Healthia

Better Health. Better Lives.

# ASX ANNOUNCEMENT

2 March 2022

## SUPPLEMENTARY INVESTOR PRESENTATION

Healthia Limited (**Healthia** or the **Company**) attaches a further Investor Presentation (**Supplementary Investor Presentation**) which is supplementary to its Investor Presentation lodged with the ASX on 28 February 2022 and named, "H1 FY22 Investor Presentation" (**Earlier Investor Presentation**).

The only variations between the Supplementary Investor Presentation and the Earlier Investor Presentation are the inclusion of two references on page 3 to support Healthia's stated position as being the number one physiotherapy group in Australia and New Zealand, and on page 20 regarding Healthia's analysis of total addressable revenue and market share.

**CONTACT**


| Company | Company | Company |
|---|---|---|
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**-END-**

# H122 RESULTS PRESENTATION

**28 FEBRUARY 2022**

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**Healthia Limited**

**ACN 626 087 223**

# GLOSSARY

| Term | Definition |
|---|---|
| **Cash Conversion %** | Calculated as EBITDA (pre-AASB16) divided by operating cash flow before finance, acquisition and tax costs. |
| **Clinic Class Shares** | Clinic Class Shares are non-voting shares which entitle the holder to a share of any dividend 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 Healthia shareholders. |
| **EBIT(u)** | Underlying EBIT reflects statutory EBIT as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying profit. EBIT(u) is presented on a pre-AASB16 basis. Underlying EBIT has not been audited. |
| **EBITDA(u)** | Underlying EBITDA reflects statutory EBITDA as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying profit. EBITDA(u) is presented on a pre-AASB16 basis. Underlying EBITDA has not been audited. |
| **EBITDA(x)** | Expectations for annualised portfolio run-rate at commencement of FY23. Presented pre-AASB16 and assuming no impacts from COVID. |
| **EPS(u)** | Underlying basic earnings per shareas adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying results. |
| **H121** | Half year period ended 31 December 2020. |
| **H122** | Half year period ended 31 December 2021. |
| **H222** | Half year period ended 30 June 2022. |
| **Leverage ratio** | Calculated as (Debt:Adjusted EBITDA) in accordance with bank covenants. Note:<br>- Adjusted EBITDA adjusts for the earnings contribution of recent acquisitions where the businesses have not been held for a 12-month period; and<br>- AASB 16 'Leases' does not apply, and covenants are calculated as they were prior to the adoption of this accounting standard by the Consolidated Entity. |
| **NPAT - attributed to shareholders** | Net Profit After Tax attributable to shareholders (i.e after non-controlling interests). |
| **NPATA(u)** | Underlying NPATA is a non-IFRS measure and equals net profit after income tax expense plus amortisation of customer list intangibles. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying profit. Underlying NPATA has not been audited. |
| **NPBTA(u)** | Underlying NPBT is a non-IFRS measure and equals net profit before income tax expense plus amortisation of customer list intangibles. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying profit. Underlying NPBTA has not been audited. |
| **Revenue(u)** | Underlying Revenue reflects statutory revenue as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity, in accordance with AICD/Finsia principles of recording underlying results and includes adjustments for the impacts from COVID-19 for the Consolidated Entity. Underlying revenue has not been audited. |
| **Same Clinic Growth** | Same Clinic growth represents revenue growth which has been calculated by excluding any closed businesses and businesses not held during the prior period. |
| **Tax(u)** | Underlying tax. Calculated based on 30% corporate tax rate applied to NPBTA(u). |

