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pulsehealth

1H16 Investor Presentation

February 2016

Presented by
Phillipa Blakey, MD & CEO
Mark Hays, CFO



Pulse Overview

*- An emerging
healthcare
growth
company*

- Niche focused operator of **specialist hospitals** and **day surgeries**
 - Specialist surgical hospitals
 - Mental health hospitals
 - Rehabilitation hospitals
- Currently operating in QLD and NSW
- Seven **hospitals** and 2 **day surgeries**
- Acquisition of two **specialist surgical hospitals** and 4 **day surgeries** completing in 2H16, in Australia and New Zealand
- Post completion, **15 facilities** spanning Australian and New Zealand



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Pulse Corporate Overview

Share Price - 3yr



Snapshot

ASX:PHG	
Sector	Health Care
Listed	Nov 2003
Dividend yield	1.4%
Dividend franking	100%
52 week high	\$0.585
52 week low	\$0.43

Enterprise Value

EV Breakdown	Current
Share Price \$	0.455
Shares on Issue (m)	256.4
Mkt Cap (\$m)	87.0
Net Debt (\$m)	20.6
EV \$m	107.6

Share Register at 22 February 2016

	Ownership ⁽¹⁾
Viburnum Funds	19.21%
IOOF Holdings Limited	9.62%
Commonwealth Bank of Australia Ltd	6.19%
Industry Super Holdings Pty Ltd	5.96%
Other	59.01%
Total	100.00%

1. Percentages based on most recent Form 604 lodgments



1H16 Achievements

- **Successful integration** of The Hills Clinic, acquired in May 2015, with utilisation and profitability exceeding business case
- Ramped up Mackay Rehabilitation Hospital to **profitability** within 12 months of acquisition
- Executed on the **acquisition of seven facilities** across Australia and New Zealand with completions spanning 2H16
- Completed fully underwritten **\$43m equity raise**
- Development of **Gold Coast Surgical Hospital** opened on 31 August 2015
 - Specialist surgical hospital
 - 6 theatres, 24 bed in-patient ward
 - On track for contribution in 1H17



Financial Highlights

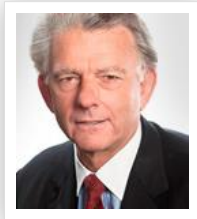
- Group **revenue up** 29% to \$34.9m
- Underlying **EBITDA⁽¹⁾ growth of 46%**, to \$4.5m
- **NPAT (before significant items⁽¹⁾) up 57%** to \$2.9m
- **Interim dividend declared of 0.3 cents** per share fully franked
- FY16 **Underlying EBITDA⁽¹⁾ guidance** reaffirmed at more than \$10.2m from existing assets and **upgraded to \$11.4m** with contribution from acquisitions to complete in 2H16

1. Underlying EBITDA and NPAT (before significant items) excludes ramp-up costs associated with the Gold Coast Surgical Hospital and one-off costs of execution of our acquisition pipeline – Refer appendix 2



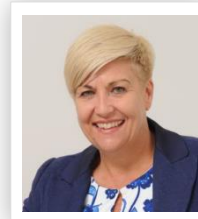
Board & Executive

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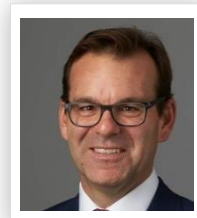
Stuart James (Chairman)

Chairman of Greencross Ltd. Former non-executive directorships include Prime Financial Group Limited and Affinity Education Group Ltd.



Phillipa Blakey (Managing Director & CEO)

Experienced healthcare executive with COO roles in NSW Health (10 hospitals across North Sydney and Central Coast) and the Amity Group. Previous CEO of Think Education, the higher education provider then owned by the Seek Group.



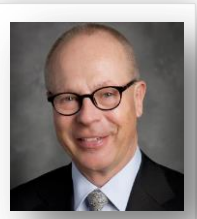
Craig Coleman (Non Executive Director)

Non-executive director of investment company Wyllie Group Pty Ltd and Executive Chairman of associated fund manager, Viburnum Funds Pty Ltd. Public company directorships: Bell Financial Ltd, Keybridge Capital Ltd and Chairman of Rubik Financial Ltd



Mark Hays (CFO)

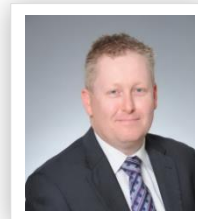
Chartered Accountant with CFO/Investment Director roles across a breadth of industries. Professional career started at Ernst & Young



David Manning (Non Executive Director)

35 years of healthcare management experience and co-founded Practice Development Associates that grew to become AmSurg, a NASDAQ listed US\$3.4b company

Executive Vice President and Chief Development Officer at AmSurg until December 2014.



