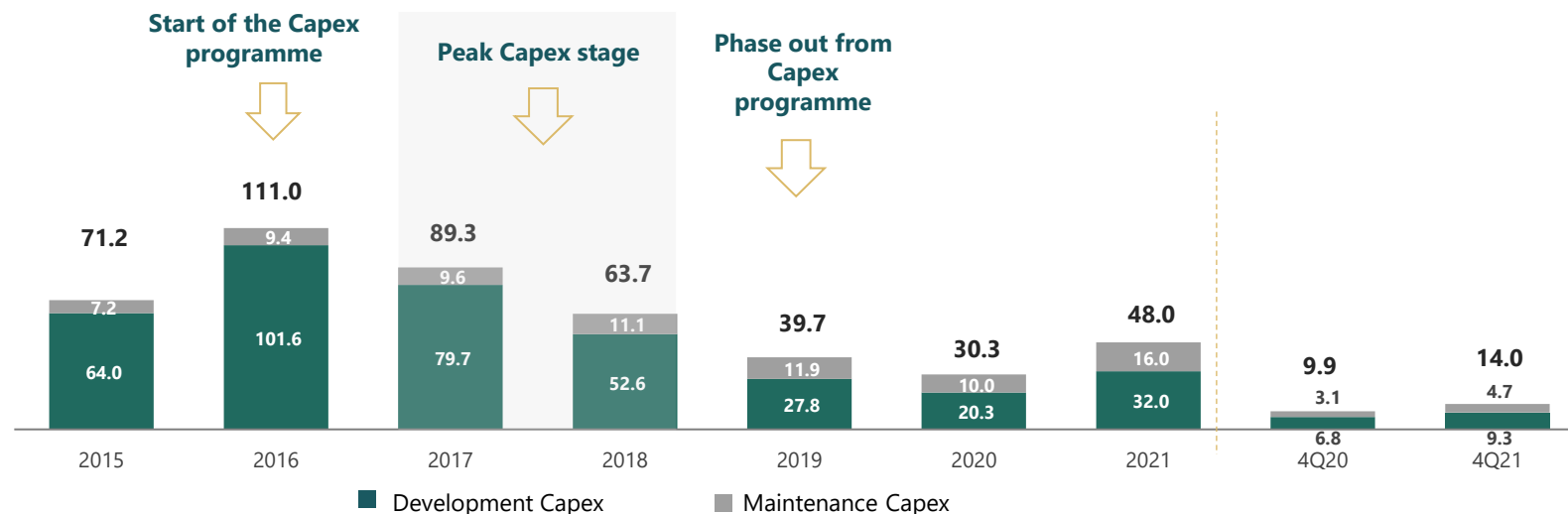


OPERATING CASH FLOW<sup>1</sup> (GEL MILLION)

EBITDA to cash conversion ratio<sup>1</sup>:

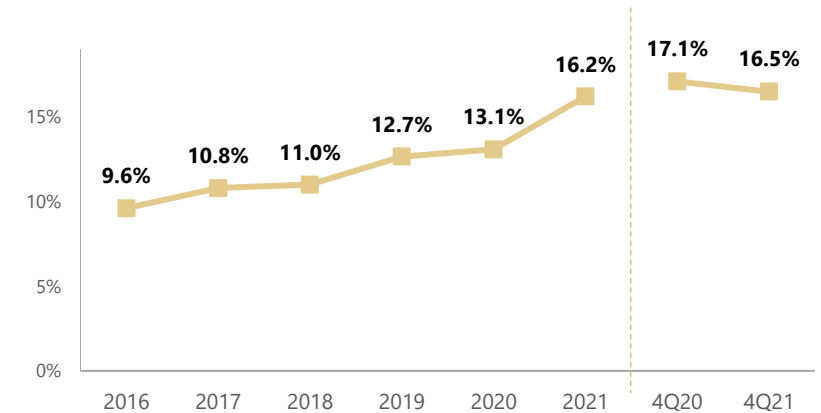


CAPEX (GEL MILLION)



ROIC (%)

Pursuing value creation and delivering strong operational performance





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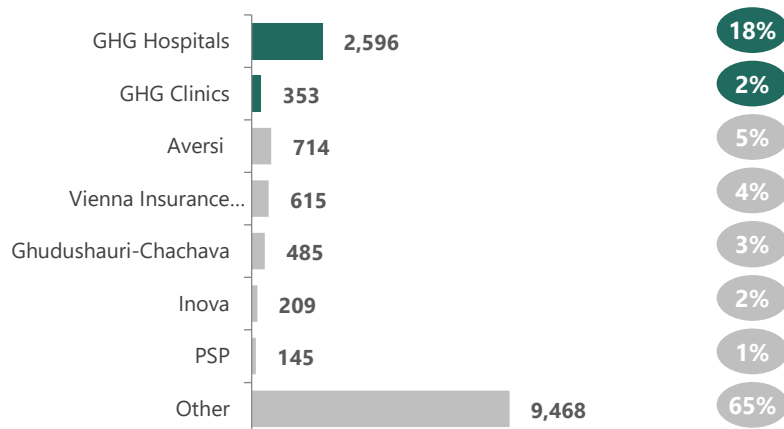
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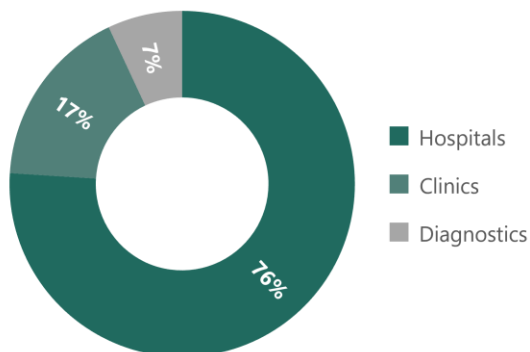
# HEALTHCARE SERVICES BUSINESS OVERVIEW

