

Traditional Therapy Clinics Limited (TTC)

2017 Annual General Meeting



Traditional Therapy Clinics Limited

Agenda | Annual General Meeting

- **Chairman's Address**
 - 2016 Year in Review
 - March Quarter Update
 - Growth Strategy
 - Outlook 2017
- **Formal Business**



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Year in Review - 2016 Operations

- The Chinese traditional medicine market sector, in which TTC or Fuqiao operates, continues to grow strongly and is actively supported and encouraged by the Chinese Government. Over the last 16 years TTC has established strong and leading market position in this fast growing traditional medicine market sector.
- During 2016 TTC has focused on continuing the expansion of its traditional health and wellness clinics in China under the Fuqiao brand. This expansion of TTC operations in what is one of the sought after market sectors in China for investment positions the TTC business well for the future.
- The core growth strategy of expanding the clinic network through the acquisition of existing franchises and also the acquisition of company owned well performing clinics was successfully executed.
- At the end of 2016
 - Number of franchised clinics was 346 - an increase of 38 clinics
 - Number of company owned clinics was 26 - an increase of 7 clinics
 - Total Number of Clinics was 372

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Year in Review - 2016 Financial Performance

Looking at the operational performance of the business shows the following:

- 2016 was the most profitable year in the company's history
- Revenue increased by > 35% (RMB)
- EBIT (Profit before interest and tax) increased by >10% (RMB)
- Company owned clinics contribute significantly to the profitability

Revenue: Franchise \$A19.9 million, Company Owned \$A38.5 million

EBITDA: Franchise \$A19.4 million Company Owned \$A12.4 million

- The company had cash of \$A33.4m with no debt at year end
- The company paid full year unfranked dividends of 3.4 cents being a yield of 6.8% on the IPO price
- In addition the company received a number of significant Government and industry awards

Fuqiao (Chongqing)

- Passed ISO9001:2008 Recertification Test
- Best Company Award by IQNeT
- Elected as Vice-President Unit of China Reflexology Association Passed

Fuqiao Brand

- Most favourable Chongqing Brand

Madam Hu Zhirong

- Elected as Council Member of China Association of Acupuncture-Moxibustion
- Elected as vice-president of Chongqing Tuina Massage Association

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2017 March Quarter Update

Traditional Therapy Clinics Limited is continuing with its strategy of increasing its number of higher margin 'owned clinics' through the acquisition of existing franchised clinics within the network

378 Clinics (19 May 2017)

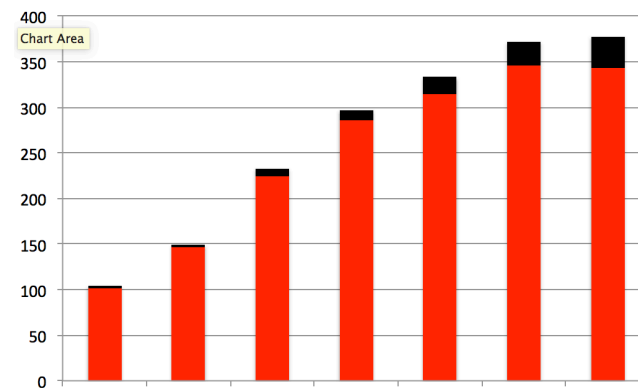
Owned Clinics – 35 (19 May 2017)

- 9 clinics acquired from 1 January 2017 to 19 May 2017
- Owned clinics totalling 35 at May 2017

Franchised clinics – 343 (19 May 2017)

- 6 new clinics opened from 1 January 2017 to 19 May 2017

Operating Clinics



Owned	2	2	9	11	19	26	35
Franchised	102	147	224	286	314	346	343
Total Clinics	104	149	233	297	333	372	378



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Growth Strategy

Our strategy is to continue to grow market share both organically and through acquisition

Priority	Growth avenue	Location type	Timeframe	Pros	Challenges
1	Expand franchise network	Greenfield	Ongoing	<ul style="list-style-type: none">Low capital investmentMaintain control over franchise and brandUpfront and ongoing feesClinic Managers report to Fuqiao head officeRapid brand expansion in growing consumer market	<ul style="list-style-type: none">Head office commitment due to management of the franchise clinicsLower absolute return than owned clinicTraining enough skilled clinic managers
2	Expand owned clinics	Acquire from franchise network	Ongoing	<ul style="list-style-type: none">High visibility over operations of franchised storesHigher absolute returns than franchised clinicsHigher return on invested capital	<ul style="list-style-type: none">Expansion slower than franchise clinics due to capital requirements and potential lack of ready sellers
3		Greenfield	Ongoing	<ul style="list-style-type: none">Less capital investment required than acquiring franchised clinic	<ul style="list-style-type: none">Investment of time and resources in selecting, securing and building clinic locationsNew locations will require ramp-up periodsNew property skillset required by the Fuqiao
4	Industry acquisitions	Acquire other market participants	Opportunistic - Longer Term	<ul style="list-style-type: none">Add additional scale and presence in the marketIntroduction of 'Fuqiao' practices and training	<ul style="list-style-type: none">Traditional Therapy Clinic's 'Fuqiao' brand is already the market leaderLess visibility over clinic performance than franchise networkLikely to require significant capital investment and re branding

The longer term company growth strategy is also to look for cost effective ways to introduce new products and services to better capture the full Fuqiao customer journey in the larger Chinese healthcare sector.

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Summary and Outlook

- The senior management team is diligent and committed to TTC
- Reflecting this, the business has performed consistently well since its IPO in September 2015
- In 2016 the business delivered an (RMB) EBIT growth of >10%
- A similar core growth strategy based on an expansion of the number of company owned and franchised clinics is planned for 2017. This is the primary growth strategy for 2017.
- The company growth strategy is also to consider significant synergistic acquisitions of other relevant market participants.
- The company growth strategy is also to look for cost effective ways to introduce other products and services to better capture the full Fuqiao customer journey.
- A number of greenfield clinic start ups are targeted for 2017
- A similar EBIT (RMB) growth of >10% is the target for 2017

Questions

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Formal Business



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Formal Business

Ordinary Business

Resolution 1:

Annual Financial Report, Directors' and Auditor's Report

Resolution 2:

Remuneration Report

Resolution 3:

Re-Election of Directors

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