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# H1 FY22 – SUMMARY

- ✓ **Revenue growth** during H122 despite COVID lockdowns and outbreaks demonstrating the resilience of the Healthia business model.
- ✓ **EBITDA(u)** increased to $12.2 million, or by 11% on prior period (H121: $11.0 million).
- ✓ **EBITDA(x)** – Healthia expects to commence FY23 with an annualised portfolio of greater than $40.0 million (assuming no material impacts from COVID).
- ✓ **Clinic Growth** – $102.2 million of capital deployed to acquire 76 physiotherapy clinics, 3 optical stores and 1 podiatry clinic.
- ✓ During the period, Healthia positioned itself as the **number one physiotherapy group**[1] in Australia and New Zealand through the strategic acquisition of the 63 Back In Motion physiotherapy clinics.
- ✓ **Increase in finance facility** from $70 million to $100 million, which provides significant headroom to continue the stated strategy of pursuing value accretive acquisition opportunities.
- ✓ **Supporting our team** – Healthia continued to support its team members during lockdown and made minimal rostering changes.
- ✓ **Graduate Recruitment** - Healthia has recruited 154 new graduate clinicians (FY21:64) who started in Feb 2022 and undertook the structured graduate induction training.
- ✓ **2.0 cents per share dividend** payment to be supported by a fully underwritten dividend reinvestment plan.
- ✓ iOrthotics awarded a **Government grant** of $2.0 million to support research into designed led advanced manufacturing of smart orthotics for regional and remote Australia.

1. *This statement has been made by Healthia in reliance on supporting material from the IBISWorld report "Q8533 Physiotherapy Services in Australia", dated June 2021. In particular, the businesses of two of the three companies being listed as "Major Companies" by IBISWorld are owned by Healthia Limited, being Back In Motion health group and The Physio Co. Healthia is also aware that its physiotherapy portfolio owned is significantly larger than the third largest "Major Company" listed by IBISWorld, being Zenitas Healthcare Limited through the acquisition announcement released by APM Human Services International Limited which acquired the physiotherapy portfolio of Zenitas Healthcare Limited (APM Human Services International Limited ASX Announcement, 3 December 2021, "APM to acquire Lifecare, On tract to deliver FY22 Forecasts").*

# H1 FY22 DEMONSTRATES RESILIENT BUSINESS MODEL

**REVENUE**

**$93.0m**

51.3% increase

110.1% increase

**EBITDA(u)**

**$12.2m**

11.1% increase

111.9% increase

**EBITDA(x)**

**>$40m***

*Assumes nil COVID impacts

**NPATA(u)**

**$4.6m**

2.5% decrease

90.6% increase

**EPS(u)**

**4.27 cps**

37.8% decrease

10.9% increase

**DIVIDEND**

**2.0 cps**

2.0 cps in H121

- Revenue growth during H122 despite COVID lockdowns, restrictions and outbreaks, demonstrating the resilience of the Healthia businesses.
- COVID impacted profitability as Healthia ensured minimal changes to its team members hours/ pays occurred during lockdown and restriction periods.
- Continued payment of dividends, supported by a fully underwritten dividend reinvestment plan.
- Portfolio growth continued during H122, including the acquisition of the 63 Back In Motion physiotherapy clinics, increasing EBITDA(x) to over $40 million.
- Graduate recruitment to support vacancies, continued growth and other COVID related workforce impacts.

**CAPITAL DEPLOYED**

**$102m**

Target +$20m p.a.

