



Hospital business overview and strategy

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GHG Investor Day
Tbilisi, Georgia | June 2019



🌀 **Hospitals | Overview**

🌀 Hospitals | Performance against strategy

🌀 Hospitals | Key focus areas in short term

🌀 Hospitals | 5-year growth strategy

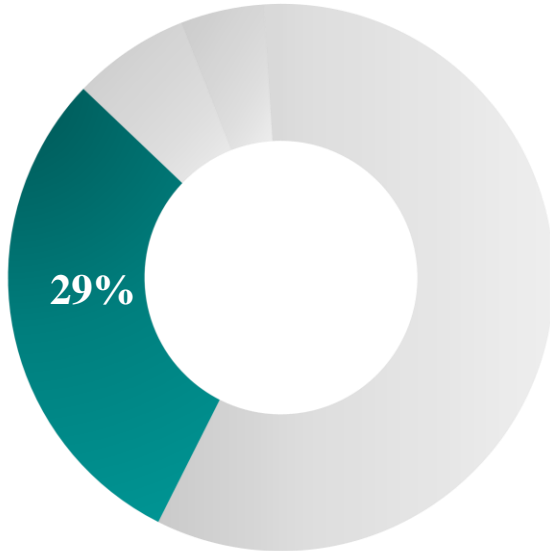
🌀 Q&A



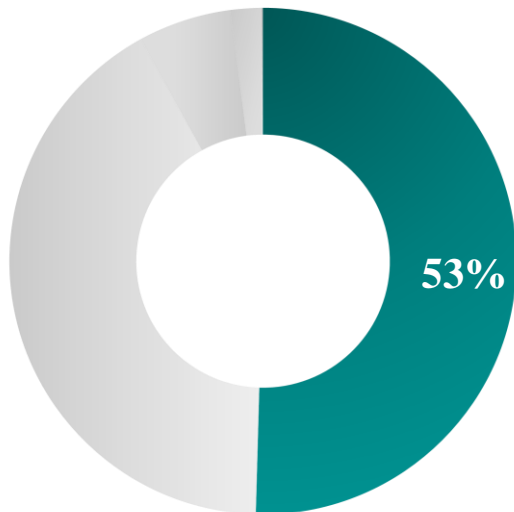
18 Referral Hospitals

2018 Highlights

Revenue share in Group's revenue⁽²⁾



EBITDA share in Group's EBITDA⁽²⁾



Average revenue per hospital bed (<i>GEL thousands</i>)	98.6
Bed occupancy rate (%)	54.7%
Bed occupancy rate without roll-outs ⁽¹⁾ (%)	60.8%
Emergency cars	60

2,967

Number of Hospital beds
Nine hospitals with more than 150 beds



(1) Adjusted to exclude Tbilisi Referral Hospital and Regional Hospital
 (2) Based on 2018 figures



The number of GHG's beds increased in line with its expansion strategy

Increased competition is mainly coming from small players

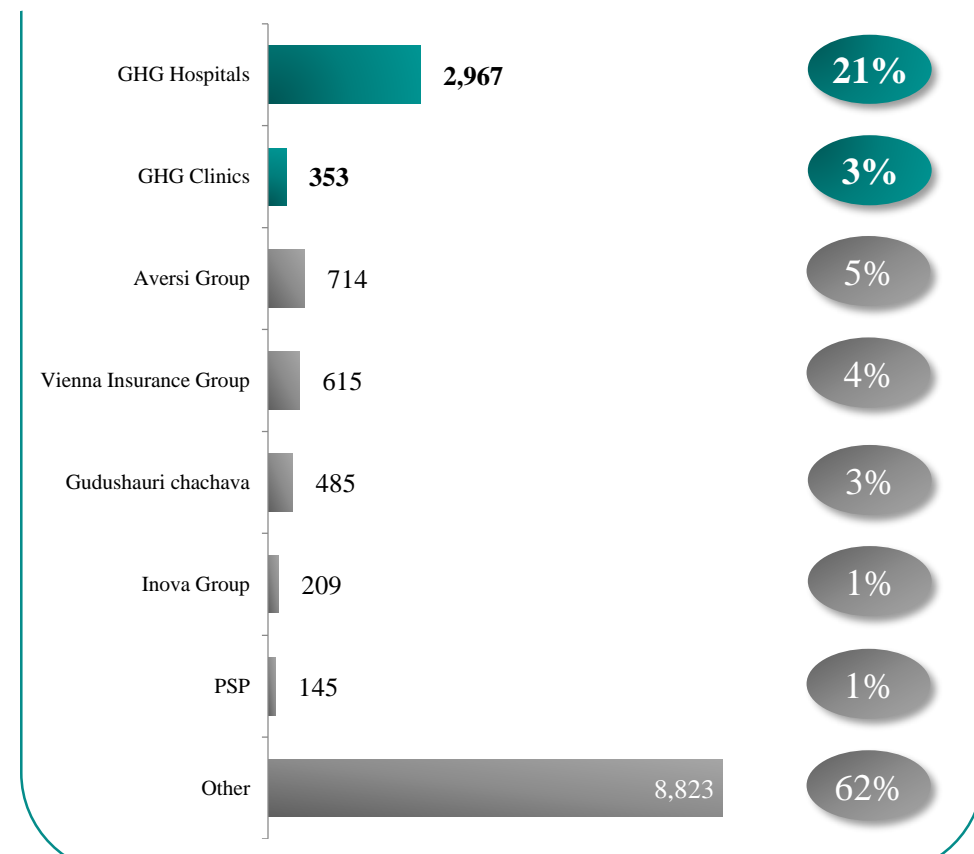
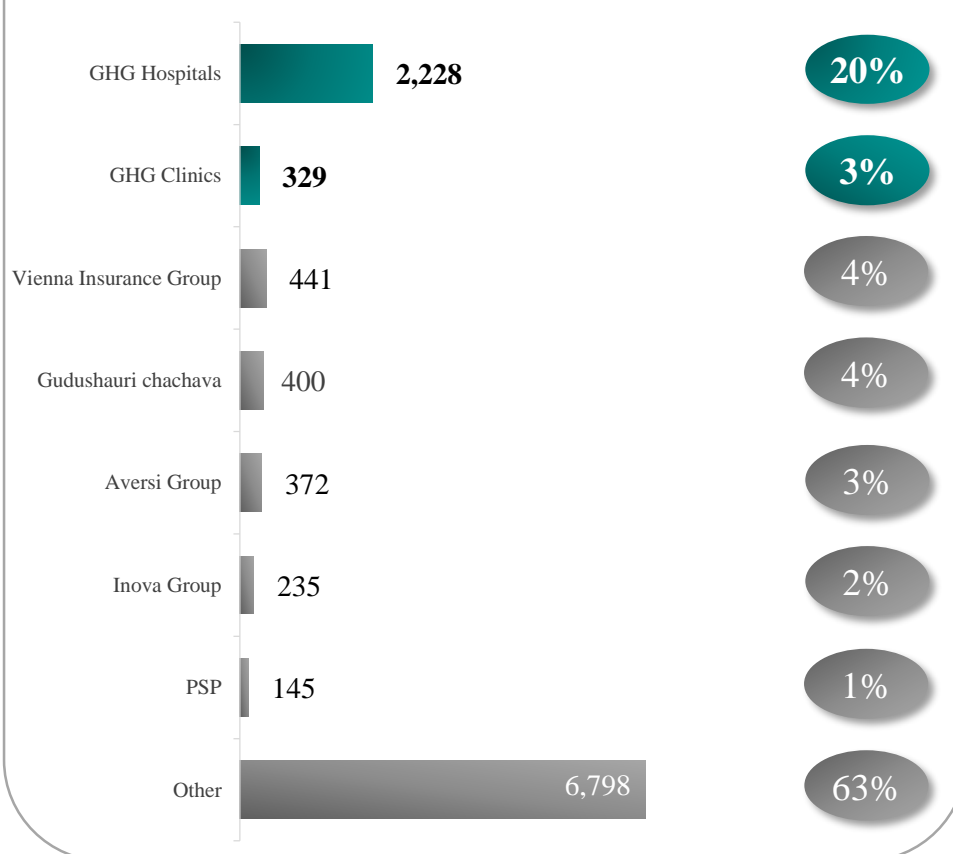
Number of Hospital beds⁽¹⁾ in 2015