The largest healthcare service provider in Georgia: c. 20% market share by number of referral hospitals and community clinics beds – 2,949

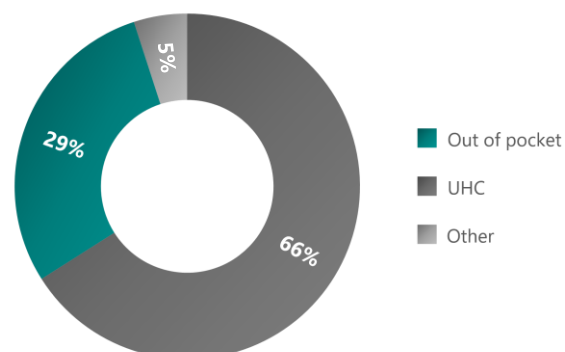
Market share by number of beds<sup>1</sup>



FY21 Revenue breakdown by segments



FY21 Revenue breakdown by payment sources



In clinics segment revenue from out of pocket payments represents 58% of total

## MAJOR GROWTH DRIVERS

### Referral hospitals

- > Organic growth of matured hospitals in line with the market
- > Growth in launched two flagship hospitals
- > Supporting growth pillars, such as medical tourism and clinical trials
- > Forming joint ventures in synergetic businesses
- > Digitalisation

### Clinics & Polyclinics

- > Increase number of registered customers
- > Increasing Group referrals
- > Adding new services, such as dental and aesthetic
- > Digitalisation

### Diagnostics

- > Building an effective logistics system for Group's healthcare facilities
- > Develop retail network
- > Attracting B2B clients
- > Digital Channels

## Medium to long-term targets

- Double digit revenue CAGR in Hospitals and Clinics (20%+at Clinics)
- Gradually improving EBITDA margin
  - 28-30% at Hospitals
  - 25% at Clinics

