



GHG financial performance overview

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GHG Investor Day
Tbilisi, Georgia | June 2019



⌘ **GHG | Financial performance overview**

⌘ GHG | From Capex to cash flow

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Progress towards major KPI's

(GEL '000) mn l	1Q19	1Q18	Change, Q-o-Q	2018	2017	Change, Y-o-Y
GHG						
Revenue	235,211	207,689	13.3%	849,917	747,750	13.7%
EBITDA ⁽¹⁾	37,409	31,399	19.1%	132,274	108,148	22.3%
ROIC normalised ⁽²⁾ (%)	14.4%	13.5%	0.9%	13.9%	12.8%	1.1%
Net Profit ⁽¹⁾	18,273	16,012	14.1%	53,239	45,940	15.9%
EPS ⁽¹⁾	0.09	0.08	16.4%	0.27	0.23	18.0%
Hospitals (referral hospitals)						
Revenue	74,774	64,290	16.3%	268,270	235,426	14.0%
EBITDA ⁽¹⁾	19,162	17,100	12.1%	70,665	65,021	8.7%
EBITDA margin ⁽¹⁾ (%)	25.6%	26.6%	-1.0%	26.3%	27.6%	-1.3%
EBITDA margin without roll-outs ⁽¹⁾ (%)	27.8%	28.9%	-1.1%	29.6%	30.0%	-0.4%
Clinics (policlinics and community clinics)						
Revenue	11,107	9,434	17.7%	38,321	29,576	29.6%
EBITDA ⁽¹⁾	2,076	1,375	51.0%	5,203	3,904	33.3%
EBITDA margin ⁽¹⁾	18.7%	14.6%	4.1%	13.6%	13.2%	0.4%
Pharmacy and distribution Business						
Revenue	145,779	126,868	14.9%	518,578	450,315	15.2%
Gross margin	26.3%	24.7%	1.6%	25.5%	24.5%	1.0%
EBITDA ⁽¹⁾	15,561	12,644	23.1%	52,215	38,854	34.4%
EBITDA margin ⁽¹⁾ (%)	10.7%	10.0%	0.7%	10.1%	8.6%	1.5%
Medical Insurance Business						
Revenue	17,493	13,302	31.5%	55,112	53,710	2.6%
Combined ratio ⁽¹⁾ (%)	97.9%	100.0%	-2.1%	94.0%	102.5%	-8.5%
Diagnostics						
Revenue	1,154	696	65.8%	N/A	N/A	N/A
EBITDA ⁽¹⁾	48	77	NMF	N/A	N/A	N/A

* The above figures include allocation of head office costs to segments

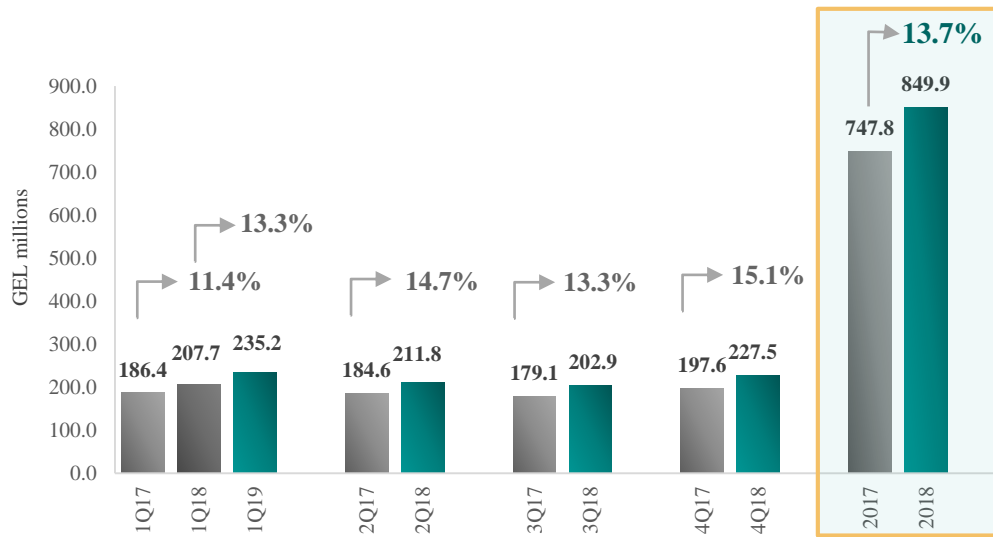
(1) Excluding IFRS 16 effect

(2) Return on invested capital ("ROIC") adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase

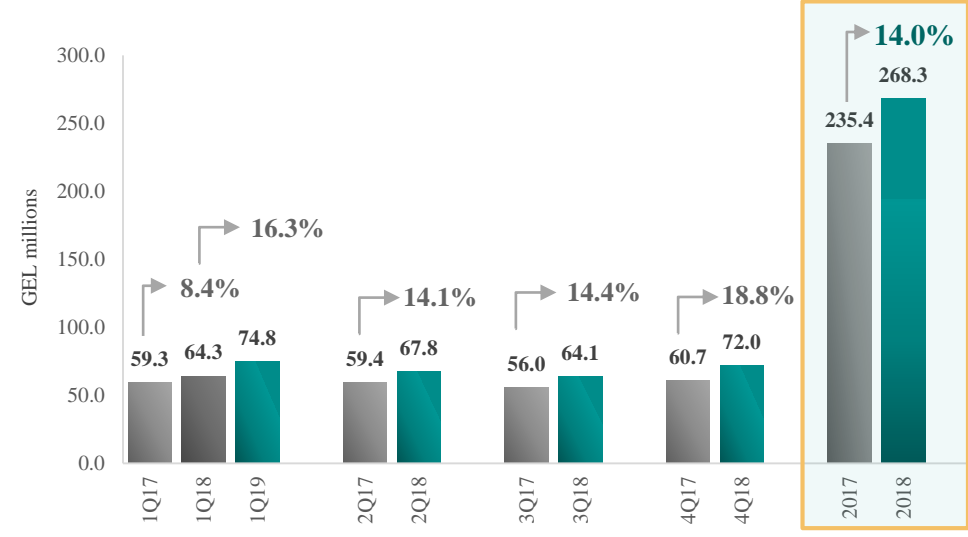


Double digit revenue growth in all GHG segments

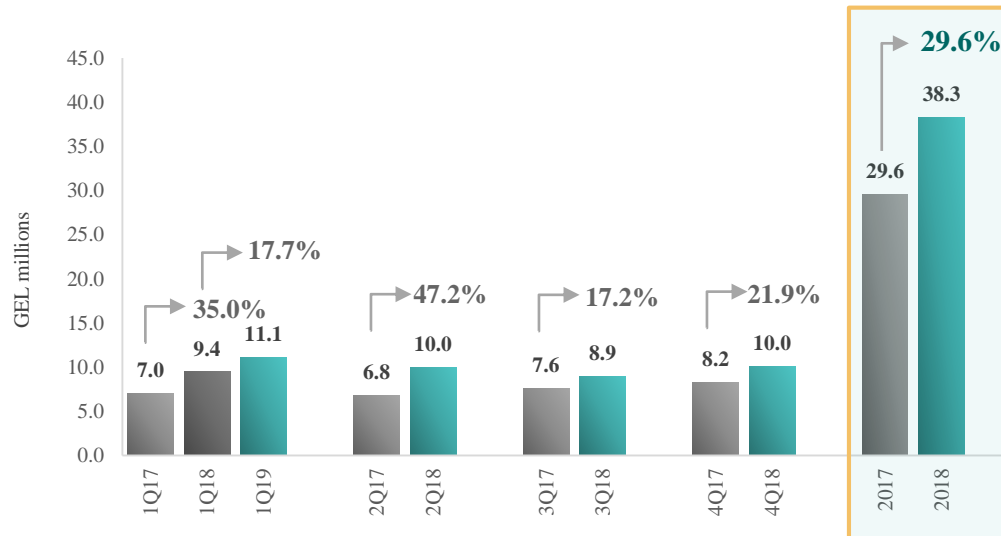
GHG



Hospitals



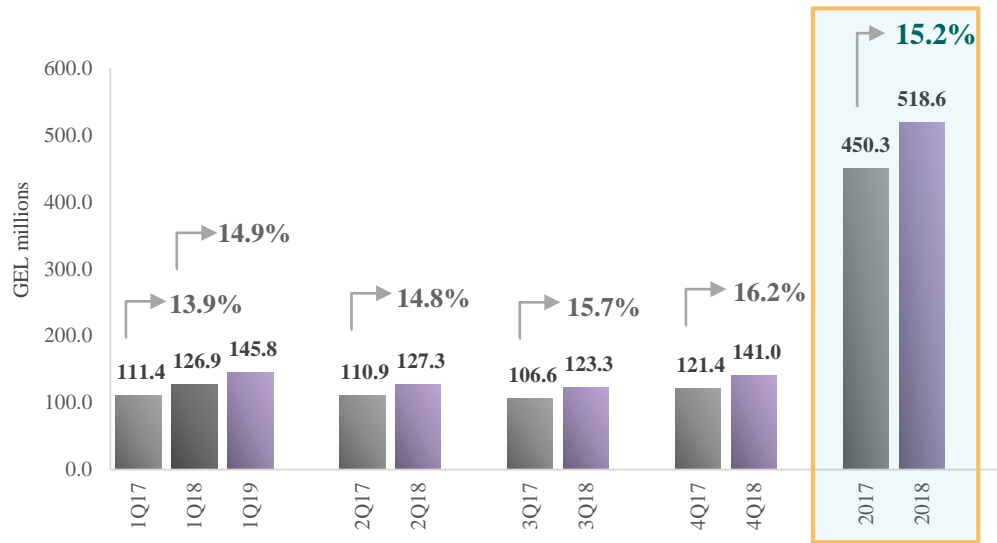
Clinics (community clinics and polyclinics)