10,948

+31%

Number of Hospital beds⁽²⁾ in 2018

14,311



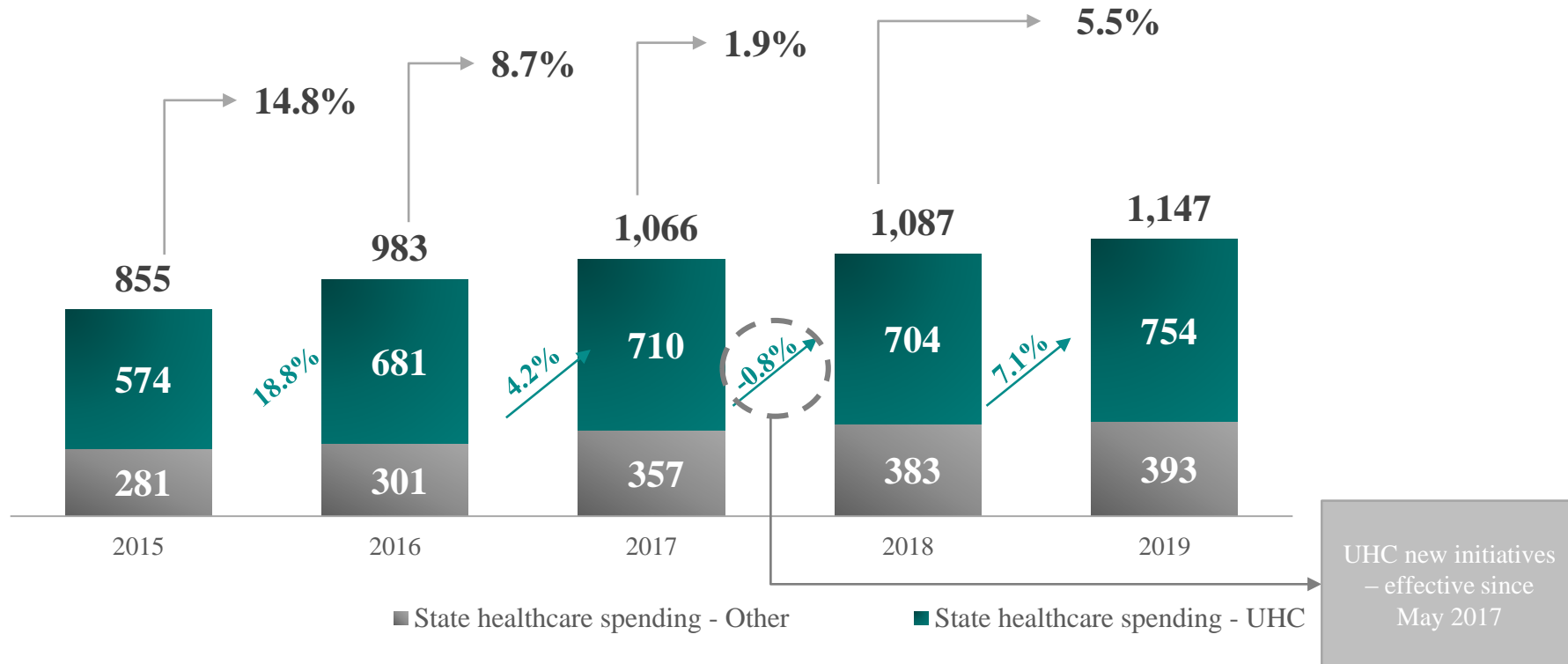
(1) NCDC, data as of December 2015, excluding specialty beds

(2) NCDC, data as of December 2018, excluding specialty beds



State healthcare spending in line with budget

In 2019 UHC budget increased almost in line with the country's nominal GDP growth





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Successful ramp-up of Regional Hospital (1/2)

Positioned as hospital of choice, the Regional Hospital is already in country's top 5 largest hospitals by revenue