# HEALTHCARE SERVICES BUSINESS OVERVIEW (CONT'D)



## HOSPITALS

## CLINICS

17

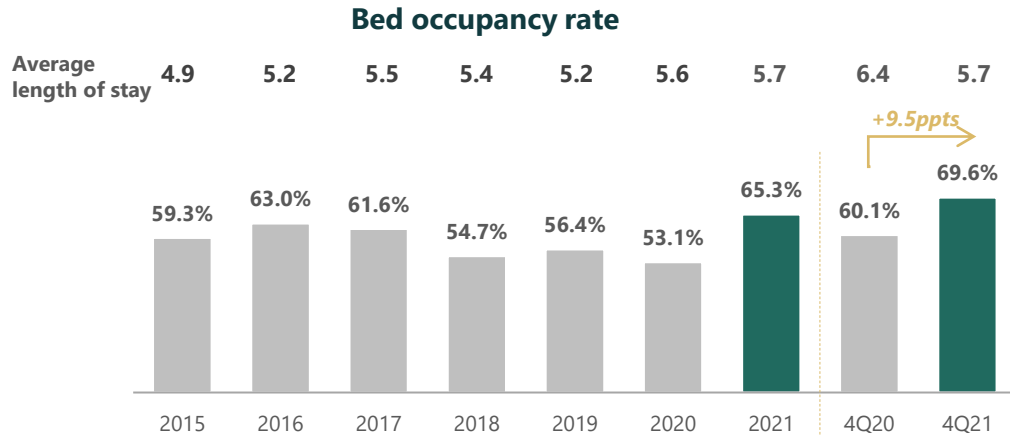
Number of referral hospitals

2,596

Number of referral hospital beds

KGEL 124.2

Revenue per referral bed



19

Number of community clinics

353

Number of community clinics beds

15

Number of polyclinics

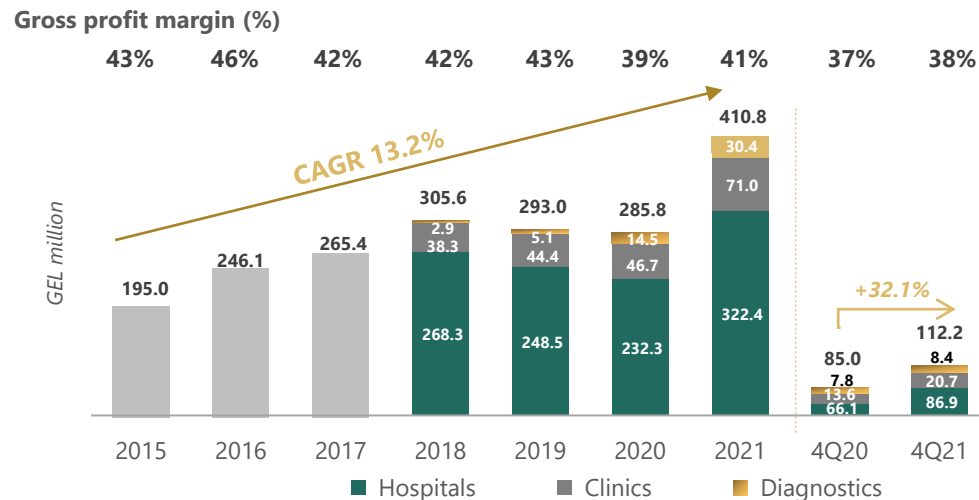
c.257.000

Number of registered patients in Tbilisi

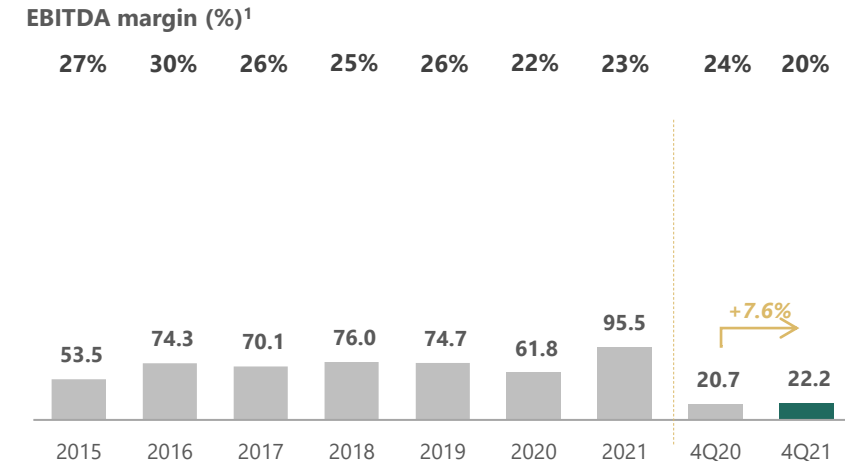
## CASH FLOW HIGHLIGHTS<sup>1</sup>

	4Q21	FY21
Operating cash flow	GEL 24.7m	GEL 78.4m
Change y-o-y	+3.1x	-3.2%
EBITDA to cash conversion	111.2%	82.0%
Change y-o-y	+72.8ppts	-48.9ppts
Free cash flow	GEL 17.9m	GEL 36.3m
Change y-o-y	up GEL 18.3m	-56.3%

