



Clinics & Diagnostics businesses overview and growth strategy

Speaker: Nikoloz Gamkrelidze



Clinics



✦ Clinics business overview

- Business at a glance
- Services and traffic dynamic
- Engagement into COVID-19
- Market overview - growth potential


✦ Financial Performance

✦ Strategy going forward



34 Clinics



 The first point of patient interaction, offering basic outpatient services and, in the cases of complicated procedures, referring patients to the nearest hospital

262,000

Registered patient in Tbilisi

21%

Market share by registered patient

595,000

Registered patient in Georgia

353

Number of community clinics beds

19 

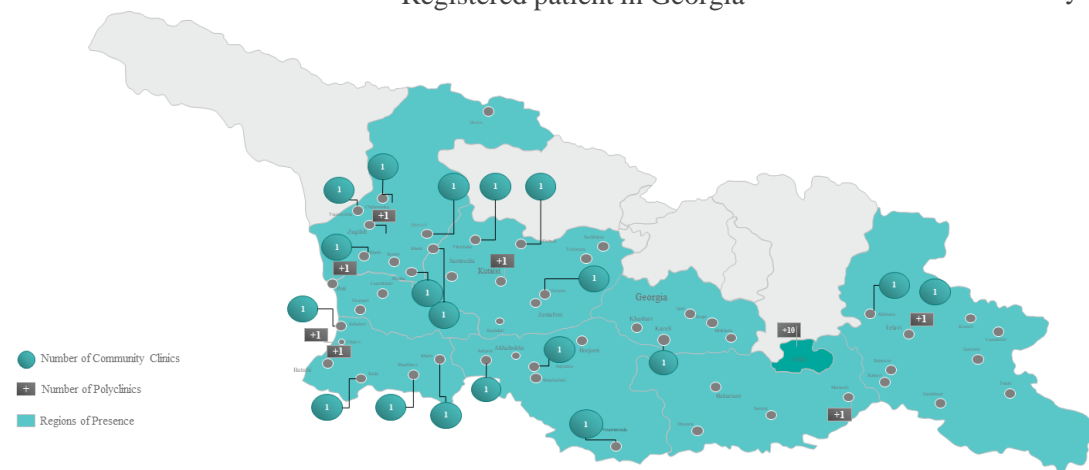
Community Clinics

Outpatient and basic inpatient services in regional towns and municipalities

15 

Polyclinics

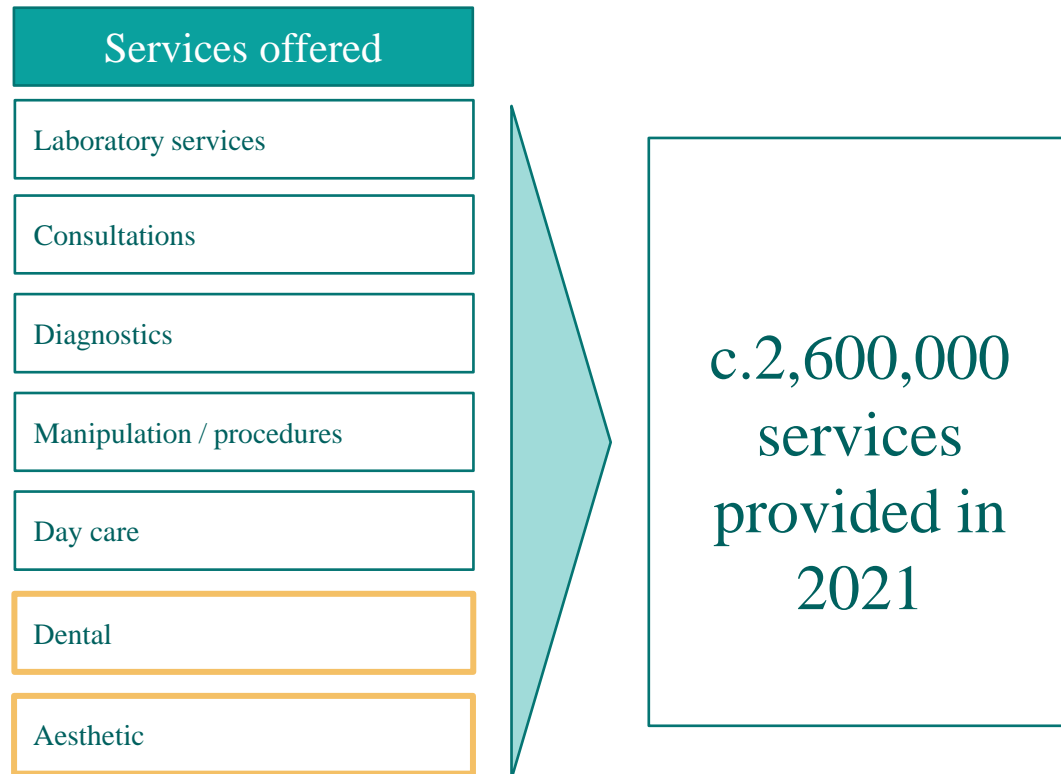
Outpatient diagnostic and treatment services in Tbilisi and major regional cities