306

Number of beds

9

Number of operating rooms

35.6%

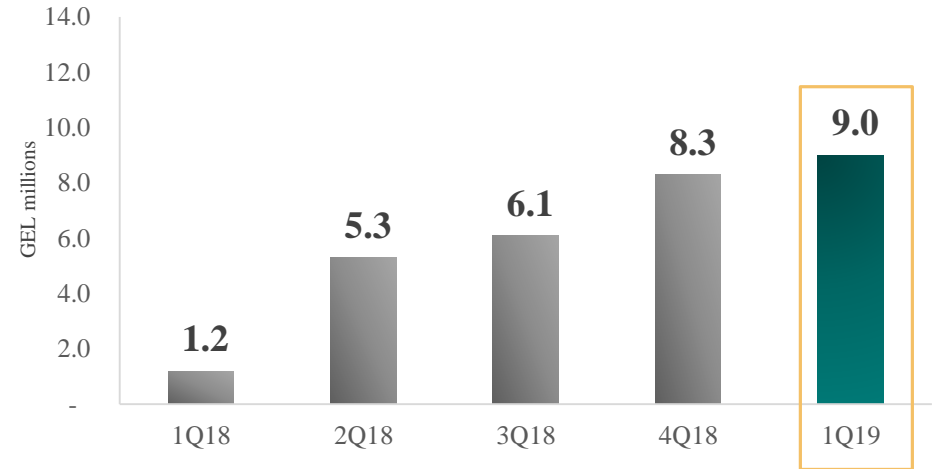
Occupancy rate

1

Average number of surgeries per operating theater

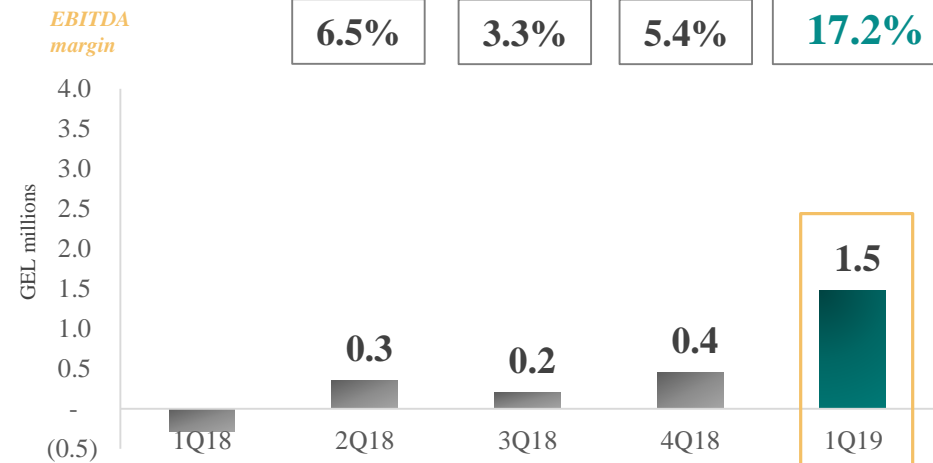
In 1Q19 the hospital revenue reached GEL 9.0 million

Revenue



Double digit EBITDA margin after 12 months of hospitals opening

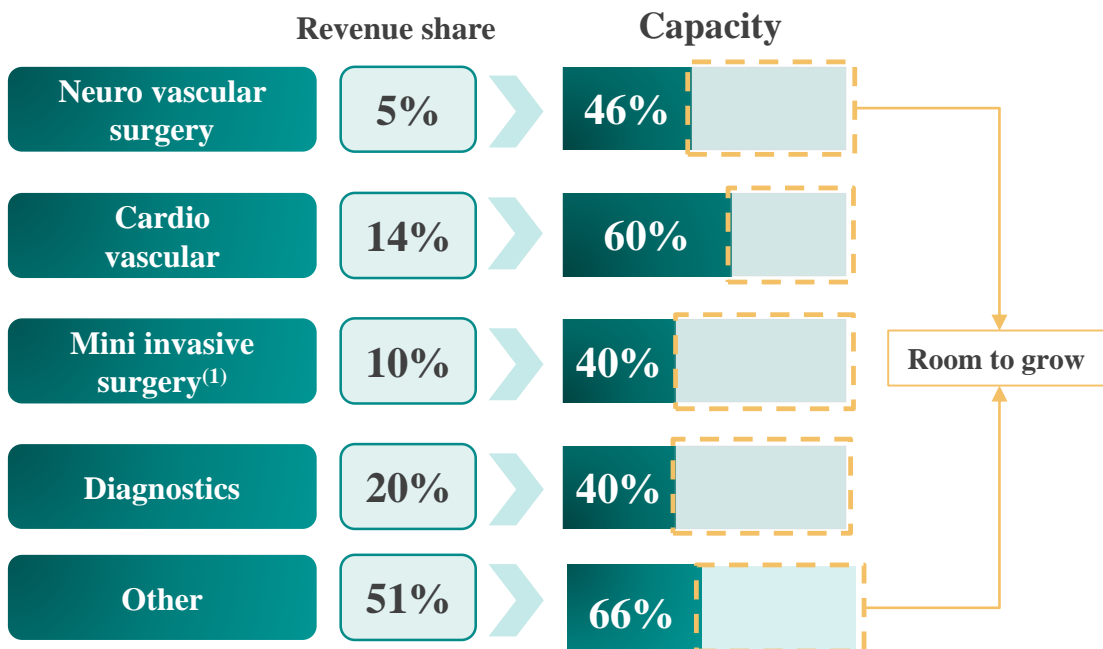
EBITDA





Successful ramp-up of Regional Hospital (2/2)

Main growth is coming from elective care services



New services in pipeline

Oncology (chemo therapy, oncological surgeries)

