

Pharma business overview and strategy

Speaker: Mikheil Abramidze, COO

GHG Investor Day

Tbilisi, Georgia / 10 November 2017

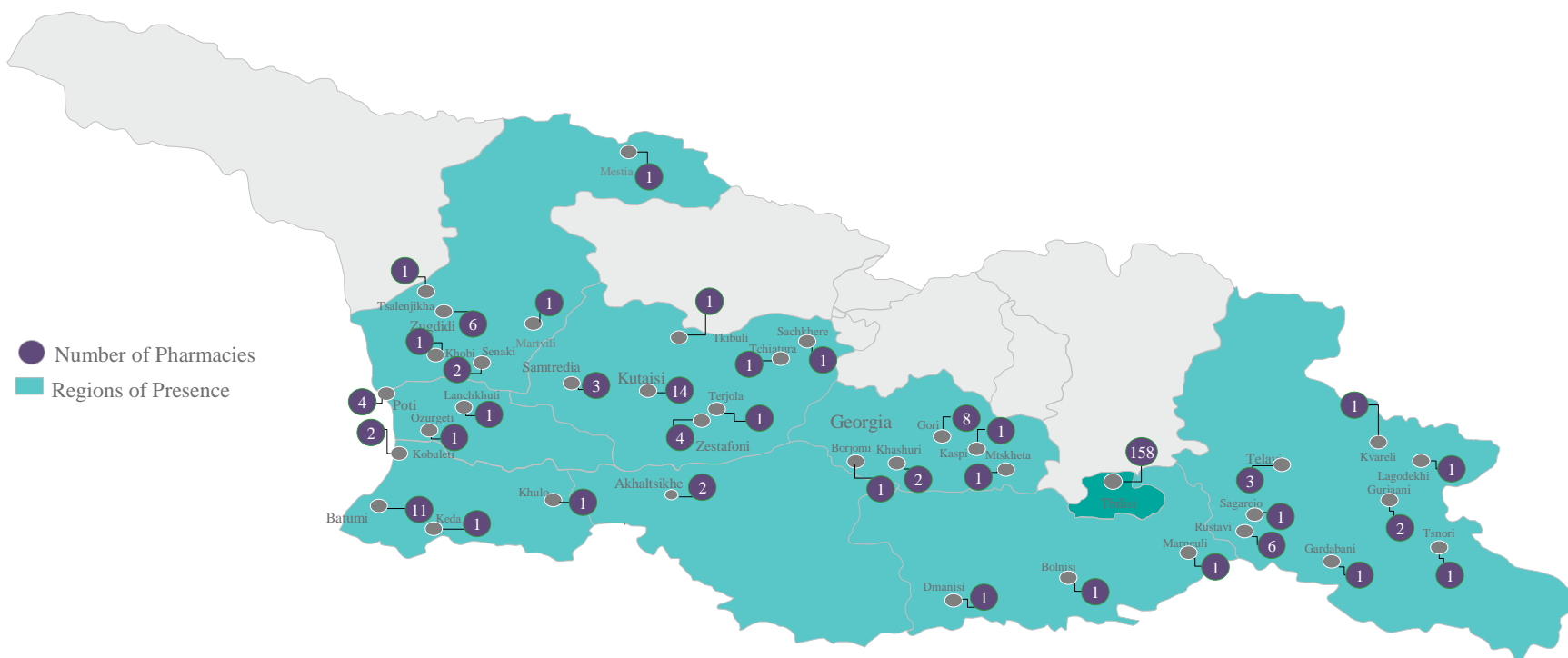


- ⌘ **Pharma business overview**
- ⌘ Pharma integration and performance in 2017
- ⌘ Strategy going forward
- ⌘ Q&A



Established major pharma player in Georgia

- GHG is the largest pharmaceuticals retailer and wholesaler in Georgia
- We entered into the pharma business in 2016 and expanded in 2017, by purchasing the third and fourth largest pharmaceuticals retailers and wholesalers in Georgia in May 2016 and January 2017, respectively
- GHG's two pharmacy chains have been merged but, operate under the separate brand names **Pharmadepot** and **GPC**
- Our combined pharma business has 251 pharmacies, of which:
 - 24 also have express outpatient clinics
- The number of our pharmacies located at our hospitals is 21



GHG Pharma business

CHIEF EXECUTIVE OFFICER



ENRICO BERIDZE

Appointed as CEO of GHG pharma business in January 2017.
Founder and former CEO of Pharmadeopot for more than 15 years.

