Ambulatory business overview

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Ambulatory business – how it works?

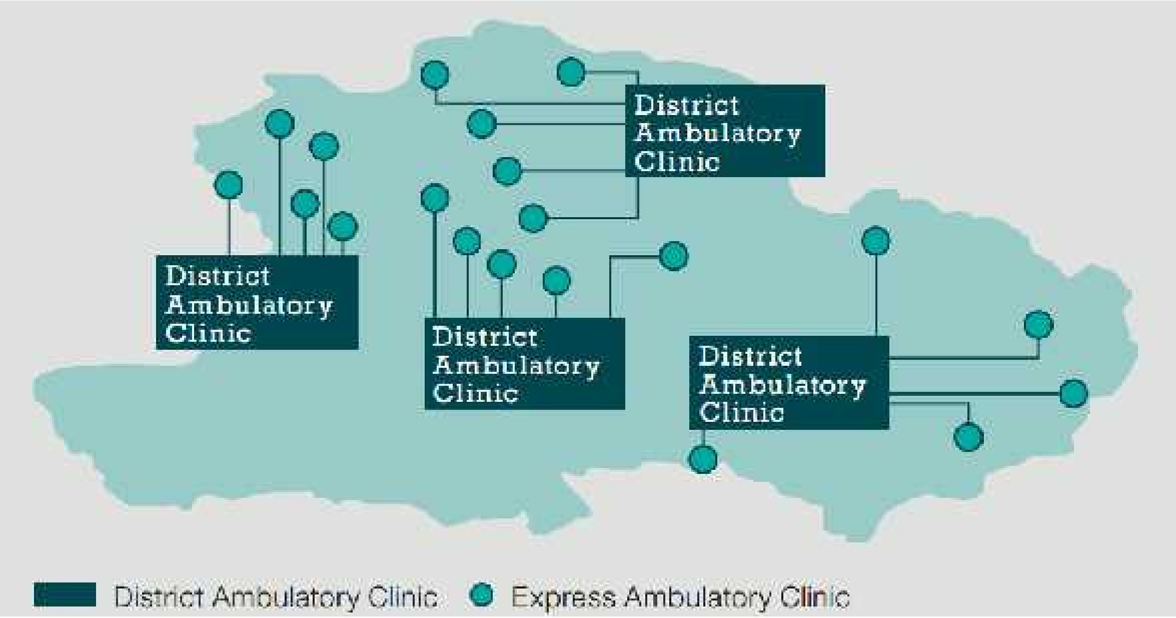
GOALS

- Setting the new standards in primary healthcare in Georgia
- Achieving 15% of 2018 GHG healthcare revenues in ambulatory business (currently only 4.6% share of GHG healthcare services revenues compared and 2.7% in 2015)
- Enhance ambulatory pillar as feeder for hospitals

STRUCTURE & ROLE WITHIN GHG

Ambulatory business – how it works?

AMBULATORY CLUSTERS IN TBILISI



ORGANISED IN CLUSTERS

Each cluster includes a district ambulatory clinic, located centrally in a particular district of the city, and three to five smaller express ambulatory clinics, located in other areas of the same district.

LARGE SCALE ambulatory clinic

AREA: 1800-2500 sq/m
OFFERING: Full scale services
WORKING HOURS: 10:00-20:00, 6 days a week
INVESTMENT: GEL 2.0mln
REVENUE: GEL 3.5mln (annual run rate)

Express Clinic

AREA: 20-200 sq/m
OFFERING: Basic services
WORKING HOURS: 09:00-21:00, 7 days a week
INVESTMENT: GEL 300 thousand
REVENUE: GEL 0.1mln (annual run rate)

Rapid launch of ambulatory clinics – profitable even in the roll-out phase

PERFORMANCE HIGHLIGHTS (9M16)