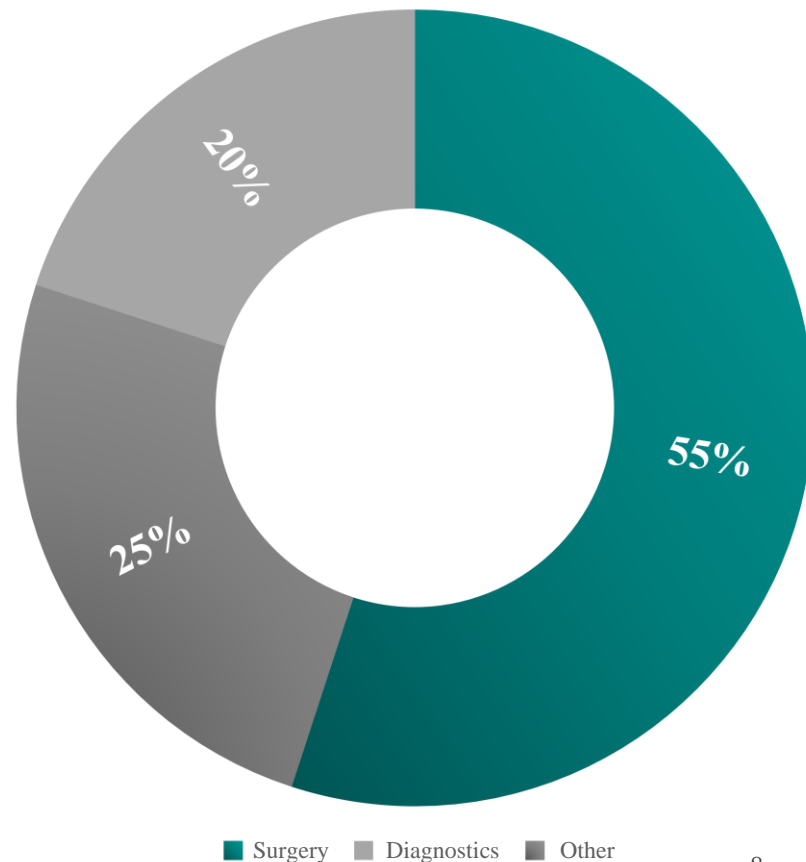
Angio-surgery

Contract with ALIMP (Association of Leading Israeli Medical Professors)

More than 75% of revenue comes from surgeries and outpatient services

More than 40% of revenue is out-of-pocket

GEL 9.0 million revenue⁽²⁾



(1) Occupancy less than 1-2 days
(2) Based on 1Q19 figures



Successful ramp-up of Tbilisi Referral Hospital (1/2)

The only multi-profile hospital in Tbilisi, covering all types of tertiary healthcare services



