

H1 2022 Financial Results presentation

26 August 2022



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Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.

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Financial overview

- Consolidated Statement of Profit and Loss
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flow

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Highlights 6m 2022

- Snapshot
- Key messages
- Outlook

Snapshot

- Pro-forma consolidated Sales of **RON 865m** in H1 2022, increased by **28%** compared to H1 2021 (IFRS base);
- IFRS consolidated Sales of **RON 860m** in H1 2022, increased by **27%** compared to H1 2021 (5% like to like increase on one-off COVID demand in 2021)
- The Group managed to compensate the drop in COVID related demand in 2022, proving a strong organic growth of crisis resilient medical services evidencing the strength of its business);
- Sales growth sustained equally by traffic increase, organic development projects and acquisitions;
- Demand for outpatient services remains high, being a good indicator for further demand of hospital medical services, laboratory analysis and medical subscriptions;

- **16.7% pro-forma EBITDA margin** (vs. 23% IFRS EBITDA margin in H1 2021);

- **Pro-forma EBITDA margin** reflects full effect of:
 - Neolife (completed in February & consolidated starting with 1st of March 2022);
 - Life-Med (completed in March & consolidated starting with 1st of April 2022);
 - Pro-life (completed in April & consolidated starting with 1st of May 2022);
 - OncoCard group and Tomorad (completed in May & consolidated starting with 1st of June 2022); and the acquisitions completed post reporting date: Gastroenterology Center in Tg. Mures, Medicris Group, Opticristal Group and Profilaxis.
 - Medici`s Group (EUR 4.1m turnover in 2021) & Muntenia Hospital (EUR 5.5m turnover in 2021) (subject to the approval of the Competition Council) and Sweat Concept gyms (closing to be finalized) were not included in pro-forma reporting.

Snapshot

- 5.8% pro-forma Net Result margin (vs. 10.6% IFRS Net Result margin in H1 2021);
- Impact on **EBITDA and net result margins** in Q2 2022 coming mainly from new units and consolidation projects that are short-term dilutive to margins:
 - Consolidation period for DentEstet Group following several organic development projects currently in early stage and the fast expansion pace with 3 completed acquisitions in the past twelve months;
 - Reshape period for Medical Park which entered its second phase of development - launching the new Hyperclinic and expanding the laboratory of molecular biology and pathological anatomy & a larger unit to accommodate the research division that will expand its activity in the oncology area;
 - Following the relocation of the outpatient unit, the activity of the hospital unit will be enhanced with new inpatient medical services and medical teams, increased number of surgery rooms, larger preoperative and postoperative units and recalibrated hospital circuits;
 - Intensified marketing activity with longer term benefits;

Key messages 6m 2022

- Investments for growth amounted to **RON 245m in the 6 months 2022 period, 4.5 x higher YoY: RON 187m** in acquisitions and **RON 58m** in organic capital investment;
- In 2022, the group expanded footprint by completing **12 strategic acquisitions** aimed at strengthening the medical services offered nationally through the group's 2 brands: MedLife and Sfânta Maria.
- The Group followed through its strategy of repositioning the business on crisis resilient medical drivers aimed at strengthening the performance response in case of interference of external threats and consolidated the most powerful oncology and radiotherapy services platform in Romania, crises-resilient segment and strong growth driver for 2022 and years to come;
- Development towards niche medical services to be scaled nationally (Opticristal - ophthalmological diagnosis and surgery clinic in Brasov) and integration of wellness services through the acquisition of SWEAT Concept gyms;
- Continued investments in the medical infrastructure that will translate into added value for our patients and long-term results for shareholders and investors: DaVinci for robotic surgery in Medical Park, new inaugurations of medical centers at the national level, such as the opening of two dental clinics in Craiova and Ploiești under DENTESTET brand, a new Hyperclinic in Târgu Mureș, but also the launch of niche medical centers in Arad, Târgoviște and Craiova;

Key messages 6m 2022

- Corporate segment:
 - Launched the group's medical subscription for the B2C market;
 - Developed medical subscription packages for corporate clients completed by insurance solutions;
 - Expanded services for SME segment;
- Prevention and medical education programs for employees and personalized reports on their health status are now supplemented by premium Concierge Doctor service, medical assistance at the company headquarters or in any area of the country through mobile medical clinics, wellness programs for employees supported by online fitness sessions or office massage;