Matthew Mackay (COO)

Senior management positions in public and private hospitals over the past 17 years. Previously General Manager of Surgery Centres of Australia.

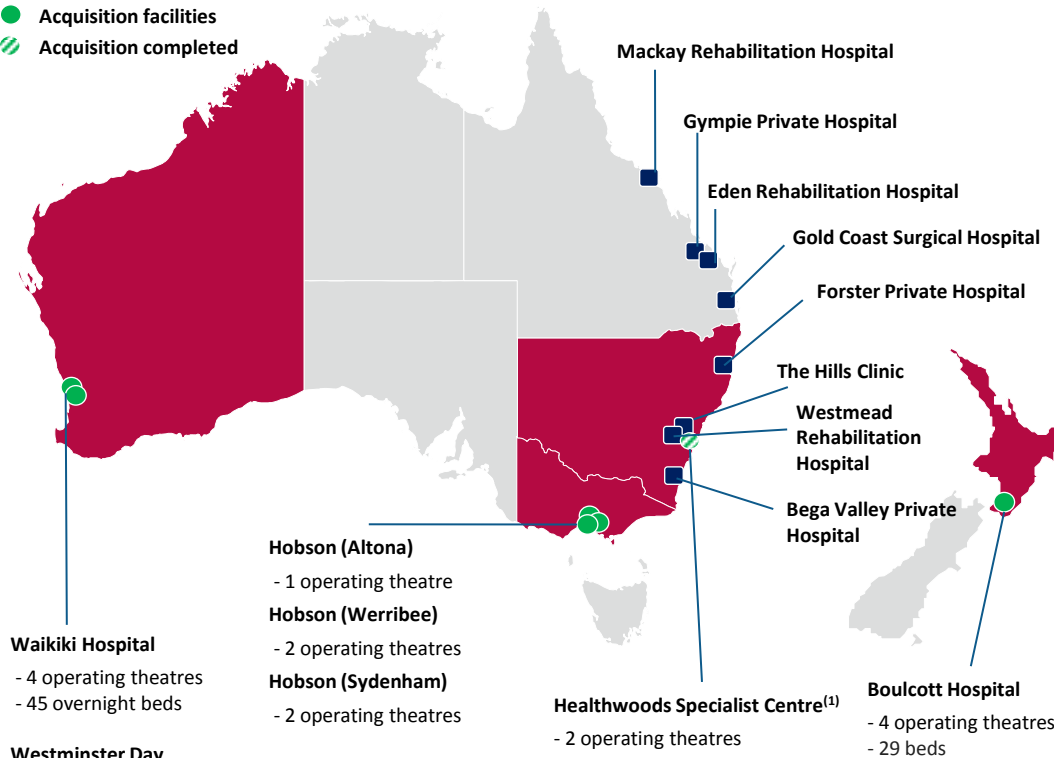
Captain in the Australian Army, with multiple operational deployments in command positions to both Afghanistan and Timor.



Pulse Facilities

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- Existing facilities
- Acquisition facilities
- ◌ Acquisition completed



Facility	Location	Theatres	Beds
Acquired Hospitals			
Healthwoods Specialist Centre ⁽¹⁾	NSW	2	-
Waikiki Private Hospital	WA	4	45
Westminster Day Surgery	WA	2	-
Hobson Healthcare (Altona)	VIC	1	-
Hobson Healthcare (Werribee)	VIC	2	-
Hobson Healthcare (Sydenham)	VIC	2	-
Boulcott Hospital	New Zealand	4	29
Existing Hospitals			
Mackay Rehabilitation Hospital	QLD	-	34
Gympie Private Hospital	QLD	2	40
Gold Coast Surgical Hospital	QLD	6	24
Eden Rehabilitation Hospital	QLD	-	48
The Hills Clinic	NSW	-	59
Westmead Rehabilitation Hospital	NSW	-	65
Forster Private Hospital	NSW	2	69
Bega Valley Private Hospital	NSW	1	-
Total		28	413

1. Acquisition of the Healthwoods Specialist Centre completed on 15 January 2016



Industry Fundamentals Remain Strong

- Ageing population – baby boomer demand growth yet to hit the sector
- Growing chronic disease burden
- Developments in medical technology
- Public hospitals under increasing pressure
- Government policy continues to incentivise private healthcare usage



Regulatory Reviews

- Driven by growing pressure on public hospitals as well as public and private healthcare affordability and efficiency of service delivery
- While early in the review process, information to date indicates no negative material impact for Pulse and potential upside opportunities

Review

Purpose

Pulse Response

Federation Reform

Identify the most efficient delivery of Federal Government funding for public and private hospitals

Potential for increased private sector provision of Government funded healthcare as per the Harper Competition Policy Review in 2015