**LEVERAGE RATIO**

**1.89x**

Down from 1.94x @ 30 Jun

**GRAD RECRUITMENT**

**154**

Up from 64 in FY21

**NO. CLINICS**

**292**

38% increase from 30 Jun

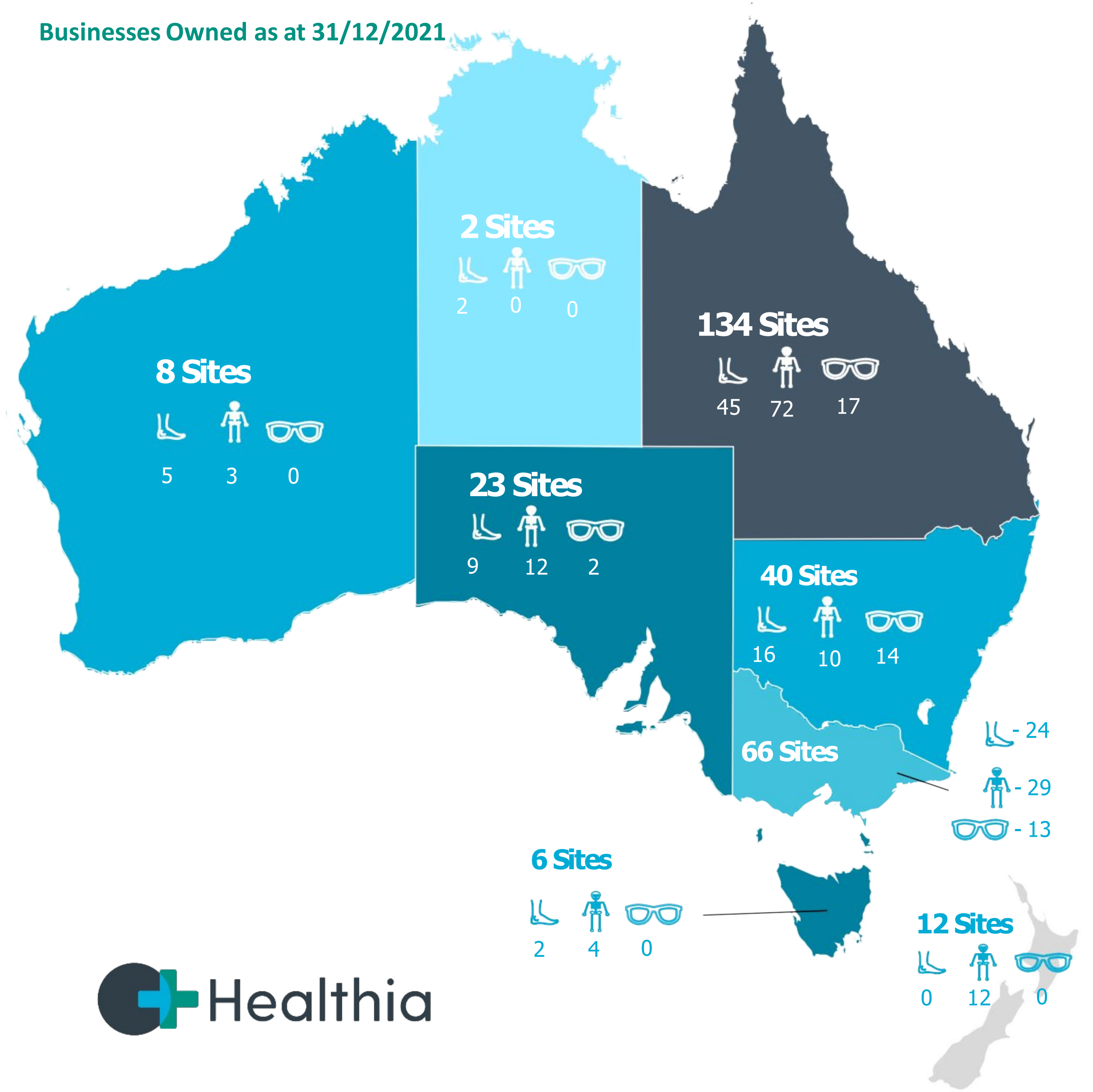
vs H121

vs H120

*Note: the numbers above are unaudited and reflects the underlying results of the Group, pre-AASB16. For a reconciliation between underlying and statutory results, please see the Appendices of this presentation*

# PORTFOLIO GROWTH

Businesses Owned as at 31/12/2021




Businesses Owned as at 31/12/2021

| | *Feet & Ankles Businesses* | *Bodies & Minds Businesses* | *Eyes & Ears Businesses* | *Total Businesses* | *%* |
|---|---|---|---|---|---|
| Queensland | 45 | 72 | 17 | 134 | 45.9% |
| New South Wales & ACT | 16 | 10 | 14 | 40 | 13.7% |
| Victoria | 24 | 29 | 13 | 66 | 22.6% |
| Tasmania | 2 | 4 | 0 | 6 | 2.1% |
| South Australia | 9 | 12 | 2 | 23 | 7.9% |
| Western Australia | 5 | 3 | 0 | 8 | 2.7% |
| Northern Territory | 2 | 0 | 0 | 2 | 0.7% |
| New Zealand | 0 | 12 | 0 | 12 | 4.1% |
| United States of America | 1 | 0 | 0 | 1 | 0.3% |
| **Total Businesses** | 104 | 142 | 46 | 292 | 100.0% |
| % of Total | 36% | 49% | 16% | 100% | |