332

Number of beds

6

Number of operating rooms

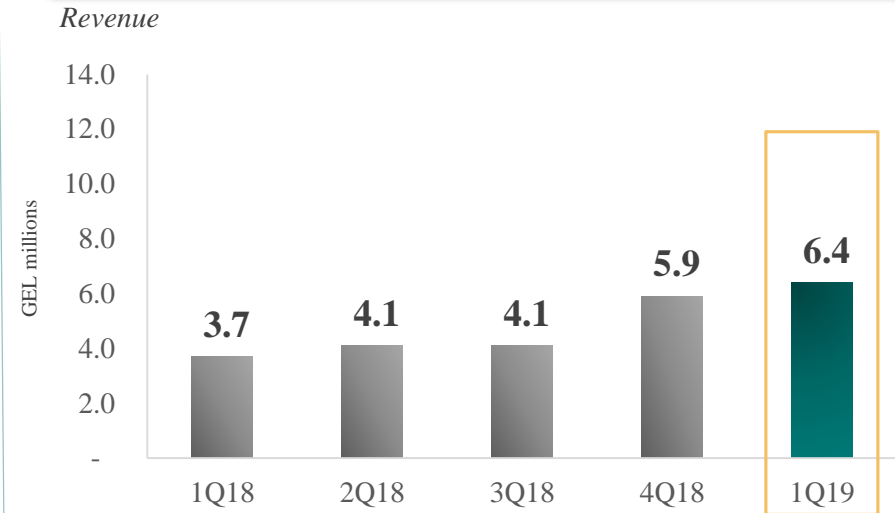
52.2%

Occupancy rate

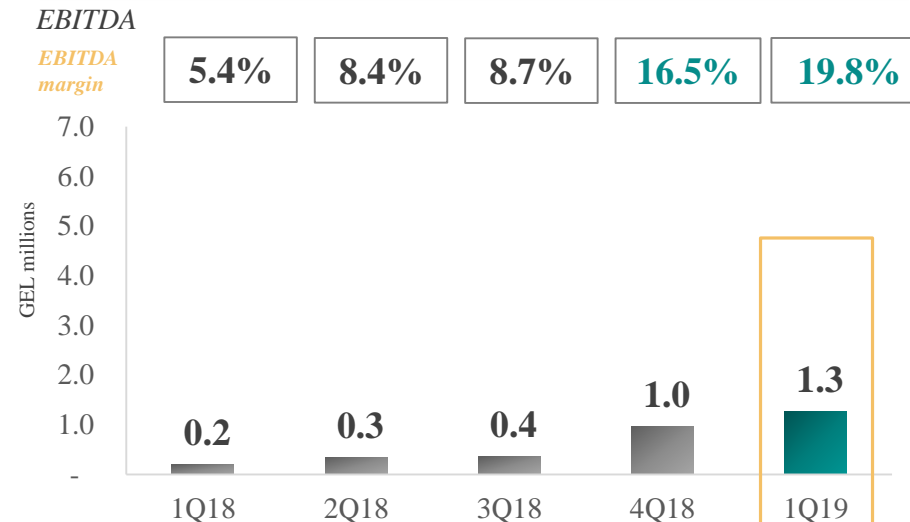
2

Average number of operations per operating theater

In 1Q19 the hospital revenue reached GEL 6.4 million



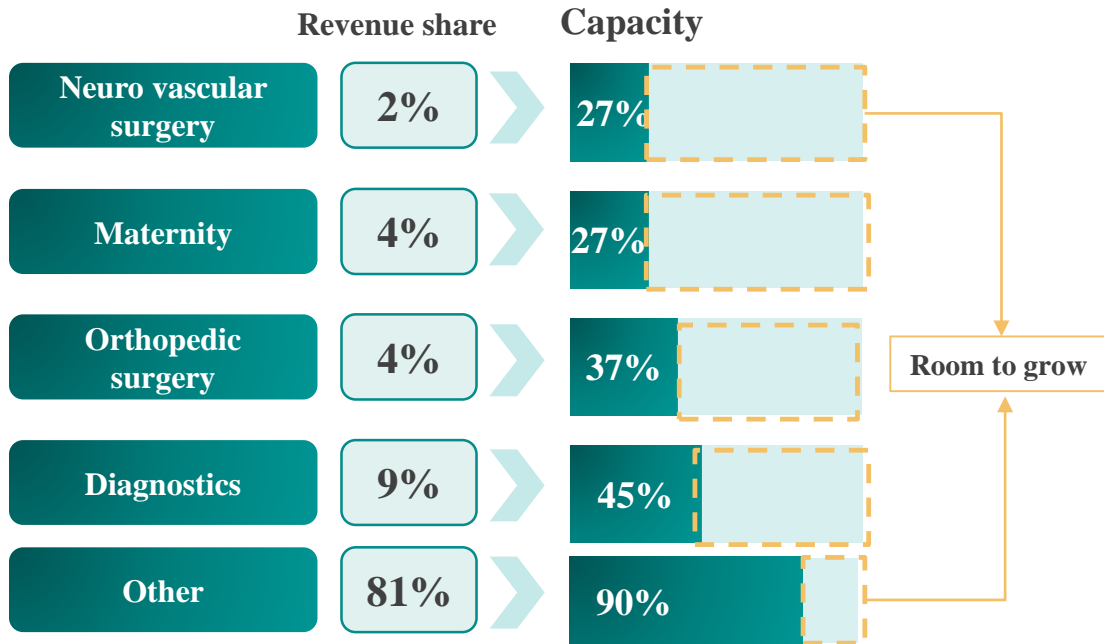
Double digit EBITDA margin since 4Q18





East Georgia's referral hub

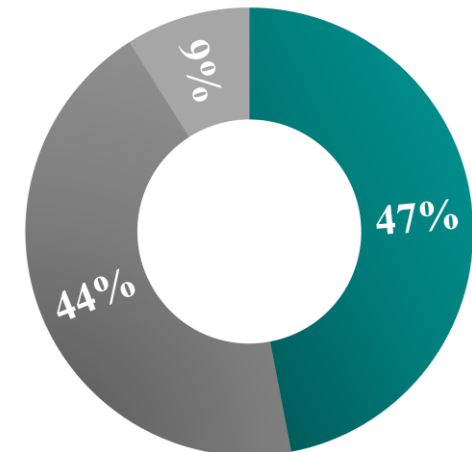
Main Growth is coming from Elective Care



New business lines to be launched

- *Transplantology Center*
- *Maternity*
- *Neurovascular*
- *Pediatric Services*

