



GHG overview and strategy

Speaker: Nikoloz Gamkrelidze, CEO

GHG Investor Day

Tbilisi, Georgia | June 2019



⊗ **GHG | Overview of business segments**

⊗ GHG | segments performance

⊗ Macroeconomic and industry overview

⊗ GHG | Strategy going forward

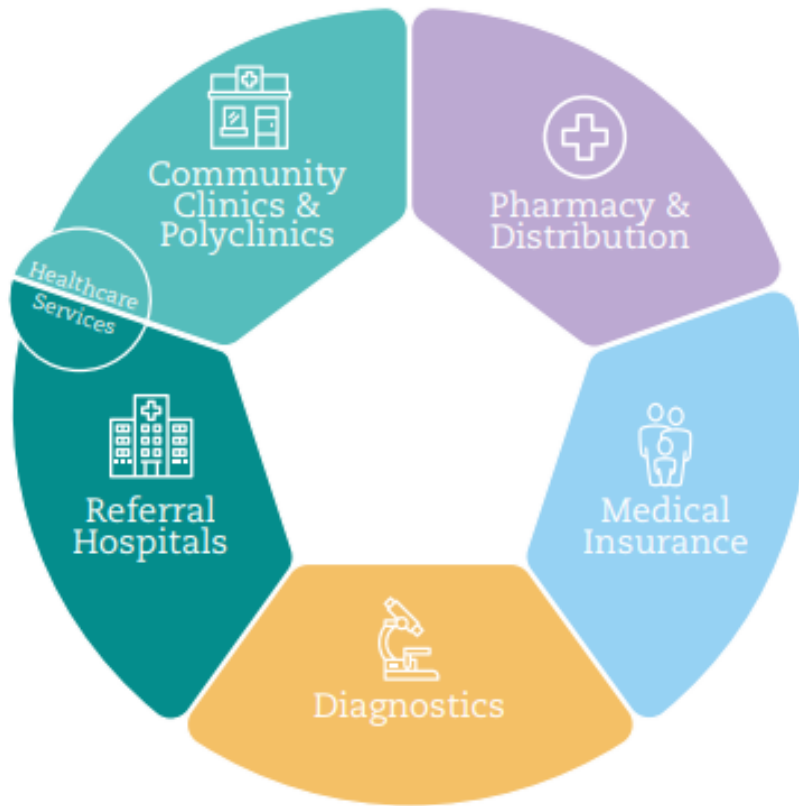
⊗ Q&A

⊗ Annexes



GHG - The only fully integrated healthcare provider in the region

Our segments



Market leader in each operating segment

- The largest healthcare service provider in Georgia: 24% market share by number of beds
- The largest pharmaceuticals retailer and wholesaler in Georgia: 33% market share by sales
- Largest medical insurer in Georgia with c.230,000 insured individuals
- The largest diagnostics laboratory service provider in Georgia, as well as in the entire Caucasus region



Well diversified business model with cost and synergy advantages

Healthcare services



18 Hospitals



35 Clinics

19 Community Clinics
16 Polyclinics

Pharmacy and Distribution



280 Pharmacies

Medical insurance



229k Insured

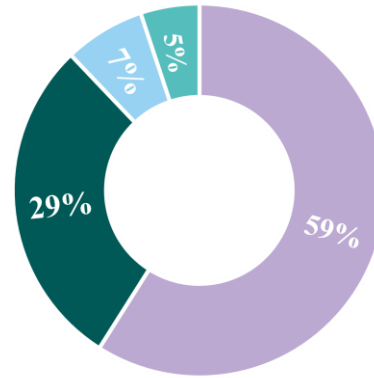
Diagnostics



Mega Lab

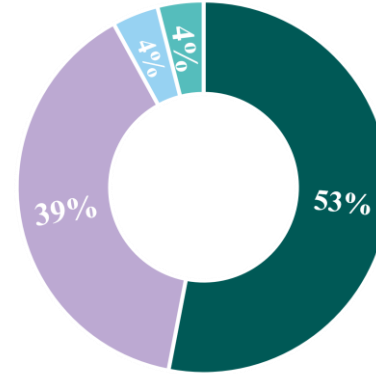
GHG revenue breakdown by segments

In 2018 - GEL 849.9 mln

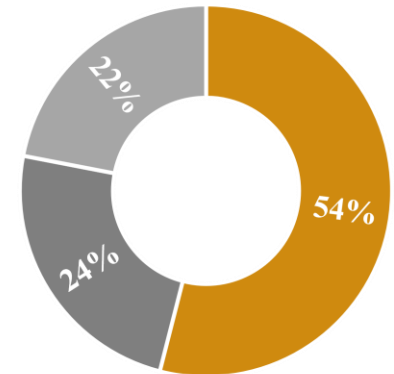


GHG EBITDA breakdown by segments

In 2018 - GEL 132.3 mln



GHG revenue breakdown by payment sources

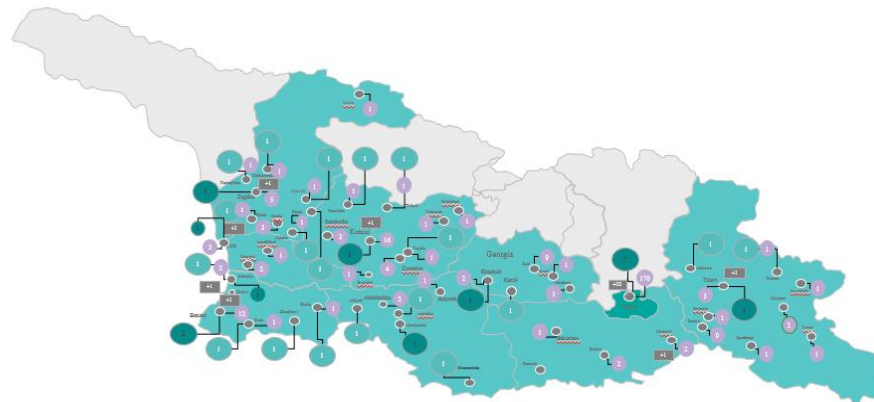


■ Pharmaci and distribution
 ■ Hospitals
 ■ Medical insurance
 ■ Clinics

■ Out-of-pocket
 ■ UHC
 ■ Other

Covering 3/4 of Georgia's population

One of the largest employers in the country: 16,092 full-time employees, including 3,635 physicians, 3,404 nurses and 2,971 pharmacists





