



Healthia Limited
ACN 626 087 223

**Annual General Meeting
2020**

Disclaimer

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Chair's Address

Dr Glen Richards



HEALTHIA 2020 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS – GLEN RICHARDS

Dear fellow shareholders, I would like to welcome you to the 2020 Annual General Meeting for Healthia Limited.

The financial year has presented some unique challenges with the onset of the COVID-19 pandemic and associated social distancing measures implemented in Australia. I am extremely proud of our teams for banding together and implementing safety measures to ensure the well-being of our patients and people. A safe work environment is an ongoing priority for Healthia.

FY2020 Financial Performance

Healthia's underlying Revenue and Net Profit After Tax plus Amortisation (NPATA) for FY20 was \$92.5M and \$4.6M respectively, representing growth of 40.3% and 36.9% respectively. Statutory Revenue and Net Profit After Tax (NPAT) attributable to the owners of Healthia Limited for the period was \$96.4M and \$2.7M respectively.

The results are the reward of hard work and commitment from all Healthia personnel and demonstrate the robust, repeatable nature of the earnings of the allied health businesses that Healthia owns and operates.

Healthia paid an inaugural dividend of 2.0 cents per share in September 2020, representing 27% of underlying NPATA, and a Dividend Reinvestment Place was put in place to preserve cash reserves.

Impact of COVID-19

Given the importance of the essential health services that Healthia provides to the community, the Directors made the decision to continue trading from all of its allied health clinics when Australia's Prime Minister imposed several progressive restrictive lockdown measures in April 2020.

The largest impact on trading was felt during the months of April 2020 and May 2020, which in turn, qualified Healthia for JobKeeper payments from April through September 2020.

JobKeeper payments allowed us to make minimal changes to the trading hours which ensured:

- continuity of patient care was maintained
- essential health care services continued to be available, allowing pressure to be taken off hospitals and other primary care and front-line health workers; and
- the livelihoods of Healthia's employees were not materially affected, with minimal changes to clinic rosters as a result of the COVID-19 pandemic.

Healthia's businesses did not re-qualify under the revised eligibility criteria after 30 September 2020 and the receipt of JobKeeper payments ended in September 2020.

Acquisition of The Optical Company and Capital Raising

On the 30th October 2020, it was announced that Healthia had entered into a binding agreement to acquire The Optical Company, a leading Australian optometry business for a purchase price of \$43.0 million. This acquisition is scheduled for settlement today and is being funded as follows:

The Entitlement Offer	\$ 13.20 million
Vendor equity	\$ 8.93 million
Debt draw down	\$ 15.00 million
Deferred consideration	\$ 3.00 million
Existing cash reserves	<u>\$ 2.87 million</u>
Total consideration	\$ 43.00 million

The Entitlement Offer was to existing shareholders for \$13.2 million and was undertaken via a non-renounceable pro-rata entitlement offer at 95 cents per share. The offer was split into two components, the Institutional Entitlement Offer and the Retail Entitlement Offers, which raised \$9.5 million and \$3.7m respectively.

The Retail Entitlement Offer saw strong support from existing shareholders with a 65% take up and the fully-underwritten Institutional Entitlement saw Healthia welcome a number of new institutional shareholders onto our register. All Directors of Healthia participated in the capital raising.

Moving forward, we are excited to welcome the founder of TOC, Colin Kangisser, who will continue to lead the business as CEO of Healthia's newly formed Eyes & Ears division and be appointed a Director of Healthia.

TOC is a natural fit with Healthia and its stated strategic objectives of acquiring value accretive businesses in the allied health industries. The optometry industry remains fragmented with approximately 2,700 stores and \$2.2 billion of the industry revenue being owned by independent operators and TOC provides Healthia with the expertise, people, platforms and systems required for growth in the industry.

The addition of optometry increases Healthia's addressable market revenue from \$6.5 billion to \$9.8 billion, with Healthia currently having less than 1.5% market share. The optometry industry has a number of favorable underlying growth trends including:

- An ageing population in Australia
- Growing awareness of eye health and UV eye protection
- Increasing digital eye strain due to increasingly higher uses of laptops, PCs and mobile devices, and
- An increase in the scope of eye care tests and services available

This takes the total number of allied health businesses owned by Healthia, from 104 at listing to 194. This is a growth in clinic numbers of 87% since listing on the ASX some two years ago.

I will now hand over to the Group CEO and MD, Wes Coote, for further updates.



