

Hospitals business overview and growth strategy

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❖ Hospitals business overview

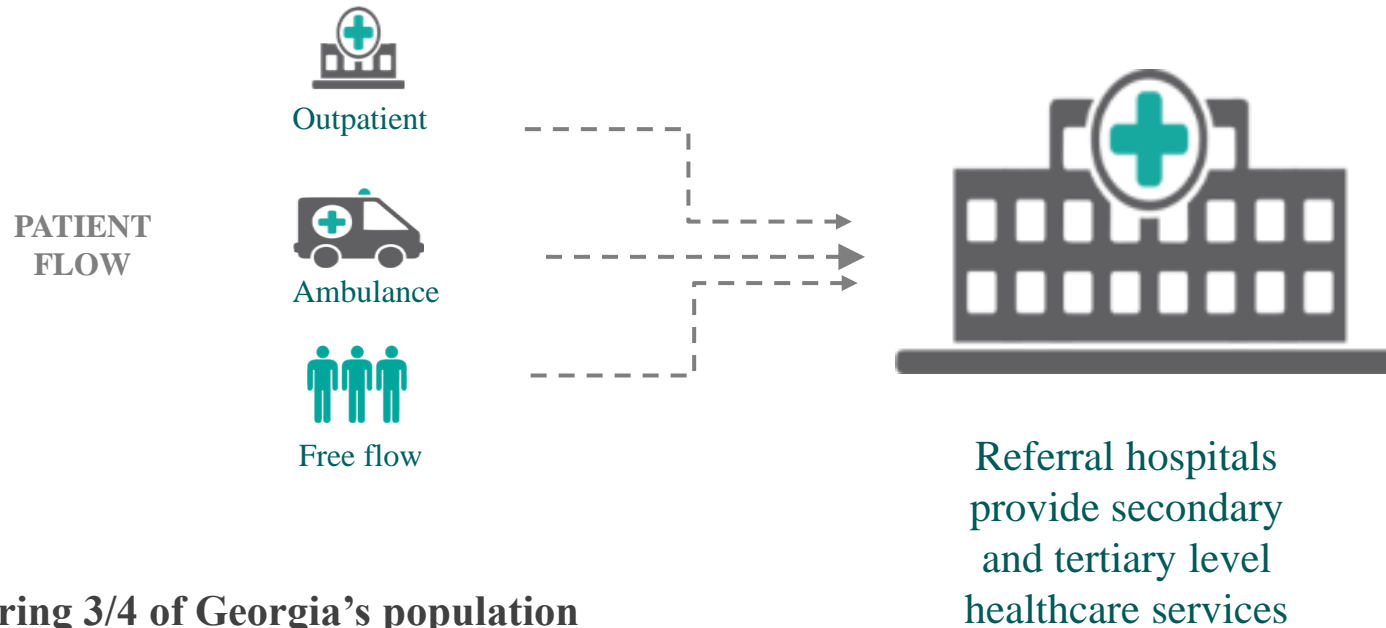
- Business at a glance
- Current business model
- ROIC enhancement
- Market overview