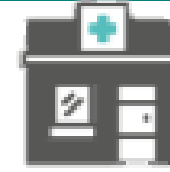
15 Polyclinics

Big cities



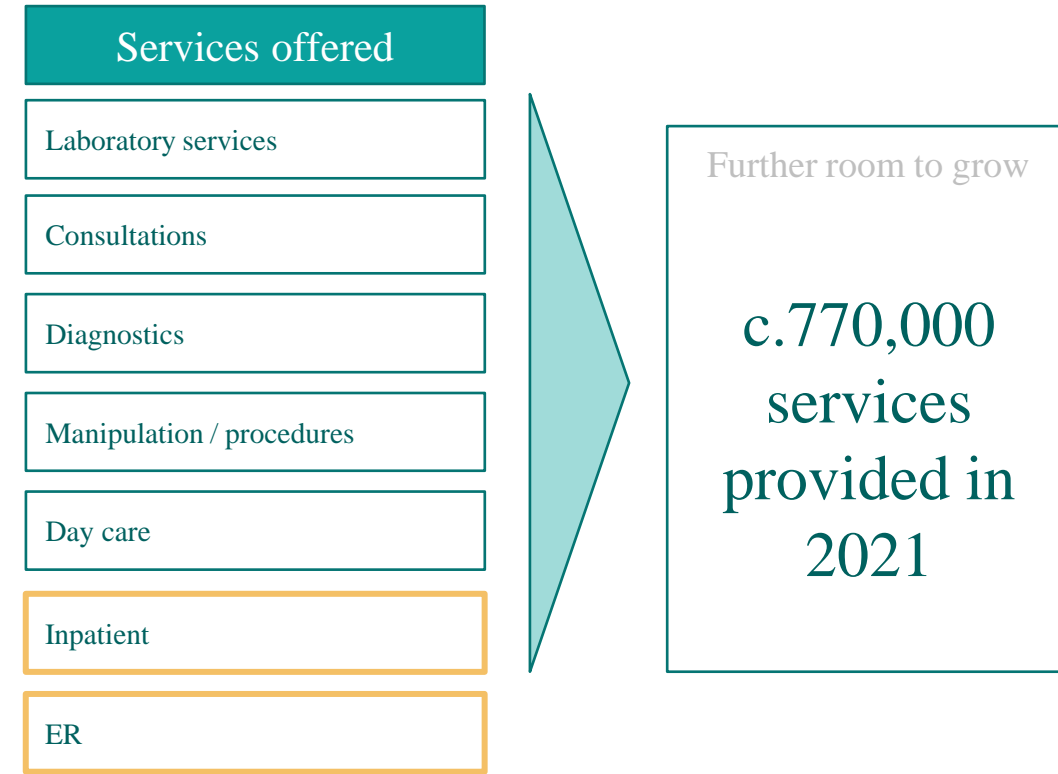
Services provided at polyclinics and community clinics

Services provided only at polyclinics or community clinics



19 Community Clinics

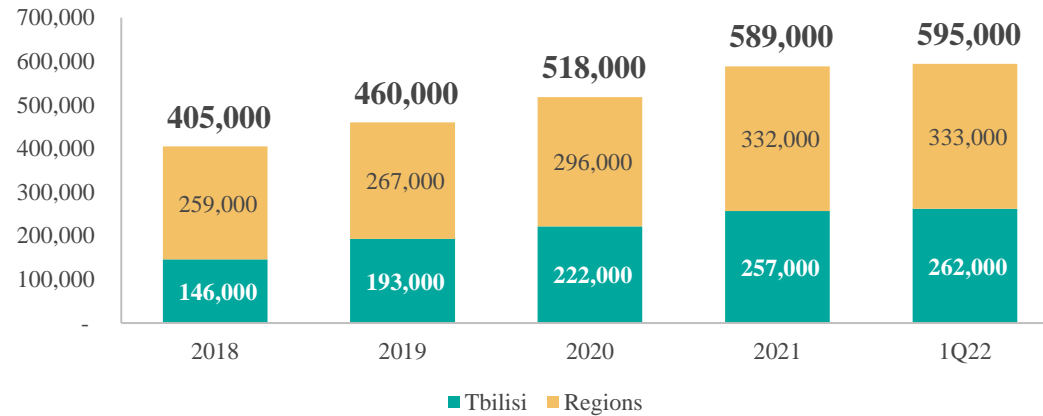
Regions





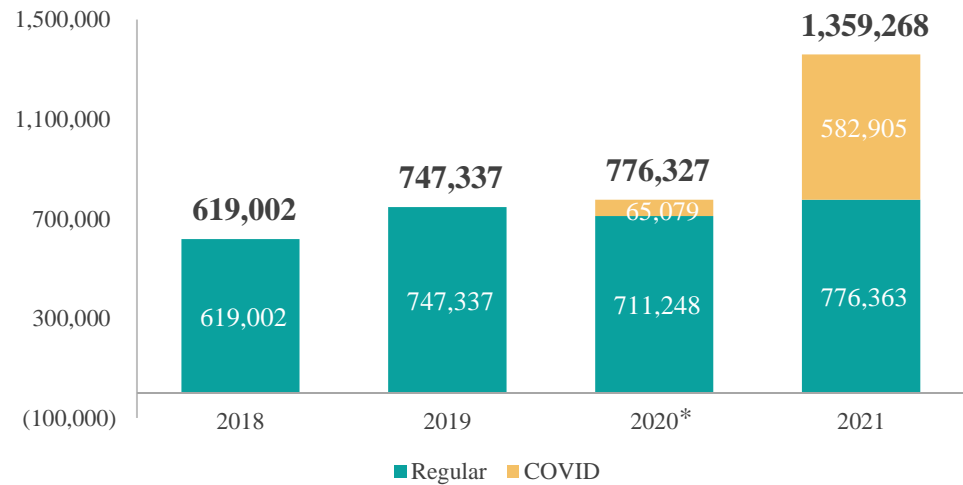
Increased number of customers and traffic