Outlook for 2022 and years to come

- Pursue a balanced approach, both from a medical and business perspective, with further consolidation of inpatient services for acute diseases & oncological diagnostic and treatment services; these are conditions that cannot be postponed to the next economic cycle due to pandemics or the geopolitical situation;
- Investment plan focused on completion of the second stage of development of Medical Park (open days expected for November *TBA*), but also to other projects related to the expansion of hospital network at national level;
- Focus on strengthening prevention services through a holistic approach, integrating wellness services along with outpatient services and paraclinical investigations;
- Discussions with large and medium-sized companies, but also with other small companies to join the group, pursuing an expansion strategy carefully aligned to the macro-economic context both at national and regional level;



Financial overview

- Consolidated Statement of Profit and Loss
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flow

Consolidated Statement of Profit and Loss

Description	6m 2021 IFRS	6m 2022 IFRS	%VAR	Pro-forma adj.	6m 2022 Pro-forma	%VAR
Sales	677,290,415	860,395,896	27.0 %	4,739,199	865,135,095	27.7 %
Other operating income	2,361,661	4,258,600	80.3 %	529,747	4,788,347	102.8 %
OPERATING INCOME	679,652,076	864,654,496	27.2 %	5,268,946	869,923,442	28.0 %
OPERATING EXPENSES	(576,526,627)	(795,476,602)	38.0 %	839,788	(794,636,814)	37.8 %
OPERATING PROFIT	103,125,449	69,177,894	(32.9)%	6,108,734	75,286,628	(27.0)%
EBITDA	155,881,020	135,693,964	(13.0)%	9,003,788	144,697,751	(7.2)%
Net finance cost	(12,314,202)	(16,094,864)	30.7 %	(1,173,955)	(17,268,819)	40.2 %
Other financial expenses	(5,560,501)	(381,157)	(93.1)%	29,387	(351,770)	(93.7)%
FINANCIAL RESULT	(17,874,703)	(16,476,021)	(7.8)%	(1,144,568)	(17,620,589)	(1.4)%
RESULT BEFORE TAXES	85,250,746	52,701,873	(38.2)%	4,964,166	57,666,039	(32.4)%
Income tax expense	(13,699,390)	(7,054,906)	(48.5)%	(654,362)	(7,709,268)	(43.7)%
NET RESULT	71,551,356	45,646,967	(36.2)%	4,309,804	49,956,771	(30.2)%
Margins						
EBIT %	15.2%	8.0%			8.7%	
EBITDA %	23.0%	15.8%			16.7%	
Net Result %	10.6%	5.3%			5.8%	

6m 2022 Pro-forma vs. 6m 2021 IFRS

- ❑ Sales increased by **28%**, to **RON 865m**;
- ❑ **OPEX** increased by **38%**, to **RON 794m**;
- ❑ **27%** decrease in **EBIT**, to **RON 75.2m**, leading to **8.7%** pro-forma margin (15.2% in the same period last year) mainly following decrease in PCR testing and increase in assets base and corresponding depreciation: from RON 52.7m in H1 2021 to **RON 69.5m** in H1 2022;
- ❑ **7.2%** decrease in **EBITDA**, to **RON 144.7m**, leading to **16.7%** pro-forma margin (23% in the same period last year), following decrease in PCR testing off-set by robust demand levels in all business lines and expanded service offering and market coverage;
- ❑ **Net Result** of **RON 50m**, leading to **5.8%** pro-forma margin (10.6% in the same period last year);
- ❑ Split of **Net Result**: 91% to Group Owners, 9% to NCI. Additional acquisition of NCI: 10% in Arad Group of companies, 10% in Almina, 4% in Oncoteam and 30% in RMC Hungary;
- ❑ **Pro-forma adj.** include financial results of the Acquired Companies (Sales of **RON 65.2m**) less subsidies received at Group level from NHIH in relation to the National Health Program for chemotherapy drugs (Sales of **RON 60.4m**) and exclusion of one-off expenses mainly related to M&A process of **RON 3.2m**;