❖ Financial Performance overview

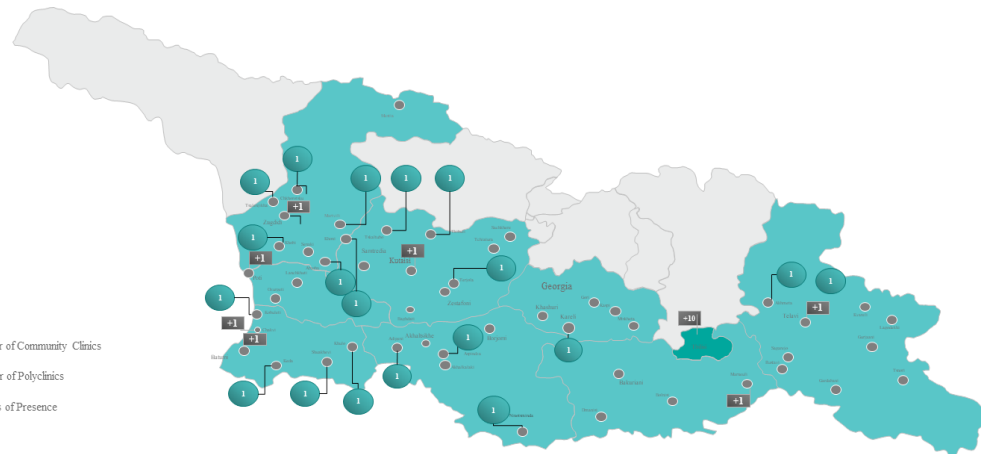
❖ Strategy going forward



EVEX Hospitals, the largest hospital chain in Georgia



Covering 3/4 of Georgia's population



 **16 Referral hospitals***

Seven located in Tbilisi and eleven in regions

 **2,524 Referral beds***

Bed occupancy rate – c.60%

 **120.9 GEL**

Average revenue per hospital bed

 **70 Emergency cars**

In Tbilisi and regions

*Excluding Traumatology Hospital sold in April 2022



Business model

Cluster 1

- **Commercial Hospitals in Capital and big regional cities**
- **Less government dependency in terms of revenue**
- **High growth potential**

1. Caucasus Medical Canter
2. Bokeria Referral Hospital
3. Caraps Medline
4. West Georgia Medical Center
5. Batumi Iashvili Hospital
6. Iashvili Pediatric Tertiary Referral Hospital
7. Kutaisi Referral Hospital

Cluster 2

- **Regional Hospitals**
- **More government dependency in terms of revenue**
- **Moderate growth potential**

1. Poti Referral Hospital
2. Zugdidi Referral Hospital
3. Akhalkalaki Referral Hospital
4. Children's New Referral Hospital
5. Kobuleti Referral Hospital
6. Batumi Referral Hospital
7. Khashuri Referral Hospital
8. Telavi Referral Hospital
9. Akhaltsikhe Referral Hospital

Strategic projects



2021

	Invested capital <i>GEL, millions</i>	EBIT* <i>GEL, millions</i>	ROIC <i>GEL, millions</i>	Revenue, net <i>GEL, millions</i>	EBITDA* <i>GEL, millions</i>	Occupancy	Number of employee
Cluster I hospitals	375.0	32.7	8.7%	231.7	51.5	67.1%	4,835
Cluster II hospitals	151.9	15.7	10.3%	86.6	22.7	61.9%	3,071
Total	526.9	48.4	9.2%	318.3	74.2	65.3%	7,906