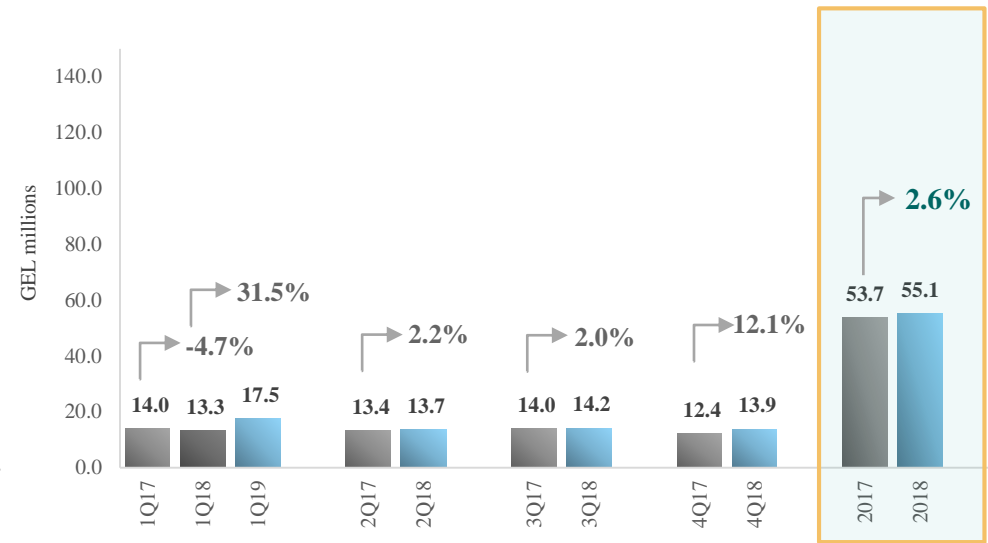


Double digit revenue growth in all GHG segments

Pharmacy and distribution



Medical Insurance





Double digit EBITDA growth in all GHG segments

GHG

EPS,
GEL

0.08

+16.4%

0.09

0.23

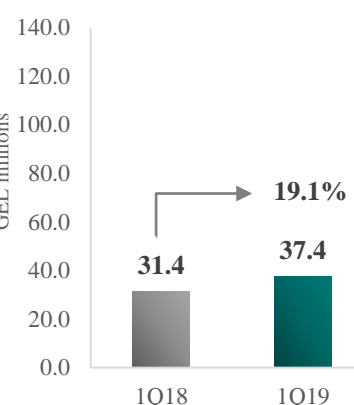
+18.0%

0.27

22.3%

108.1

132.3



Pharmacy and distribution

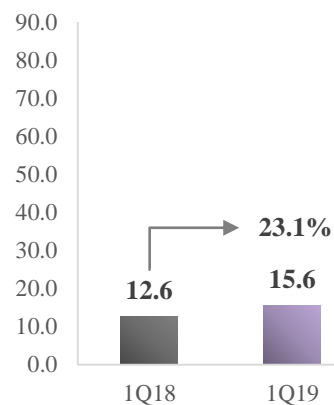
EBITDA
margin

10.0%

10.7%

8.6%

10.1%



Hospitals

EBITDA
margin
Without
roll outs

26.6%

25.6%

28.9%

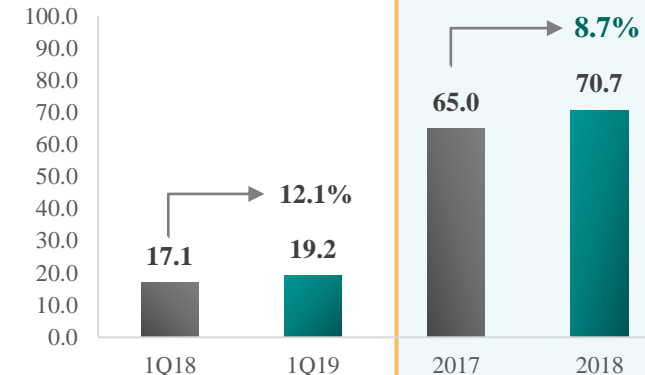
27.8%

27.6%

26.3%

30.0%

29.6%



Clinics

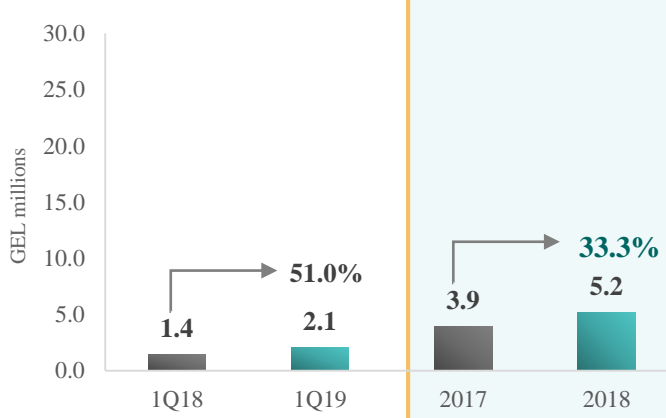
EBITDA
margin

14.6%

18.7%

13.2%

13.6%



Medical insurance

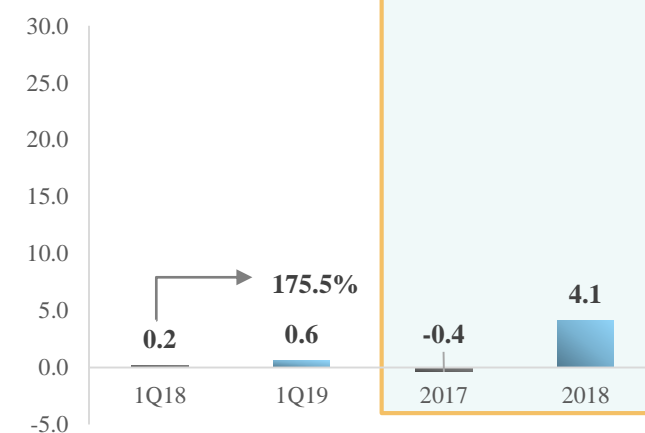
EBITDA
margin

1.5%

3.2%

-0.8%

7.4%



(1) EBITDA excluding IFRS 16 effect



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⊗ **GHG | From Capex to cash flow**