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Regional Hospital



- Opened in March 2018
- Additional 306 beds
- Gross revenue reached GEL 9.0 million in 1Q19, up 7.7% q-o-q
- Occupancy level reached 35.6% in 1Q19, up 290 bps q-o-q
- More than 60% of revenue comes from elective care services and more than 40% of revenue is paid out-of-pocket - in line with our initial plan
- **Double-digit EBITDA margin since 1Q19**

Tbilisi Referral Hospital

- Fully opened in December 2017
- Additional 332 beds
- Gross Revenue reached GEL 6.4 million in 1Q19, up 8.9% q-o-q
- Occupancy level reached 52.2% in 1Q19, up 570 bps q-o-q
- **Double-digit EBITDA margin since 4Q18**





Improving medical services quality and filling existing service gaps in the country

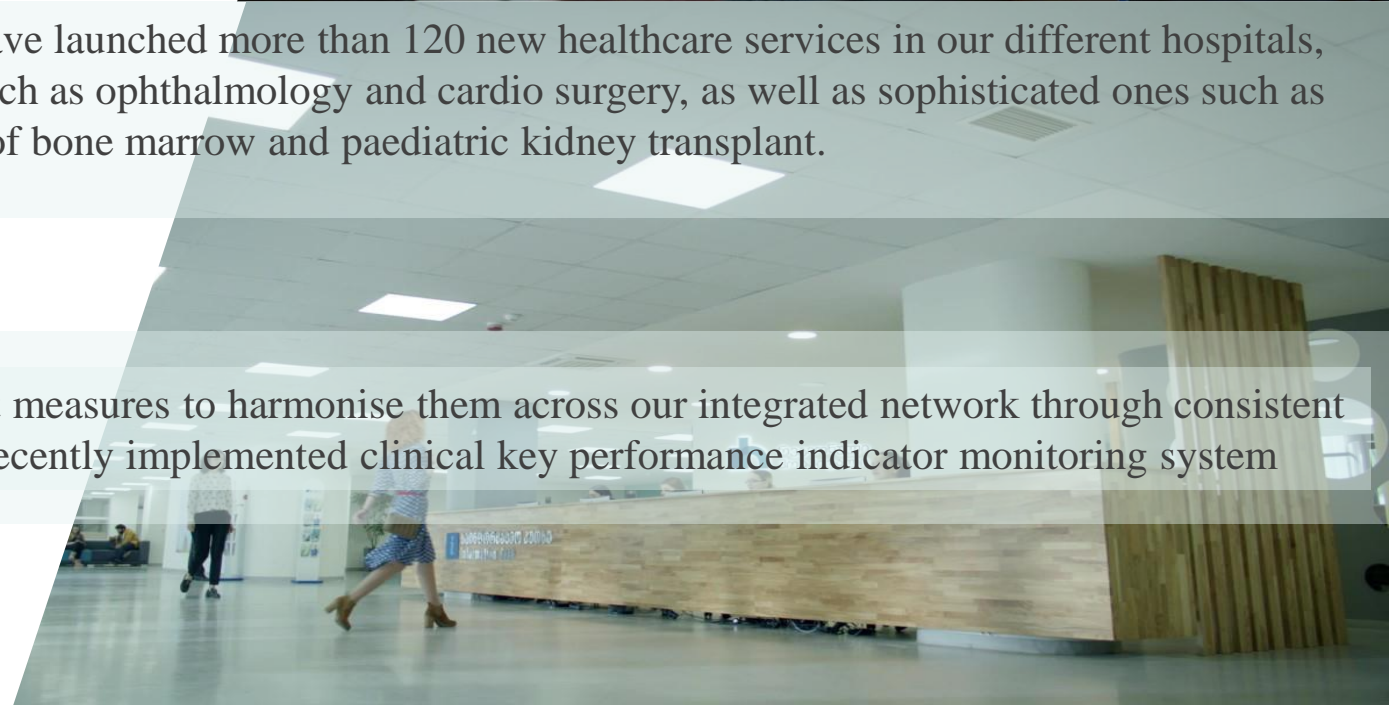
Retaining Georgian citizens that used to seek treatment overseas

Service export to foreign patients



During the last three years we have launched more than 120 new healthcare services in our different hospitals, including some basic services such as ophthalmology and cardio surgery, as well as sophisticated ones such as liver transplant, transplantation of bone marrow and paediatric kidney transplant.