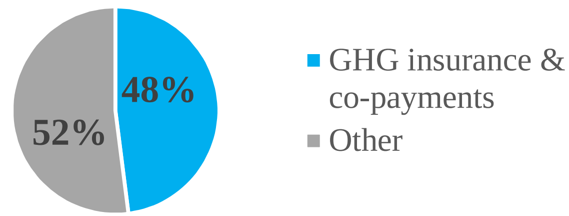
FINANCIAL PERFORMANCE

- Now we operate 8 clusters
- GEL 8.2 million revenue from ambulatory business (up from GEL 3.7 million in 9M15)
- c.4.6% of healthcare services revenue (up from 2.7% in 2015)
- 22.3% EBITDA margin

SUPPORTED BY OUR MEDICAL INSURANCE

- GHG medical insurance supports accelerated launch of our ambulatory clinics. Medical insurance share with co-payments 48% in revenues

Ambulatory revenue breakdown by sources of payment



ACCELERATED AMBULATRY LAUNCH STRATEGY

2015-2016 Sep

FIRST MOVER ADVANTAGE IN A FRAGMENTED MARKET

START OF ACCELERATION

2013 | 2014 | 2015 | 2016

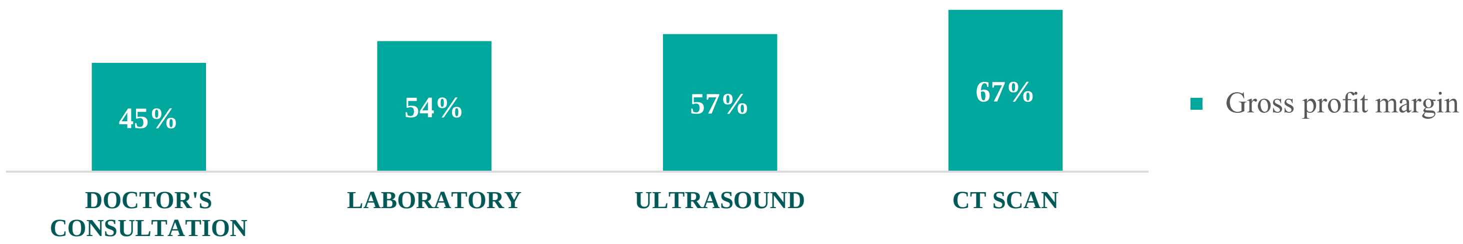
- DEC'13 – #1 SABURTALO CLUSTER
- SEP – #2 GLDANI CLUSTER
- DEC – #3 VARKETILI CLUSTER; #4 KUTAISI CLUSTER
- MAY – #5 MTATSMINDA CLUSTER
- AUG – #6 ISANI CLUSTER
- SEP – #7 DIDUBE CLUSTER
- OCT – #8 ZUGDIDI CLUSTER

Ambulatory business – how it works?

CASE STUDY: TBILISI AMBULATORY CLUSTER

SERVICES & GROSS MARGINS

STRONG GROSS MARGIN *ACROSS ALL SERVICES*



CLUSTER P & L

STRONG EBITDA MARGIN *DRIVEN BY GROSS MARGIN AND LOW OPERATING COSTS*

Once a newly opened outpatient clinic in Tbilisi generates **GEL 250 thousand** monthly run-rate revenue, **Gross Profit Margin of +50%** and **EBITDA margin of +30%** is achieved.

ILUSTRATIVE INCOME STATEMENT	Monthly (GEL '000)
Revenue	**321**
Gross profit	170
Gross margin	53%
Operating expenses	64
EBITDA	**106**
EBITDA Margin	*33%*

Source: GHG finance, figures are for 9 months ended 30 September 2016, unless otherwise stated

Ambulatory competition – setting new standards

Outpatient market is highly fragmented with very few players having high standards of service and up-to-date technology

