



Better Health. Better Lives.



Healthia Limited
ACN 626 087 223

**Annual General Meeting
2019**

Disclaimer

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Chair's Address

Glen Richards



HEALTHIA 2019 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS – GLEN RICHARDS

Dear fellow shareholders, I would like to welcome you to the 2019 Annual General Meeting for Healthia Limited.

It's been a short 14 months since we brought together the brands of My FootDr Podiatry and Allsports Physiotherapy to form Healthia Limited. These two brands, along with Extend Hand Therapy and other well-established allied health businesses, ensured Healthia was established with solid foundations and a focus on building a company with sustained longevity.

We have continued to add to these solid foundations with a key focus over the last 14 months on building solid foundations for ongoing growth. Within a short period of time we have managed to integrate the clinics into the centralised shared services of the Company, establish the Podiatry Clinical Advisory Committee and Physiotherapy Clinical Advisory Committee, recruit and train 33 new graduate clinicians, deliver clinical education programs to our team, including our first integrated allied health conference for our team and deliver growth organically and acquisitively.

Portfolio Growth

I'm very pleased to stand here today, some 14 months into our journey, and note that Healthia has grown its portfolio of allied health business to:

1. 80 podiatry clinics
2. 40 physiotherapy clinics
3. 13 speciality hand therapy clinics
4. An orthotics laboratory, iOrthotics and
5. A podiatry wholesale business, DBS Medical.

This takes the total number of allied health businesses owned by Healthia, from 104 at listing to 135. This is a growth in clinic numbers of 29.8%.

Increase in Service Offering

Since Listing we have leveraged our podiatry and speciality hand therapy workforce to expand and co-locate podiatry and speciality hand therapy services inside existing physiotherapy clinics. Introducing these services into physiotherapy clinics allows the business to better leverage productivity from the clinical and administration teams, whilst utilising existing space to generate more revenue. We have only just begun and there is plenty of scope to continue to expand service offerings inside the existing network, and into any newly acquired clinics.

FY2019 Results

In our first year since listing, pro-forma underlying revenue was \$76.5m, pro-forma underlying EBITDA was \$11.7m and net profit after tax and before amortisation was \$6.113m, exceeding the pro-forma prospectus net profit after tax and before amortisation of \$5.515m by 10.8%.

The results are the reward of significant effort and focus from the senior management team to integrate the portfolio of clinics. Furthermore, the results demonstrate the robust nature of the earnings of our allied health businesses and we can now look forward with confidence that we have built solid foundations, giving us the right to acquire and integrate further quality allied health businesses.

Clinic Retention Program

Our dedicated and engaged team members that provide high standards of clinical care for our patients are the key to our success. Our priority at Healthia has been to implement training, retention and engagement strategies for all our team.

We have a strong philosophy and desire to evolve a shared ownership business model with our clinical teams throughout our practices. Our Clinician Retention Program is key to this philosophy and our major retention and incentivisation program for our team members.

Under the Clinician Retention Program, the clinicians are given the opportunity to acquire clinic class shares. These clinic class shares are non-voting shares which entitle the holder to a share of any dividend declared, which arise from and is calculated on the performance of the clinic in which the clinic class shares are issued. The clinic class shares are designed to create alignment between the interests of clinicians and shareholders. We consider this model as a compelling proposition for our patients, our clinicians and our investors.

All clinic class shares are issued to clinicians as part consideration for acquired clinics and/ or for cash consideration paid for them. We will continue to expand this program and currently have several podiatrists and physiotherapists who are considering taking up ownership in their local clinic.

Growth Strategies

During FY19, the group delivered organic growth of 2.0%. During what was our foundation year, which included a number of one-off disruptions, we were pleased with this modest organic growth.

Moving forward we will continue to focus on the following four-tiered growth strategy:

1. patient focused outcomes
2. organic activities
3. future accretive acquisitions
4. vertically integrated businesses units

We believe there are significant organic and acquisition opportunities for Healthia moving forward. Furthermore, the board believes these clearly established growth strategies will allow for Healthia to deliver value to all its stakeholders, including shareholders.

I would like to take this time to thank all of our team members for their tremendous contribution throughout the year. I would also like to take this time to thank our financiers, ANZ and BOQ and all of our shareholders for their continued support.

For a more detailed update, I will hand over to the Group CEO and MD, Wes Coote.



MD & CEO's Address

Wes Coote



HEALTHIA 2019 ANNUAL GENERAL MEETING CEO ADDRESS – WES COOTE

Good morning fellow shareholders, guests, ladies and gentlemen.

As mentioned by Glen, the last 14 months has been a busy year of setting up the foundations of Healthia. In FY20, our focus is to provide a number of initiative which will act as building blocks into the future growth. Therefore, I wanted to use my time today to give shareholders an update on some of the progress being made to ensure we met our internal growth targets, both organic and acquisitive.

Organic Growth

Firstly, I wanted to touch on the various initiatives we have, and are, undertaking to ensure we can deliver organic growth for the business.

We are continually working on better ways to engage our teams. To set a benchmark and ensure we know where we are at presently, we engaged an external third party, Best Practice Australia, to conduct a culture and engagement survey for us. Our teams scored us 59% putting us as a culture of “Ambition” and fractionally behind the highest level being a culture of “Success”. Most importantly we were able to gathered valuable feedback from staff which is helping us shape the direction of the company.