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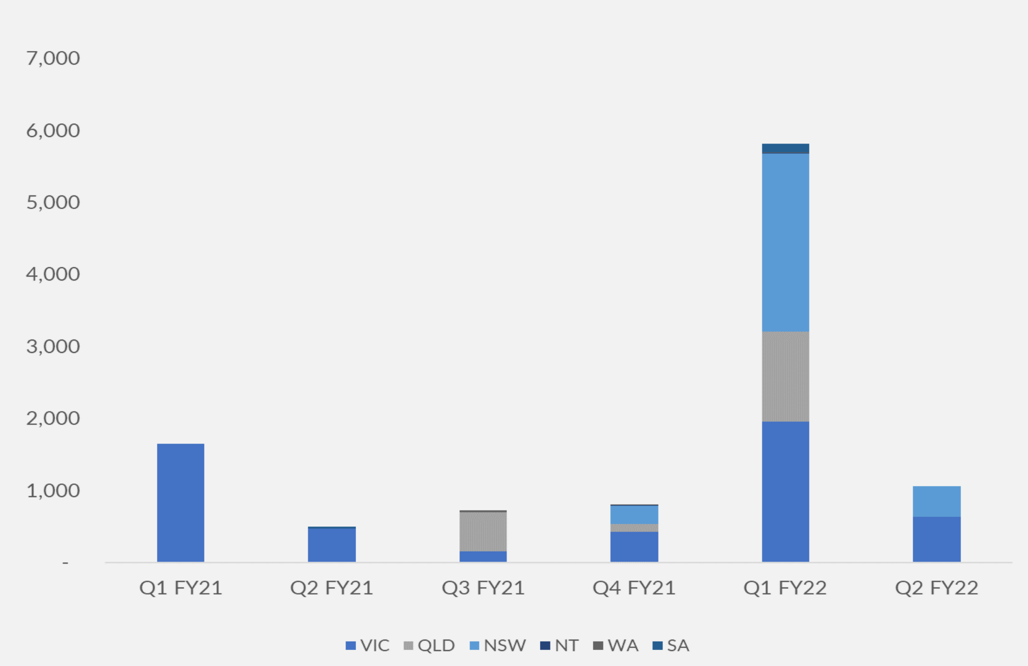
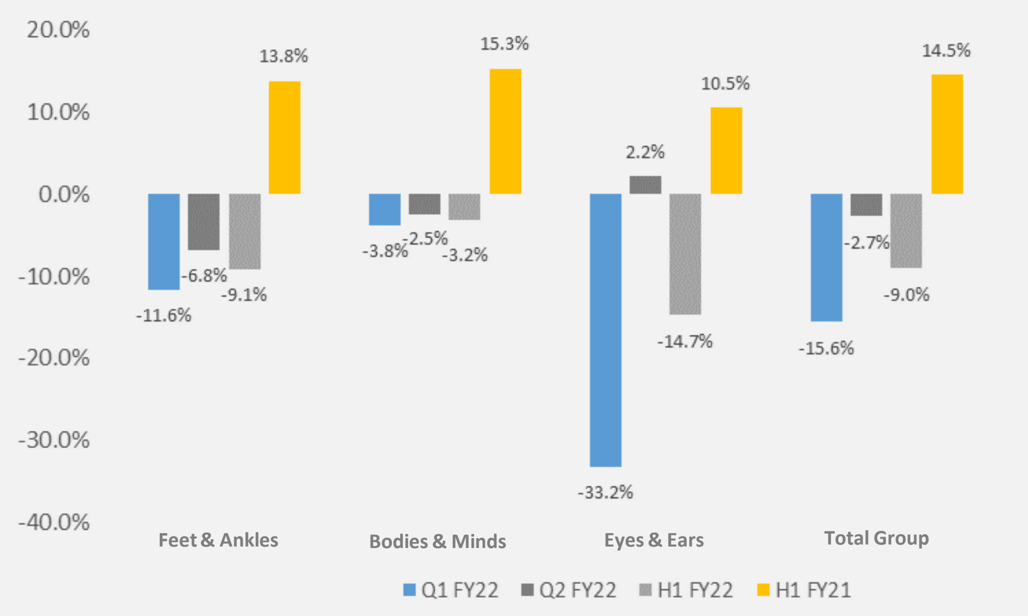
# IMPROVEMENTS DURING Q2 FY22 AS LOCKDOWNS WERE LIFTED

- ✓ Performance improved as lockdowns and restrictions from COVID eased during Q2 FY22, however, disruptions from Omicron felt from late December 2021 into Q3 FY22.
- ✓ Same Clinic Growth is compared with a strong prior comparable period (H121) which was positively impacted by Government stimulus and pent-up demand.
- ✓ Healthia is well positioned for Same Clinic Growth once business conditions stabilise and continues to target 3% - 6% per annum Same Clinic Growth.