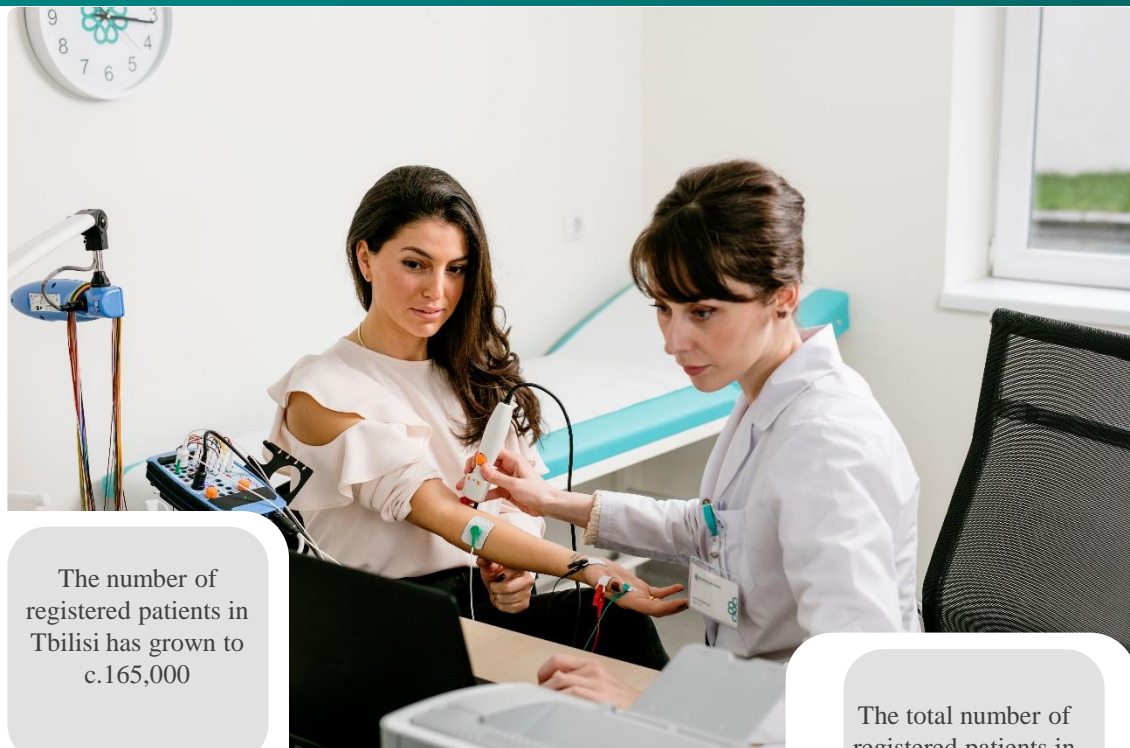
Developed quality management measures to harmonise them across our integrated network through consistent protocols, procedures and our recently implemented clinical key performance indicator monitoring system





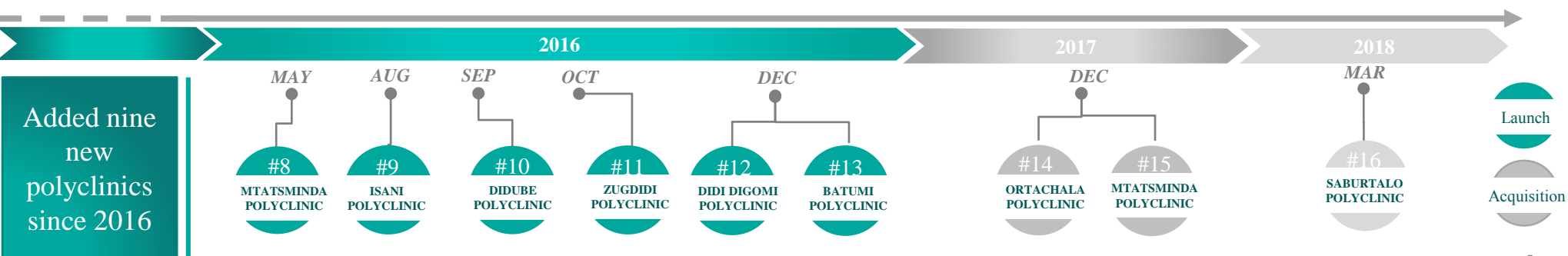
Increase the number of polyclinics and registered patients

In December 2018, we entered the Georgian dental market and we now have dental clinics in eight polyclinics in Tbilisi and other large cities in the regions



The number of registered patients in Tbilisi has grown to c.165,000

The total number of registered patients in all our clinics accounts c.430,000





Building the country's largest retail chain

280
pharmacies
countrywide

- Acquired the country's 3rd and 4th largest pharmacy chains
- By successful integration GHG has built the largest pharmacy chain and became the country's largest retailer
- Realised procurement synergies and increased margins
- Introduced first ever private label personal care products

GPC - Acquired in May 2016



Pharmadepot - Acquired in January 2017





Transformation of medical insurance business

Initiatives implemented since 2017

➤ **Revising portfolio**

Adjusted prices or terminated loss making contracts

➤ **New revenue sources**

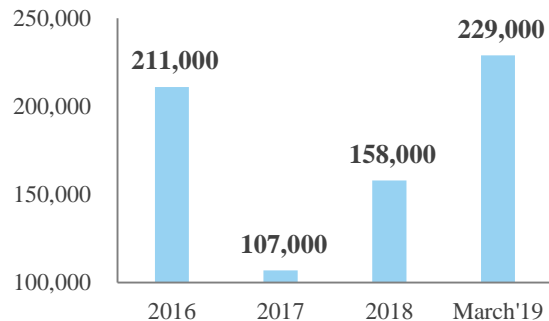
Critical Illness, Compulsory Motor Third Party Liability Insurance Programme

➤ **Attracting new clients**

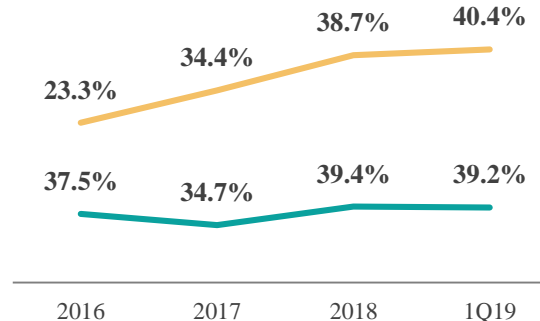
acquired country's largest insurance clients by number of insured, Ministry of Internal Affairs and Ministry of Defense