⊗ GHG | Capital allocation strategy

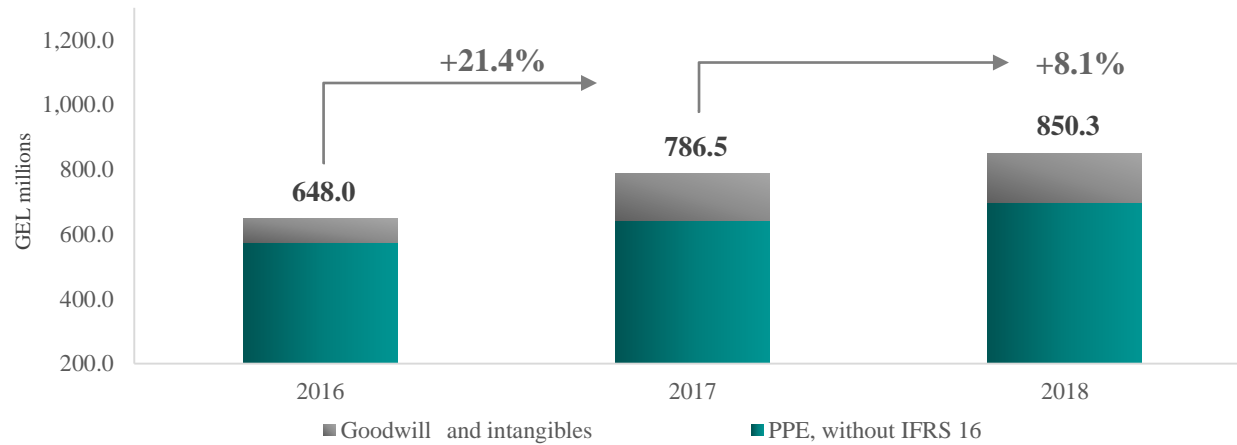
⊗ Q&A

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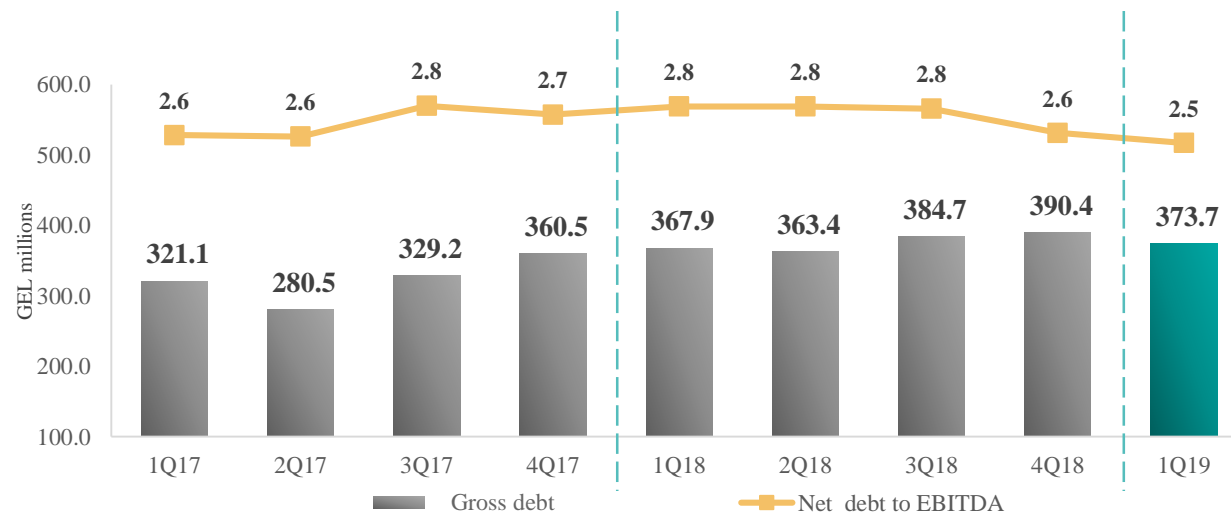


Reduced investments and debt

PPE + goodwill & intangibles



Deleveraging



EBITDA based on last 12 months



Steadily decreasing Capex

- Added 6 new polyclinics
- Started renovation works at the Regional Hospital and Tbilisi Referral Hospital
- Launched 64 new services in 14 different referral hospitals



- Added 2 new polyclinics