## GROSS REVENUE<sup>2</sup>



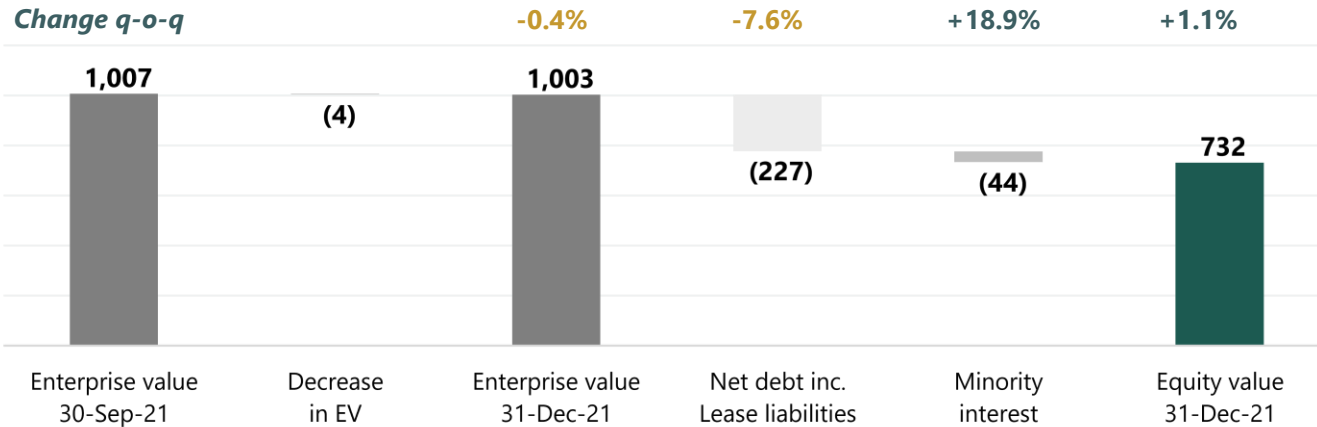
## EBITDA<sup>1</sup>



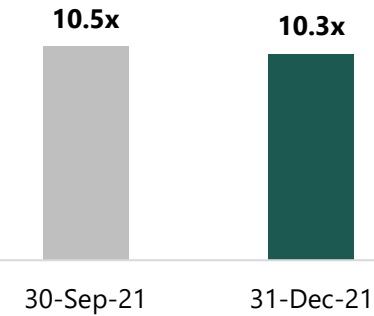


# HEALTHCARE SERVICES BUSINESS VALUATION OVERVIEW

## VALUE DEVELOPMENT OVERVIEW | 4Q21 (GEL MILLION)



## IMPLIED LTM EV/EBITDA<sup>2</sup> DEVELOPMENT (incl. IFRS 16)



## VALUATION HIGHLIGHTS

GEL million, unless noted otherwise

	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Valuation method	Combination of income approach (DCF) and market approaches <sup>1</sup>				
Enterprise value	1,003.4	1,007.1	(3.7)	836.9	166.5
LTM EBITDA <sup>2</sup>	97.4	95.9	1.5	63.6	33.8
Implied EV/EBITDA multiple	10.3x	10.5x	-0.2x	13.2x	-2.9x
Net debt incl. lease liabilities	(226.9)	(245.6)	18.7	(230.1)	3.2
Equity value	776.5	761.6	14.9	606.8	169.7
Equity value of GCAP's share	731.8	724.0	7.8	571.7	160.1

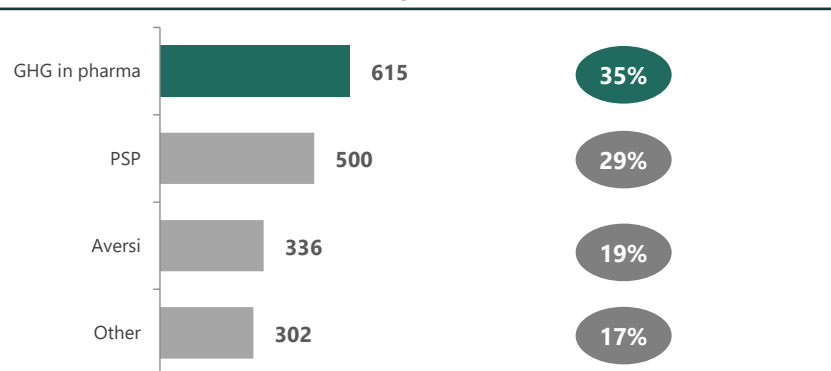
**Georgia Capital PLC** | 1. The independent valuations of the large portfolio companies are performed on a semi-annual basis. Our private large portfolio companies were valued externally as of 31-Dec-21 by a third-party independent valuation firm. 2. LTM EBITDAs are presented excluding HTMC.



# RETAIL (PHARMACY) BUSINESS OVERVIEW

Country's largest retailer in terms of both, revenue and number of bills issued

Market share by revenue, 2019<sup>1</sup>

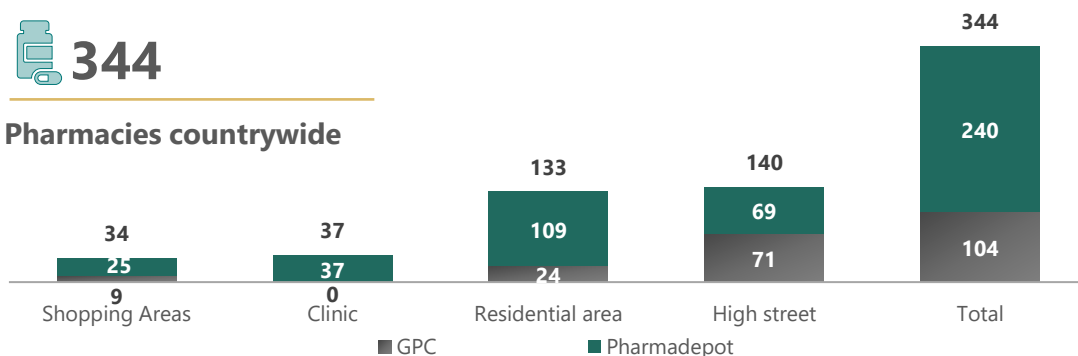


Operates under two pharmacy brands, each with a distinct positioning:

- > GPC for the high-end customer segment
- > Pharmadepot for the mass retail segment

344

## Pharmacies countrywide



## BUSINESSES MAJOR GROWTH DRIVERS

- > Expanding retail footprint
- > Enhancing retail margin (private label products)
- > New retail categories such as lab service and beauty
- > Growing wholesale revenue (such as hospital supplies)
- > Digital channels

