

# Hospital business overview

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**GHG Investor Day**

*Tbilisi, Georgia | 23 November 2016*

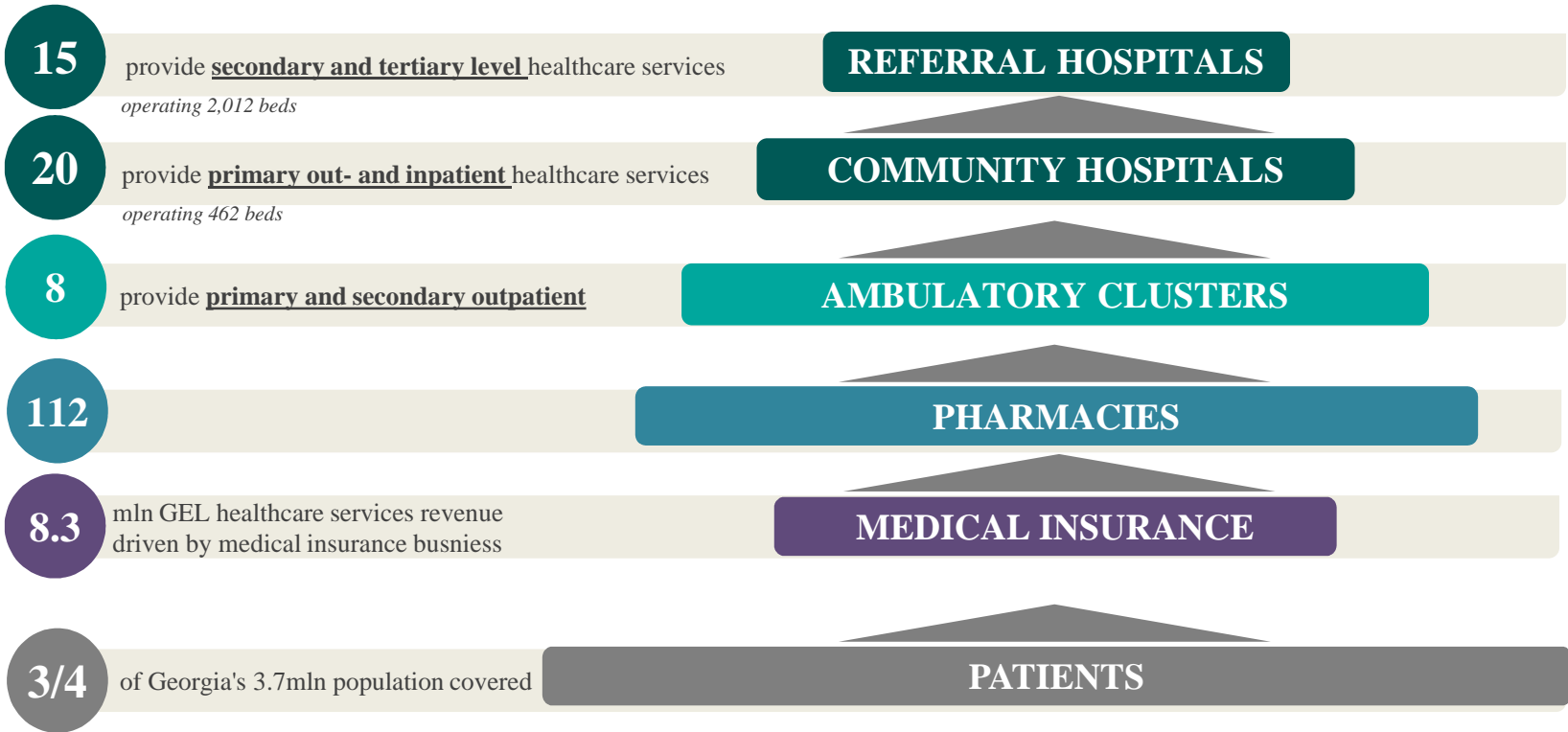
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## REFERRAL AND COMMUNITY HOSPITALS