Business started to contribute positively in Group's EBITDA and earnings

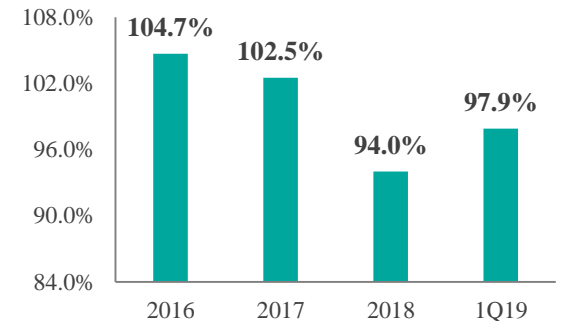
Increased number of insured individuals



Increased claims retention rates



Decreased combined ratio



— Retention rates in Polyclinics
 — Retention rates within the Group



Adding diagnostics segment

Launch of the largest laboratory in the region

- Launched in December 2018
- The multi-disciplinary laboratory is equipped with the most up-to-date infrastructure and state-of-the-art equipment
- Covers a full set of clinical and pathology tests, some of which are being introduced in the region for the first time
- High-capacity automated systems enables GHG to provide accurate, high quality results for the country's whole population



Developing Lab retail

- GHG demand covers only 25% of Lab's capacity
- To work on additional external contracts; contracting and serving healthcare facilities outside the Group
- To develop c.50 retail blood collection points in coming years



Last three years business scale-up translated into strong revenue EBITDA and ROIC growth rates

IPO Now

16

Number of hospitals

18

- Renovating hospitals
- Strategic acquisition



29

Number of clinics

35

- Building country's largest outpatient network
- Strategic acquisition of community clinic



0

Number of pharmacies

280

- Entering pharma market and building country's largest pharmacy chain
- Becoming largest purchaser of pharmaceuticals in the country
- Becoming country's largest retailer in terms of both, revenue and number of bills issued



Number of insured

c.230,000

- Transforming business to accommodate new market environment and making it profitable



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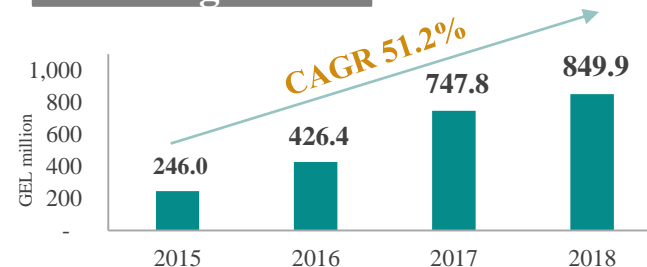
Number of laboratories

1

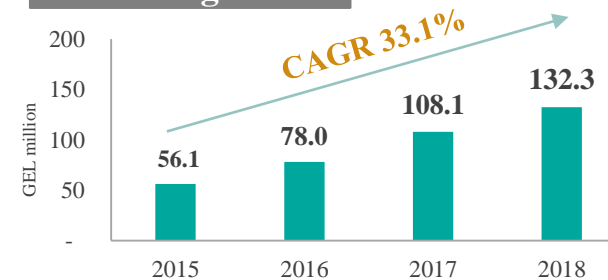
- Adding new segment by launching largest diagnostics laboratory in the region



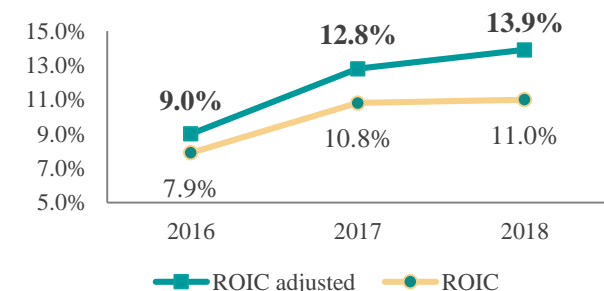
Revenue growth



EBITDA growth



ROIC growth



Adjusted to exclude newly launched hospitals and polyclinics that are in roll-out phase



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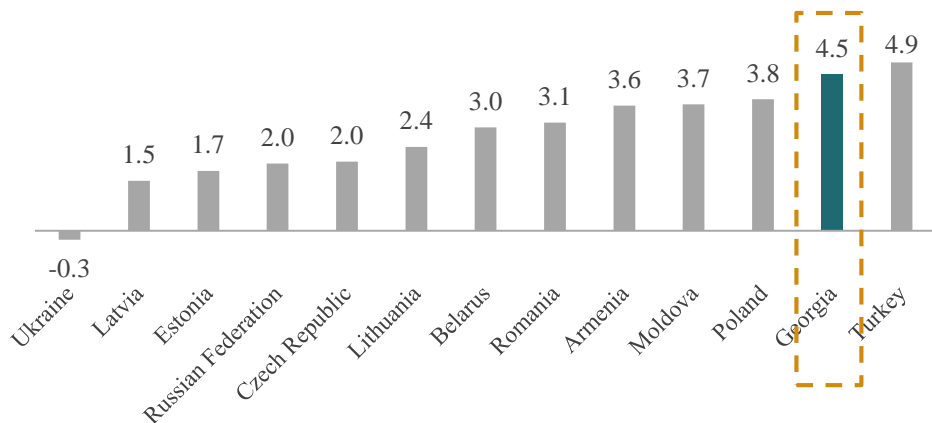
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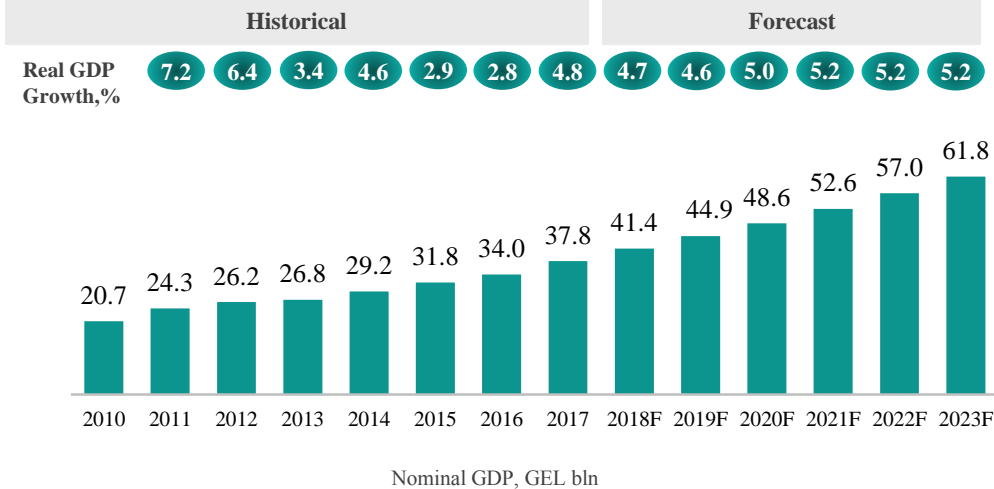
One of the Fastest Developing Economies in the Region