HEAD OF OPERATIONS



MIKHEIL ABRAMIDZE

Appointed as COO of GHG pharma business in January 2017.
Founder and former COO of Pharmadeopot for more than 15 years.

CHIEF FINANCIAL OFFICER



GEORGE ZHIZHILASHVILI

Appointed as CFO of GHG pharma business since January 2017.
Formerly Head of Risk Management Department at Liberty Bank.

HEAD OF RETAIL



NUTSA MONAVARDISASHVILI

Appointed as Head of Retail at Pharmadeopot in September 2015.
Formerly Head of Marketing Department at LLC Tegeta Motors.

CHIEF IT OFFICER



MAMUKA TCHEISHVILI

Appointed as Chief IT Officer of GHG pharma business in January 2017.
Former experience on different positions at Pharmadeopot for more than 15 years.

HEAD OF PROCUREMENT



ANDRO TEVZADZE

Appointed as Head of Procurement and Supply Chain of GHG pharma business in January 2017.
Former experience on different positions at Pharmadeopot for more than 10 years.

HEAD OF CORPORATE SALES



KAKHA KHACHIDZE

Appointed as Head of Corporate Sales at Pharmadeopot/GPC in September, 2013.
Formerly Regional Manager at Multinational Pharmaceutical Company Astellas.

HEAD OF WHOLESALE



DAVIT SULABERIDZE

Appointed as Head of Wholesale of GHG pharma business in January 2017.
Former experience on different positions at Pharmadeopot for more than 15 years.

CHIEF MARKETING OFFICER



INGA KOCHLAMAZASHVILI

Appointed as Chief Marketing Officer at Pharmadeopot/GPC in November, 2014.
Formerly Head of Marketing at Pharmaceutical Company Asfarma Georgia.

HEAD OF HR



TEONA JOJUA

Appointed as Head of HR of GHG pharma business in January 2017.
Former experience on different positions at Pharmadeopot for more than 15 years.

HEAD OF LEGAL



ANNIE BOCHORISHVILI

Appointed as Head of Legal at Pharmadeopot in February 2008.
Formerly Lawyer at Arti Group.



Pharma business – differentiation of two brands



GPC
More than a pharmacy



Customer segment: mass, mass affluent

Geographic distribution: big cities, high street, supermarkets

Loyalty programme: with 0.5 million loyalty card members

Number of pharmacies: 114

Focus: increasing check volume, private label products, increasing variety and revenue from para-pharmacy