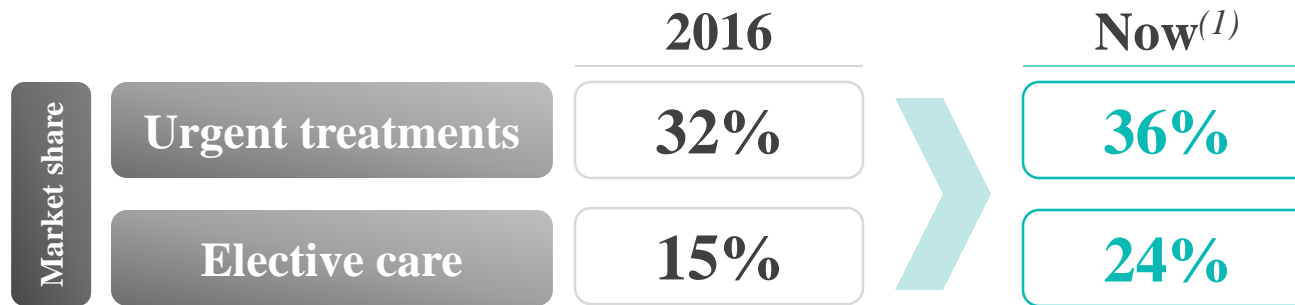
GEL 6.4 million revenue ⁽¹⁾



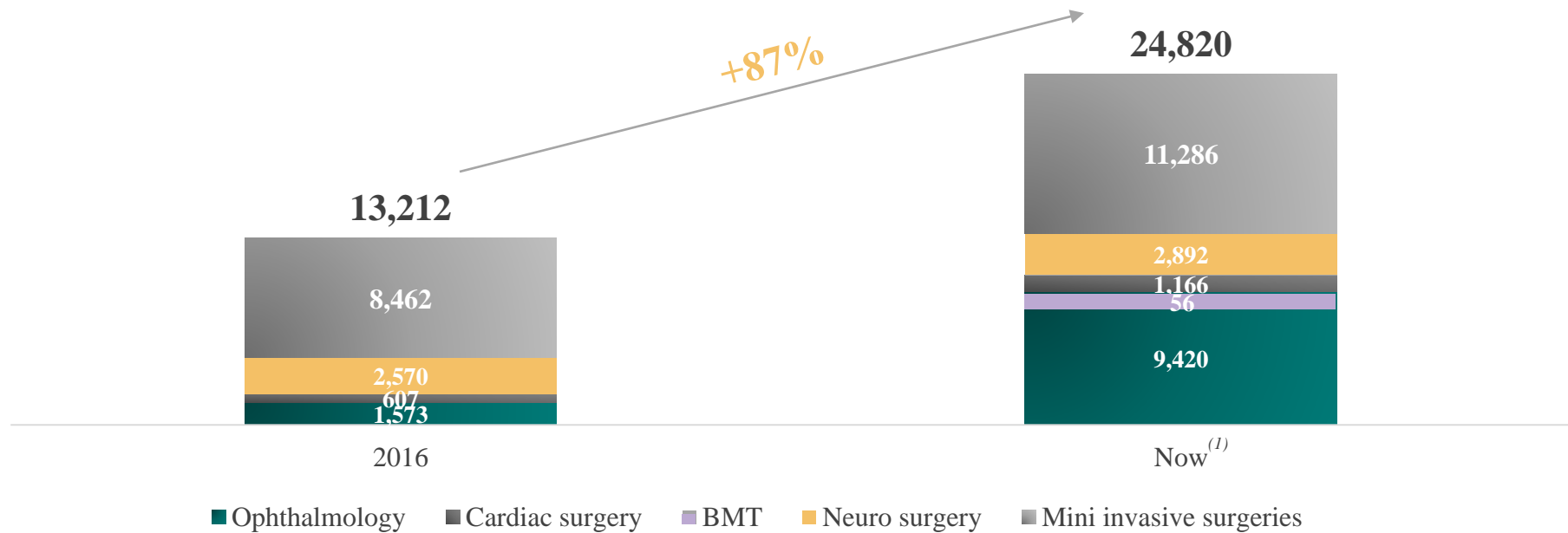
(1) Based on 1Q19 figures



Gaining market share



Number of elective care surgeries performed on selected services

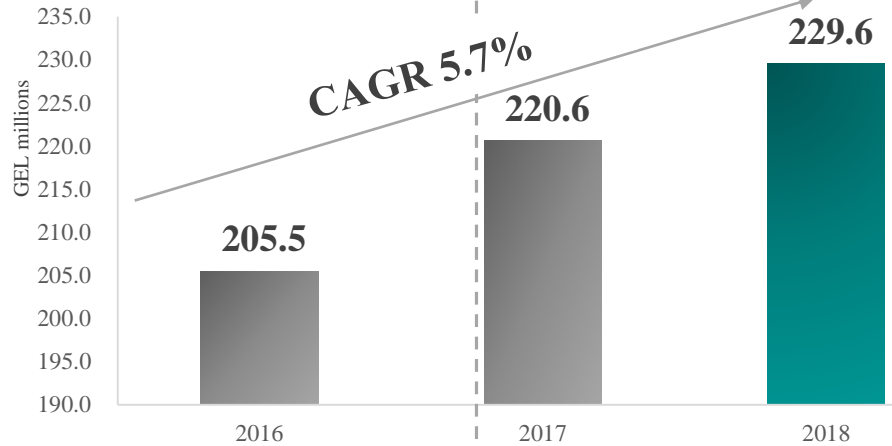


(1) 1Q19 Running

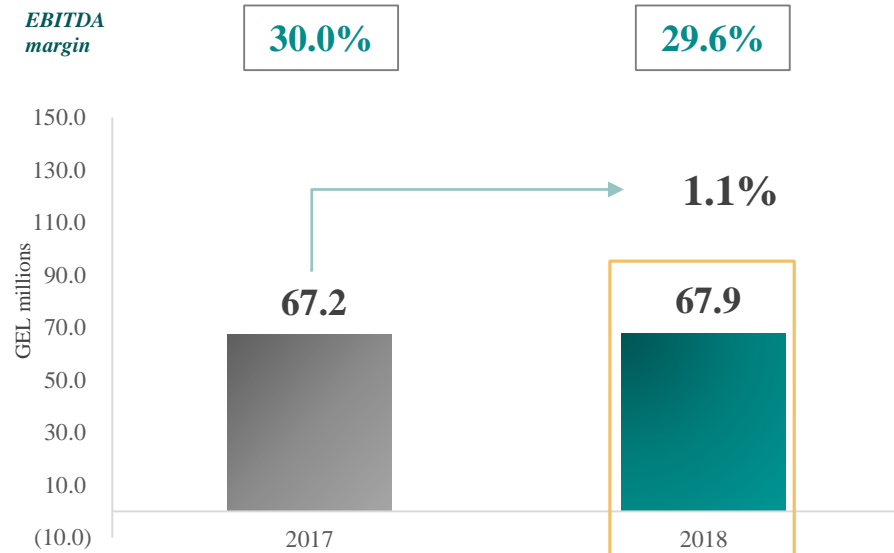


Existing portfolio overview⁽¹⁾

Revenue⁽²⁾



EBITDA



Operating Highlights

	2017	2018
Number of beds	2,329	2,329
Revenue per Hospital bed (GEL `000)	94.7	98.6
Number of inpatient encounters	84.4	+5% 88.9
Number of ER visits	169	+9% 183
Number of outpatient encounters	566	602
Number of surgeries	36.8	+4% 38.1
Occupancy rate (%)	58.7%	60.8%
ALOS	5.4	5.3
Mortality rate (%)	3.62%	3.60%

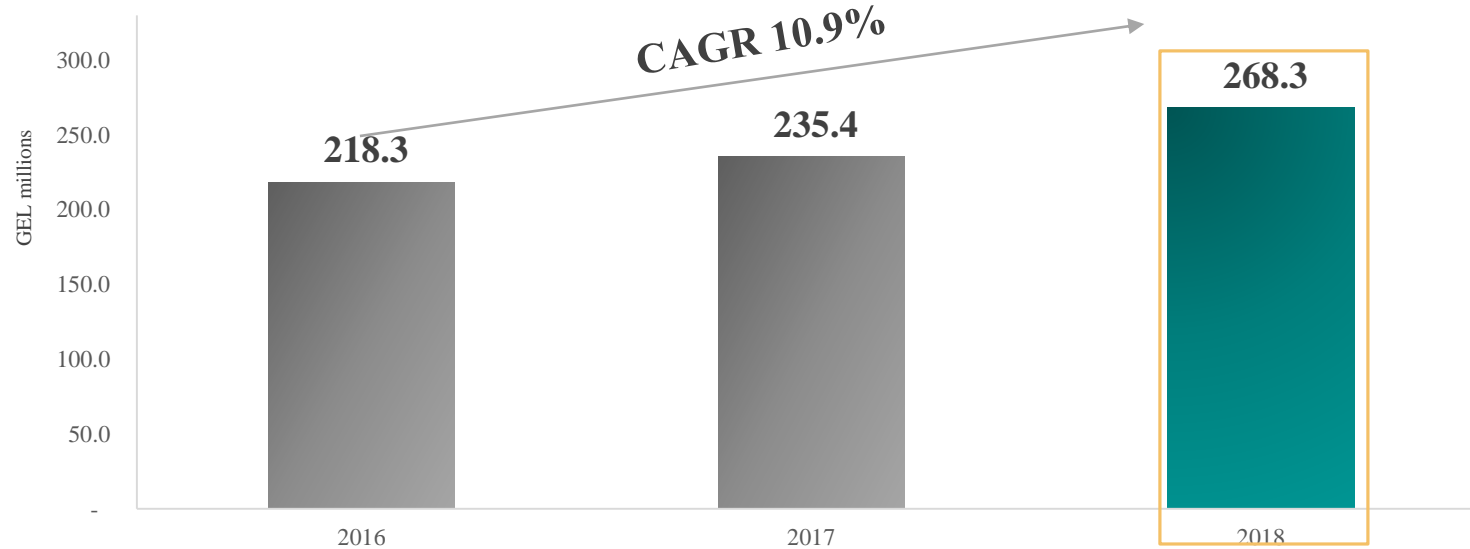
C.GEL 5 million annual cannibalisation effect due to the launch of Tbilisi Referral Hospital and Regional hospital