Increasing number of registered patients at clinics

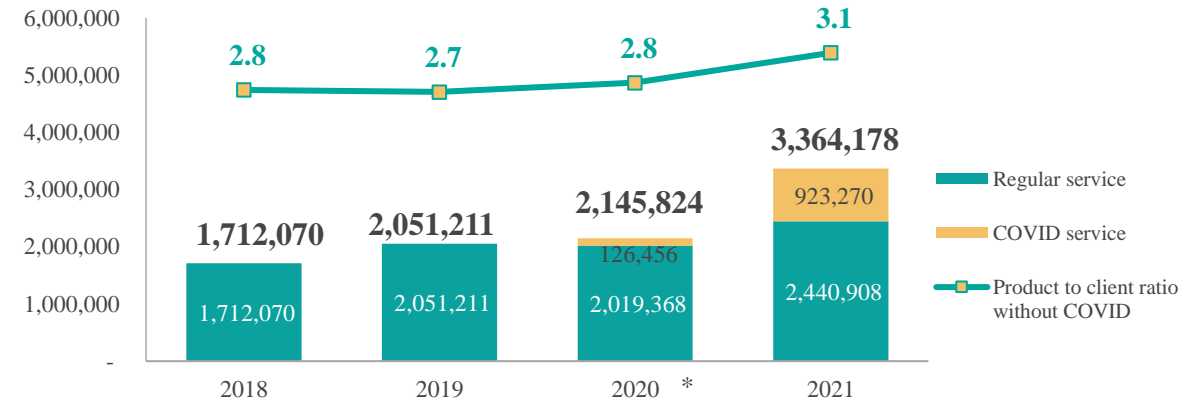


One of the main priority of the clinics business remains to increase the base of registered customers.

Number of total visits



Number of services performed and service per visit



* 2Q20 numbers adjusted to exclude the lock-down impact, related to COVID-19



COVID Clinics

- Since September 2020 clinics' business has mobilised 12 healthcare facilities, with 319 covid beds for receiving COVID patients
- C.5,300 patients treated



COVID Tests

- All 34 facilities were engaged in COVID testing programme
- Total COVID tests performed: c.820,000

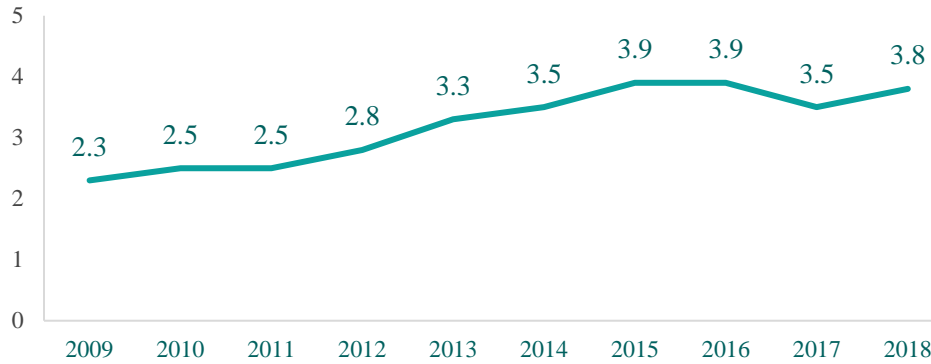


Vaccination

- The biggest private vaccination center with 26 rooms and electronic management system
- In total more than 270,000 vaccinations



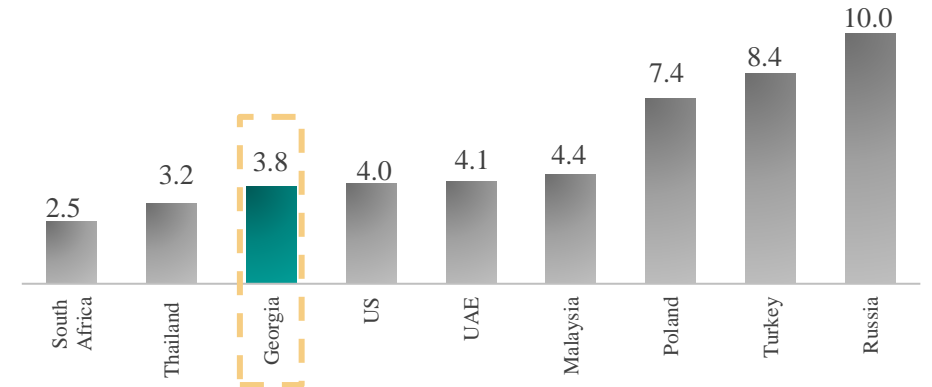
Outpatient visits per capita, Georgia



Source: NCDC statistical yearbook 2018

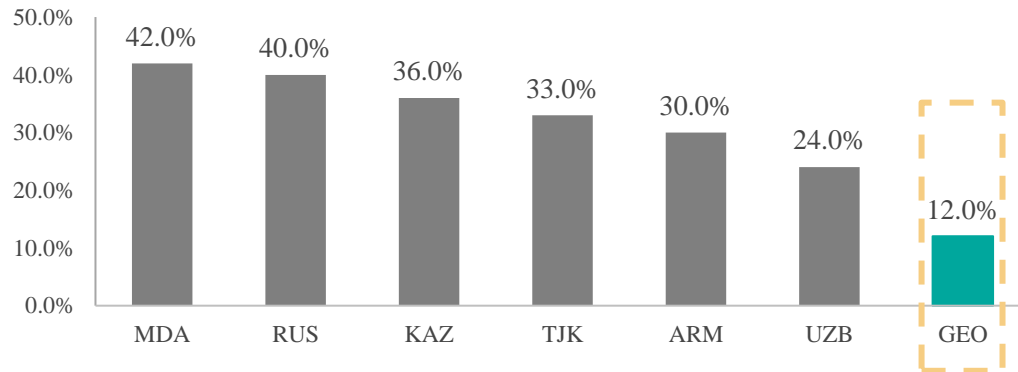
- Despite the increasing trends, Georgia still lags behind most of the developed countries in terms of the number of outpatient visits per capita (c.6.0 in Europe)
- Only c.12% of Government expenses on primary care vs Government total expense on healthcare
- Government is aiming to pay more attention to this segment