Operational KPIs –business lines evolution and bridge to pro-forma figures

Business line	Info	6m 2021 IFRS	6m 2022 IFRS	%VAR	Share of total IFRS Sales	Pro-forma adj.	6m 2022 Pro-forma	%VAR	Share of total Pro-forma Sales
Clinics	Revenue	194,244,223	288,641,376	48.6%	33.5%	14,610,781	303,252,157	56.1%	35.1%
Clinics	Visits	1,118,174	1,389,476	24.3%					
Clinics	Avg fee	173.7	207.7	19.6%					
Stomatology	Revenue	46,261,681	56,062,067	21.2%	6.5%	-	56,062,067	21.2%	6.5%
Stomatology	Visits	74,097	91,922	24.1%					
Stomatology	Avg fee	624.3	609.9	(2.3)%					
Hospitals	Revenue	157,738,345	180,421,028	14.4%	21.0%	(12,339,953)	168,081,075	6.6%	19.4%
Hospitals	Patients	50,331	57,212	13.7%					
Hospitals	Avg fee	3,134.1	3,153.5	0.6%					
Laboratories	Revenue	142,421,658	107,200,195	(24.7)%	12.5%	1,569,334	108,769,529	(23.6)%	12.6%
Laboratories	Analyses	4,220,816	3,486,651	(17.4)%					
Laboratories	Avg fee	33.7	30.7	(8.9)%					
Corporate	Revenue	103,467,517	107,751,134	4.1%	12.5%	77,114	107,828,248	4.2%	12.5%
Corporate	Subscriptions	731,736	772,219	5.5%					
Corporate	Avg fee	141.4	139.5	(1.3)%					
Pharmacies	Revenue	23,423,761	35,279,714	50.6%	4.1%	-00	35,279,714	50.6%	4.1%
Pharmacies	Clients	99,925	279,202	179.4%					
Pharmacies	Sales per	234.4	126.4	(46.1)%					
Others	Revenue	9,733,230	85,040,382	773.7%	9.9%	821,923	85,862,305	782.2%	9.9%
Total		677,290,415	860,395,896	27.0%	100.0%	4,739,199	865,135,095	27.7%	100.0%

- ❑ On a pro-forma basis, Clinics remain the main sales unit of the group, with 35% share in total Sales: growth sustained mainly by increased traffic in all outpatient units and new acquisitions performed; we are confident that traffic in outpatient units is a good indicator of further demand in hospitals, labs and corporate divisions;
- ❑ Hospitals with 19.4% share in total Sales; pro-forma negative adj. on Hospitals is the result of OncoCard consolidation less reclass of subsidies received at Group level from NHIH in relation to the National Health Program for chemotherapy drugs. In Hospitals growth has been sustained mainly by increase in the number of patients by 14% YoY;
- ❑ Laboratories with 12.6% share in total Sales: decrease by 24% YoY due to significant decrease in PCR testing partially off-set by increase in the number of common lab tests;
- ❑ Corporate with 12.5% share in total Sales: subscriptions growth of 5.5% to 770k HPPs.

OPEX evolution

Description				% of OPERATING EXPENSES			% of SALES		
	6m 2021	6m 2022	%VAR	6m 2021	6m 2022	Change	6m 2021	6m 2022	Change
	IFRS	IFRS		IFRS	IFRS		IFRS	IFRS	
Consumable materials and repair materials	121,848,288	139,400,269	14.4%	21.1%	17.5%	-3.6 p.p	18.0%	16.2%	-1.8 p.p
Commodities	18,515,597	99,292,519	436.3%	3.2%	12.5%	9.3 p.p	2.7%	11.5%	8.8 p.p
Utilities	6,712,868	12,841,287	91.3%	1.2%	1.6%	0.4 p.p	1.0%	1.5%	0.5 p.p
Repairs maintenance	6,819,498	9,222,063	35.2%	1.2%	1.2%	0 p.p	1.0%	1.1%	0.1 p.p
Rent	4,579,968	5,604,813	22.4%	0.8%	0.7%	-0.1 p.p	0.7%	0.7%	0 p.p
Insurance premiums	1,750,038	2,039,349	16.5%	0.3%	0.3%	0 p.p	0.3%	0.2%	0 p.p
Promotion expense	4,782,999	11,398,180	138.3%	0.8%	1.4%	0.6 p.p	0.7%	1.3%	0.6 p.p
Communications	2,383,800	2,520,952	5.8%	0.4%	0.3%	-0.1 p.p	0.4%	0.3%	-0.1 p.p
Third party expenses & Salaries expenses, <i>out of which:</i>	348,751,635	436,586,432	25.2%	60.5%	54.9%	-5.6 p.p	51.5%	50.7%	-0.7 p.p
<i>Third party expenses (including doctor's agreements)</i>	<i>183,825,118</i>	<i>224,064,799</i>	<i>21.9%</i>	<i>31.9%</i>	<i>28.2%</i>	<i>-3.7 p.p</i>	<i>27.1%</i>	<i>26.0%</i>	<i>-1.1 p.p</i>
<i>Salary and related expenses (including social contrib.)</i>	<i>164,926,517</i>	<i>212,521,633</i>	<i>28.9%</i>	<i>28.6%</i>	<i>26.7%</i>	<i>-1.9 p.p</i>	<i>24.4%</i>	<i>24.7%</i>	<i>0.3 p.p</i>
Depreciation	52,755,571	66,516,069	26.1%	9.2%	8.4%	-0.8 p.p	7.8%	7.7%	-0.1 p.p
Impairment / Release under IFRS 9 provision on TR	1,888,200	-	-100.0%	0.3%	0.0%	-0.3 p.p	0.3%	0.0%	-0.3 p.p
Other administration and operating expenses	5,738,165	10,054,668	75.2%	1.0%	1.3%	0.3 p.p	0.8%	1.2%	0.3 p.p
OPERATING EXPENSES	576,526,627	795,476,602	38.0%	100%	100%	0 p.p	85.1%	92.5%	7.3 p.p

