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pulsehealth

1H17 Investor Presentation
February 2017

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Pulse Overview

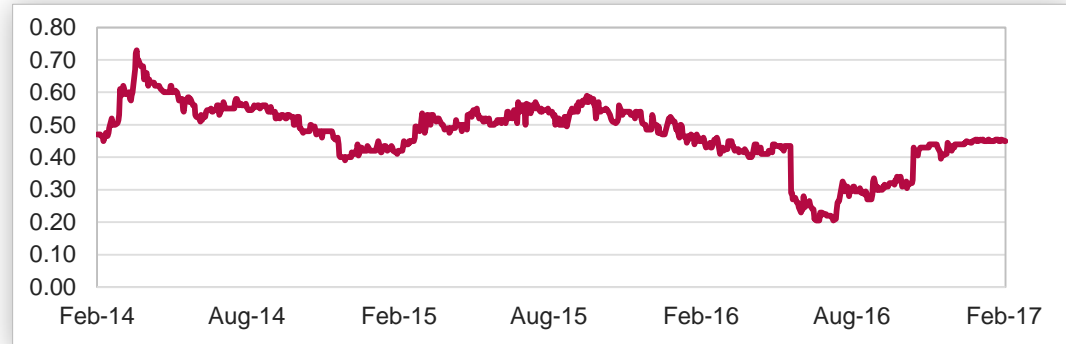
*- An emerging
healthcare
growth
company*

- Niche operator of **specialist private hospitals** and **day surgeries**
 - Specialist surgical hospitals
 - Mental health hospitals
 - Rehabilitation hospitals
- Operating in NSW, QLD, VIC and NZ
- Eight **hospitals** and five **day surgeries**
- **Gold Coast Surgical Hospital** greenfield ramp-up continuing
 - Strong medium and long term growth asset



Pulse Corporate Overview

Share Price - 3yr



Snapshot at 22 February 2017

| ASX:PHG | |
|-------------------|--------------------|
| Sector | Health Care |
| Listed | Nov 2003 |
| Dividend yield | NA |
| Dividend franking | NA |
| 52 week high | \$0.460 |
| 52 week low | \$0.205 |

Enterprise Value 22 February 2017

| EV Breakdown | Current |
|-----------------------|--------------|
| Share Price \$ | 0.455 |
| Shares on Issue (m) | 257.1 |
| Mkt Cap (\$m) | 117.0 |
| Net Debt (\$m) | 28.7 |
| EV \$m | 145.7 |

Share Register at 22 February 2017

| | Ownership ⁽¹⁾ |
|-------------------------------|--------------------------|
| Viburnum Funds | 19.29% |
| Sante Capital Investments | 15.86% |
| Colonial First State | 7.70% |
| Macquarie Health and Throvena | 6.91% |
| Other | 50.24% |
| Total | 100.00% |

1. Percentages based on most recent Form 604 lodgments.



Financial Highlights

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- 1H17 group **revenue up 42%** to \$49.5m (1H16: \$34.9m)
 - Established hospitals revenue increased by 37% to \$46.4m (1H16: \$34.0m)
 - Contribution from recently acquired hospitals and day surgeries in 2016⁽¹⁾: \$13.5m
 - Contribution from existing hospitals⁽²⁾: \$32.9m
 - Greenfield ramp-up of Gold Coast Surgical Hospital continuing with a revenue contribution of \$3.1m
- 1H17 underlying **EBITDA⁽³⁾ growth from established hospitals and day surgeries of 59%**, to \$7.2m (1H16: \$4.5m)
 - Contribution from existing hospitals: \$4.4m and this represents growth of 15% compared to 2H16 (1H16: \$4.5m)
- **NPAT (before significant items⁽³⁾) up 34%** to \$3.9m (1H16: \$2.9m)
- **Positive cash flows** from operating activities \$3.6m
- **FY17 underlying EBITDA⁽³⁾ guidance** reaffirmed at between **\$13.5m and \$15.5m** for established hospitals and day surgeries