Players	Notable fact
GHG	30 clinics in Tbilsi Smalll (120-200 m²) and large (1800-2500 m²) format Multiprofile CT scan available in large clinics
Tatisvhli	2 clinics in Tbilsi Medium format (c.1000 m²) Multiprofile CT scan available in one
Cito	1 Clinic in Tbilisi Medium Format Multiprofile CT scan not available
Curatsio	1 Clinic in Tbilisi 1 in Western Georgia Medium Format Multiprofile CT scan available only in Tbilisi
Polyclinics	**442 small Polyclinics** **Small formats** **Multiprofile** **Soviet style** **Privatized, with no development** **CT Scan not available**

GHG outpatient clinic

Estimated GEL 100 million annual market of old Soviet Style Polyclinics to be tapped in the coming years

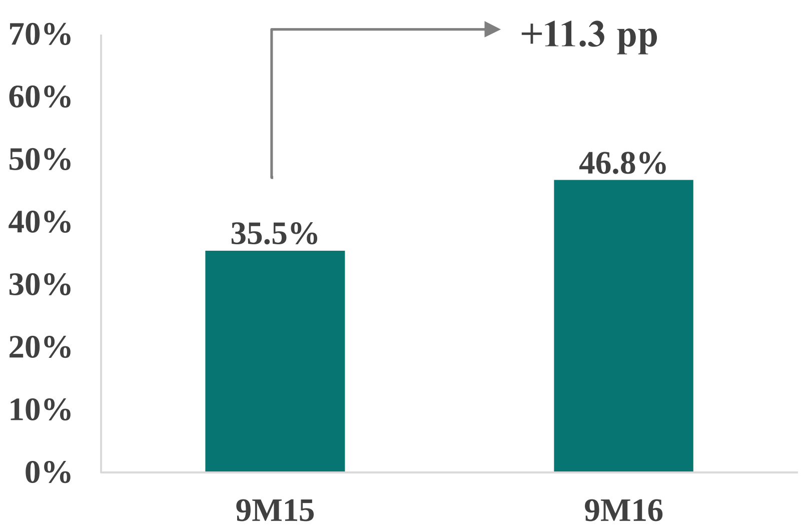
Ambulatory market is growing rapidly

Ambulatory market to grow faster than the rest of the healthcare due to:

- Government expected to introduce reforms in primary healthcare to increase spending
- Increased accessibility to high quality healthcare services

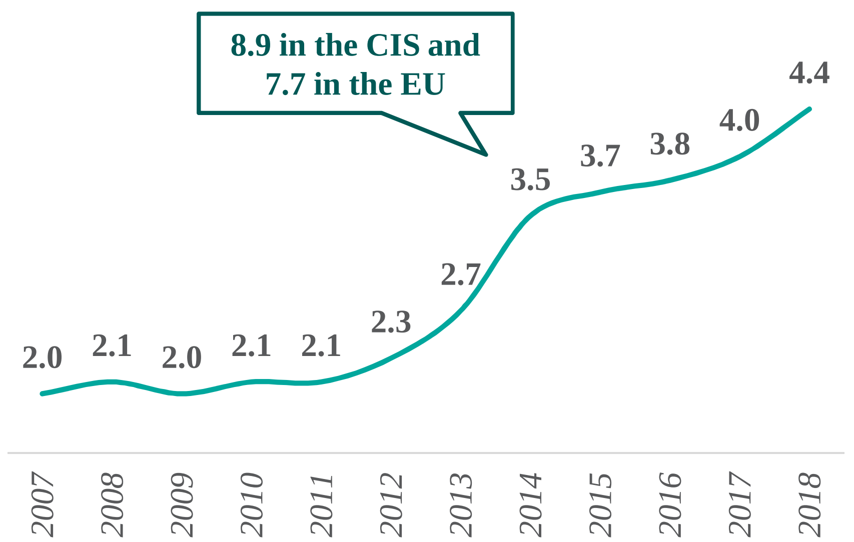
INCREASING SHARE OF GHG INSURED PATIENTS USING AMBULATORY CLINICS

% of GHG insured patients using ambulatory services



GROWING UTILISATION OF AMBULATORY SERVICES IN GEORGIA

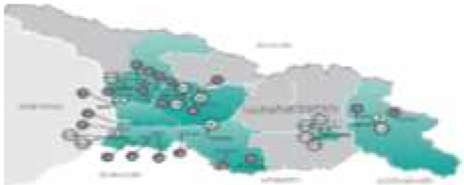
(Outpatient Encounters per Capita in Georgia)