Drivers for increased costs:

- Decrease in Consumable materials and repair materials with **1.8 p.p.** of Sales due to significant decrease in PCR testing off-set by NeoLife consolidation of chemotherapy drugs consumables;
- Increase in Commodities with **8.8 p.p.** of Sales due to consolidation of CED Pharma Group and Pharmachem Distribution company;
- Increase in Utilities with **0.5 p.p.** of Sales;
- Increase in Promotion expenses with **0.6 p.p.** of Sales due to increase in marketing campaigns and projects;

Consolidated Statement of Financial Position

Description	December 31, 2021 IFRS	June 30, 2022 IFRS	%VAR
Non-current assets	1,034,769,069	1,323,064,431	27.9%
Current assets, excluding Cash and cash equivalents	246,974,271	329,582,486	33.4%
Cash and cash equivalents	135,858,888	107,406,066	-20.9%
TOTAL ASSETS	1,417,602,228	1,760,052,983	24.2%
Current liabilities (excluding interest bearing liabilities)	278,030,456	339,654,619	22.2%
Financial Debt	727,061,202	957,414,448	31.7%
Other long term debt	7,546,394	6,572,698	(12.9)%
Deferred tax liability	23,559,617	24,155,844	2.5%
TOTAL LIABILITIES	1,036,197,669	1,327,797,609	28.1%
Equity attributable to owners of the Group	338,109,409	379,481,864	12.2%
Non-controlling interests	43,295,149	52,773,510	21.9%
EQUITY	381,404,558	432,255,373	13.3%



Debt position

Leasing liabilities

	December 31, 2021 IFRS	June 30, 2022 IFRS	%VAR
current portion - leasing	52,586,827	61,514,483	17.0%
long term portion - leasing	149,685,246	182,927,880	22.2%
Total	202,272,073	244,442,362	20.8%

Financial debt

	December 31, 2021 IFRS	June 30, 2022 IFRS	%VAR
Overdraft	25,493,223	32,136,239	26.1 %
Current portion of long-term debt	58,455,422	67,934,026	16.2%
Long-term debt	440,840,484	612,901,821	39.0%
Total	524,789,129	712,972,086	35.9%
Net Debt	591,202,314	850,008,382	43.8%
Net debt to EBITDA ratio	2.1	2.9	



Consolidated Statement of Cash Flow

Description	June 30,	June 30,
	2021	2022
	IFRS	IFRS
Net income before taxes	85,250,746	52,701,873
Adjustments for non-monetary items	70,843,226	80,420,554
Operating cash flow before working capital and other monetary changes	156,093,972	133,122,427
Cash used in working capital changes	(20,011,558)	(28,356,687)
Other monetary changes (income tax and net interest paid)	(25,484,806)	(19,096,425)
Net cash from operating activities	110,597,608	85,669,314
Net cash used in investing activities	(54,423,537)	(244,886,197)
Net cash from/ (used in) financing activities	(8,052,006)	130,764,061
Net change in cash and cash equivalents	48,122,065	(28,452,822)
Cash and cash equivalents beginning of the period	81,970,397	135,858,888
Cash and cash equivalents end of the period	130,092,462	107,406,066

- ❑ Strong cash flow from operations before working capital changes at RON 133m, in line with EBITDA;
- ❑ 4.5 X increase in investments YoY, to RON 245m mainly due to investment in business combination;
- ❑ Net cash from financing activities of RON 130m RON.

Description	June 30,	June 30,
	2021	2022
	IFRS	IFRS
Investment in business combination	(18,508,479)	(178,984,135)
Additional participation interest acquired	(630,592)	(7,777,676)
Purchase of intangible assets	(1,644,395)	(4,497,399)
Purchase of property, plant and equipment	(33,640,071)	(53,626,988)
Net cash used in investing activities	(54,423,537)	(244,886,197)



Q&A Session

Thank you!

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