In October we brought all of our podiatrists and physiotherapists together into one location on the Gold Coast for a weekend of education and professional development. This, our inaugural Healthia conference, showcased our teams’ thirst for knowledge and their drive to be the best they can for their patients. We will continue to develop our education programs in calendar year 2020 with plans to kick off our Clinical and Business Leadership programs.

The future leaders of our business typically start with us as graduate clinicians. I’m pleased to note that our graduate recruitment is well under way and we expect to recruit up to 30 new graduates for 2020. All grads, on commencement, are expected to undergo the New Graduate Program at the start of February 2020. A number of these new graduates will be additional staff members needed for growing clinics and will assist with organic revenue growth.

On top of these important engagement and retention strategies, we continue to assess opportunities to leverage our podiatry and speciality hand therapy workforce into existing physiotherapy clinics, utilise our vertically integrated businesses to drive margin improvement, invest in industry leading infrastructure and technology and refine our centralised support, including improving marketing initiatives.

I am pleased to report that like for like revenue growth for the 4 months to 31 October 2019 is up 2.75%, from 2.0% in FY19. We expect this growth to continue through to the half year, and to the end of the financial year.

Acquisition Growth

We have openly stated that we expect to deploy \$15m of capital for new allied health business acquisitions in FY2020. This is expected to deliver more than \$3.75m of additional annualised EBITDA to the group.

Today we announce that we have settled a physiotherapy clinic and entered into binding agreements to acquire an additional 2 physiotherapy and 1 podiatry clinic.

Settlement of the clinics under binding agreement are conditional upon board and financier approval, assignment of property leases to Healthia and other customary conditions precedent with settlement anticipated before 31 December 2019.

Total consideration for these clinics is as follows:

Cash consideration	\$1.41m
Issue of Clinic Class Shares	<u>\$0.67m</u>
Total consideration	\$2.08m

Based on the last 12 months of unaudited historical data collected during due diligence, the clinics are expected to contribute the following:

Annualised Revenue	\$3.22m
Annualised EBITDA	\$0.63m

Please note the EBITDA includes the approximate 25% of economic interest owned by the Clinic Class Shareholder.

Once completed, Healthia will have deployed \$12.6m of its targeted \$15m of capital on new acquisitions in this current financial year. A summary of the acquisitions made financial year to date are as follows (note unaudited financial information):

	Revenue ²	EBITDA ^{2, 3, 4}	Consideration				Effective EBITDA Multiple
			Cash	Contingent Consideration	Clinic Class Shares ¹	Total Consideration	
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	
Settled							
Podiatry	4,345	895	3,124	200	401	3,725	4.16
Physiotherapy	9,898	2,209	4,782	1,050	3,027	8,859	4.01
Total	14,243	3,105	7,906	1,250	3,428	12,584	4.05

Notes

1. Clinic Class Shares are non-voting shares issuable by certain subsidiaries of Healthia Limited. These shares enable the holder to participate in dividends declared, calculated on the performance of the clinic in which the Clinic Class Shares are issued. The Clinic Class Shares are designed to create alignment between the interests of clinicians and shareholders.
2. Revenue and EBITDA numbers are based on a historical 12 months of trading in FY19 and/ or annualised FY20 financials, normalised in accordance with Healthia's acquisition and accounting policies.
3. EBITDA includes the approximate 26.52% economic interest continued to be owned by Clinic Class Shareholders.
4. EBITDA is a non-IFRS measure and equals Earnings before interest, tax, depreciation and amortisation

Our pipeline of future acquisitions remains healthy and we continue to build on the acquisitive momentum we have started in FY20. We are also well placed to fund these future acquisitions using a combination of funds from undrawn debt facilities, free cash generated from the operations of the businesses and the Clinic Retention Program.

Finance Facility

I am excited to announce that the Company has just been offered credit approved term sheets from Australia and New Zealand Banking Group Limited and the Bank of Queensland Limited to increase the current syndicated finance facility limit from \$37,000,000 to \$50,000,000. The offer also includes a facility term extension until 30 September 2022, with no material changes to banking covenants.

As at today's date, drawn facilities total \$26.0m leaving headroom of \$24.0m to help fund future acquisitions and inorganic growth.

Performance Rights

The Company had previously approved terms for a Healthia Performance Rights Plan (Performance Rights Plan). The plan will form the long-term incentive component of executive remuneration for key management personnel. Furthermore, the board has approved a one-off issue of performance rights, as a reward, to other key clinical and support staff, recognising their contribution to the business.

If approval is given today for the granting of the performance rights to the directors, it is anticipated 2,693,358 performance rights in total will be on issue, made up as follows:

- Key Management Personnel: Up to 575,858 performance rights as part of Healthia's executive remuneration strategy;
- Key Clinicians and Support Staff: Up to 2,117,500 performance rights. Performance rights issued to this group are a one-off reward and are not expected to be a recurring remuneration strategy.

These performance rights are designed to align employees with **shareholders'** interest, encourage ownership by employees and to assist with retention of staff.

As you can see, we have been busy on a number of important growth initiatives and continue to work towards better ways of improving our support for our clinics, our team members and our patients.

Its shaping up to be a big year for Healthia and we are looking forward to further informing shareholders of our progress as the year continues.

Thank you.

Thanks

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