Pharmadepot
Contemporary pharmacy



Customer segment: mass retail

Geographic distribution: nationwide, high street, hospitals

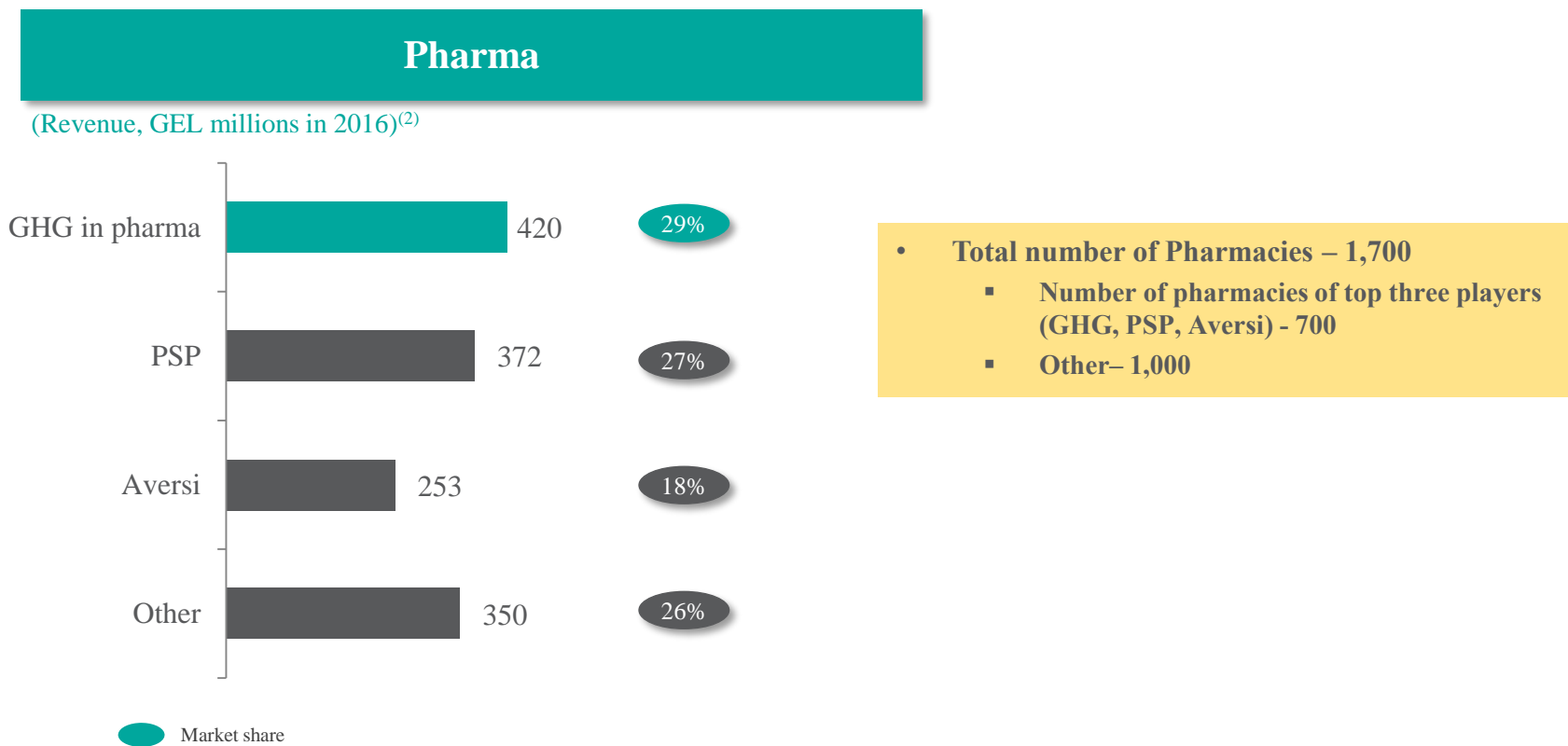
Discount card: with 0.7 million card members

Number of pharmacies: 137

Focus: expansion, increasing number of customers, private label products



The pharma market is highly concentrated with three major players, holding 74% of the total market



Sources:
(1) Total market Frost & Sullivan analysis 2017. Revenue distribution between competitors represents managements estimates. GHG's revenue includes GPC and Pharmadepot uneliminated 2016 results