MD & CEO's Address

Wes Coote



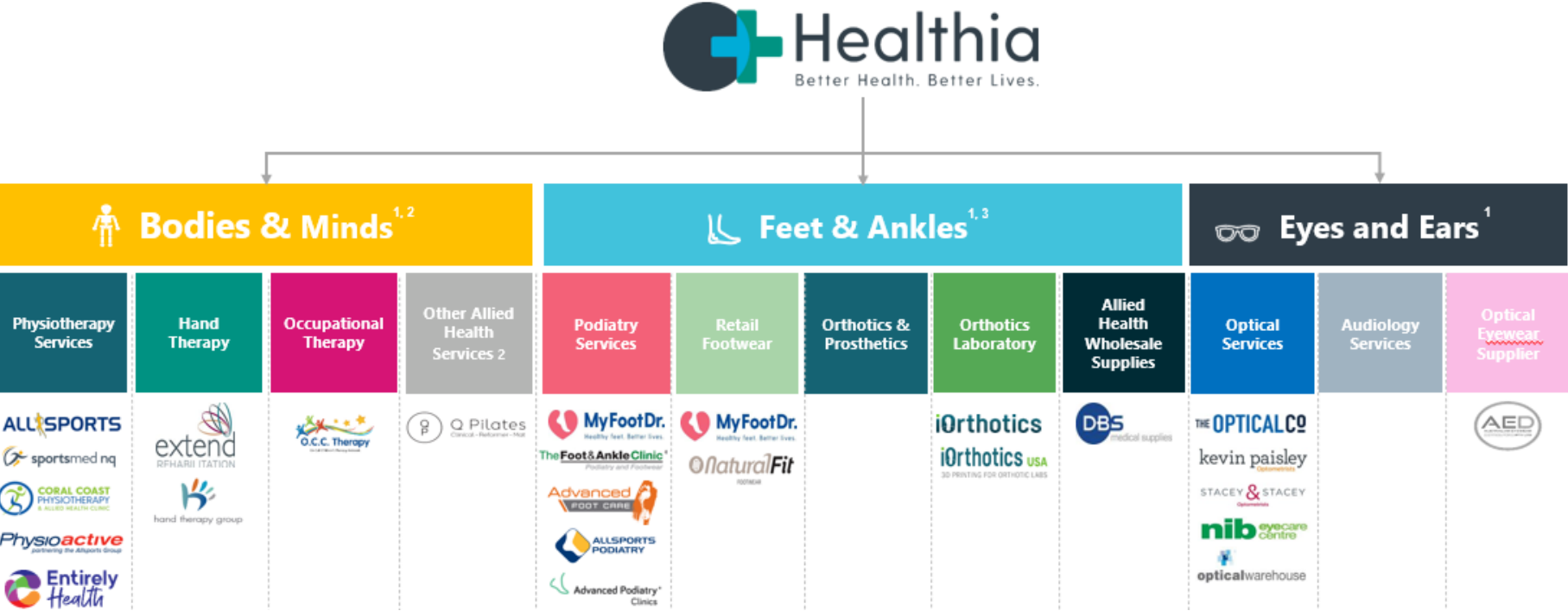
HEALTHIA 2020 ANNUAL GENERAL MEETING CEO ADDRESS – WES COOTE

Good morning fellow shareholders, guests, ladies and gentlemen.

As mentioned by Glen, the year has presented some challenges with the COVID-19 pandemic and associated social distancing measures in Australia. I too would like to express my gratitude to our exemplary clinicians and support staff for putting the well-being of our patients first and keeping all clinics open during this challenging period. I feel privileged to be the Managing Director of Healthia and part of a dedication team who continually strived for excellence in everything they do. This dedication is ensuring Healthia emerges from this once in a lifetime global pandemic stronger than ever.

Strategy Update

The acquisition of The Optical Company has strengthened Healthia’s position as Australia’s leading allied health operator. Following the acquisition, Healthia will operate across three distinct segments as follows:



Notes: (1) Healthia does not have ownership in all of the products and services highlighted above but plan to expand into each vertical over time (2) Other Services include but are not limited to speech therapy and psychology (2) Formerly disclosed by HLA as the Physiotherapy Division (3) Formerly disclosed by HLA as the Podiatry Division

HEALTHIA 2020 ANNUAL GENERAL MEETING CEO ADDRESS – WES COOTE

We will continue to focus on delivery of our vision through the following four focused strategies:



Organic Growth, Roll Outs and Other Initiatives

I am pleased to reiterate the strong organic performance of the group for Financial Year 2020, with the group achieving like for like revenue growth of 5.3% (adjusted for the impacts of COVID-19 by excluding the months of April and May 2020). If we include the COVID-19 impacted months of April and May 2020, we delivered like for like revenue growth of 1.8%.