## Medium to long-term targets

- Double digit revenue CAGR
- 9%+ EBITDA margin



# RETAIL (PHARMACY) BUSINESS OVERVIEW (CONT'D)



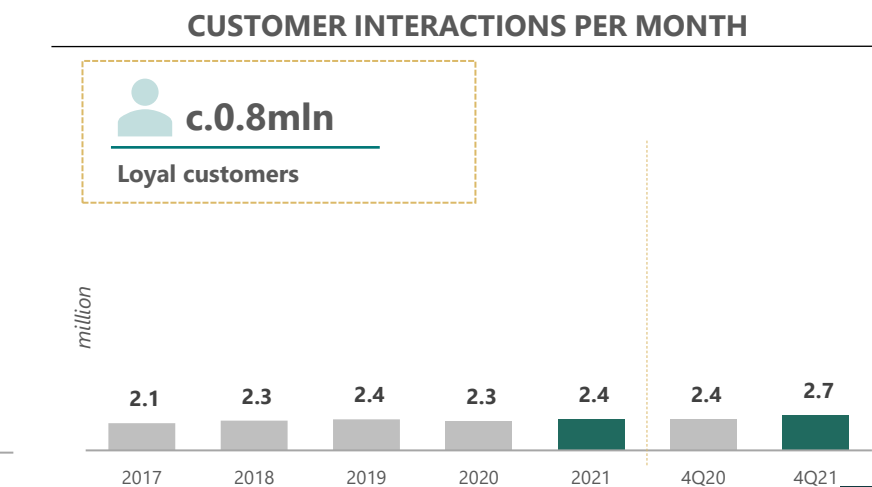
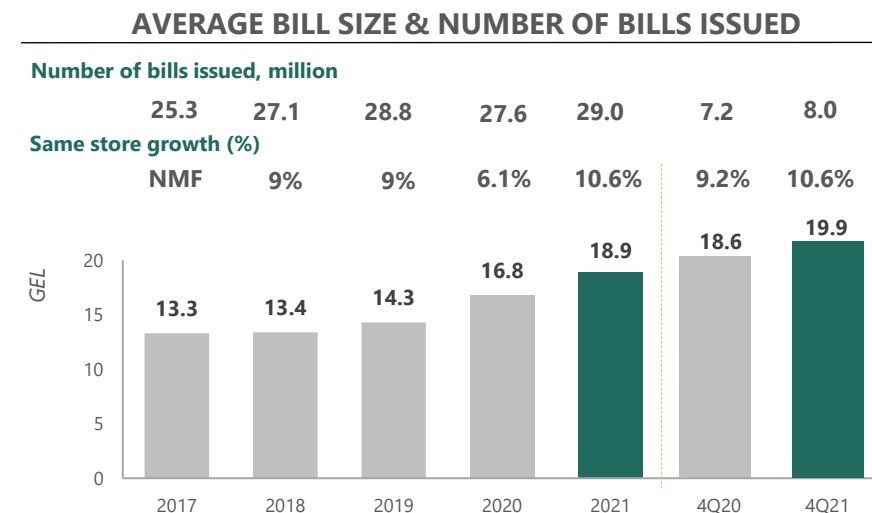
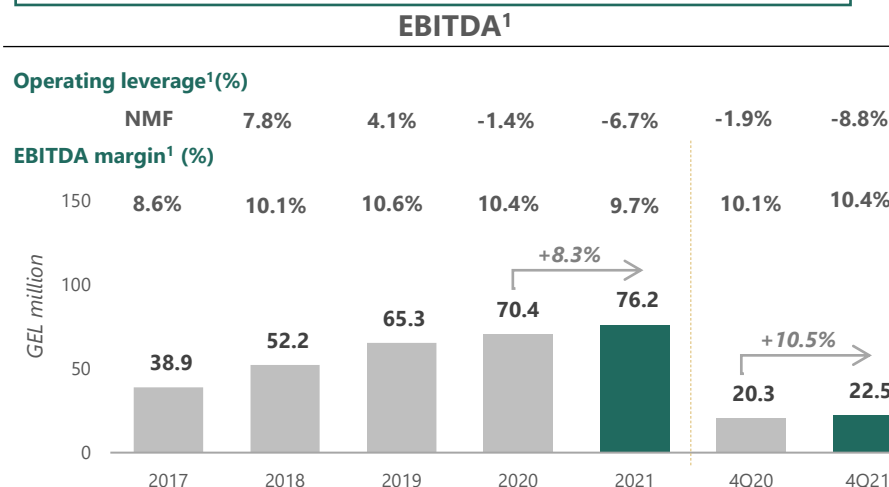
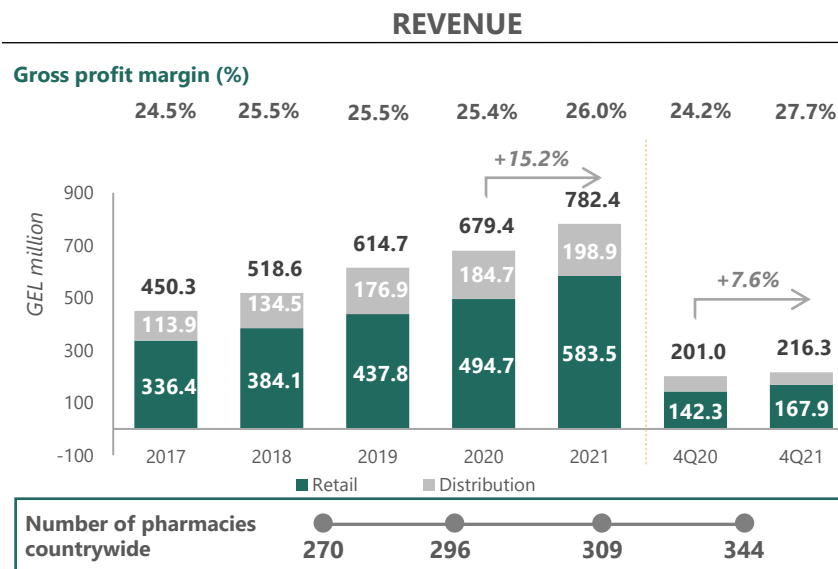
## Margin enhancement and strong growth in para-pharmacy sales

- Strong sales in para-pharmacy products of GEL 230.3 million in 2021 (up 23.6% y-o-y), with 30.4% gross profit margin.
- Para-pharmacy sales have the strongest margins and the share of para-pharmacy sales in retail revenue reached 35.3% in 2021 (34.7% in 2020).