Outpatient encounters per capita, Georgia VS other countries



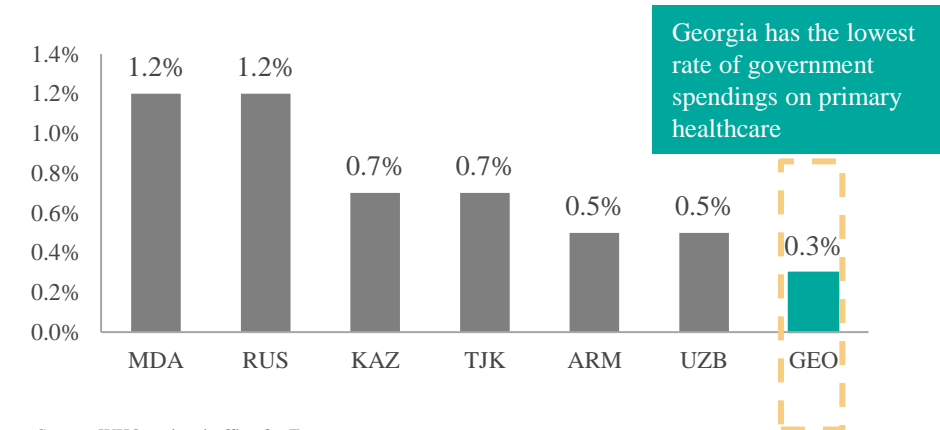
Source: Frost and Sullivan Analysis 2017

Government expenses on primary care vs Government total expenses on healthcare



Source: WHO World Healthcare Expenditure Database - 2018

Government Expenses on Primary Care VS GDP



Source: WHO regional office for Europe

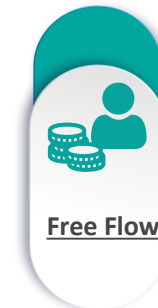
- Fragmented market - competitors are concentrated mainly on niche markets
- Our business is the only player with extensive geographic coverage, operating in all three market segments



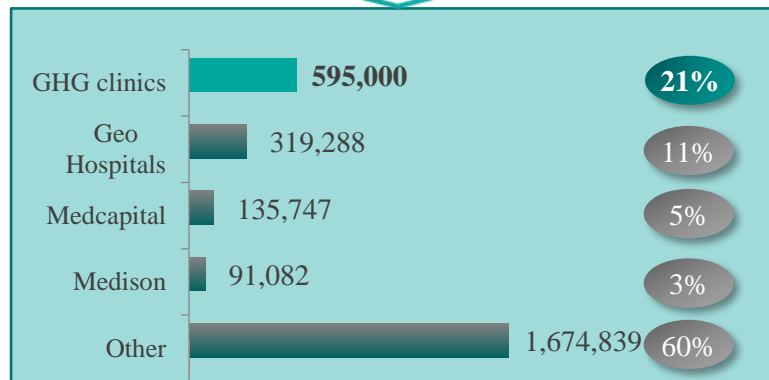
Small size polyclinics & three chains



Private insurance provider outpatient medium format, multi-profile clinics



High-end modern, big format, multi-profile ambulatories mainly in capital





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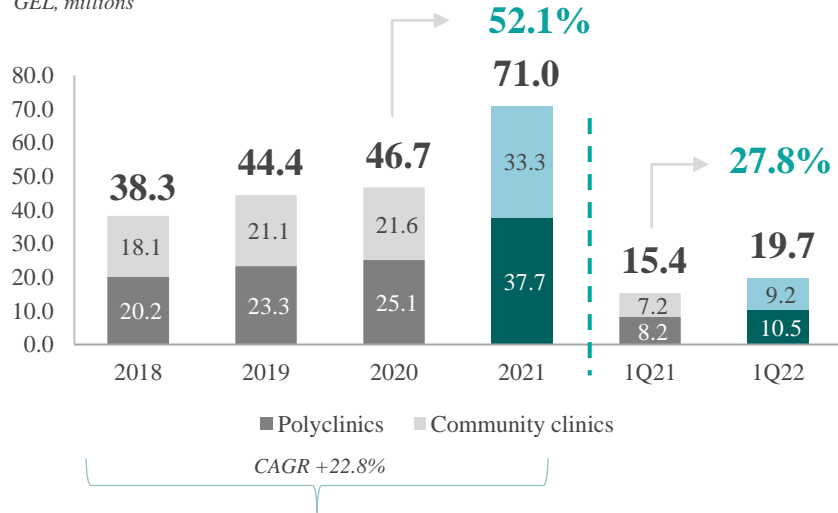