*Excluding IFRS 16



Before renovation



After renovation





Before renovation



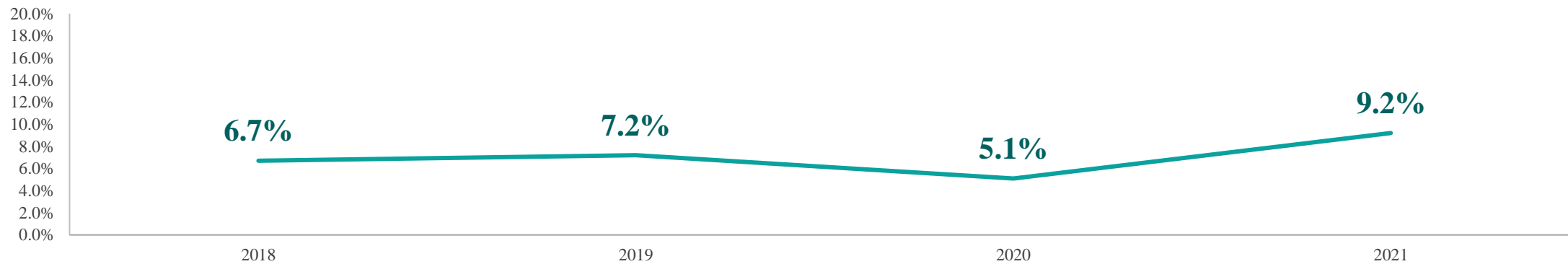
After renovation





We have divested our three lowest-return generating assets

ROIC dynamic

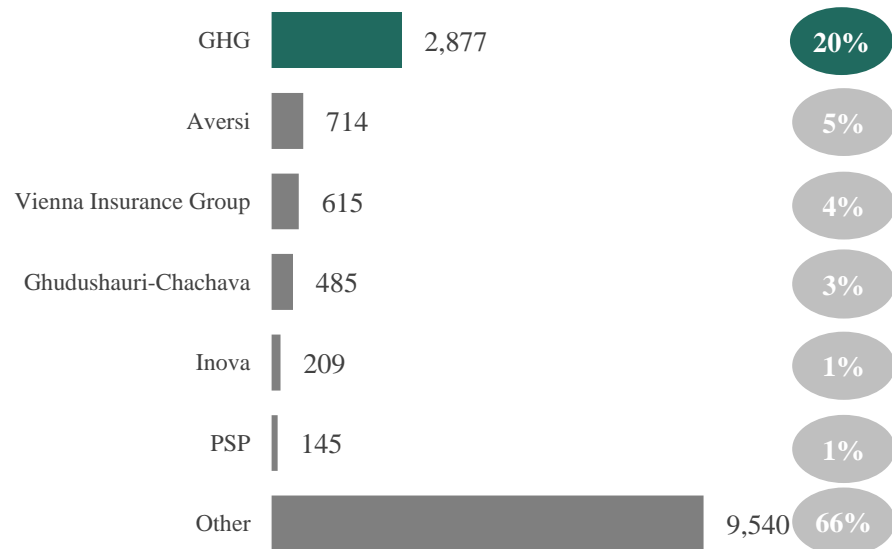


- Sold 50% equity interest in one of its lowest ROIC generating hospitals - High Technology Medical Center (HTMC), for US\$ 12 million. The divestment improved business ROIC (by 90bps in 2019).
- Sold 35% shareholding in one of the lowest generating asset –5th Clinical Hospital.

- Sold 100% equity interest in one of its lowest ROIC generating hospitals – Traumatology Hospital, for US\$ 2.9 million. The divestment improves the business ROIC (by 20bps).

Market competition

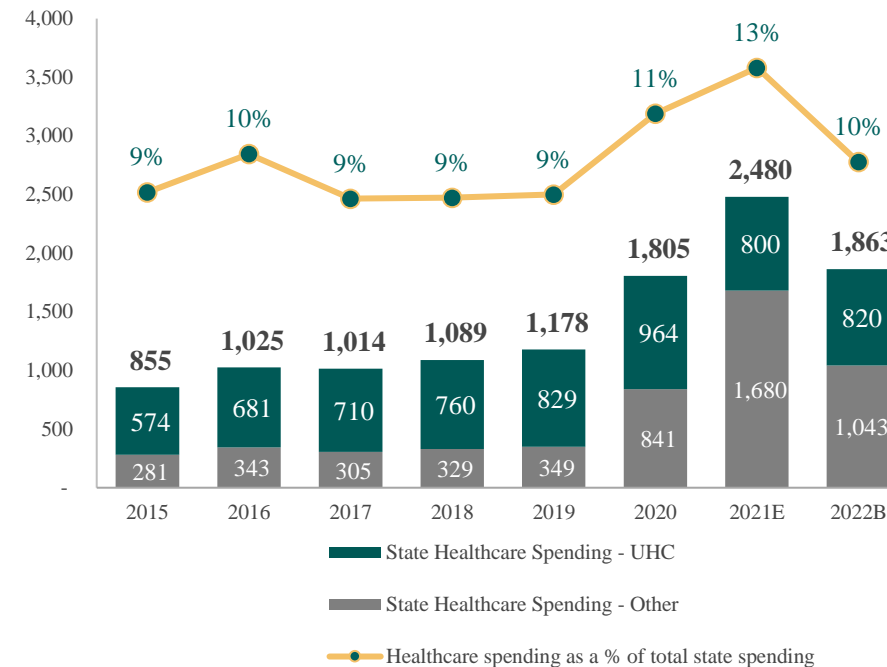
Number of hospital beds & market share



Source: NCDC, data as of December 2018, excluding specialty beds

State healthcare spending

GEL, millions



- Since 2020 Government spending increased to manage the COVID -19 in the country
- Country's expenditure on healthcare – 3.7% of GDP in 2020 (from 2.4% in 2019)
- Government spending on healthcare accounts c.13% of total budget in 2021

Source: Ministry of Finance of Georgia



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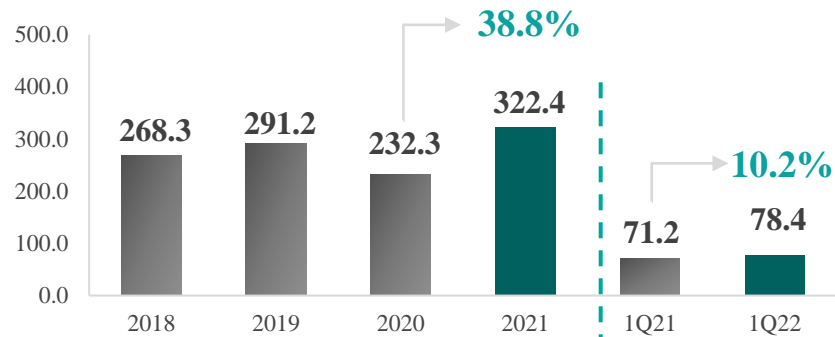
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Gross Revenue