- Acquired Khashuri Referral Hospital and Kareli Community Clinic
- Launched 54 new services in 11 different referral hospitals.
- Opened Tbilisi Referral Hospital



- Added 1 new polyclinic
- Completed our largest development and renovation project and launched the flagship Regional Hospital with 306 newly-renovated beds
- Launched 26 new services in 15 different referral hospitals
- Opened Mega Lab, the largest diagnostics laboratory in the entire Caucasus region



2016

2017

2018

1Q19

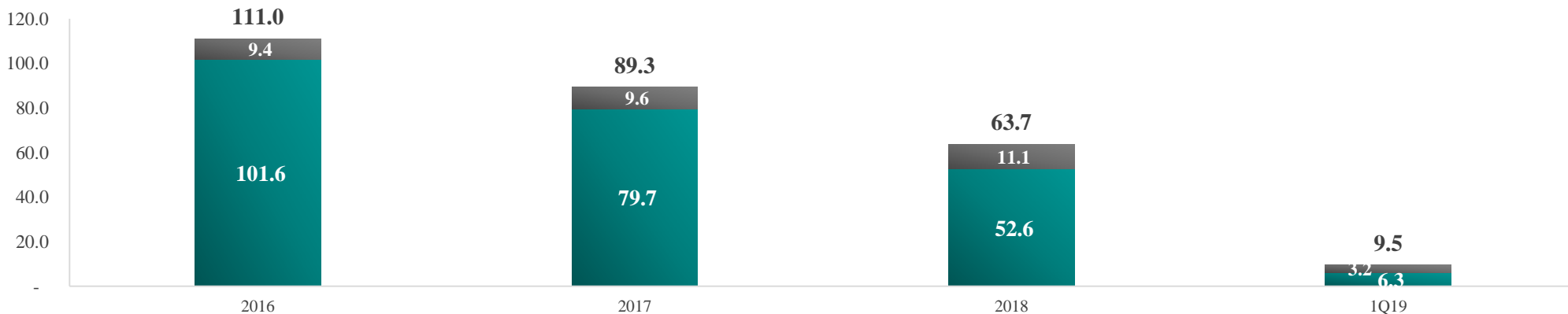
Hospitals maintenance
Capex % of revenue