Financial performance

20%+ annual growth in last four years

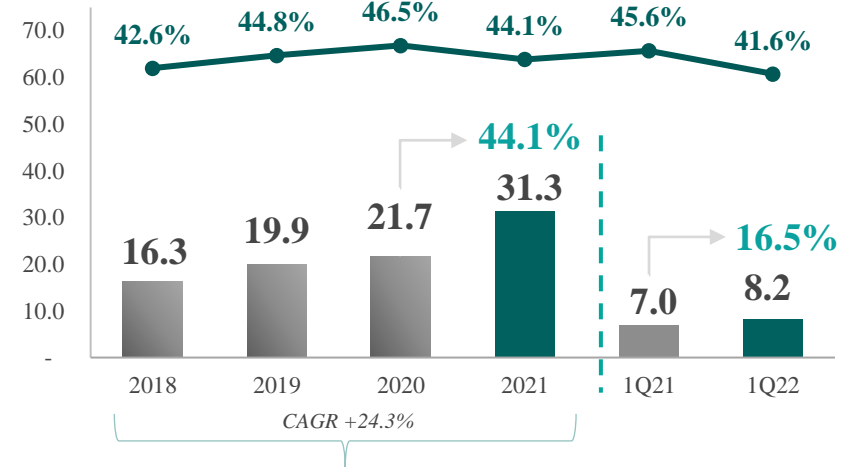
Gross Revenue

GEL, millions



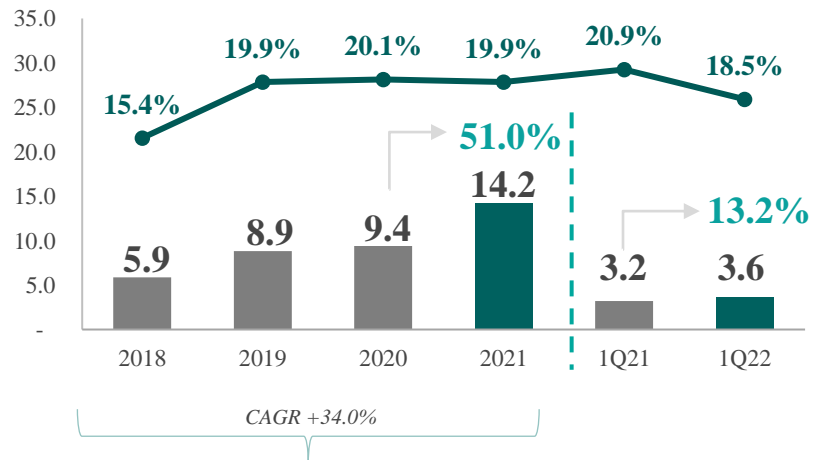
Gross profit & Gross profit margin

GEL, millions



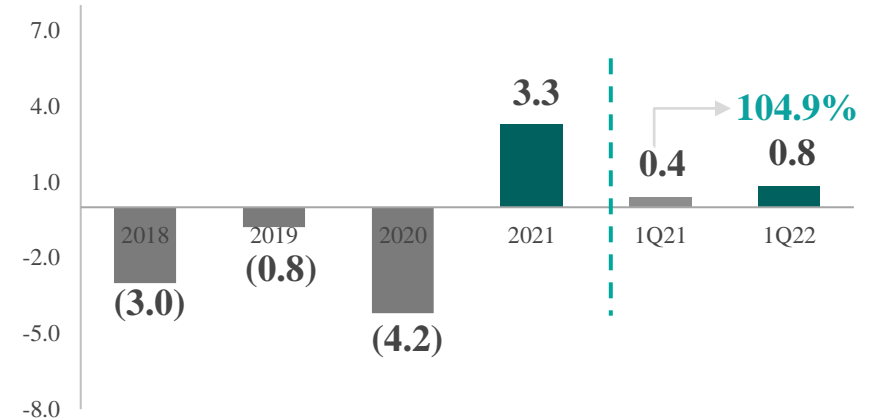
EBITDA & EBITDA margin*

GEL, millions



Net profit*

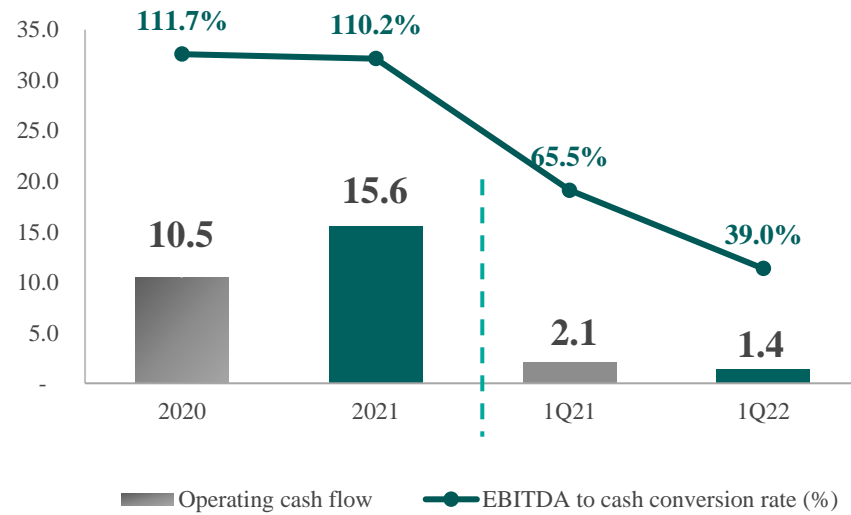
GEL, millions





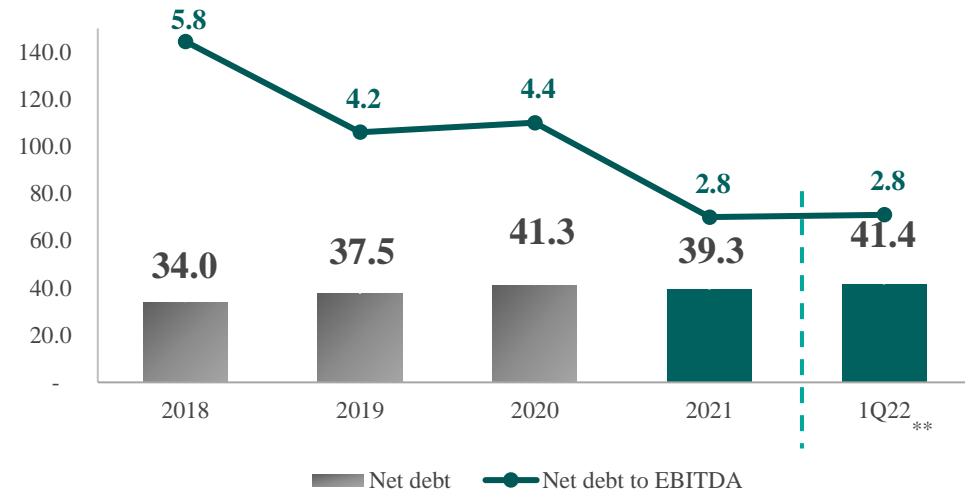
Operating cash & EBITDA to cash conversion ratio*