(1) GHG referral hospitals excluding Tbilisi Referral Hospital and Regional Hospital
 (2) Proforma - excluding UHC 2016 and 2017 price effect

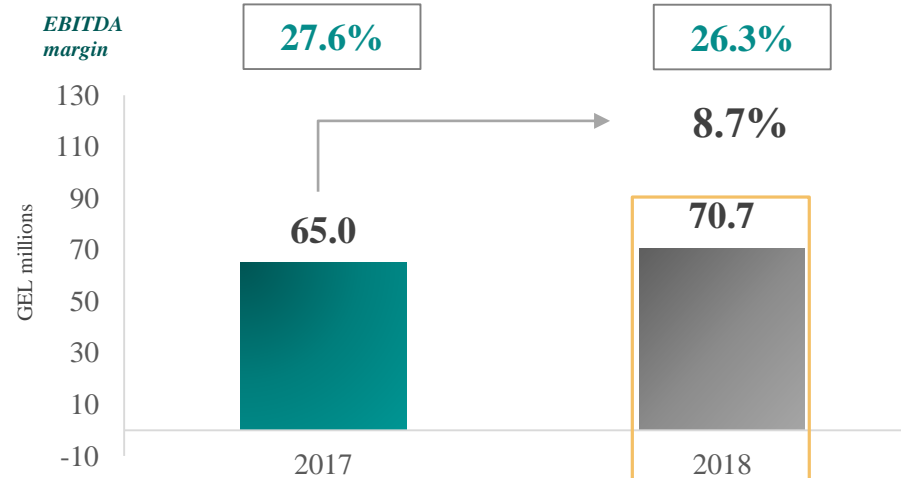


Hospitals business financial overview

Revenue⁽¹⁾



EBITDA





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Capacity utilisation



Assets optimisation



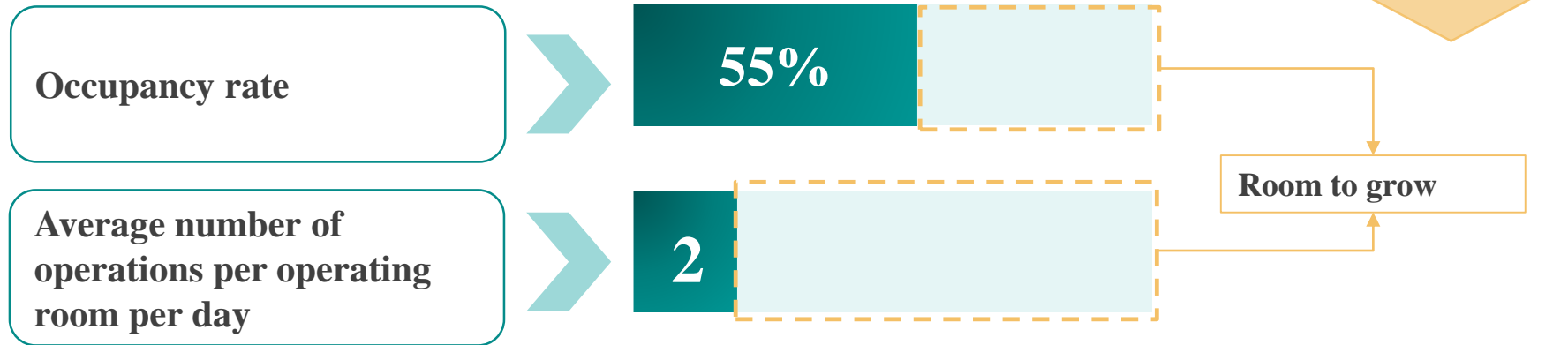
Operational excellence



Cash flow generation



Capacity utilisation



▪ Full roll-out of flagship hospitals

- Regional Hospital
- Tbilisi Referral hospital

▪ Adding/expanding in new services

- 20 new services in pipeline in 8 different hospitals: Oncology, chemotherapy, Angio surgery, Transplantology

▪ Forming joint ventures with players in synergetic businesses

- Maternity
- Rehabilitation

▪ Capturing more patients from polyclinics

	18-Sep	18-Oct	18-Nov	18-Dec	19-Jan	19-Feb	19-Mar
Revenue (GEL '000)	59	109	131	229	134	201	239
Number of Customers	210	272	516	428	327	363	437
Average Ticket Size (GEL)	279	400	254	535	409	554	548



Assets optimisation



Disposing / transforming low ROIC generating assets

<i>GEL millions</i>	Number of hospitals	Invested Capital	EBIT	ROIC
Hospitals business⁽¹⁾	18	717	46	6.4%
<i>Early stage development⁽²⁾</i>	2	186	0.3	0.1%
Low ROIC generating assets	2	138	3.5	2.5%
<i>Other</i>	14	326	37.2	11.4%

Room to increase

(1) Including head office allocations
(2) Tbilisi Referral Hospital and Regional Hospital