Comparative real GDP growth rates, % (2007-2018 average)



Source: Geostat

GDP Growth expected to continue



Sources: GeoStat, IMF

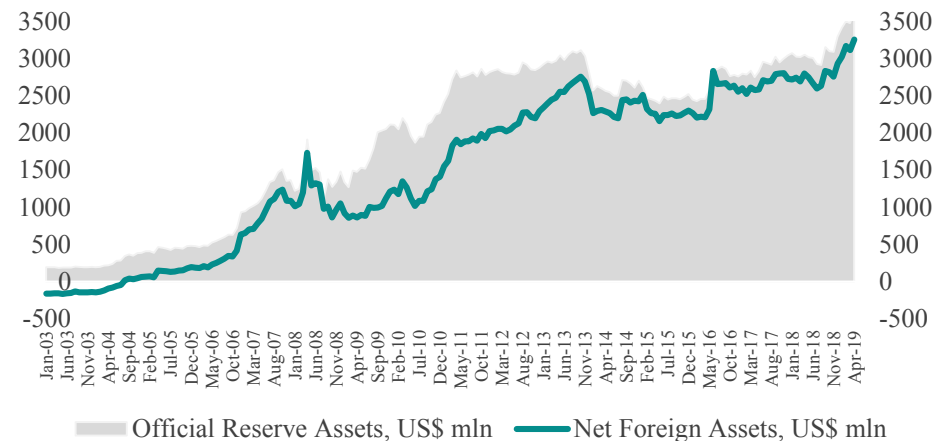
Well managed inflation

Inflation y/y vs. inflation target



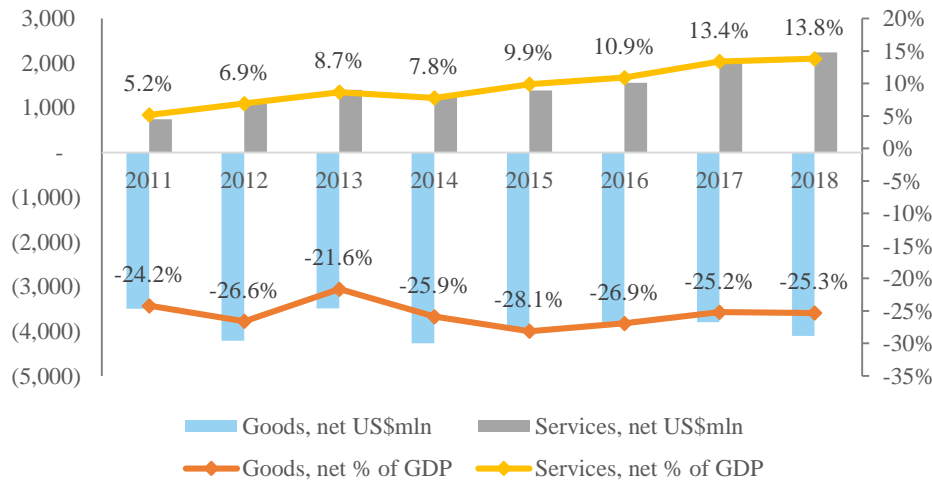
Sources: NBG, GeoStat

International reserves reached historic high



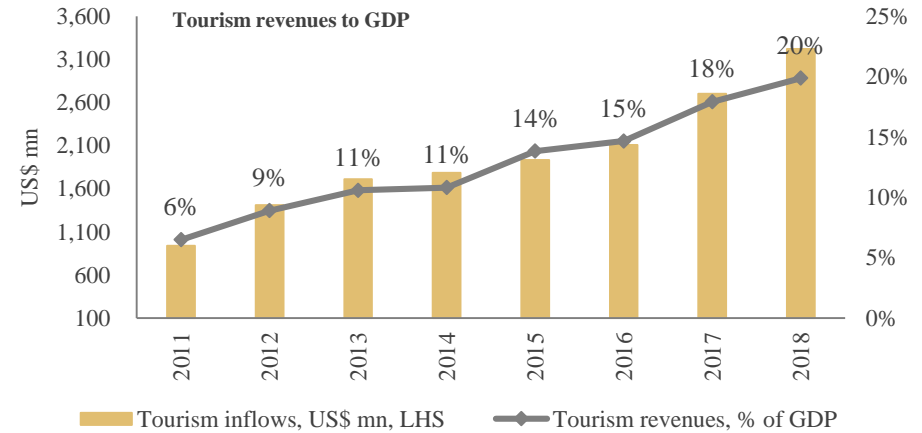
Sources: NBG

Goods and service export continues to reduce countries trade deficit



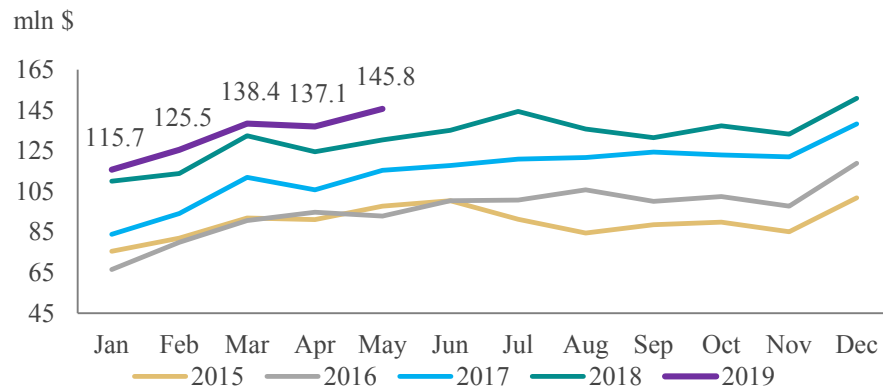
Sources: NBG

Tourism sector on the rise



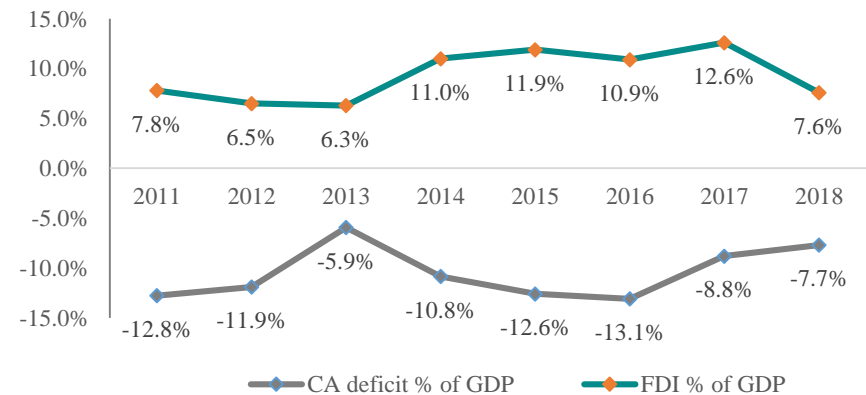
Sources: NBG, GeoStat

Remittances - steady source of external funding



Sources: NBG

Reduced current account deficit



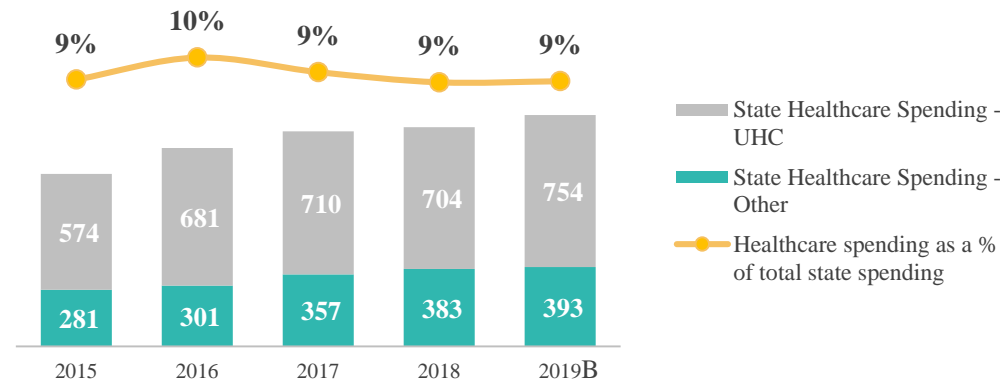
Sources: NBG, GeoStat



State financing of healthcare increasing for the last several years

State healthcare spending dynamics

GELm



Source: Ministry of Finance of Georgia

- Total state healthcare budget has more than doubled since 2013
- Country's expenditure on healthcare - c.9% of GDP
- C.30% of total healthcare expenditure is financed by the State
- Government expenditure on healthcare as a % of GDP reached c.3% from 1.6% in 2013
- Government spending on healthcare accounts c.9% of total budget



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Manage customers on an integrated level

- GHG serves around three million unique customers across its business lines annually
- Customer integration within all of our segments accounts for only c.6%



Focusing on:

Operational performance

Financial performance:

- Cash flow generation
- Capital allocation
- ROIC

Growth pipeline



Boosting operational performance through:

Utilisation

Increasing utilisation of our facilities

- Bed occupancy rate at 56.2% currently, still room to grow

Optimisation

Exercise various cost optimisation measures / positive operating leverage