1. Recently acquired hospitals and day surgeries in 2016 include Boulcott Hospital, Healthwoods, and Hobson Day Surgeries

2. Existing hospitals include all established hospitals excluding recently acquired hospitals and day surgeries in 2016

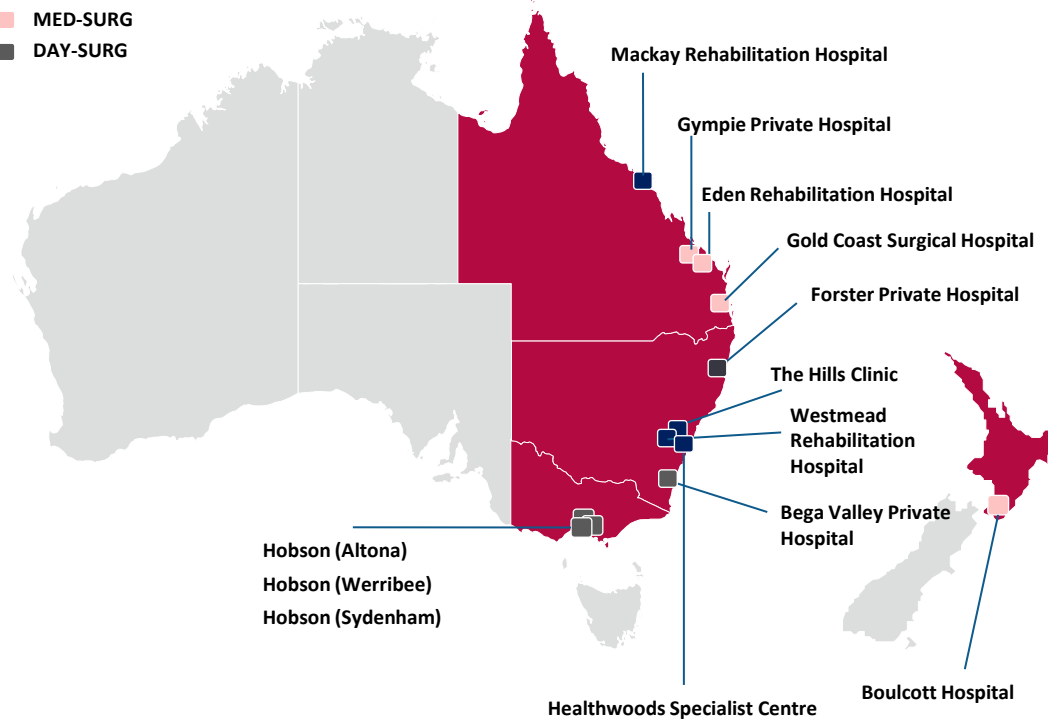
3. Underlying figures exclude ramp-up costs associated with the Gold Coast Surgical Hospital, one-off costs of the proposed acquisition with HealthCare, one-off benefit of the deferred consideration of \$2.3m from acquisitions and other one-off items



Pulse Facilities

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- REHAB-PSYCH
- MED-SURG
- DAY-SURG



| Facility | Location | Theatres | Beds |
|---|-------------|-----------|------------|
| Rehabilitation and Mental Health | | | |
| Westmead Rehabilitation Hospital | NSW | - | 65 |
| The Hills Clinic | NSW | - | 59 |
| Eden Rehabilitation Hospital | QLD | - | 48 |
| Mackay Rehabilitation Hospital | QLD | - | 34 |
| Medical Surgical | | | |
| Forster Private Hospital | NSW | 2 | 69 |
| Gympie Private Hospital | QLD | 2 | 40 |
| Boulcott Hospital | New Zealand | 4 | 29 |
| Gold Coast Surgical Hospital | QLD | 6 | 24 |
| Day Surgery | | | |
| Bega Valley Private Hospital | NSW | 1 | - |
| Healthwoods Day Surgery | NSW | 2 | - |
| Hobson Healthcare (Altona) | VIC | 1 | - |
| Hobson Healthcare (Sydenham) | VIC | 2 | - |
| Hobson Healthcare (Werribee) | VIC | 2 | - |
| Total | | 22 | 368 |