GEL, millions



Net debt & Net debt to EBITDA*

GEL, millions



Source: Internal reporting

*Excluding IFRS 16

**LTM EBITDA



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Community well-being

The business model of our clinics is the combination of medical mall & community hub strategy, adapted to local culture



Polyclinics

Moving to medical mall concept

- Upgrading the concept of polyclinics by adding new services, concentrating on preventive care and community well-being
- Upgrading the concept of family doctors to Health Coach, developing personal approach to each patient



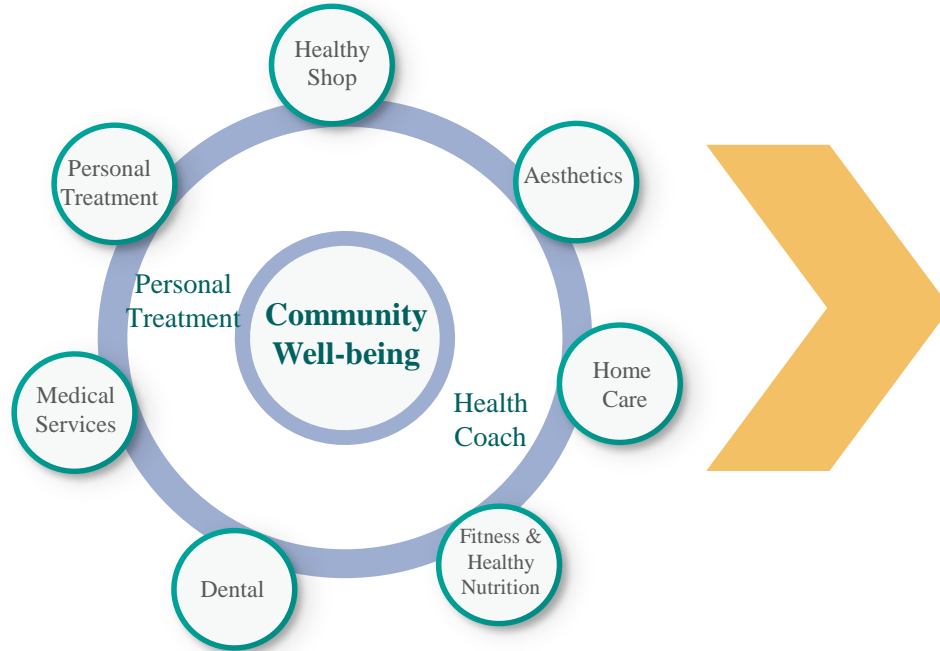
Community Clinics

Becoming community hub

- Expanding the presence of outpatient services at community clinics (expanding presence of medical services, dental, aesthetic, sports) – becoming cultural centers
- Raising awareness of primary healthcare in regions (per capita visits even lower in regions than in capital)



Medical mall concept that includes variety of services under one umbrella



Community Well-being

Moving to medical mall concept through developing new services internally as well as contracting external partners (e.g. fitness)



Adding new services

- Developing and enhancing medical and personal treatment services, such as aesthetics, home care and dental
- Outsourcing Healthy Shops with polyclinics premises
- Promoting fitness and healthy lifestyle



Health Coach

Create new institute for family doctors, which will contribute to the effective management of patients' health, develop preventive medicine and promote healthy lifestyle

Family doctors coaching programme

- Clinical programmes
- Coaching methods and techniques
- Technical skills
- Medical communication skills
- Emotional well-being and positive psychology



Convenience & Quality

1 Adding new services

2 Sustainable growth of clinical & service quality

3 Geographic expansion

4 Digitalisation

5 Increasing customer base



Opening new polyclinics in Tbilisi and big cities

In April 2022 launched two new polyclinics



- Number of polyclinics in Tbilisi 15+ (currently 8)
- Country Coverage – Be represented in all cities with population 100 000 +

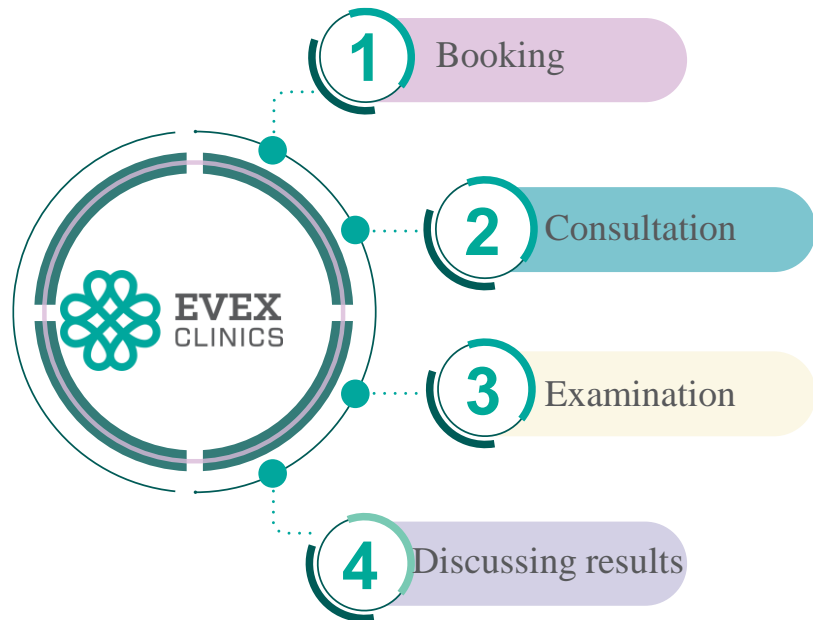
Developing new lab retail points in GPC pharmacies