- Disposal of unused assets
- Disposal / transforming low ROIC assets
- Decreasing cost of funding

Efficiency

Drive efficiency across our healthcare facilities

- Service processes automatisation
- Full roll-out of HIS

Digitalisation

Fully integrated health information system will help us to manage customers on an integrated level

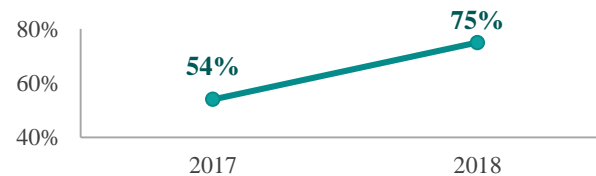
- Electronic Medical Records - implemented successfully in all our polyclinics / ongoing in hospitals
- “EKIMO” - consolidated customer journey

Delivering a better care to our customers

1

Higher earnings

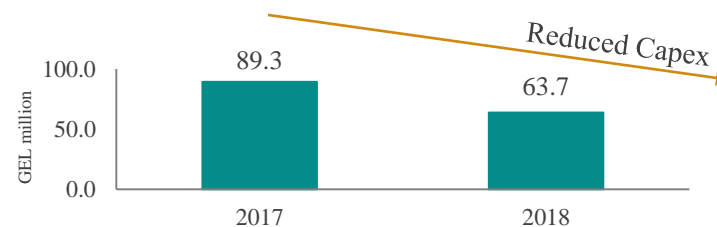
- Organic growth of the business
- New projects in pipeline
- Improved EBITDA to cash conversion ratio



2

Reduced capital requirements

- GHG out of capex mode: Completed our three-year investment programme
- Leveraging on existing infrastructure, people and client base



3

Reduced cost of funding and interest expense

- Cost of funding improving gradually - 12.6% in 4Q16 to 11.2% in 1Q19



Deleveraging

- 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

Minority buyouts

- Exercise value accretive minority buyouts
Pharmacy and distribution business; HTMC hospital minority share; KNMC hospital minority share

Investing in new opportunities

- Allocating resources to high ROIC investments 20%+

Dividend policy

- Adopted a new dividend policy: 20%-30% of annual profit attributable to shareholders will be distributed as dividends



1

Business organic growth drivers

- Supportive macro environment
- Growing healthcare budget
- Low base on healthcare
- Increasing penetration

2

Pipeline of growth projects - shaping new markets

- Lab retail
- Medical tourism
- Pharmacies in Armenia
- EKIMO (Integrated digital platform)
- Beauty Retail
- Aesthetics business
- Clinical trials
- Opticians
- Elderly care
- Telemedicine



Who does GEORGIA HEALTHCARE GROUP serve?