## CASH FLOW HIGHLIGHTS

	4Q21	FY21
Operating cash flow <sup>1</sup>	GEL 40.3m	GEL 80.0m
Change y-o-y	+128.4%	+21.1%
EBITDA to cash conversion <sup>1</sup>	179.3%	105.0%
Change y-o-y	+92.5ppts	+11.1ppts
Free cash flow <sup>1</sup>	GEL 34.4m	GEL 63.5m
Change y-o-y	+113.0%	+4.5%

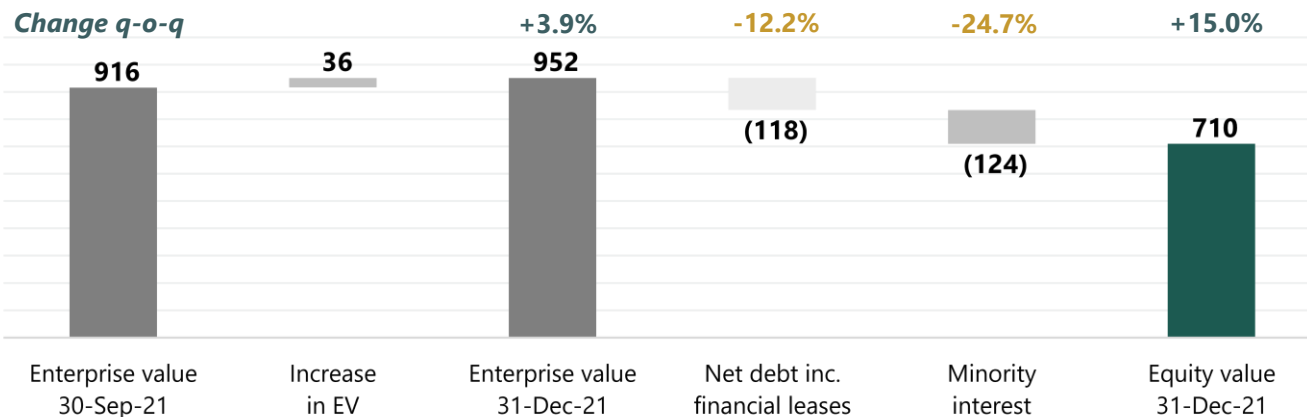




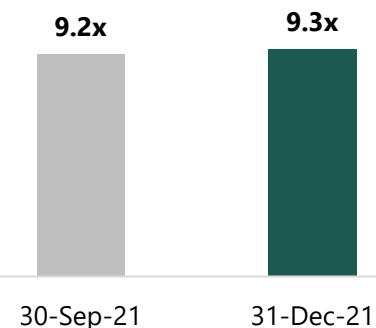
# RETAIL (PHARMACY) BUSINESS VALUATION OVERVIEW

## VALUE DEVELOPMENT OVERVIEW | 4Q21

(GEL MILLION)



## IMPLIED LTM EV/EBITDA DEVELOPMENT (incl. IFRS 16)



## VALUATION HIGHLIGHTS

GEL million, unless noted otherwise

	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Valuation method	Combination of income approach (DCF) and market approaches <sup>1</sup>				
Enterprise value	952.3	916.4	35.9	835.9	116.4
LTM EBITDA	102.9	99.6	3.3	92.4	10.5
Implied EV/EBITDA multiple	9.3x	9.2x	0.1x	9.1x	0.2x
Net debt inc. lease liabilities	(118.4)	(134.9)	16.5	(130.2)	11.8
Equity value	833.9	781.6	52.3	705.7	128.2
Equity value of GCAP's share	710.4	617.6	92.8	552.7	157.7