**GHG  
HOSPITAL  
BUSINESS**



A vertically integrated care pathway



- ❁ GHG hospital business at glance
- ❁ Hospital revenue performance
- ❁ Hospital market structure
- ❁ How we are doubling 2015 year revenue in 2018
- ❁ How we see growth beyond 2018

## STRUCTURE & ROLE WITHIN GHG

### Outpatient Clinics/Departments



### AMBULANCE

- 48 emergency cars (out of 86 in Georgia)
- Up to 25,000 Journeys per year
- 49% internal referral rate (room for growth up to 75%)
- 16 pediatric ambulance cars - largest private fleet in Georgia
- Up to 50,000 Journeys per year

### COMMUNITY HOSPITALS

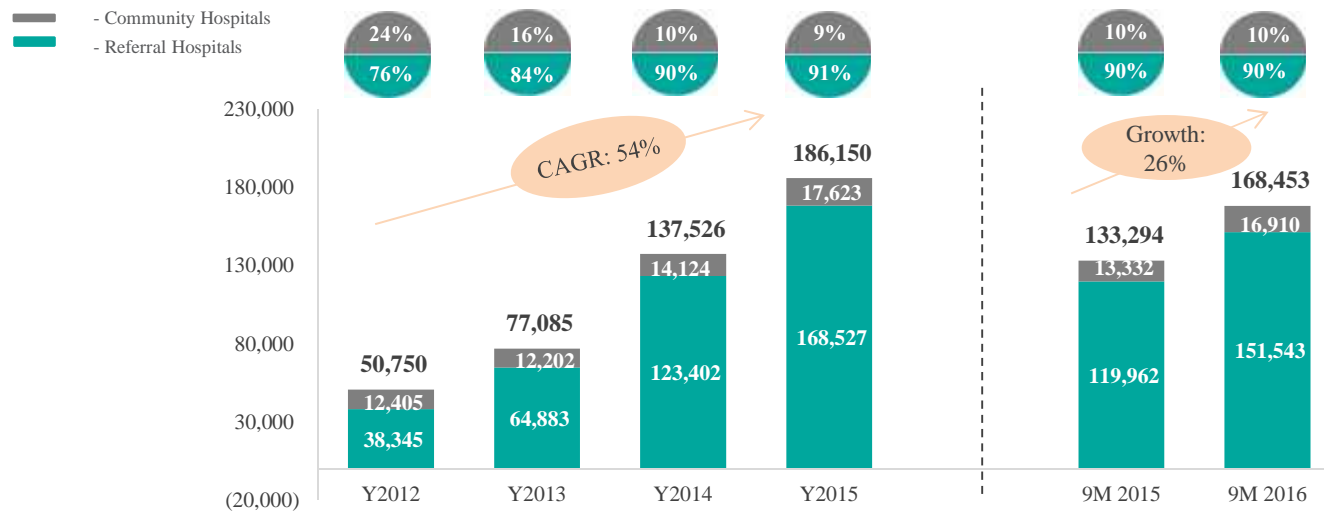
- 20 community hospitals
- 462 hospital beds
- community hospitals provide primary out- and inpatient healthcare services
- Average Revenue Per Bed GEL 48,800
- Bed occupancy rate 25.2%

### REFERRAL HOSPITALS

- 15 referral hospitals
- 2,012 hospital beds
- referral hospitals provide secondary and tertiary level healthcare services
- Average Revenue Per Bed GEL 100,430
- Bed occupancy rate 66.4%