We, Georgia Healthcare Group, serve human beings for their life's most important asset

HEALTH

To stay healthy, human beings have **wants** and **needs**

WANTS

make us a **CUSTOMER**



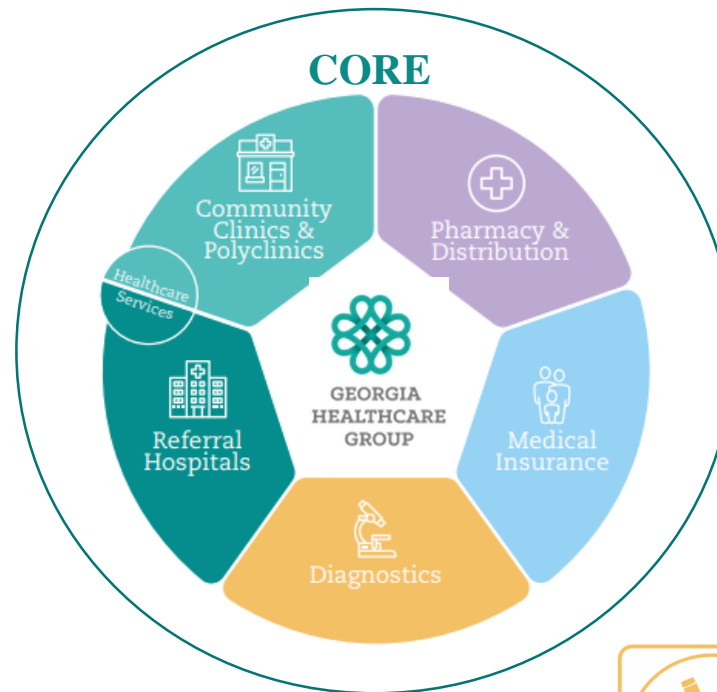
NEEDS

make us a **PATIENT**



➤ Medical tourism

- Supported establishing Medical Tourism Council
- Created Web platform TreatinGeorgia.com
- Invited Doctors & Agents from target country
- 25\$ mln annual revenue in 5-year time



➤ Retail: Diagnostics



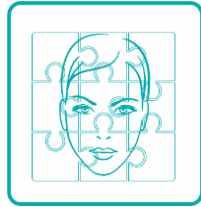
- Expansion of Lab service retail via GHG pharmacies
- Heading for 100 service booths in 5 years



➤ Retail: Pharmacy

- Expansion to Armenia
- Already running two pharmacies
- 5 pharmacies by year-end
- Low capital commitment, c.US\$ 50k per pharmacy





Aesthetics Business

➤ Aesthetics business

- Moving to Aesthetic retail direction
- Leveraging on existing Caraps Medline brand



Telemedicine



➤ Digitalisation & telemedicine

- Development of integrated digital platform
- Moving to virtual care
- Integrating online doctors, lab, radiology, screening gadgets and AI-triage into EKIMO



Beauty Retail



Opticians

➤ Retail: Beauty and Opticians

- Expanding retail in beauty & cosmetics under separate banner
- Adding opticians retail