Provide opportunity to our patients to pass the customer journey through distance channels

- Provided c.135 000 phone and video consultations for c.65,000 COVID affected patients, since April 2020



In-house call center



Group's healthcare digital platform -
EKIMO



Developing Clinics WEB

- ✓ Develop and adapt distance channels such as call center, web page & application, for greater customer convenience
- ✓ Offer simplicity and best User Experience



Currently

- 595,000 registered patients
- 21% market share

New target for 2025

- c.900,000 registered patients
- c.40% market share



Low base - Increasing market for outpatient services

Georgia still lags behind most of the developed countries in terms of the number of outpatient visits per capita (c.6.0 in Europe)

Low government expenditure on primary healthcare

Government is aiming to pay more attention to primary care

Growing number of services

Adding new services in Polyclinics and Community Clinics

Increased convenience and quality

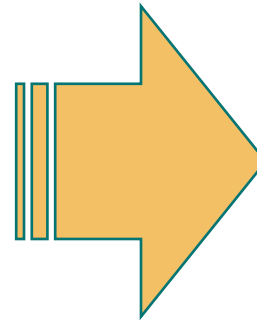
Broad Geographic coverage, improved quality, distance channels

Increased number of registered patients



Key focus areas in medium and long term

- 1 Adding new services**
Expansion of medical and personal care service presence
- 2 Geographic expansion**
Adding new polyclinics and lab retail points
- 3 Developing distance channels**
Best User Experience
- 4 Adding customer base**
Increased convenience & quality, increasing number of registered patients; increasing provider insurance companies & corporate client base



Long term development concept



Polyclinics

Moving to medical mall concept



Community Clinics

Becoming community hub



Key focus areas in medium and long term

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Next 5-year targets

2021-2026

Double digit revenue CAGR

EBITDA c.GEL 30 million+

ROIC: c.13.0%+
(6.9% in 2021)



Diagnos**t**ics



⊞ Diagnostics business overview

⊞ Financial Performance

⊞ Strategy going forward



The largest diagnostics laboratory in the entire Caucasus region

- Launched in 2019
- 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
- Engaged in COVID testing

2021 highlights

1.2 mln

Number of patients served

2.1

Average number of tests per patient

30%

Retail portion in total revenue

2,567,000

Number of tests performed

GEL 11.9

Average revenue per test

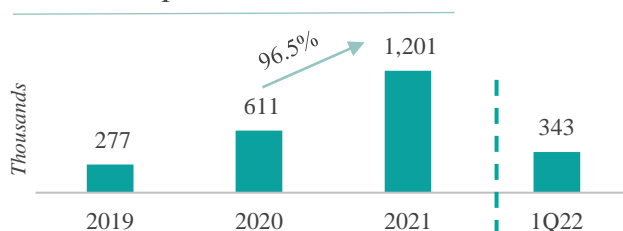
80%

Average COVID tests portion in retail revenue

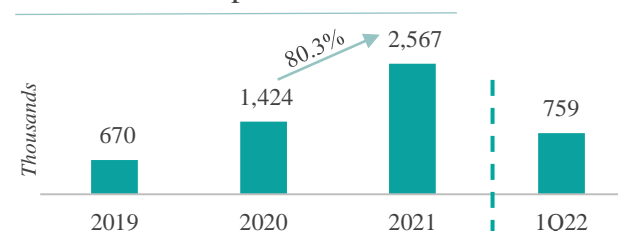


Traffic dynamic

Number of patients served



Number of tests performed



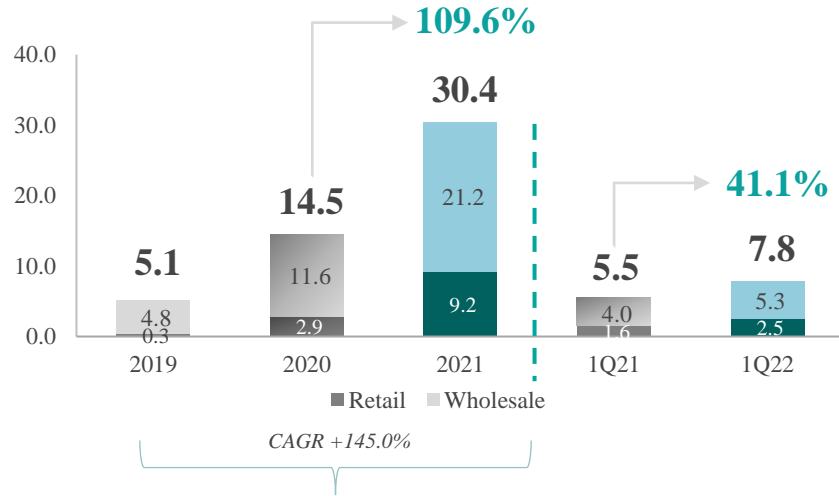
Developing B2B & retail

- GHG demand covers only 25% of Lab's capacity
- Working on external B2B contracts
- Developing retail network
 - Two retail collection points in Tbilisi and one in west Georgia
 - Drive through retail collection point
 - Capitalising on our Retail pharma business' scale – currently 16 lab collection points in GPC pharmacies with plans to increase to 100 points in 5 years