Since 1 July 2020, I am pleased to report strong organic revenue growth for the 4 months to 31 October 2020 of approximately 14%. Furthermore, with restrictions now easing in Victoria, we are pleased to report that from November these clinics are also trading at pre-COVID levels.

The organic growth achieved during this period demonstrates the resilient, repeatable nature of the income of the allied health businesses, and the essential nature of the services provided by Healthia. It is also a result of the operational initiatives driven by our senior management team and the hard work and commitment of our clinicians and support staff.

In terms of organic growth initiatives, I am pleased to provide the following updates for the year:

- We have continued the advancement of Healthia's industry leading education platform by developing programs tailored to the differing needs of our people. This includes the graduate training program (45 new graduates enrolled), the Clinical Leadership Program (33 clinicians enrolled) and the Business Leadership Program (34 clinicians enrolled)
- The Clinician Retention Program, being local clinic ownership, was further developed and expanded and saw a further 25 clinicians admitted to the program over the last 12 months
- We partnered with an existing iOrthotics customer in North America to launch a 3D printed orthotics manufacturing laboratory in New York (58% equity ownership). This expansion provides the opportunity to capture market share in the USD \$1.3 billion United States foot orthotics insoles market
- iOrthotics will continue its R&D and innovation journey. Following on from their 1st project in 2018, the Advanced Manufacturing Growth Centre (AMGC) has again backed iOrthotics, with this project injecting \$450,000 of government funding plus a further in-kind contribution of \$95,000 from project partners including the University of Queensland. iOrthotics would like to thank the AMGC for their continued support as well as Dr Gui Wang and the Engineering faculty at the University of Queensland.

- We successfully implanted a new, cloud-based payroll system, allowing for significant improvements in workflow and processing time
- Our patient retention strategies were further developed with the assistance of Customology, which included the implementation of a centralized data lake which provides greater insight into our patients
- We expanded services inside existing clinics with the addition of podiatry into five existing physiotherapy clinics and the addition of speech pathology into one existing physiotherapy clinic. We also opened a new physiotherapy clinic inside an existing podiatry clinic which was recently relocated in Brisbane's CBD. Further, we expect to open a new physiotherapy clinic in Bundaberg in December 2020
- We are in the process of completing our first NDIS audit for our podiatry and physiotherapy clinics, allowing Healthia to continue to access NDIS government funding for its patients

Acquisitive Growth

Given the fragmented nature of the targeted allied health industries, acquisitions will continue to be a central pillar of our growth strategy. We will continue to assess opportunities on a case-by-case basis with reference to our existing network of clinics, strategic objectives and our disciplined acquisition criteria.

We have revised the target of deployed capital on new acquisitions each year from >\$15.0 million to >\$20.0 million, utilising a combination of future operating cash flow, clinic class shares, HLA shares and debt finance to fund these acquisitions. As the allied health industries emerge from the COVID-19 pandemic, we expect increased acquisition enquiries as industry participants place greater value on the support and stability that a larger group such as Healthia can offer.

Healthia has deployed capital of \$54m since the commencement of Financial Year 2021 at an average EBITDA multiple of 5.0x (pre-support) and 6.7x (post-support). These businesses are expected to contribute Revenue and EBITDA of \$49M and \$8.0M respectively on a pro-forma basis.

Outlook

The key focus of the company for the remainder of the financial year will be the integration of The Optical Company and Natural Fit Footwear. We will also focus on continuing to build on the momentum created from our organic growth activities, including further enhancing our centralized support to our clinical teams, finding additional opportunities to co-locate services and introduce services into existing locations and work on new ways to continue to engage our teams.

We expect to maintain Healthia's targeted 50% of UNPATA (attributed to shareholders) dividend payout policy, which will be supported by a Dividend Reinvestment Plan to preserve cash reserves for growth opportunities.

Finally, I would like to thank shareholders for their continued support of Healthia. We look forward to providing further updates on the progress of the Company during the remainder of the financial year. Thank you.

Thank you

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