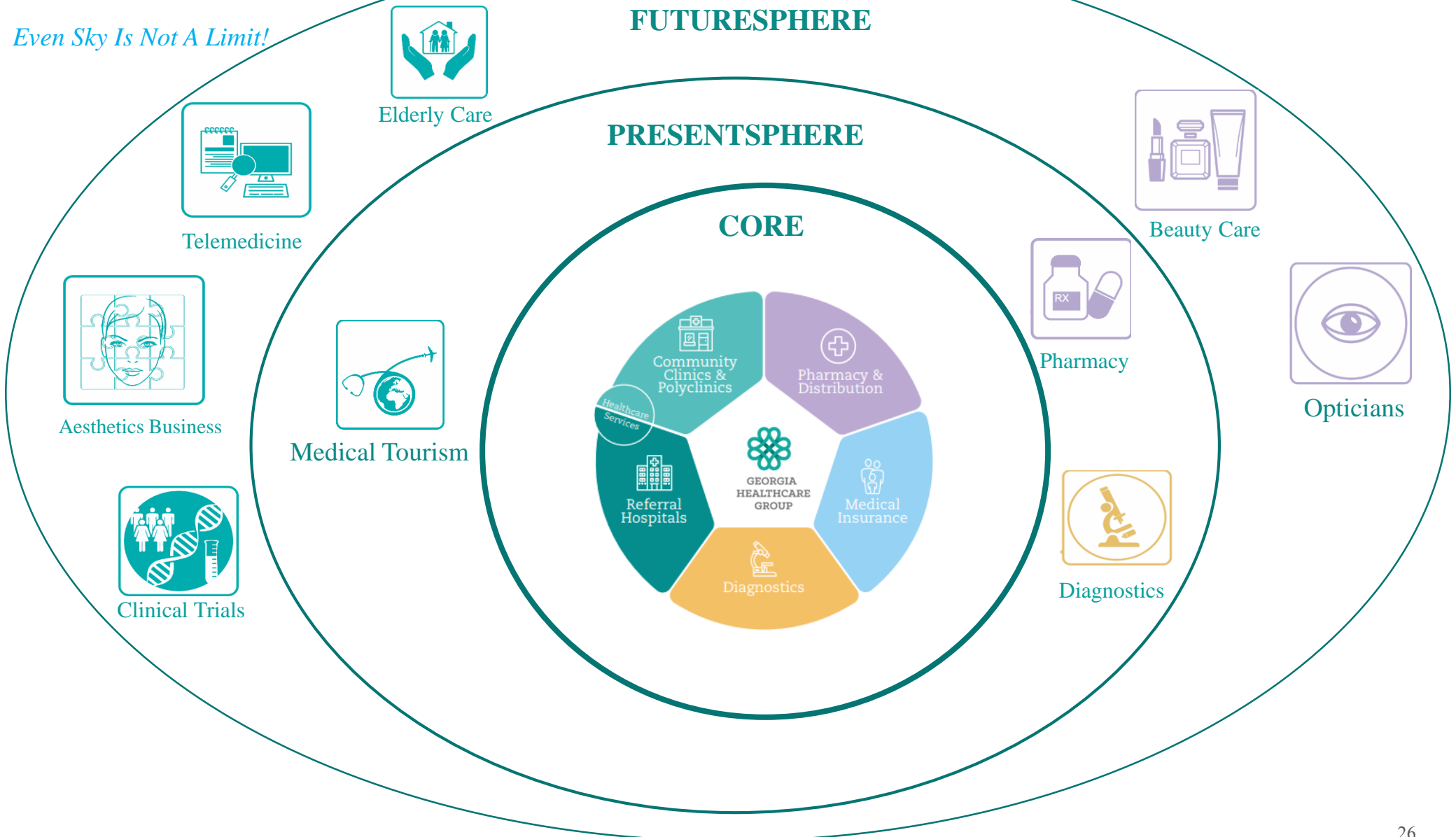
Clinical Trials

➤ Clinical Trials Service

- Progressing with Clinical Trials Direction
- Further unlocking Georgia as the destination



Going Beyond The Core In Healthcare Sphere





Shift from building assets to building markets

Going To The Core



Medical Tourism

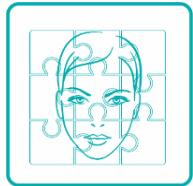


Diagnostics



Pharmacy

Going Beyond The Core



Aesthetics Business



Opticians Retail



Beauty Retail



Elderly Care



Telemedicine



Clinical Trials



Next 5-year plan:



Total investment

c.GEL 40 - 50 million



Potential incremental EBITDA

c.GEL 50 million +



**Boosted
operational
performance**



Organic growth



**New projects in
pipeline**

**Double digit
revenue CAGR
next 5 years**

**Mid-teen EBITDA
CAGR next 5 years**

**Significantly
improved cash
flow**



**Disciplined
capital allocation
strategy**

**Gradually
approaching
c.15%-17%
ROIC**

Questions?

GHG Investor Day
Tbilisi, Georgia | June 2019



Wrap-up

Speaker: Nikoloz Gamkrelidze, CEO

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Businesses scale-up

Hospitals

- Successfully renovating and launching flagship hospitals in capital



Clinics

- Building country's largest outpatient network



Pharmacy and distribution

- Entering pharma market and building country's largest retail chain



Medical insurance

- Transforming business and making it profitable



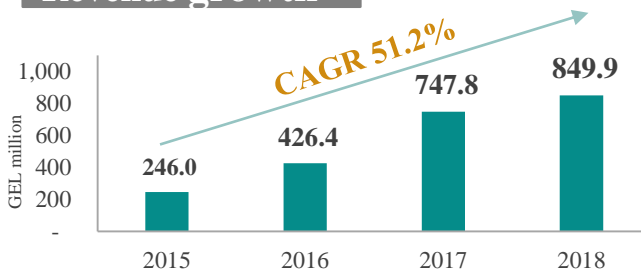
Diagnostics

- Launching largest diagnostics laboratory in the region

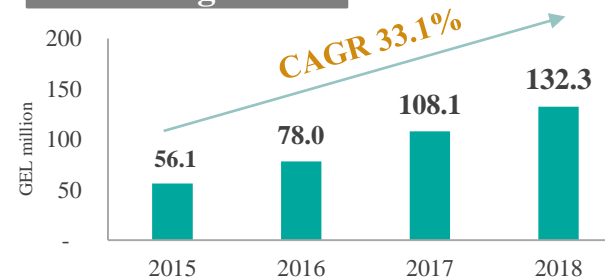


Solid financial performance

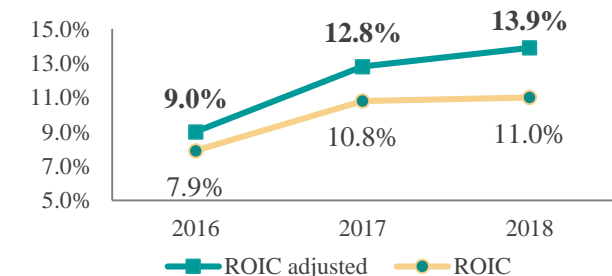
Revenue growth



EBITDA growth



ROIC growth





1 Boosting operational performance

- Utilisation
- Optimisation
- Efficiency
- Digitalisation

2 Strong free cash flow generation

- Higher earnings
- Reduced capital requirements
- Reduced cost of funding and interest expense

3 Disciplined capital allocation strategy

- Deleveraging
- Minority buyouts
- Investing in new opportunities with ROIC 20%+
- Dividend

Delivering solid growth through organic growth and new projects

Organic growth

- Supportive macro environment
- Growing healthcare budget
- Low base on healthcare
- Increasing penetration

Pipeline of growth projects

- Lab retail
- Medical tourism
- Pharmacies in Armenia
- EKIMO
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**Boosted
operational
performance**



Organic growth



**New projects in
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**Disciplined
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