3.8%

3.6%

3.6%

3.7%



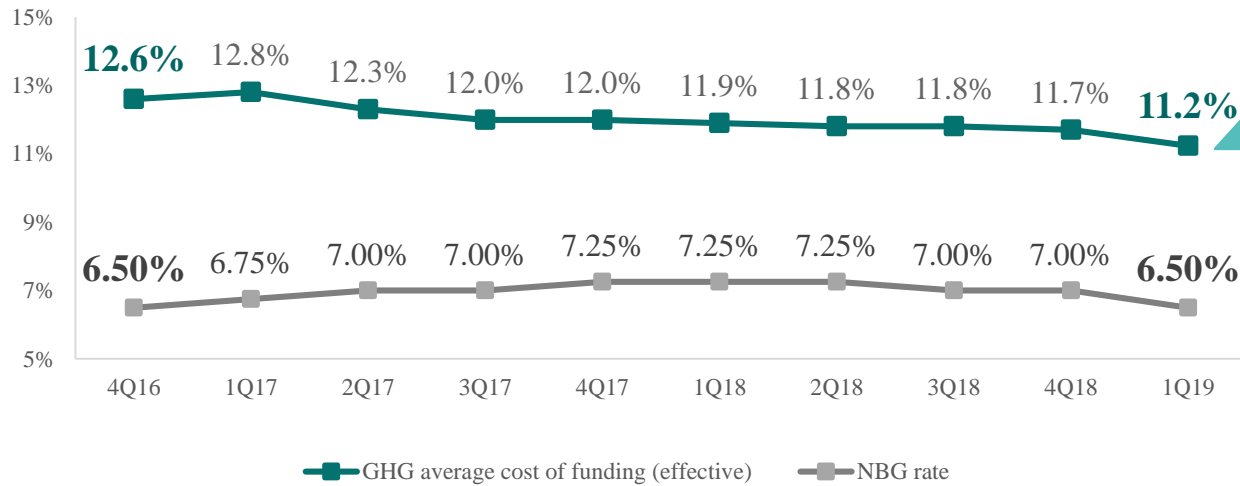
■ Development Capex

■ Maintenance Capex



Decreasing average cost of funding

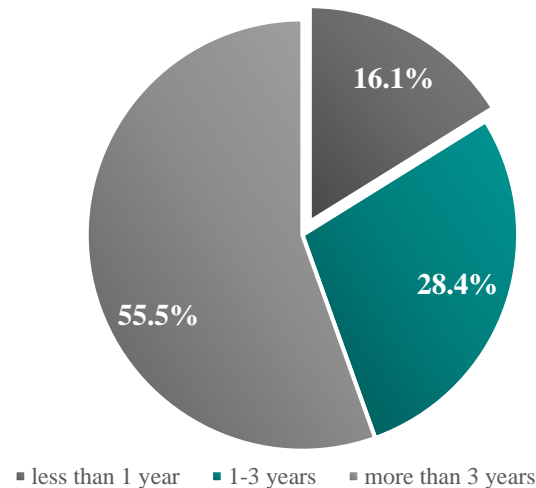
Favorable effective rate dynamics



c.55% of our debt is linked to NBG Ref. rate

Maturity breakdown of borrowings

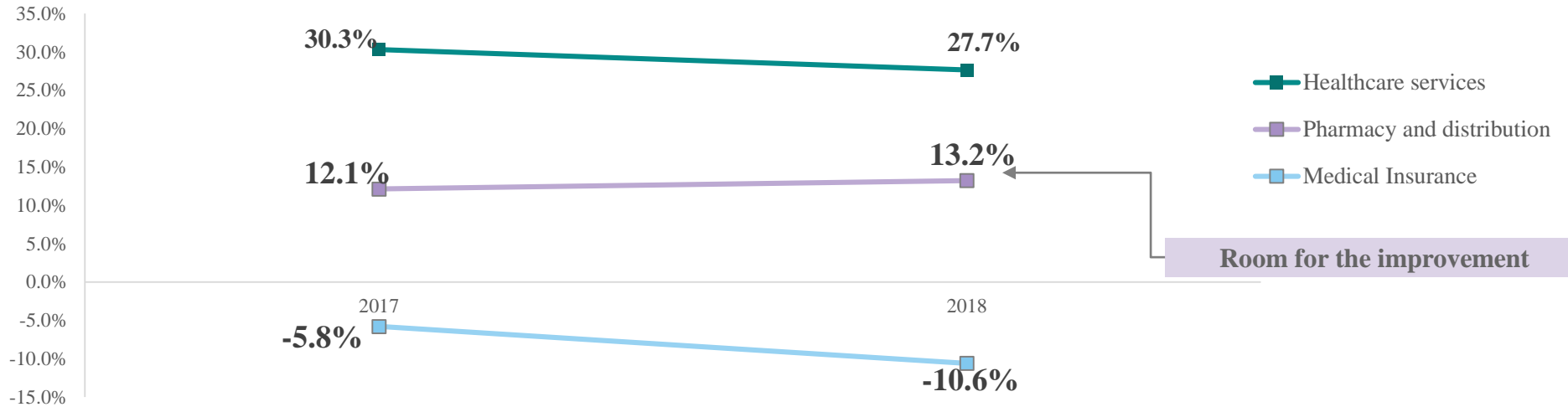
(% Share in Total)



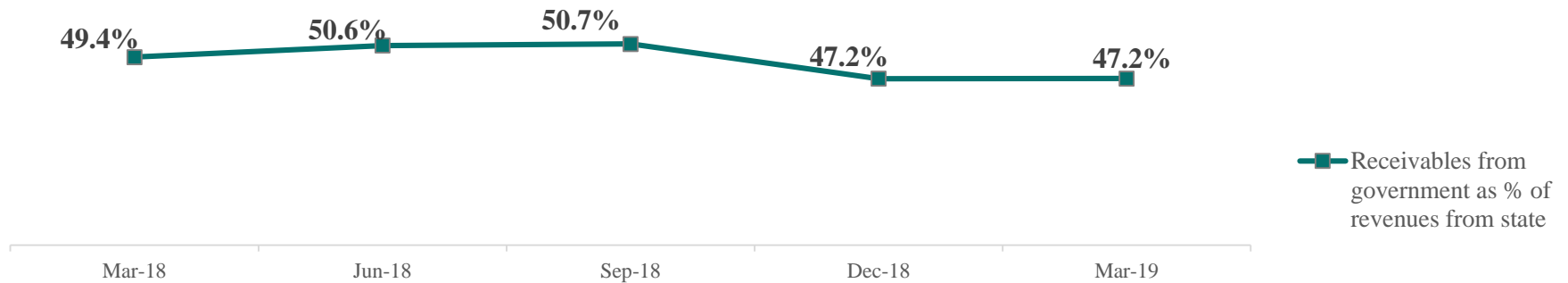


Decreasing working capital need

Net working capital need



Improved working capital need trend in healthcare is supported by state receivables





Targeting +80% EBITDA to cash conversion ratio

GEL thousands, unless otherwise noted

	FY18	FY17	Change, Y-o-Y	
EBITDA	132,274	108,148	22.3%	
Net cash flows from operating activities	99,580	58,239	71.0%	1H18 70.6%
EBITDA to Cash Conversion	75%	54%		2H18 79.5%
Net cash used in investing activities, of which	(85,347)	(128,748)	-33.7%	
<i>Purchase of PPE and intangibles</i>	(70,123)	(93,808)	-25.2%	
Net cash flows from financing activities	(26,917)	96,647	-127.9%	
Effect of exchange rate changes	(2)	(537)	-99.6%	
Net increase (decrease) in cash and cash equivalents	(12,686)	25,601	NMF	
Cash at period, beginning	48,840	23,239	110.2%	
Cash at period, ending	36,154	48,840	-26.0%	
Bank deposits, beginning	14,768	23,876	-38.1%	
Bank deposits, ending	11,807	14,768	-20.1%	
Cash and bank deposits, beginning	63,608	47,115	35.0%	
Cash and bank deposits, ending	47,961	63,608	-24.6%	



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Investing in new opportunities

- Strategic acquisitions of already revenue generating assets
- 20%+ marginal ROIC investments



Capital expenditures

C.GEL 15-20 million growth capex to support organic growth:

- Adding new pharmacies, outpatient centres
- Adding new services
- Software development

C.GEL 15-18 million maintenance capex:

- 3%-3.5% of revenue in hospitals
- under 1% of revenue in pharmacy and distribution