## Number of clinic days impacted by lockdowns by quarter [1]

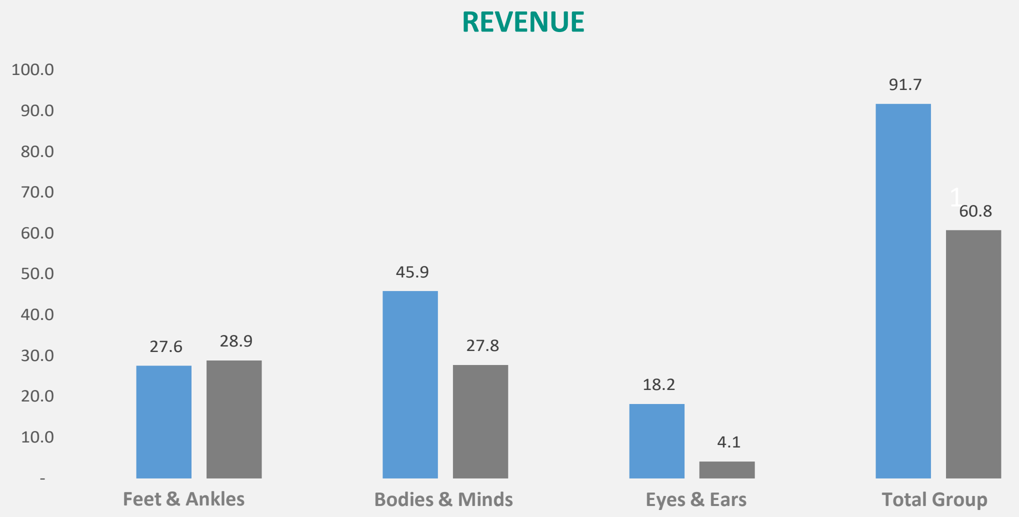


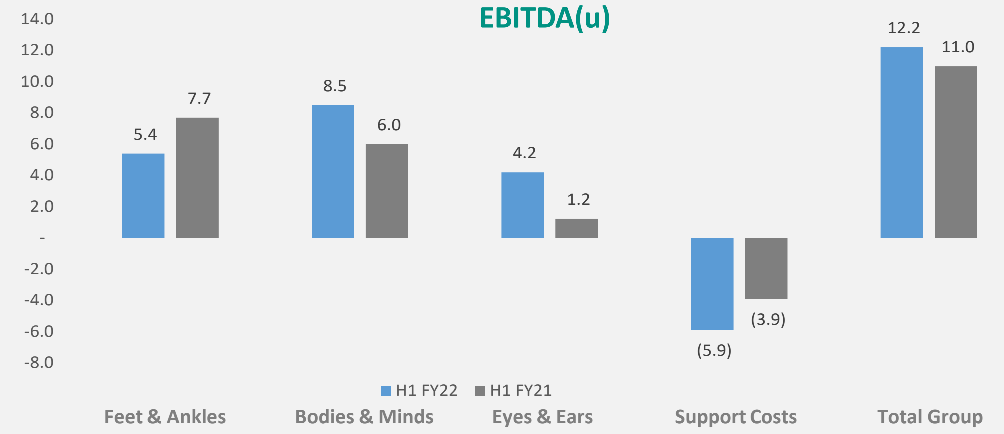

## Same Clinic Growth - Revenue




1. *Calculated as working days impacted by COVID-19 related lockdowns multiplied by the number of clinics owned by the Consolidated Entity (for each respective lockdown).*

# SEGMENT OVERVIEW




H1 FY22 H1 FY21

## REVENUE

- Revenue driven by:
  - Clinical teams continuing to deliver patient care through Government imposed restrictions and lockdowns;
  - Growth from ongoing clinic expansions.
- Revenue affected by the 6,869 clinic trading days impacted due to COVID related Government imposed restrictions and lockdowns.