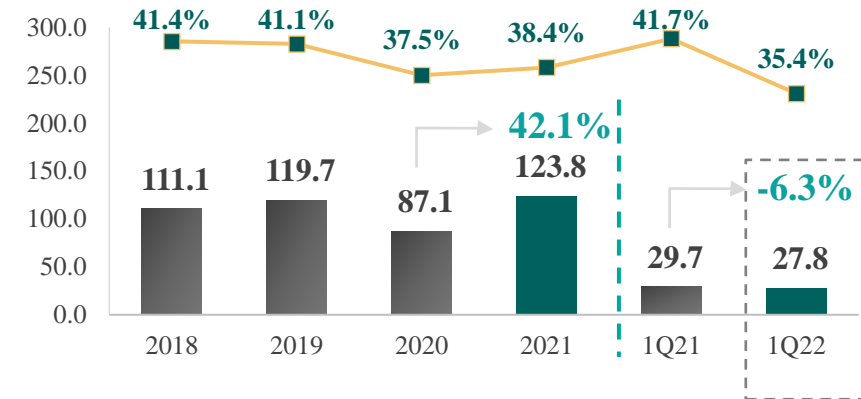
GEL, millions



Restructuring the cost base of COVID hospitals and phasing out from Government contracts temporarily suppressed the business margins in 1Q22.