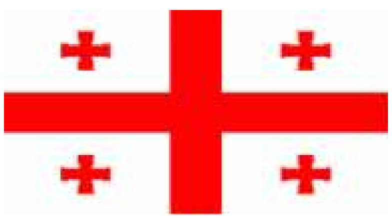
Source: NCDC, Frost & Sullivan analysis.

Strategy through 2018 – Main pillars for growth

OUR TARGET FOR 2018 IS TO INCREASE OUTPATIENT SHARE IN GHG HEALTHCARE REVENUE FROM 4.6% TO 15%



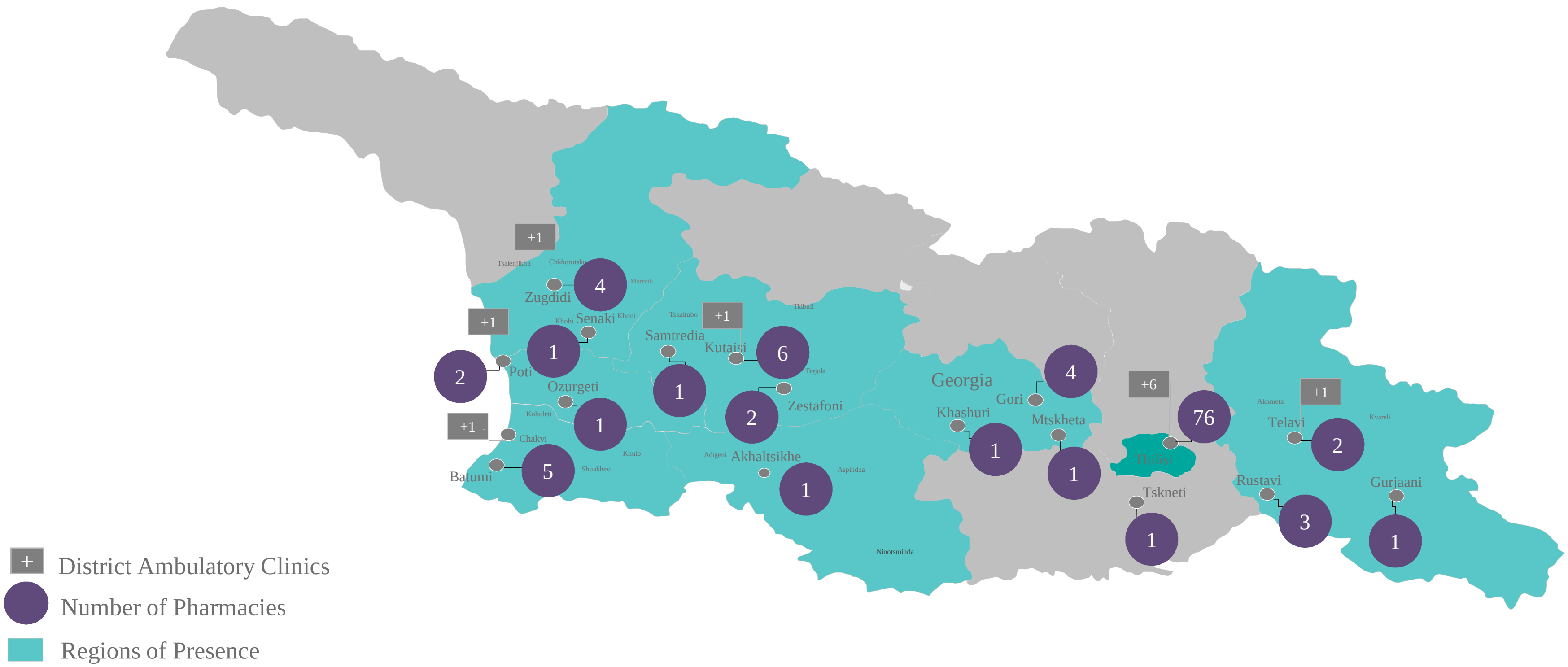
1. ACCELERATED LAUNCH
2. INCREASED REVENUE / DECREASING DEPENDENCY
3. SALES TO CORPORATES
4. PHARMA CROSS-SELL
5. STATE PROGRAMS