⌘ Pharma business overview

⌘ **Pharma integration and performance in 2017**

⌘ Strategy going forward

⌘ Q&A

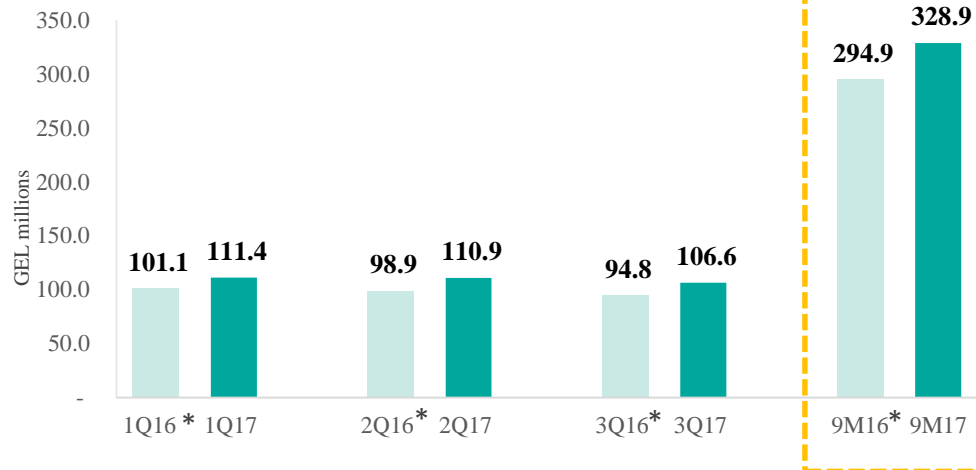


Integration of two pharmacies

The major task in 2017 was the flawless integration of the two pharmacies that has been successfully completed, including the integration of the both pharmacies' customer software

Work streams	Status
IT & software development	Completed
Back office integration	Completed
Legal merger	Completed
Revenue growth	Completed <ul style="list-style-type: none">•during unifying software and first phase of warehouse sales decreased by 5%•Revenue up by 12% in 3Q17 compared to proforma consolidated revenue in 3Q16
Procurement synergies	In progress <ul style="list-style-type: none">•Delivered GEL 7.6 million procurement synergies on an annualized basis
Warehouse integration	In progress <ul style="list-style-type: none">•To be finalized by the end of 2018

Revenue



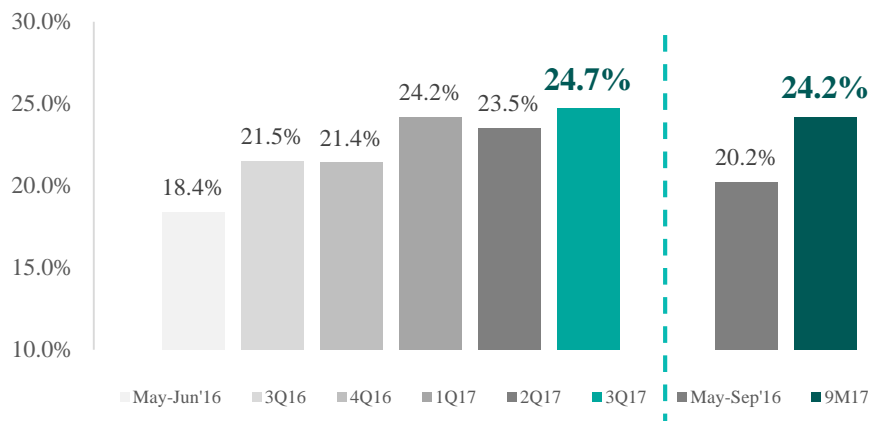
* 2016 pro-forma including Pharmadepot and GPC full year 2016 results

Synergies

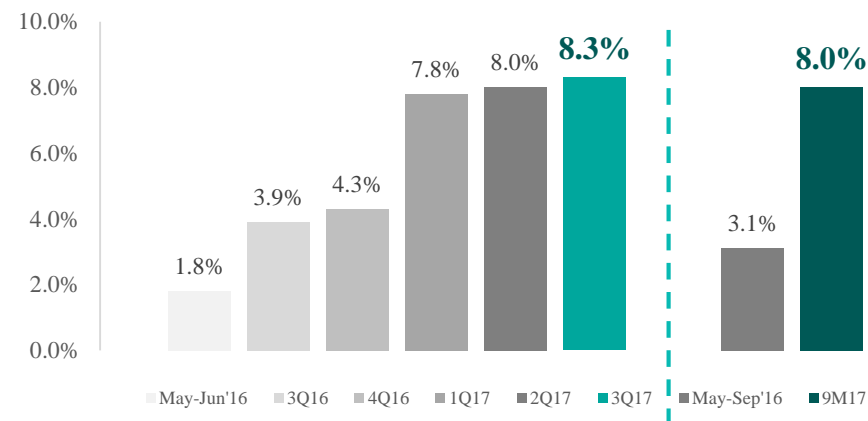
We have renegotiated discounts with number of large suppliers and extracted cost synergies. Extracting further synergies is still ongoing