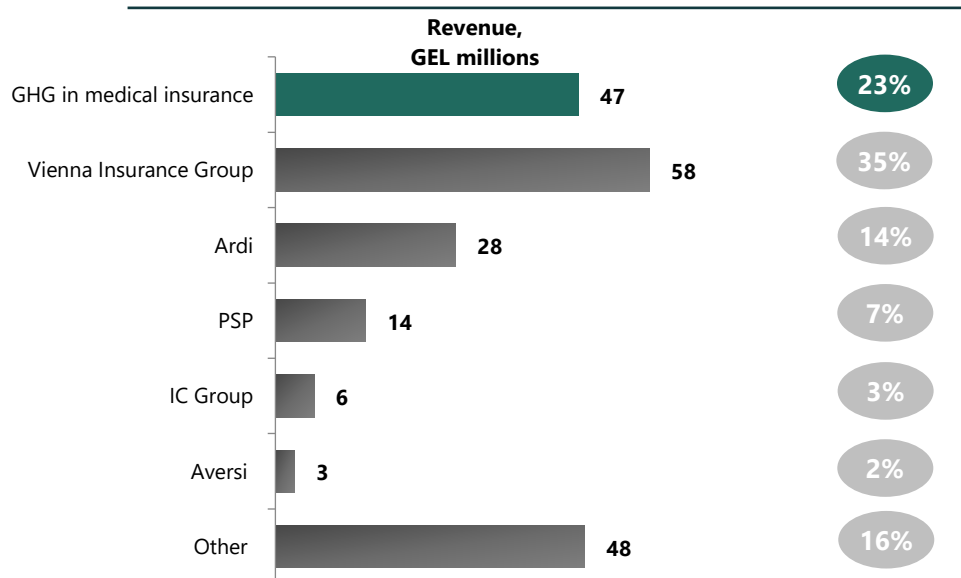
# MEDICAL INSURANCE BUSINESS OVERVIEW



**Largest medical insurer in the country** with 23%<sup>1</sup> market share Offering a variety of medical insurance products, with a wide distribution network to the Georgian population

## BUSINESSES MAJOR GROWTH DRIVERS

### Market share by gross premium revenue<sup>1</sup>



 **c.165,000**

Number of insured clients

- Growing the number of insured clients
- Enhancing gross profit through the introduction of “fee business” (such as motor Casco distribution, motor Third Party Liability distribution)
- Increasing retention rates within the Group

### **Medium to long-term targets**

- Increase contribution to the Group segments
- Combined ratio <97%



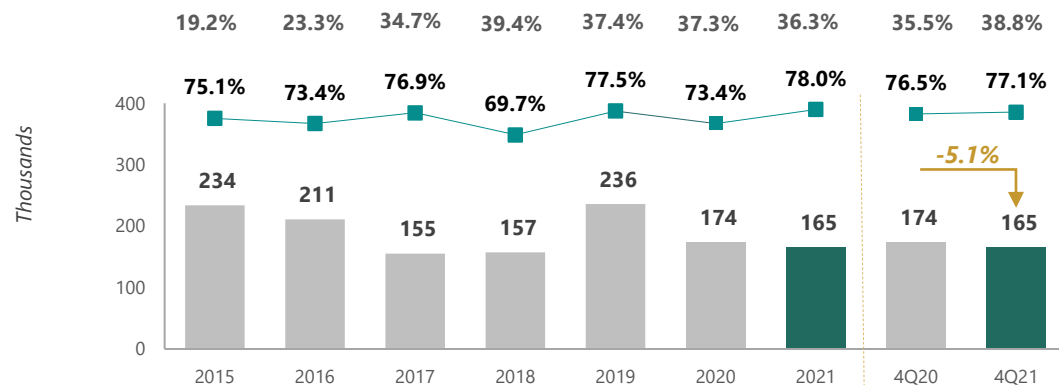


# MEDICAL INSURANCE BUSINESS OVERVIEW (CONT'D)

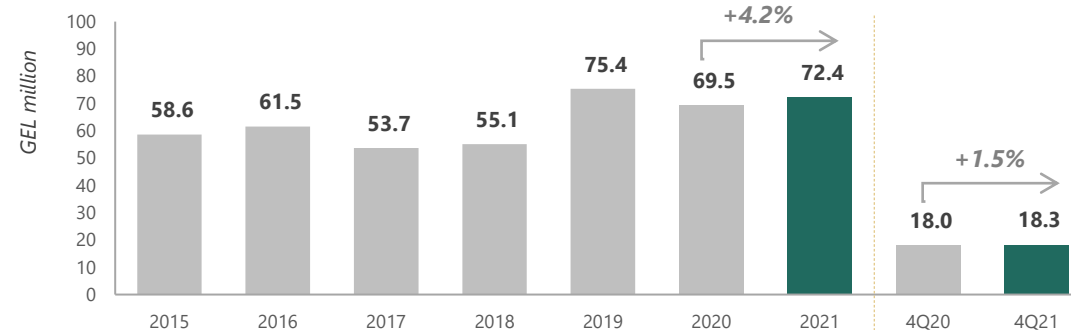


## NUMBER OF INSURED & RENEWAL RATE

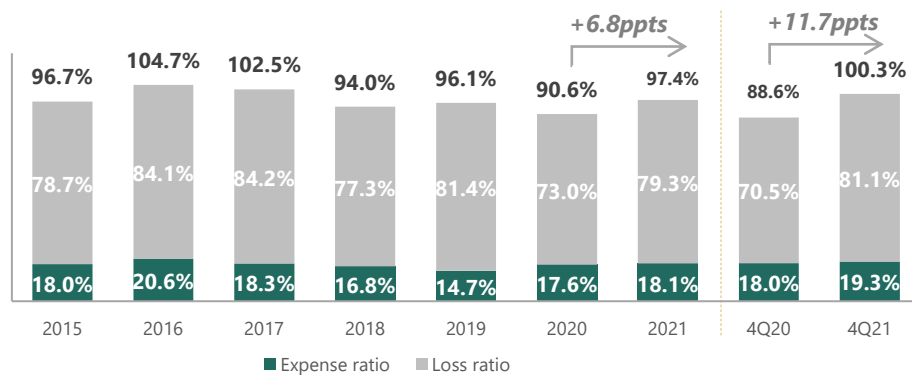
Retention rate within the Group<sup>1</sup> (%)