Gold Coast Surgical Hospital

- Total investment to date \$19.2m for building fit-out and equipment, and ramp up costs
- Revenue contribution \$3.1m representing 32% increase over 2H16
- Good progress being made:
 - The hospital continues to negotiate and secure contracts with other parties, and undertook its first contracted surgery list in February 2017. It expects to service 100 contracted patients before May, with more referrals expected in May and June.
 - The hospital is introducing a new ophthalmology service with highly respected local ophthalmologists. Once ramped up, the hospital expects to service 1,000 ophthalmology patients per year
 - Implemented tighter cost controls and an organisational restructure generating annual savings of c.\$500k
 - Accredited five new doctors in February 2017 and expect to continue to accredit several new doctors every month
- Anticipated to turn to profit in FY18, in line with previous guidance. Expected full year ramp up loss of c.\$4.5m due to:
 - Delay in commencement of contracts and partnership arrangements; and
 - Slower than expected onboarding of surgeons driven by the uncertainty caused by the potential transaction with Health Care



Proposed Transaction with Healthe Care

- On 30 November 2016, Pulse announced an all cash proposal by Healthe Care to acquire 100% of the outstanding shares in Pulse for **\$0.47 per share** via a scheme of arrangement
- Pulse directors **unanimously recommend shareholders to vote in favour** of the scheme⁽¹⁾
- Following its review of the company's 1H results and based solely on the information contained in the 1H results announcement, Healthe Care has confirmed to Pulse that the 1H results do not alter its intention to proceed with the Scheme on the terms set out in the scheme implementation deed.
- Pulse have asked Leadenhall Corporate Advisory Pty Ltd, the independent expert commissioned by the Company to opine on the Scheme, to update its opinion following release of the 1H results

1. Pulse directors' recommendation is subject to no superior proposal emerging and the independent expert continuing to conclude that the scheme is in the best interests of Pulse shareholders



Operating Environment

- Facing short term headwinds due to weakening health insurance participation rate and growing policy exclusions
- Long term growth supported by continued **attractiveness of industry fundamentals**
- **Escalated ageing of population** with **growing chronic** and **degenerative disease burden** and **medical technology developments** making more procedures and interventions possible and desirable
 - Demand growth
 - Increased pressure on public hospitals
 - Government policies continue to incentivise private health insurance coverage



Pulse Outlook

- FY17 **Underlying EBITDA⁽¹⁾** guidance for established hospitals and day surgeries reaffirmed at between \$13.5m - \$15.5m
- Ramp-up losses associated with the Gold Coast Surgical Hospital expected to be c.\$4.5m in FY17, with profitability expected in FY18
- Continuing to progress proposed transaction with Healthe Care
 - Scheduled scheme meeting date: 22 March 2017
 - Scheduled scheme implementation date: 6 April 2017

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 – 1H17 Financial Performance



Profit & Loss (underlying)

| (\$'000) | 1H17 | 1H16 | |
|--|---------------|---------------|---|
| Revenue | 49,455 | 34,932 | ▲ |
| Growth | 42% | 29% | |
| EBITDA-R | 12,799 | 8,415 | ▲ |
| Growth | 52% | 45% | |
| EBITDA (underlying⁽¹⁾) | 7,205 | 4,523 | ▲ |
| Margin | 15% | 13% | ▲ |
| Depreciation/Amortisation | (1,073) | (587) | |
| EBIT (underlying) | 6,132 | 3,936 | ▲ |
| Finance Costs | (957) | (599) | |
| Profit before tax (underlying) | 5,175 | 3,337 | ▲ |
| Tax | (1,247) | (397) | |
| NPAT (underlying) | 3,928 | 2,940 | ▲ |