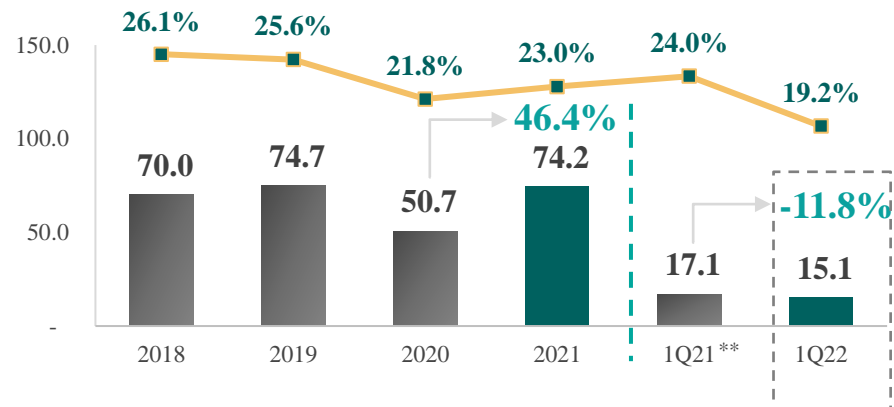
Gross profit & Gross profit margin

GEL, millions



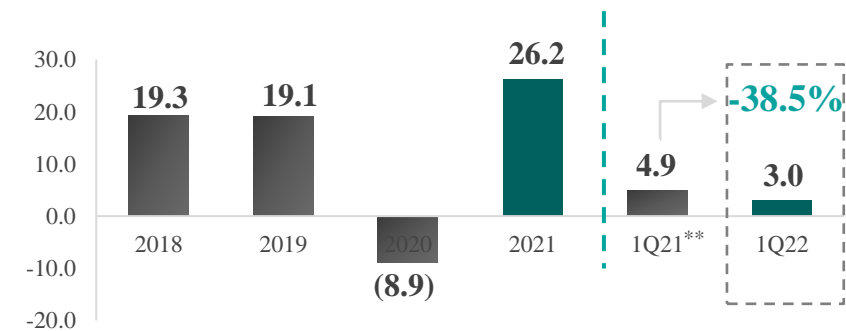
EBITDA & EBITDA margin*

GEL, millions



Net profit*

GEL, millions



Source: Internal reporting; 2020 numbers exclude HTMC Hospital, sold August 2020

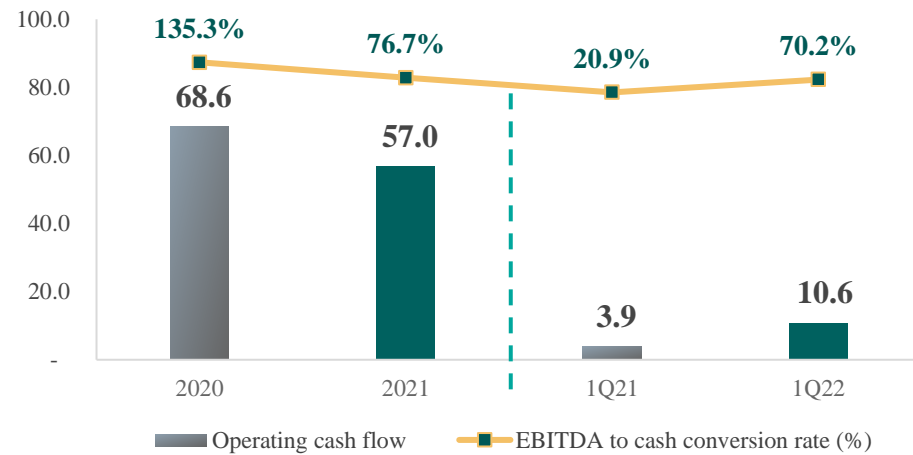
*Excluding IFRS 16

**Excluding state income tax subsidy effect



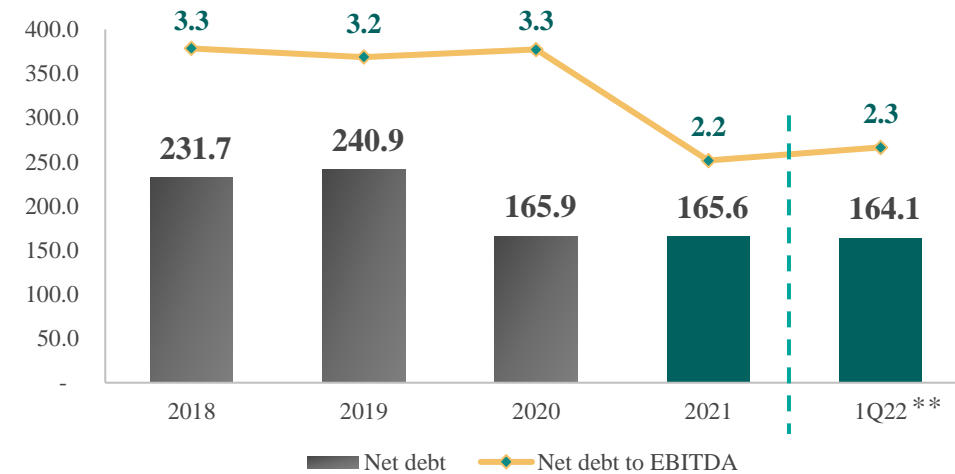
Operating cash & EBITDA to cash conversion ratio*

GEL, millions



Net debt & Net debt to EBITDA*

GEL, millions



Source: Internal reporting; 2020 numbers exclude HTMC Hospital, sold August 2020

*Excluding IFRS 16

**LTM EBITDA



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**To become the most customer centric healthcare organisation in region,
improving the quality of life of our employees, customers and society**



Business model

Cluster 1

Targets



< 60%

Government dependency



>=10%

Revenue CAGR



>5ppts

Operating leverage



70%+

Net Promoter Score

Cluster 2

Targets



Single digit

Revenue CAGR



25%+

EBITDA margin



Positive

Operating leverage



8-10%

ROIC

Strategic projects

New projects

Quality

Education

Three pillars



Three pillar development strategy

New projects

- 1 **Oncology centre in Tbilisi**
- 2 **Transplantology center under TRH**
- 3 **Clinical trials**
- 4 **Other projects:**
 - Commercial ambulance
 - Resume Medical tourism
 - Aesthetic services
 - Blood bank

Quality projects

- 1 **Nursing reform**
- 2 **CRM – new team and structure**
- 3 **Clinical boards – onboard, regular meetings**



Education

- 1 **Residency programme – currently 260 residents in 30 specialties**
- 2 **Continuous medical education**



c.GEL 40 million investment
c.GEL 20 million additional recurring EBITDA



Now

3-5 years target

Patient and employee satisfaction

NPS	52% - 68%	70%+
Employee satisfaction	N/A	70%+

Clinical

Average length of stay	5.7	<4
Clinical KPI performance	93%	90%+

Outpatient

Product to client ratio	2.1	3+
Number of visit per unique customer	N/A	5+
New/old costumer	47% / 53%	30% / 70%
Average ticket size	62	+10% annually