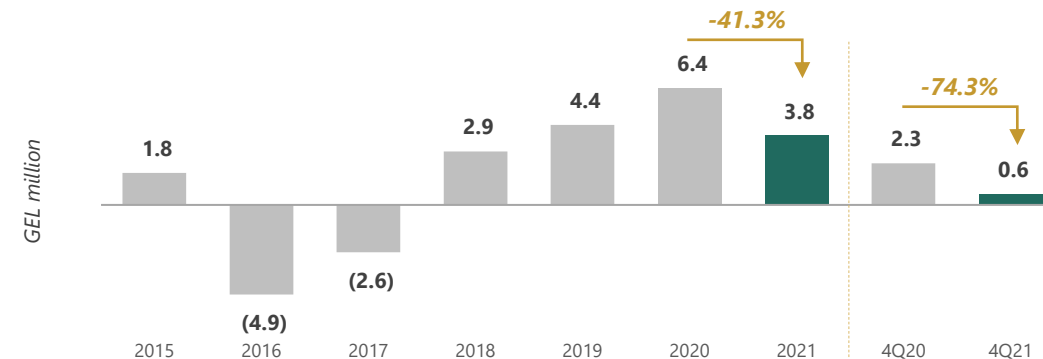
## REVENUE (NET INSURANCE PREMIUMS EARNED)



## COMBINED RATIO



## NET PROFIT





# MEDICAL INSURANCE BUSINESS VALUATION OVERVIEW

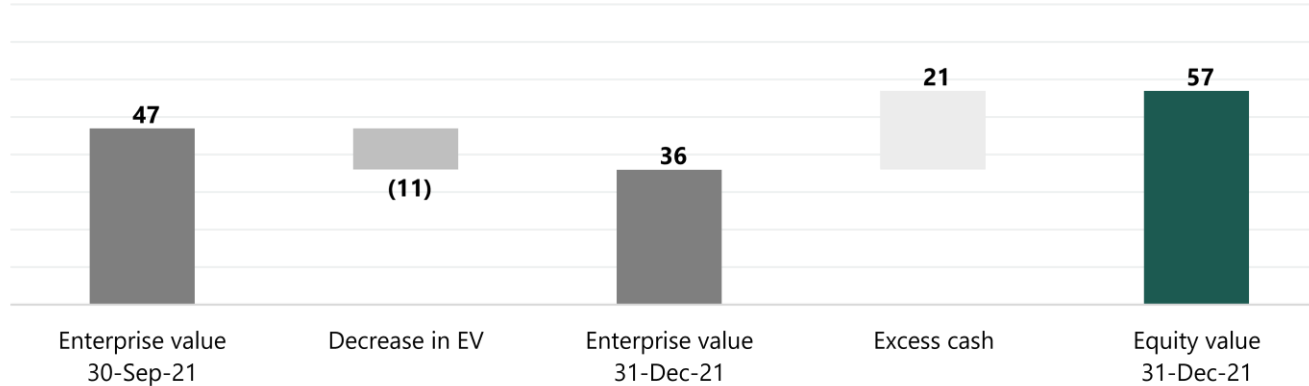
## VALUE DEVELOPMENT OVERVIEW | 4Q21 (GEL MILLION)

Change q-o-q

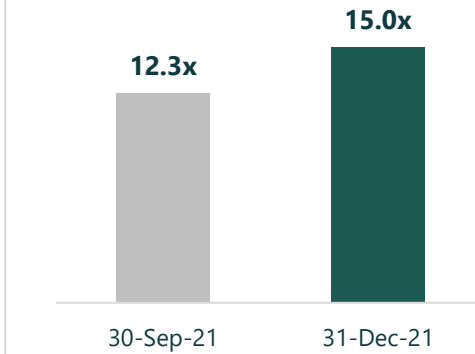
-23.9%

+1.5%

-16.2%



## IMPLIED LTM P/E MULTIPLE DEVELOPMENT



## VALUATION HIGHLIGHTS

GEL million, unless noted otherwise

	31-Dec-21	30-Sep-21	Change	31-Dec-20	Change
Valuation method	Combination of income approach (DCF) and market approaches <sup>1</sup>				
LTM Net income	3.8	5.5	(1.7)	6.4	(2.6)
Implied P/E multiple	15.0x	12.3x	2.7x	10.1x	4.9x
Equity value	56.6	67.5	(10.9)	64.9	(8.3)
LTM ROAE <sup>2</sup>	12.3%	17.8%	-5.5ppts	24.2%	-11.9ppts