Revenue

GEL, millions

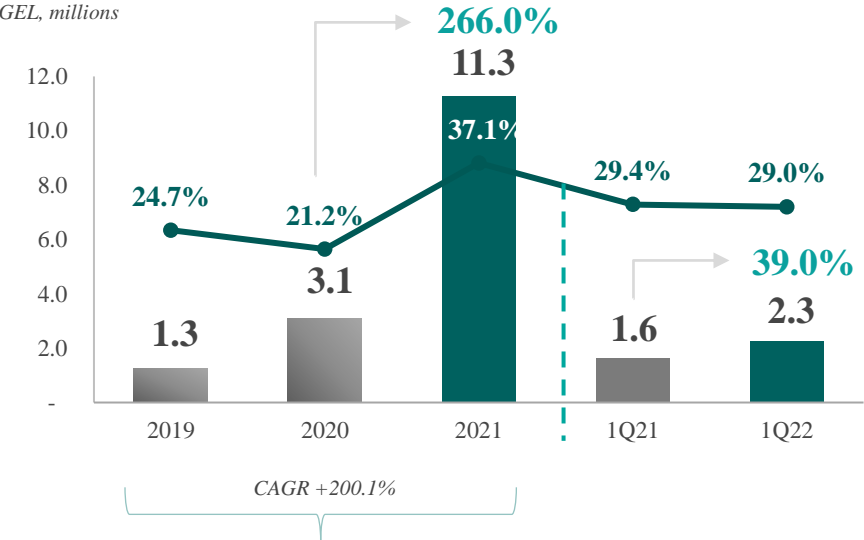


Last 3 years performance

- Revenue CAGR – 145.0%
- Gross profit CAGR – 200.1%
- EBITDA CAGR – 569.4%

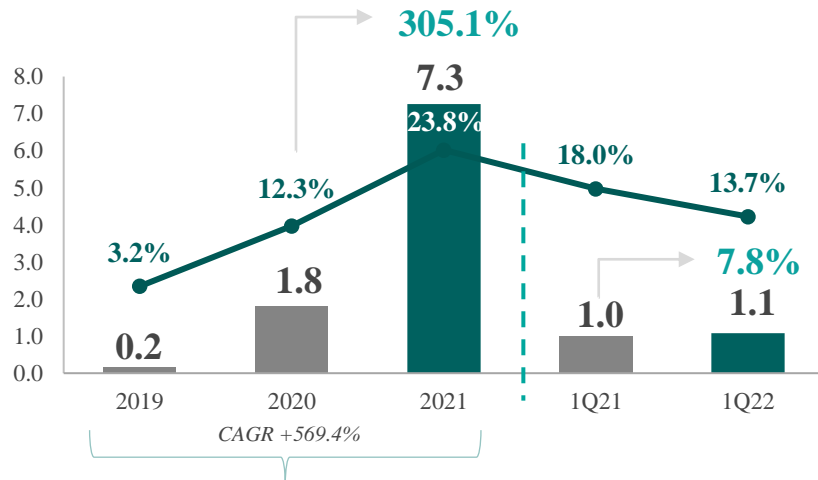
Gross profit & Gross profit margin

GEL, millions



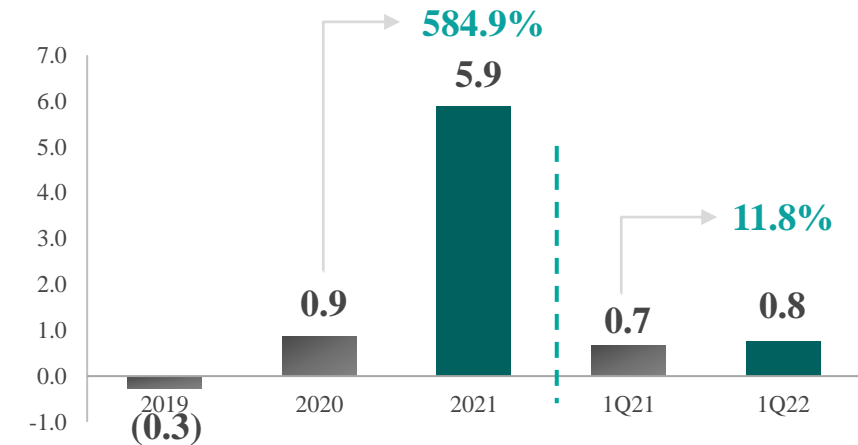
EBITDA & EBITDA margin*

GEL, millions



Net profit*

GEL, millions



Source: Internal reporting

*Excluding IFRS 16



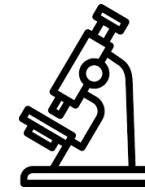
Country leader and regional player

User oriented, the largest-scale diagnostic, academic (educational) and scientific-innovational center



Diagnostics beyond lab

- Adding new technologies
- Clinical and experimental departments
- Industrial lab (food, veterinary)



Academic and scientific center

- Accredited training center
- Residency programmes
- Scientific research and studies

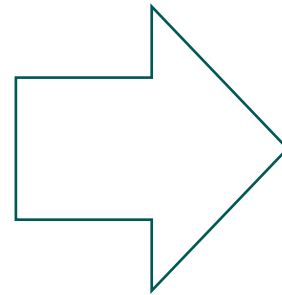


- 1 Expansion of retail
- 2 Attracting B2B contracts
- 3 Adding new services (such as MultiTof and Next Generation sequencing)
- 4 JCI and CAP accreditation



Focus on medium term

- Expansion of retail
- Attract B2B contracts
- Improved logistics
- JCI and CAP accreditations
- Digitalisation



2021-2026

Number of retail branches:

c.15 in Georgia

Tapping neighboring country's

Number of tests performed:

c.5 million annually

Revenue and EBITDA CAGR

double digit

ROIC

c.20%+



Combined financial targets for Clinics and Diagnostics

2021-2026

Double digit revenue CAGR

EBITDA c.GEL 35-40 million+



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