Inpatient

Average surgery ticket size	1,650	2,000+
Average operation per room per day	1.9	3.0 +
Planned vs urgent surgeries	48% / 52%	70%/30%
Number of ER admissions	22K	25K +



Key focus areas in medium and long term

1 Adding new services and strategic projects

- Ambulance, oncology centre, transplantology center, radiology hub, medical tourism clinical trials, post COVID programmes

2 Quality projects

- Nursing reform
- CRM development
- Quality education programmes

3 Digitalisation of clinical processes

- Automatisation of clinical processes in hospitals
- Digitalisation of clinical KPIs
- Use of statistical methods

4 Improve key operational data

- Inpatient
- Outpatient
- Clinical
- Employee and customer satisfaction



Key focus areas in medium and long term

- 1 Adding new service and strategic projects
- 2 Quality projects
- 3 Improved key operational data
- 4 Digitalisation of clinical processes



Next 5-year targets

2021-2026

EBITDA CAGR 10%+

EBITDA to operating cash c.85%+
(70.2% in 1Q22)

ROIC: c.13%+
(9.2% in 2021)

Annexes



Clinical trials

- Expanding the number of clinical trials
- The number of trials 45 in 2021, 51 currently ongoing
- Partnership with 19 CROs currently

Aesthetic services

- In 2019 started to move to Aesthetic retail direction
- Leveraged on existing Caraps Medline brand and opened new branch in downtown Tbilisi
- The Caraps Medline branch is concentrated on Aesthetic Skincare and Healthy Lifestyle
- Developing and enhancing aesthetic services by expanding services offered as well as increasing geographic coverage by introducing aesthetic services in existing hospitals

Commercial ambulance

- Developing commercial ambulance service in Georgia
- High demand
- Currently only state owned
- Captilise on existing assets - having own fleet, 60 emergency cars, currently providing only between hospitals transportation

Launched

Development stage

Medical tourism

- Due to the global pandemic the project is currently mostly on hold and will be resumed once global tourism starts to recover

Oncology centre

- Developing high technology Oncology Centre in Tbilisi, at Caucasus medical Centre premises
- No high technology oncology services in Tbilisi groupwide
- Currently having oncology centre in Kutaisi, covering west Georgia
- Captilise on Kutaisi Oncology centre's know-how, being the strongest onco-service provider in the country

Blood bank

- Establish a blood bank at Kutaisi Referral Hospital
- I Stage - Fill the Group internal demand (currently buying outside)
- II stage - Production and sale

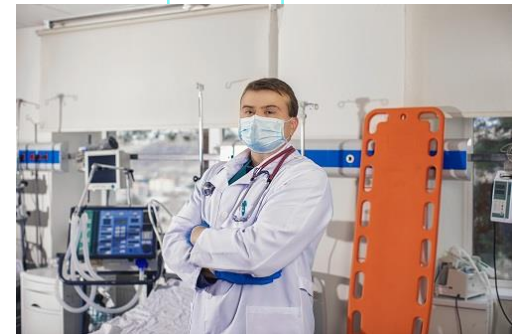
Transplantology center under Tbilisi Referral Hospital

- Creating Tbilisi Referral Hospital as Georgia's Transplantology Centre
- Currently offer Liver and Kidney transplantology services
- Adding Bone marrow transplant unit, both paediatric and adult



Quality as a source of employee and customer satisfaction

- 1** **Continuously progressing in quality and safety standards**
Through quality initiative projects, with the support of quality teams and clinical boards
- 2** **Constant management education**
Quality education program development (involving quality discussion platforms)
- 3** **Customer and employee satisfaction strategy development**
Implementing constant NPS and employee engagement measurement and fulfilment tools
- 4** **Digitalisation of clinical processes**
Automatization of clinical processes in hospitals, digitalisation of clinical KPIs, use of statistical methods
- 5** **Nursing reform**





Nursing as a key cornerstone of quality in healthcare

Improved efficiency of existing nursing resources

- ✓ Improved nurse hours per occupied bed
- ✓ Established a "nursing bank" (reserve bank) to timely respond to variable load dynamics
- ✓ Updated competency requirements and set up a continuous training/certification process
- ✓ Created incentive systems based on clinical competencies and customer satisfaction
- ✓ Develop external cooperation strategy to attract nurses from Georgian medical universities
- ✓ Improved compensation standard and incentives system



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