1 **Accelerated launch**

c.12 ADDITIONAL OUTPATIENT CLUSTERS BY THE END OF 2018, BRINGING TOTAL NUMBER OF CLUSTERS TO 22

- **6 clusters in 2017 and 6 clusters in 2018**
- **Expansion both in Tbilisi and in Regions**
- **GPC acquisition in May 2016 gave us additional 25 express clinics saving on capex and expediting the roll out process, however, we will still opportunistically expand express clinics to strengthen the cluster model**

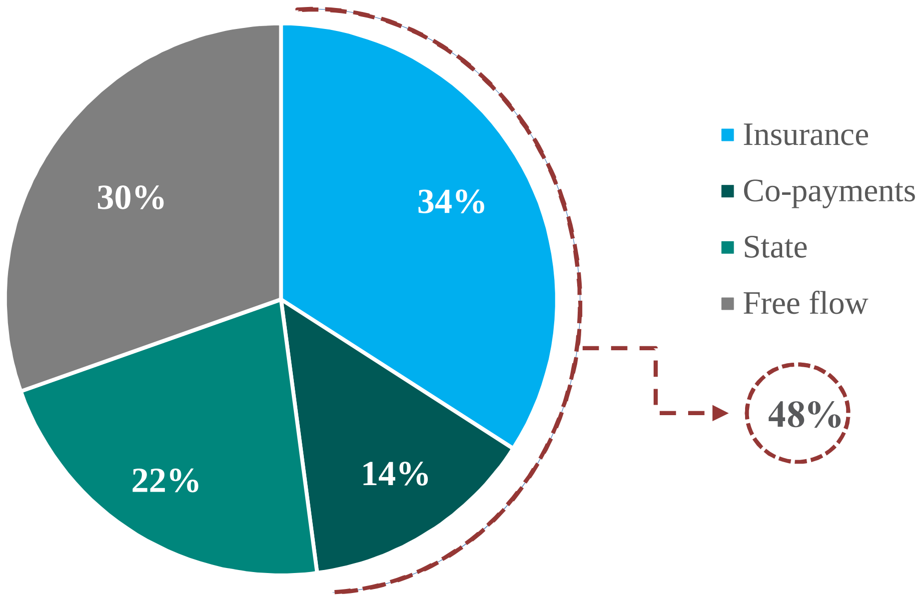


② Capture more synergies with insurance

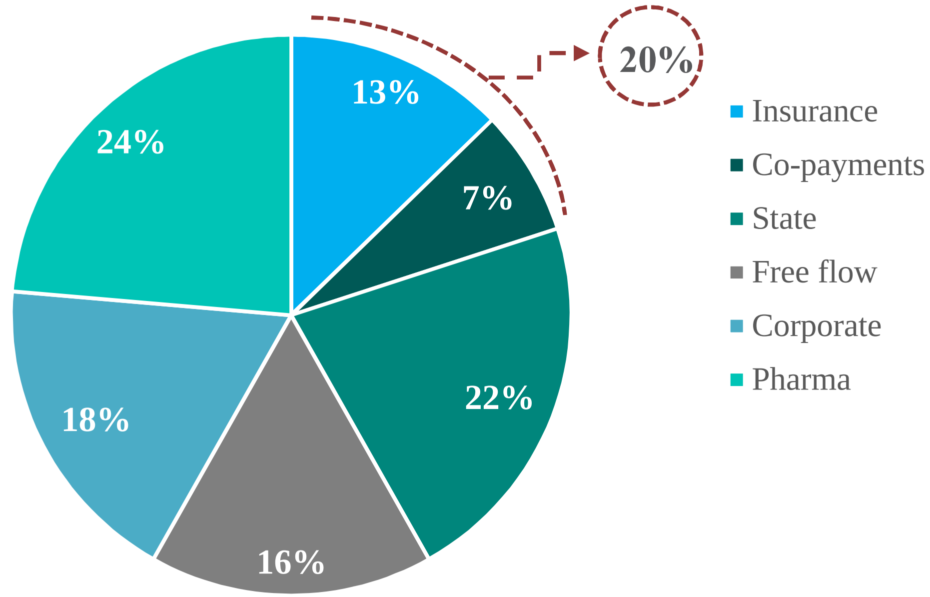
GHG AMBULATORY CLINICS ARE PREFERRED PROVIDERS FOR OUR MEDICAL INSURANCE – WHILE INCREASING THE REVENUE FROM IT, OVERALL DEPENDENCY DECREASES SIGNIFICANTLY

Revenue breakdown by sources

9M16



Target going forward



3 Sales to corporates

AIMING c. 1/5 OF AMBULATORY REVENUE TO BE GENERATED FROM CORPORATE SALES BY YE 2018

- c.658K officially employed in Georgia(1)
- c. 536K(2) people (c. 250K families) enjoy various healthcare plans
- Primarily targeting the segment that is either insured by a competitor or excluded from private medical insurance plans
  - Workforce insured by other than GHG Insurance
  - Lower income workforce w/o insurance plans
  - Population aged 65+
  - Extended family members of those with insurance plans

Source:
(1)Ministry of Economy
(2) Insurance.gov.ge,

WE AIM AT FEEDING C.22,000 UNIQUE PATIENTS PER MONTH FROM THE COMBINED PHARMA TO AMBULATORIES BY YE 2018

- Manual CRM monthly analyzing c.1 million pharma transactions every month