Operational excellence



1 Clinical quality

Defined and implemented key quality indicators

Established clinical boards managing quality of each medical field

2 Customer centricity

Started monitoring key service quality indicators

Implemented NPS/CSAT systems in key referral hospital

3 Digitalising healthcare

Billing system implemented

EMR will be implemented before 1Q20

Ordering system implemented

4 Accreditation and affiliation

Working with JCI, considering accreditations with international accreditation bodies

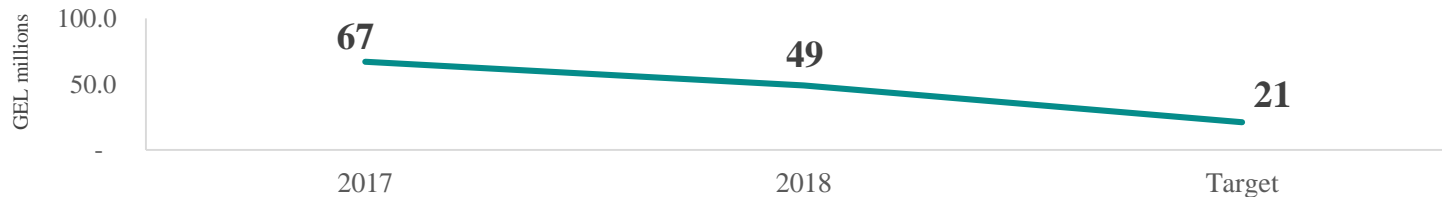


Cash flow generation - leveraging on existing infrastructure

- Gaining market share in elective care services
- Full roll-out of Regional Hospital

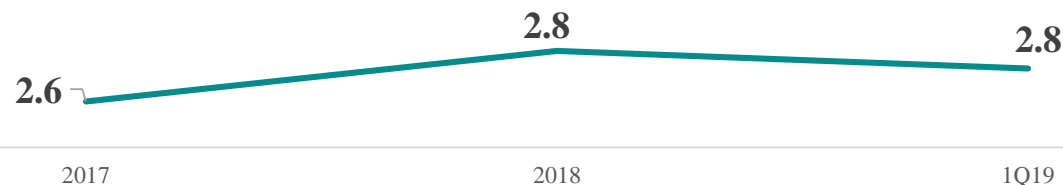
	2017	2018	Target
EBITDA to Cash Conversion	c.60%	c.75%	c.80%

Out of Capex mode⁽²⁾



Deleveraging / decrease cost of funding

Net debt to EBITDA⁽¹⁾



(1) Adjusted for non-cash items
(2) Including maintenance Capex



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Delivering double digit revenue CAGR

Matured hospitals organic growth in line with market: 5%-7%

Gaining market share in existing business lines

Capturing more synergies with polyclinics

Gaining market share in new business lines:

	Market size	Market share
Delivery/Maternity	GEL 110 million	c.9%
Oncology	GEL 90 million	c.10%
Paediatric bone marrow transplant	New GEL 10 million market potential	
Aesthetics and Reproductive services	GEL 40 million	c.9%

Roll out of Tbilisi Referral Hospital and Regional Hospital – faster then market growth

Supporting growth pillars

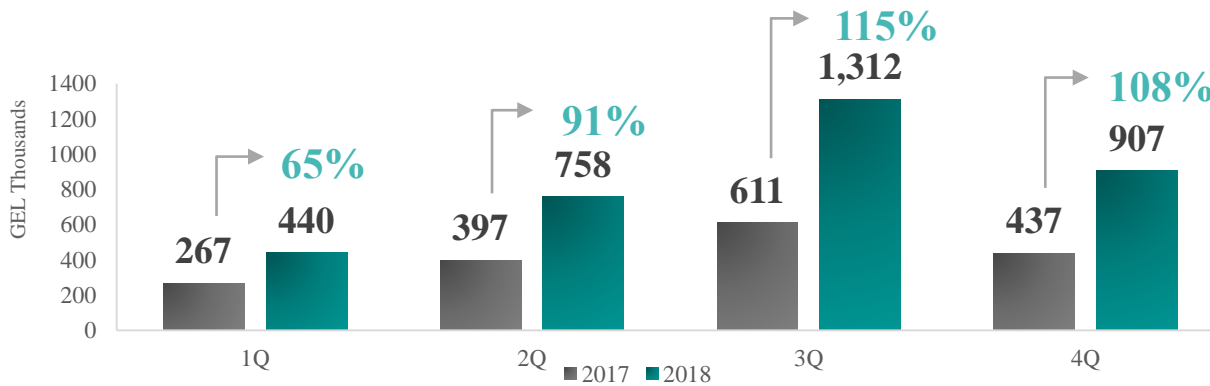
	2018 Revenue	5-years target
Medical tourism	GEL 3.5 million	More than GEL 50 million
Clinical trials	GEL 2.1 million	More than GEL 15 million



Medical tourism is becoming country's priority

- Better quality of medical care compared to top visitor, target countries (Kazakhstan, South Russia, Azerbaijan, Ukraine, Armenia)
- In co-operation with Government a new communication platform was created – Treat in Georgia
- Government initiated to promote Georgia as a medical destination country
- Recently 120 active agents are contracted by GHG from target countries

Revenue from international patients in our hospitals increased by 99.5% y-o-y in 2018



Source: GHG internal reporting

Treat in Georgia
We care for you

Positioning Georgia as:
“Best quality medical care near you”

- Affordable prices
- Visa free easy to travel
- No language barrier

Delivering double digit EBITDA CAGR & cash flow generation

1 Capacity utilisation

2 Asset optimisation

3 Operational excellence

(IT, Process optimisation, Customer centricity, Affiliations & accreditations)

4 Capturing more revenue synergies within the Group

5 Improved cash flow generation

6 Supporting growth pillars

(Medical Tourism, Clinical trials, aesthetics and reproductive centers & etc.)

Revenue growth

5-year targets

Double digit CAGR

Now
Medium & long term

ROIC

EBITDA cash conversion

6.4%

c.75%

c.13%

c.80%

Medium & long term P&L targets

28-30% EBITDA margin

Questions?

GHG Investor Day
Tbilisi, Georgia | June 2019



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