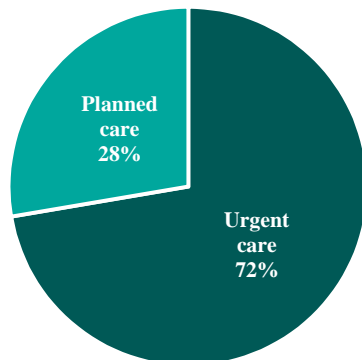
# Hospital revenue performance

## Record Revenue CAGR During last 3 years 54%

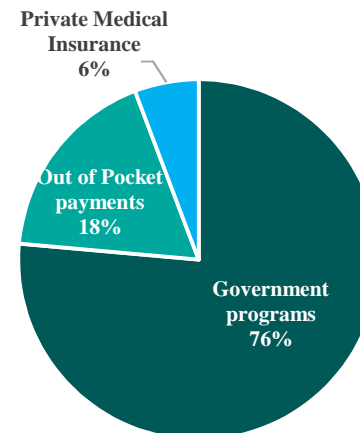


## Revenue Types and Sources

9M 2016



9M 2016

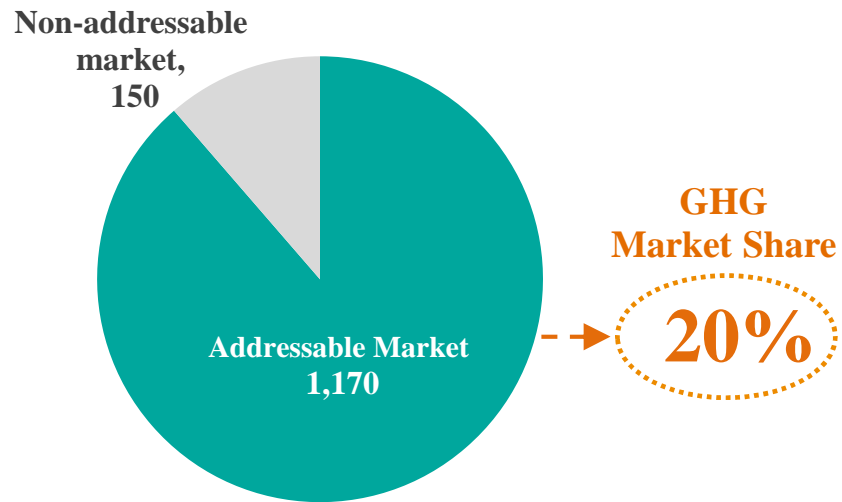


# Hospital market structure & GHG revenue performance

## GHG STRONG IN URGENT SERVICES

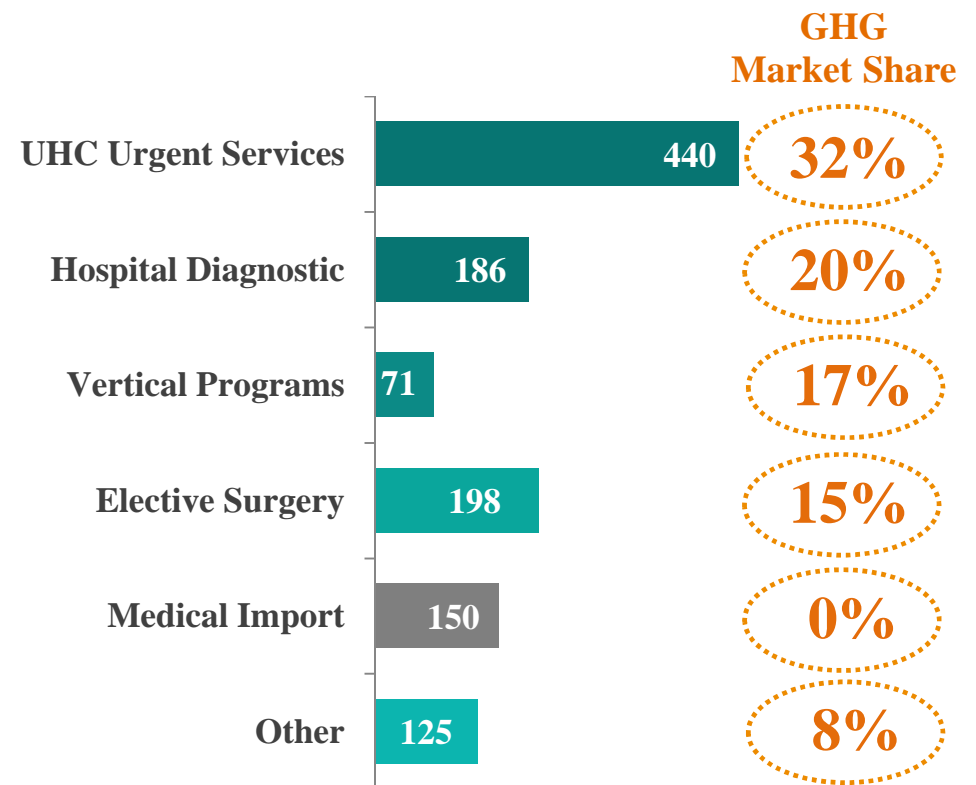
### HOSPITAL MARKET 1.3 bln

(Management estimates, GEL millions)