Synergies extracted on an annulised basis in	Cost synergy	Elimination of unnecessary costs
In 2017	7.6	2.0

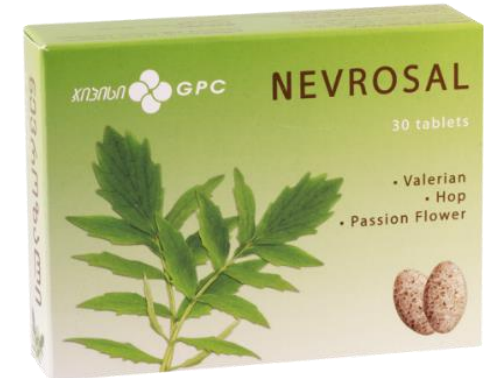
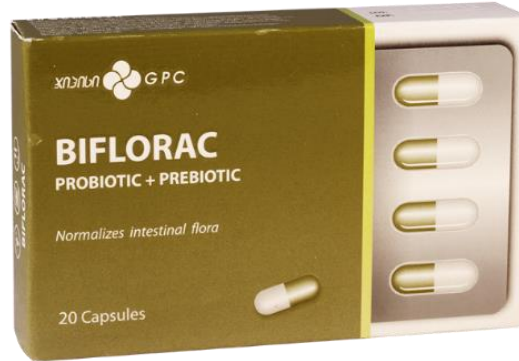
Gross Margin



EBITDA margin



One of the top priorities in our pharma business is to increase profitability by increasing revenue share of private label products



24 private label medicines are presented in our pharmacies, out of which 11 products were added during the 9M17. Annualised sales c.2 million.



- ⌘ Pharma business overview
- ⌘ Pharma integration and performance in 2017
- ⌘ **Strategy going forward**
- ⌘ Q&A



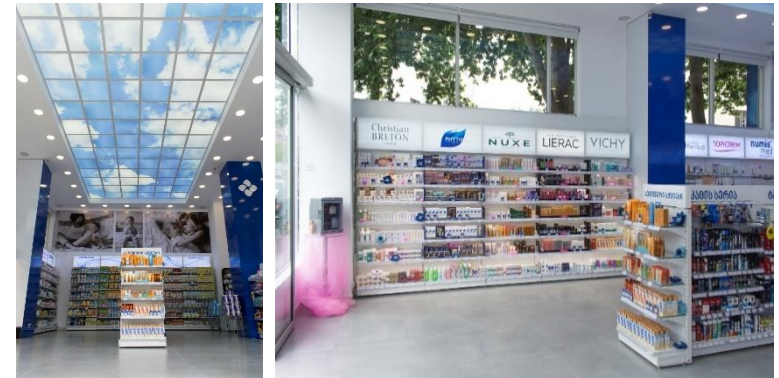
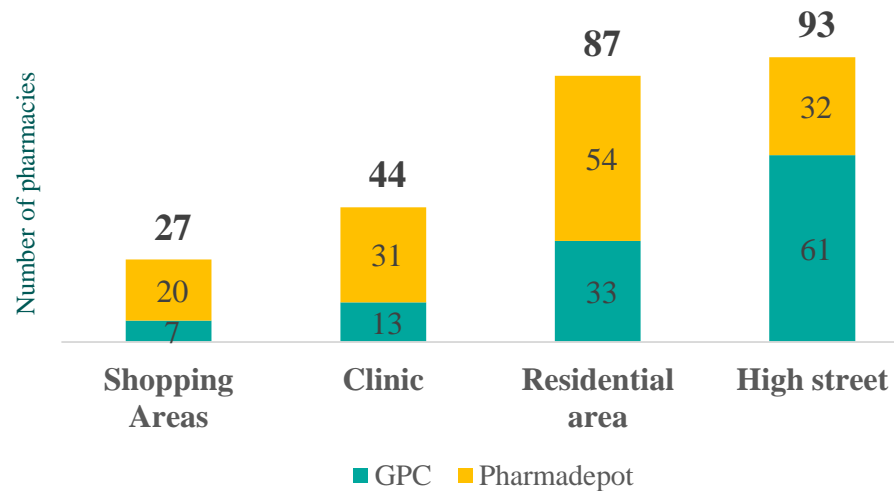
Key focus areas in medium and long term