Disposal of low ROIC assets

Low performing assets

Unused assets

Transforming the asset / Disposing the asset



Minority buyouts

- Pharmacy and distribution business minority share – 33%
Exercisable in 2023
- HTMC hospitals minority share – 50%
- KNMC hospitals minority share – 33%



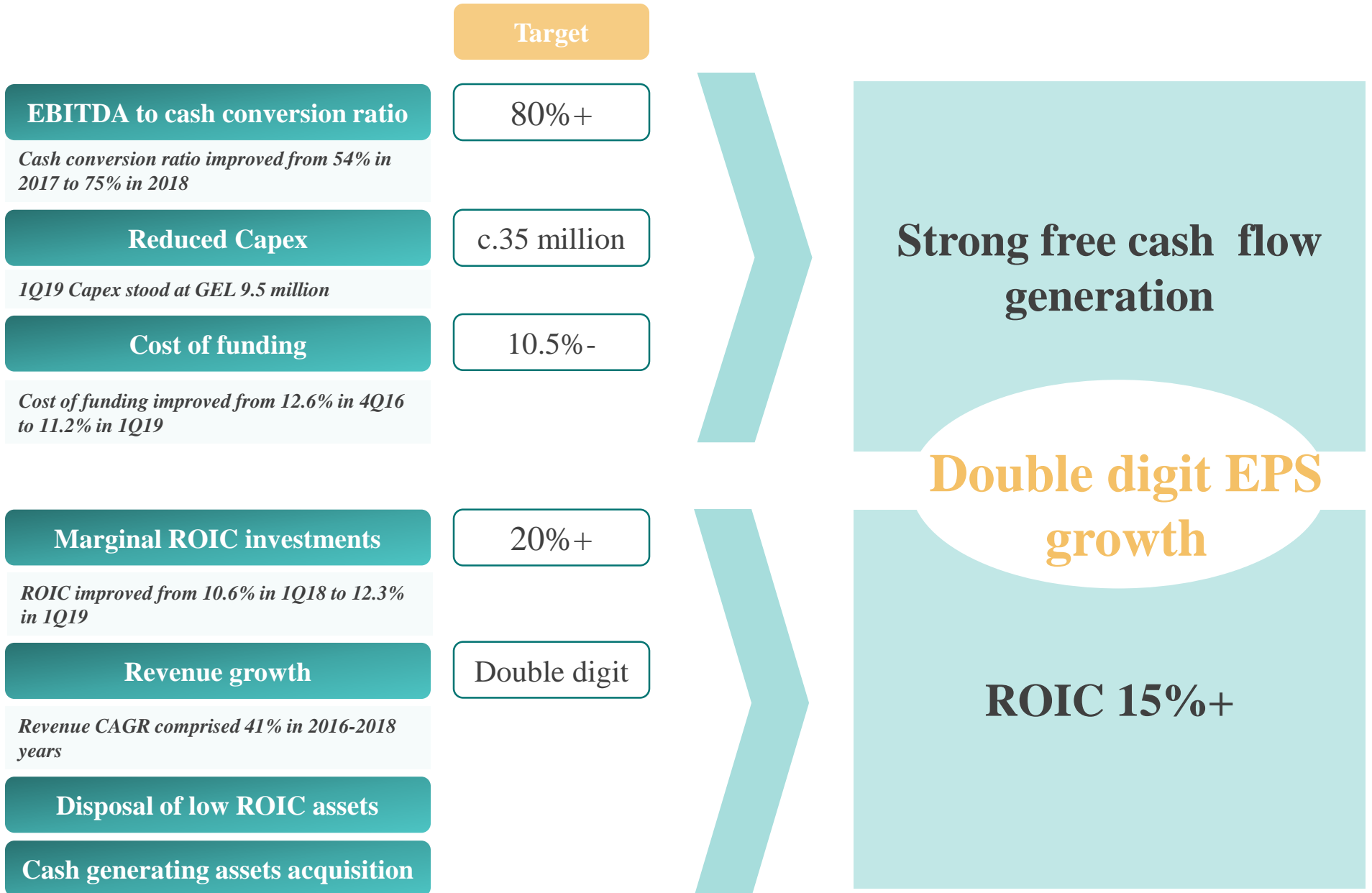
Deleveraging

- The Group targets managing the Group balance sheet, on an ongoing basis, at an average less than 2.0 times net debt to EBITDA from the end of 2020



Dividend policy

- Adopted a new dividend policy: 20%-30% of annual profit attributable to shareholders will be distributed as dividends
- GHG will pay its first dividends of GEL 0.053 per share on 12 July 2019, in respect of the 2018 financial year.



Questions?

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