### Addressable Market 1.2 bln

(Management estimates, GEL millions)



Note: "Other" includes insurance, co payments and hospital diagnostics



# Hospital market structure

## CLEAR AND ESTABLISHED #1 MARKET POSITION

### Main Growth on the Market comes from small “Quasi” Hospitals

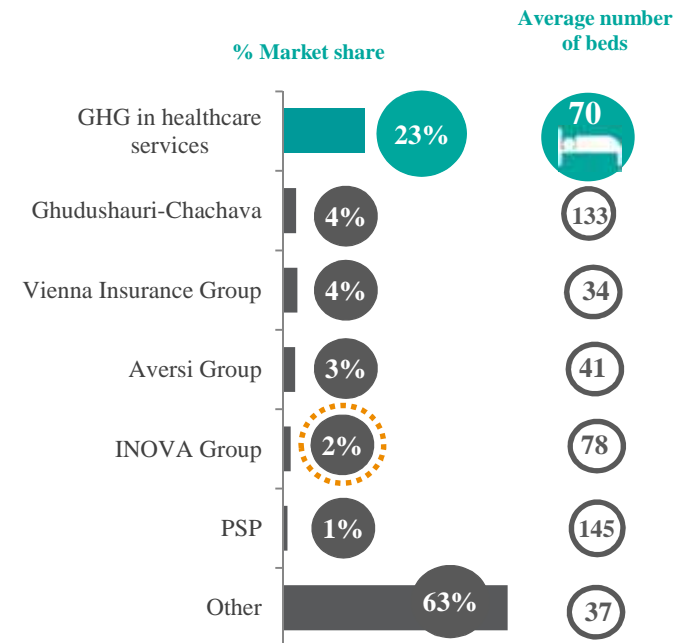
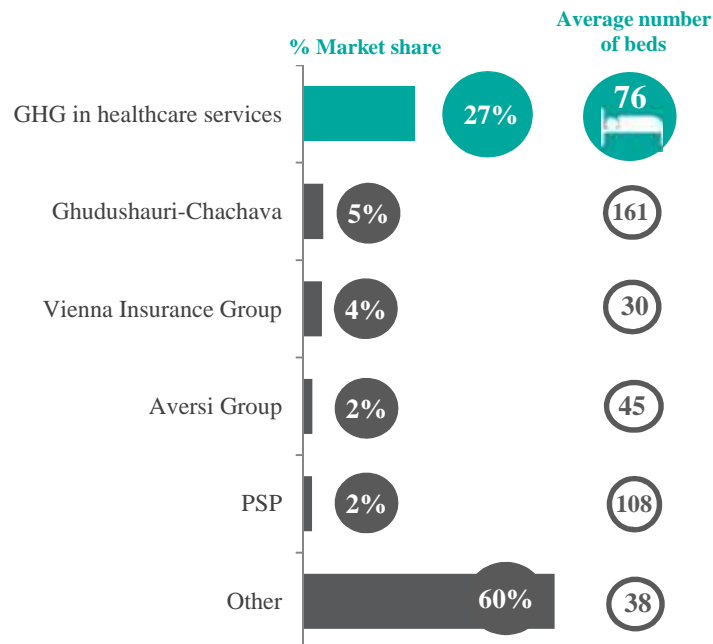
As of 31 December 2015