- 1 Expanding retail footprint
- 2 Enhancing retail margin
- 3 Enhancing digital channels and customers loyalty
- 4 Growing wholesale revenue

GPC & Pharmadepot retail footprints complement each other

While GPC is a well established retailer with significant presence on high street, Pharmadepot is better represented in residential areas

Total of 251 pharmacies now



New concept GPC pharmacy store opened in 2017

**Heading to 300
pharmacies over next
two years**



Further improving our margins and profitability

Establishing our position as a market leader in private label segment in Pharma business

Private label products

Medicines

- Increasing the number of private label medicines in our pharmacies
- Doubling 2017 year revenue from these products by 2018



Personal care

Acquired the international private label brand - “Attirance”. Attirance specialises in natural cosmetics and personal care products, and has developed more than 400 of its own unique products/recipes. The acquisition will enable us to present private label personal care products in our pharmacies from 2018.

ATTIRANCE
natural cosmetics





We aim to further enhance customer applications



*GPC pharma mobile app
with 40,000 active users*

Enhanced version mobile app will have value added functionality:

- Find the doctor
- Symptom checker
- e-prescription
- Medicine annotations
- Push notifications on special offerings



Summary of strategy going forward

Key focus areas in medium and long term

- 1 Expanding retail footprint**
300+ pharmacies over two years
- 2 Enhancing retail margin**
Private label products, extracting further synergies
- 3 Enhancing digital channels and customers loyalty**
Customer application, e-prescription
- 4 Growing wholesale revenue**
Disposables; medical devices



Targets

Market shares

by revenue

Now

29%

2018

30%+

Long-term

30%+

P&L targets

8+% EBITDA margin



Eco friendly textile bags campaign was launched in June as a permanent CSR project for Pharmadepot customers

- Paper bags
- Eco friendly batteries
- Textile bags



The project aims to eliminate usage of polyethylene bags and stimulate customers by offering discounts on exclusive products



QUESTIONS?

GHG Investor Day

Tbilisi, Georgia / 10 November 2017

www.ghg.com.ge



This presentation 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 Healthcare Group 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: business integration risk; compliance risk; recruitment and retention of skilled medical practitioners risk; clinical risk; concentration of revenue and the Universal Healthcare Programme; currency and macroeconomic; information technology and operational risk; regional tensions and political risk; and other key factors that we have indicated could adversely affect our business and financial performance, which are contained elsewhere in this presentation and in our past and future filings and reports, including the 'Principal Risks and Uncertainties' included in Georgia Healthcare Group PLC's Annual Report and Accounts 2016 and in its Half Year 2017 results announcement. No part of this presentation constitutes, or shall be taken to constitute, an invitation or inducement to invest in Georgia Healthcare Group PLC or any other entity, and must not be relied upon in any way in connection with any investment decision. Georgia Healthcare Group PLC undertakes 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 presentation should be construed as a profit forecast.