Private Health Insurance (PHI) Consultation

Maintain and improve the value of private health insurance for consumers

Better value and less complex products will enhance PHI coverage and drive demand

Medicare Benefits Schedule (MBS) Review

Improve the MBS schedule to reflect modern medical care and reduce inefficiency by removing items that provide no clinical benefit

Recommendations to date address items not commonly in use at Pulse or at most private hospitals

Prosthesis Schedule Review

Efficient pricing of prostheses

Negligible impact for Pulse. As a smaller operator, supplier rebates are minimal

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Pulse Outlook

- FY16 **Underlying EBITDA⁽¹⁾ guidance** reaffirmed at more than \$10.2m from existing assets and **upgraded to \$11.4m** with contribution from acquisitions to complete in 2H16
- **Gold Coast ramping up** to make a contribution in 1H17
- Pulse expects to complete on the remaining 6 new hospitals in 2H16, bringing **total assets to 15**
- Pulse continues to progress execution of a **robust pipeline of strongly accretive acquisitions**, of mental health and surgical hospitals and day surgeries

1. Underlying EBITDA and NPAT (before significant items) excludes ramp-up costs associated with the Gold Coast Surgical Hospital and one-off costs of execution of our acquisition pipeline – Refer appendix 2

Appendix 1 – 1H16 Financial Performance



Profit & Loss (underlying)

(\$'000)	1H16	1H15	
Revenue	34,932	27,099	▲
Growth	29%	14%	
EBITDA-R	8,415	5,822	
Growth	45%	27%	
EBITDA	4,523	3,106	▲
Margin	13%	11%	
Depreciation/Amortisation	587	456	
EBIT	3,936	2,650	
Finance Costs	(599)	(9)	
Profit before tax (underlying)	3,337	2,641	
Tax	(397)	(774)	
NPAT (underlying)	2,940	1,867	▲

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Appendix 1 – 1H16 Financial Performance



Cash flow

(\$'000)	1H16	1H15	
Operating Cash flow	(1,825)	1,271	
<u>Investing cash flows:</u>			
Acquisitions – deferred consideration	(2,176)	-	
Capex – developments	(8,743)	-	
Capex - stay in business	(521)	(433)	
Capex – proceeds sale of freehold	6,830		
Interest received	36	79	
Total investing cash flow:	(4,574)	(354)	▲
<u>Financing cash flow:</u>			
Equity (net of costs)	29,991	-	
Dividends paid	(493)	(821)	
Debt (net)	23,770	(45)	
Total financing cash flow	22,622	(866)	▲
Change in cash & cash equivalents	27,004	51	
Opening cash balance	7,058	7,007	
Closing cash balance	30,495	7,058	

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Appendix 1 – 1H16 Financial Performance



Balance Sheet

\$ 000	1H16	FY15	
Cash	30,495	3,491	▲
Other current assets	12,326	18,599	
PP&E	19,186	10,824	
Intangibles	61,041	61,037	
Total Assets	125,930	96,099	▲
Borrowings	27,885	24,111	
Payables, provisions and other	15,627	18,540	
Total Liabilities	43,512	42,651	
Net Assets / Total Equity	82,418	53,448	
NTA	21,377	(7,589)	
NTA per share (cents)	9.2	(4.6)	▲

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Appendix 2 – Reconciliation of Net Profit/(loss) after tax to Underlying EBITDA and Net profit after tax before significant items

\$ 000	1H16	1H15
Net profit after tax from continuing operations as reported	(812)	1,559
Income tax (benefit)/expense	(519)	774
Depreciation and amortisation	851	456
Finance costs (net)	599	9
Rent expense	5,280	2,716
Acquisition activity expenses and associated costs (note 1)	1,635	308
Ramp up costs - Gold Coast Surgical Hospital (note 2)	1,381	-
EBITDA-R	8,677	5,822
Rent paid (note 3)	(3,892)	(2,716)
EBITDA	4,523	3,106
Depreciation and amortisation (note 3)	(587)	(456)
EBIT	3,936	2,650
Finance costs (net)	(599)	(9)
Profit before tax	3,337	2,641
Income tax expense (note 3)	(397)	(774)
Net profit after tax from continuing operations before significant items	2,940	1,867

For the first half of 2016 the following significant and non-recurring expenses were incurred:

Note 1.

During the period the Company incurred costs of \$1.635m associated with development of the acquisition pipeline including acquisition costs for the Australian and New Zealand acquisitions that were announced to the market on 7 December 2015.

Note 2.

The Company commissioned the Gold Coast Surgical Hospital on 1 September 2015. The costs disclosed include expenses incurred prior to opening, and ramp-up costs as the business moves to profitability in 1H17.

Note 3.

Excludes Gold Coast Surgical Hospital.

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Pulse

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