As of 30 September 2016

Total number of beds 10,055  
Total number of hospitals 220

+8%

10,865  
244

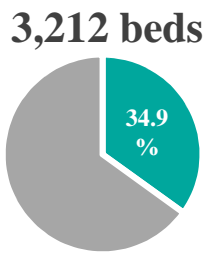


# Hospital market structure

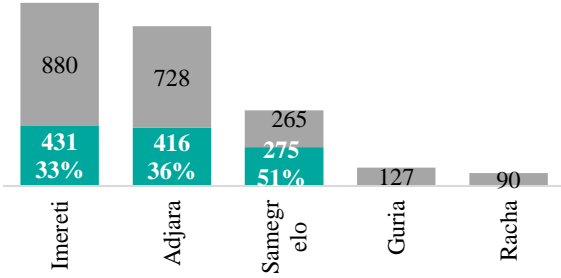
## ROOM TO INCREASE FOOTPRINT IN CAPITAL AND EAST GEORGIA

■ - GHG beds ■ - Competitors

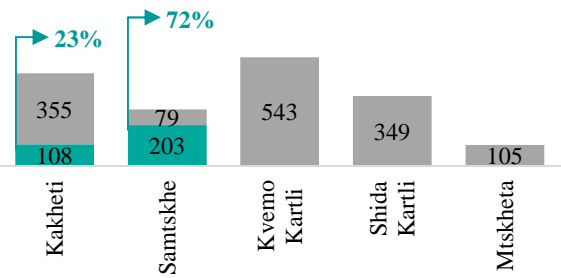
**WEST GEORGIA**  
Population 1.9 mln



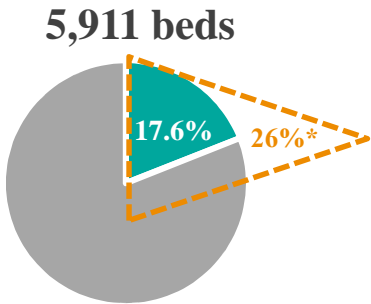
### REGIONS



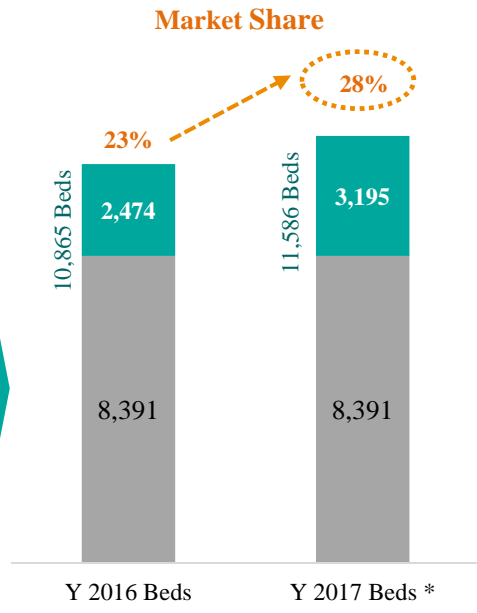
**EAST GEORGIA**  
Population 0.9 mln



**THE CAPITAL**  
Population 1.3 mln



### GEORGIA



\*Bed additions in Y2017  
 Capital – DEKA – 320 Beds  
 Capital – Sunstone – 264 Beds  
 Regions – 137 Beds