1. Underlying figures exclude ramp-up costs associated with the Gold Coast Surgical Hospital, one-off costs of the proposed acquisition with HealthCare, one-off benefit of the deferred consideration adjustment of \$2.3m from acquisitions and other one-off items

Appendix 1 – 1H17 Financial Performance



Cash flow

| (\$'000) | 1H17 | 1H16 | |
|---------------------------------------|-----------------|----------------|---|
| Operating Cash flow | 3,648 | (1,825) | ▲ |
| <u>Investing cash flows:</u> | | | |
| Payments for intangible assets | (15,217) | - | |
| Acquisitions – deferred consideration | (1,160) | (2,176) | |
| Capex – PPE | (1,790) | (9,264) | |
| Capex – proceeds sale of freehold | - | 6,830 | |
| Other investing cash flow | 20 | - | |
| Interest received | 9 | 36 | |
| Total investing cash flow: | (18,138) | (4,574) | |
| <u>Financing cash flow:</u> | | | |
| Equity (net of costs) | - | 29,991 | |
| Dividends paid | - | (493) | |
| Debt (net) | 2,085 | 3,905 | |
| Total financing cash flow | 2,085 | 33,403 | |
| Change in cash & cash equivalents | (12,405) | 27,004 | |
| Opening cash balance | 16,648 | 3,491 | |
| Closing cash balance | 4,243 | 30,495 | |

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Appendix 1 – 1H17 Financial Performance



Balance Sheet

| (\$'000) | 1H17 | 1H16 | |
|----------------------------------|---------------|---------------|---|
| Cash | 4,243 | 30,495 | |
| Other current assets | 16,062 | 12,326 | |
| PP&E | 25,785 | 19,186 | |
| Intangibles | 98,167 | 61,041 | |
| Total Assets | 147,904 | 125,930 | ▲ |
| Borrowings | 32,901 | 27,885 | |
| Payables, provisions and other | 22,816 | 15,627 | |
| Total Liabilities | 55,717 | 43,512 | ▲ |
| Net Assets / Total Equity | 92,187 | 82,418 | ▲ |
| NTA | (5,980) | 21,377 | |
| NTA per share (cents) | (2.3) | 9.2 | |

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



| | 1H17 \$'000 | 1H16 \$'000 |
|--|----------------|----------------|
| Net profit after tax from continuing operations as reported | 2,379 | (812) |
| Income tax/(benefit) expense | 178 | (519) |
| Depreciation and amortisation | 1,787 | 851 |
| Finance costs (net) | 957 | 599 |
| Rent expense | 6,935 | 5,280 |
| Acquisition activity expenses and associated costs (note 1) | 1,527 | 1,635 |
| Deferred consideration adjustment (note 2) | (2,341) | - |
| Ramp-up costs - Gold Coast Surgical Hospital (note 3) | 1,377 | 1,381 |
| EBITDA-R | 12,799 | 8,415 |
| Rent paid (note 4) | (5,594) | (3,892) |
| EBITDA | 7,205 | 4,523 |
| Depreciation and amortisation (note 4) | (1,073) | (587) |
| EBIT | 6,132 | 3,936 |
| Finance costs (net) | (957) | (599) |
| Profit before tax | 5,175 | 3,337 |
| Income tax expense (note 4) | (1,247) | (397) |
| Net profit after tax from continuing operations | 3,928 | 2,940 |

For the first half of 2017 the following significant and non-recurring expenses were incurred:

Note 1.

During the period the Company incurred costs of \$1.527m associated with the acquisition of Australian and New Zealand sites and costs associated with the Health Care scheme of arrangement.

Note 2.

The fair value of contingent consideration for The Hills Clinic was adjusted by \$520k, and the fair value of contingent consideration for Zenitas Holdings (Hobson/Healthwoods) was adjusted by \$1.821m.

Note 3.

Ramp-up losses associated with the greenfield hospital on the Gold Coast, opened on the 31 August 2015.

Note 4.

Excludes greenfield hospital costs.



Pulse

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