- Spending patterns analyzed and customers with identifiable health conditions offered complimentary visits to respective doctors and special offers on lab and diagnostics
- Bundled products offered to 50,000 clients with a conversion ratio of 7%, compared to the market practice of 3.5%-5%

GHG pharma loyalty card

Patient flow

GHG ambulatory clinic

- Relaunch of Pharma Mobile Application with embedded Ambulatory functionality
  - “Symptom checker”
  - “Find a doctor”
  - “Book an appointment at GHG”

GHG pharma mobile app

Patient flow

GHG ambulatory clinic

5 Benefiting from State Programs

We plan to enter into eligible state funded primary healthcare programs and gain c.20% share by EY2018

Program:	State Budget	GHG Share
Hepatitis C	19,500	-
Antenatal	2,700	345
Tuberculosis	2,613	101
Onco screening	1,866	-
Diabetes	1,594	-
HIV Testing	710	-
Vaccination	40	-
Total:	**29,023**	**446**

Strategy through 2018

	9M 2016	2018
1 ACCELERATED LAUNCH 	8 Clusters	c.25 Clusters
2 INCREASED REVENUE / DECREASING DEPENDENCY	48% revenue from medical insurance & co-payments	20% revenue from medical insurance & co-payments
3 SALES TO CORPORATES	None	1/5 share in outpatient revenue
4 PHARMA CROSS-SELL	1,000 unique patients per month	22,000 unique patients per month
5 STATE PROGRAMS	1.5% share in eligible state programs	20% share in eligible state programs
SHARE IN GHG HEALTHCARE BUSINESS REVENUE	**4.6%**	**15%**

QUESTIONS?

GHG Investor Day

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