# How we are doubling 2015 year revenue in 2018



**1 Expanding Footprint**



**2 Stable Growth in Urgent Treatments**



**3 More Focus on Elective Care and Government Vertical Programs**



**4 Filling Service Gaps**



**5 Impact of New Regulations**



# 1 Expanding footprint

DEKA

## INCREASING FOOTPRINT IN CAPITAL WITH 320-BED FIRST CLASS HOSPITAL

75% of country elective expenditures is spent in Tbilisi

### TBILISI CENTRAL HOSPITAL

#### BEFORE



#### AFTER



### HIGHLIGHTS

#### TARGET POPULATION:

- Medium and high income patient
- Opportunity for medical tourism

#### PROJECT DETAILS:

- 320 Bed Flagship hospital will be opened in Tbilisi next year
- 35,000 Sq. meter
- 12 Operating Rooms
- Targeting JCI Accreditation
- Project and concept agreed with JCI
- **Launch date: Sep 2017**

#### HIGH TECHNOLOGY SERVICES:

- Cardio Surgery
- Angio surgery
- Neurovascular surgery
- Laparoscopic Surgery
- ICU
- ER
- Full Diagnostic Services (Opened in Aug 2016)



# 1 Expanding footprint

SUNSTONE

## INCREASING FOOTPRINT IN TBILISI WITH 334-BED FIRST CLASS HOSPITAL

75% of country elective expenditures is spent in Tbilisi

### TBILISI REFERRAL HOSPITAL

#### BEFORE



#### AFTER



### HIGHLIGHTS

#### TARGET POPULATION:

- East Part of Tbilisi (350K Population)
- Capturing referrals from East Georgia (350K Population)

#### PROJECT DETAILS:

- 334 Bed hospital
- 35,000 Sq. meter
- 11 Operating Rooms
- **Launch Date: Feb 2017**

#### HIGH TECHNOLOGY SERVICES:

- Full scale of general hospital Elective services
- ICU
- Delivery
- Neonatal ICU
- Transplantology

## 2 Stable growth in urgent treatments

### DOMINANT POSITIONS IN DELIVERING URGENT SERVICES

1

**Well developed Urgent Services in Regions We're dominating**



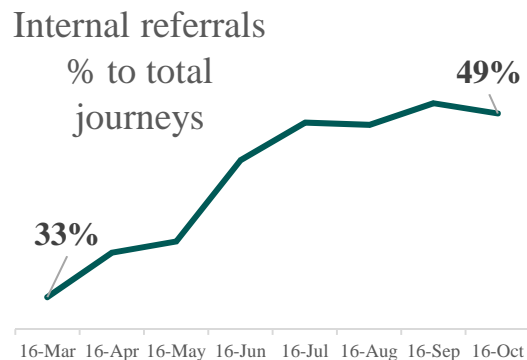
#### Dominant position in emergency care regions

- Well developed urgent services
- Expanding footprint up to 26% market share by beds in The Capital in Y2017, current only 17%
- Still room for growth in east Georgia up to 1/3 market share

2

**Managing Largest Emergency Fleet**

(48 CARS)



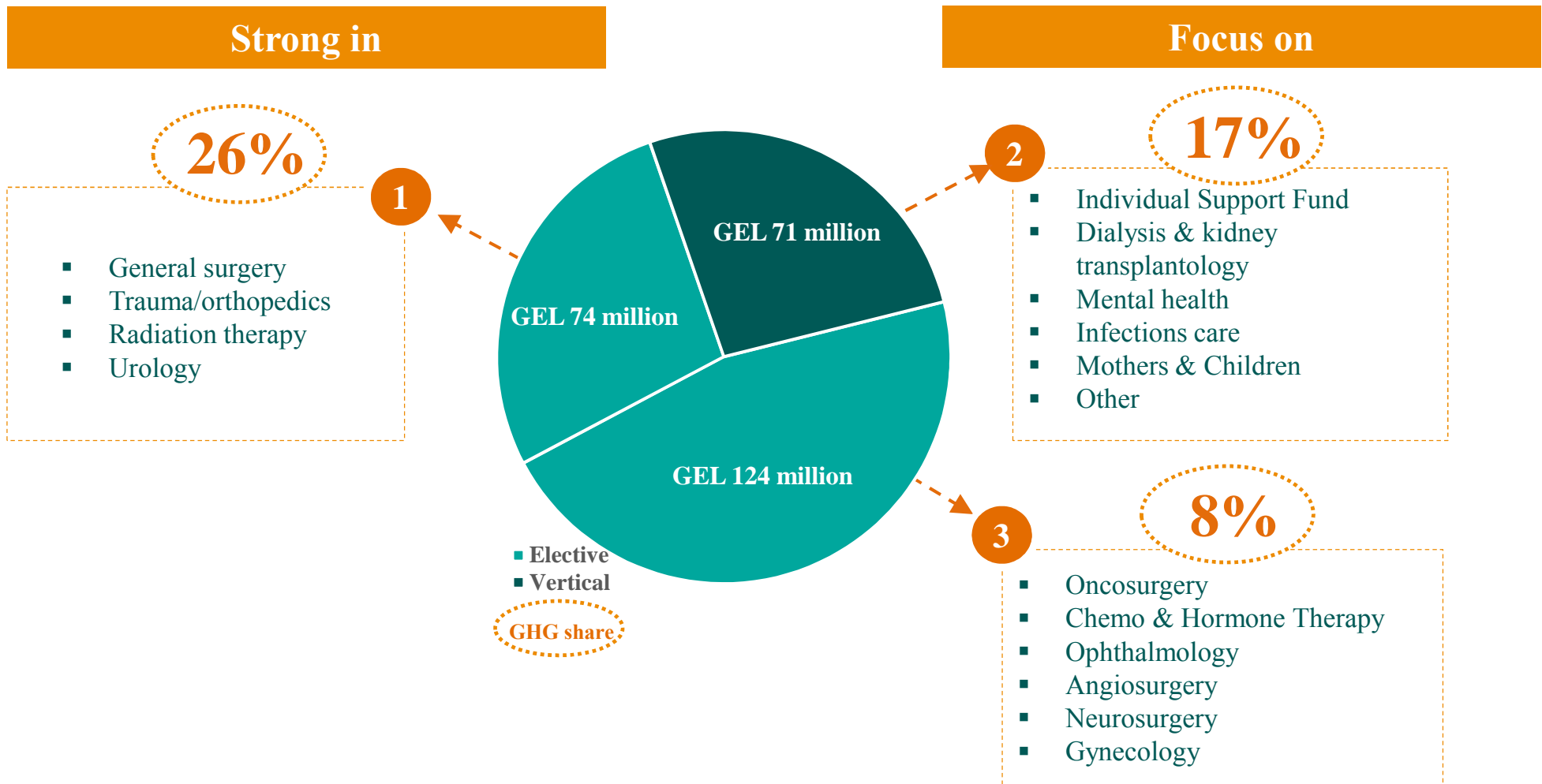
#### Managing Largest Emergency Fleet

- 48 Emergency cars are managed by Evex
- 55% of countries emergency fleet capacity
- Added 30 Cars from June 2016

# 3 Focus on elective care and government vertical programs

2016 SPENDING - GEL 269 MILLION

GHG MARKET SHARE **15%** (2016) → **28%** (2018)



## IMPLEMENTING MORE THAN 70 SERVICES IN SHORT TERM PIPELINE

### 1 51 NEW SERVICES LAUNCHED IN 15 DIFFERENT HOSPITALS

- Investment **21.5 mln GEL**
- Run rate annual revenue **18.6 mln GEL**
- Actual weighted AROI **23.7%**

### 2 72 NEW SERVICE IMPLEMENTATION IN SHORT TERM PIPELINE

- 72 new services are scheduled to be implemented in 16 different hospitals
- Investment **9.5 mln GEL**
- Run rate annual revenue **20.6 mln gel**
- Targeted AROI **31%**

### EXAMPLES

(Amounts in GEL mln)

	Investment	Run-rate annual revenue
<b>LAUNCHED</b>		
<b>Revenue Outperforms</b>		
In Vitro Fertilization (IVF)	1.2	1.3
Kids Cardio Surgery	3.5	1.9
Neurosurgery, Trauma, Angiography	1.3	3.2
Oncology	12.0	5.4
Ophthalmology	0.1	0.3

<b>TO BE LAUNCHED</b>	Investment	Budgeted Run-rate annual revenue
Kids Kidney Transplant, Kids Liver Transplant, BMT	2.2	2.1
Kids Laparoscopic Surgeries	0.6	0.7
Onco surgery	2.2	3.0
Oncology, Neurosurgery, Cardio surgery	0.4	2.1



## GOVERNMENT MIGHT CANCEL CONTRACTS WITH “QUASI” ICU CLINICS

### BACKGROUND:

- No strict regulations of clinical types before 2016
- More than 20 hospitals with more than 200 ICU beds opened in Tbilisi during last 2 years
- These hospitals have no diagnostics and surgery service capabilities
- High risks in managing urgent services

### INITIATIVE:

- According to new regulation hospital types are defined
- Allowed to operate ICU beds when running full supporting services
- Government might cancel contracts with these hospitals in 2017
- Up to 20 Hospitals with more than 200 ICU beds can be closed in Tbilisi in Y2017



### PATIENT JOURNEY





# How do we see growth beyond 2018

## GROWING BEYOND 2018 COMES FROM THREE MAIN PILLARS

### REACHING 1/3 MARKET SHARE

TO ACHIEVE 1/3 MARKET SHARE WITH BEDS AS WELL AS WITH REVENUES

### DECREASING MEDICAL IMPORT

(Y2016 15% of expenditures, 65 mln USD)

FILLING TECHNOLOGY GAPS

FILLING SERVICE GAPS IN COUNTRY

### MEDICAL TOURISM POTENTIAL

POOR QUALITY OF HEALTHCARE SERVICES IN REGION (ARMENIA, AZERBAIDJAN, SOUTH RUSSIA AND CENTRAL ASIAN COUNTRIES)



# Hospital business contribution to the doubling of 2015 revenue in 2018

REVENUE (GEL mln)	PROFORMA 9M16 ANNUALISED
Referral Hospital	202.1
Community Hospitals	22.5
<b>Total:</b>	<b>224.6</b>

**GEL 1.2bln**  
TOTAL HOSPITAL MARKET  
2016 in 2016 2018  
**23.0%** ..... **28%**  
GHG MARKET SHARE BY HOSPITAL BEDS

**CURRENTLY**

**2018**

**1**

**EXPANDING FOOTPRINT  
MAINLY IN CAPITAL**

MARKET SHARE  
REFERRAL BEDS

**17%**  
**2,012**

**+650beds in Tbilisi**  
**50% OF COUNTRY SPENDING  
IS CONCENTRATED IN TBILISI**

**26%**  
**2,733**

**2**

**GROW URGENT TREATMENTS**

MARKET SHARE  
(MARKET)

**32%**  
(GEL 440mln)

**39%**

**3**

**GROW ELECTIVE SURGERY  
AND INCREASE PARTICIPATION  
IN VERTICAL PROGRAMS**

MARKET SHARE  
(MARKET)

**Elective: 15%**  
(GEL 198mln)

**Vertical: 17%**  
(GEL 71mln)

**28%**

**28%**

**4**

**FILLING SERVICE GAPS**

NO of SERVICES  
(REVENUE)

**51 services implemented**  
(GEL 18.6mln)

**120+ services to be  
implemented**

**5**

**IMPACT OF NEW REGULATIONS**

**20 "QUASI" ICU CLINICS  
APPEARED ON MARKET  
IN CAPITAL**

**FOR ICU SERVICES  
GOVERNMENT MIGHT  
CONTRACT ONLY  
REFERRAL HOSPITALS**

**QUESTIONS?**

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