## EBITDA(u)

- Overall EBITDA(u) and margin impacted by:
  - Lower than expected revenue due to ongoing impacts from COVID related Government imposed restrictions and lockdowns as well as other unavoidable fixed costs incurred during the period;
  - Ongoing team member support through Government imposed restrictions and lockdowns by making minimal changes to rosters despite decreased patient numbers and revenue;
  - Government mandated closure of retail footwear stores in Q1 FY22 whilst continuing to incur fixed costs.
- Note: Group EBITDA(u) margin in Q2 FY22 was 16.0% or $8.6 million and in-line with expectations. Margins are expected to stabilise at this level when business conditions return to normal.

*Note: the numbers above are unaudited and reflects the underlying results of the Group, pre-AASB16.*
*Revenue is exclusive of Other Income.*

# FEET & ANKLES

OUR BRANDS

MyFootDr. Healthy feet. Better lives. | The Foot & Ankle Clinic Podiatry and Footwear | Advanced Foot Care | Allsports Podiatry | Advanced Podiatry Clinics | NaturalFit Footwear | iOrthotics | DBS medical supplies

| Revenue | EBITDA(u) |
|---|---|
| **$27.6m**<br>-4.5% vs H121<br>+19.9% vs H120 | **$5.4m**<br>-29.9% vs H121<br>+1.9% vs H120 |

| EBITDA(u) Margin | Total Clinics |
|---|---|
| **19.5%**<br>Q1 FY22 14.8%<br>Q2 FY22 23.9% | 104<br>+1 |

| Same Clinic Growth | Clinician Retention |
|---|---|
| **-9.1%**<br>+2.9% H122 vs H120 | 76%<br>-10bps |

- Feet & Ankle divisions revenue for H122 is compared with a strong prior comparable period (H121) which was positively impacted by Government stimulus and pent-up demand. Other impacts include:
    - Government imposed lockdowns and restrictions impacting 3,288 clinic trading days in the period;
    - Reduced recall and reminder marketing activity during lockdown periods affect patient volumes;
    - Lockdowns and restrictions saw the Natural Fit retail stores close completely, and customer volumes in the other retail footwear location of the business reduced during the period 1 July 2021 to 22 October 2021, resulting in a material loss in revenue.
- EBITDA(u) margin impacted in Q1 FY22 by the fixed costs incurred to continue to support and pay team members during lockdown, including those full time and part time employees working in retail footwear locations.
- EBITDA(u) margins in Q2 FY22 of 23.9% inline with historical EBITDA(u) margins for the division.
- A decrease in clinician retention rates during the period to 76%. Recruitment underway with several vacancies filled by new graduates who started in February 2022.
- iOrthotics continues to expand its orthotic manufacturing capabilities, including:
    - Expansion of its USA operations;
    - Being awarded a Government grant of $2.0 million to support research into design led advanced manufacturing of smart orthotics for regional and remote Australia.

*Note: the numbers above are unaudited and reflects the underlying results of the Group, pre-AASB16.*

# BODIES & MINDS

OUR BRANDS

ALLSPORTS | BACK IN MOTION HEALTH GROUP | Entirely Health | sportsmed nq | extend REHABILITATION | O.C.C. Therapy | CORAL COAST PHYSIOTHERAPY & ALLIED HEALTH CLINIC | Physioactive partnering the Allsports Group | hand therapy group

**Revenue**
**$45.9m**
+65.1% vs H121
+115.8% vs H120

**EBITDA(u)**
**$8.5m**
+46.9% vs H121
+155.6% vs H120

**EBITDA(u) Margin**
**18.4%**
Q1 FY22 20.1%
Q2 FY22 17.6%

**Total Clinics**
142
+76

**Same Clinic Growth**
**-3.2%**
+13.0% H122 vs H120

**Clinician Retention**
95%
+7bps

- Bodies & Minds divisions revenue for H122 is impacted largely by the acquisitions of 76 new clinics made during the last 12 months.
- Portfolio growth during the last 12 months included the acquisition of the 63 Back In Motion physiotherapy clinics. Settlement of the 63 new clinics occurred between 5 October 2021 and 23 December 2021, with immaterial earnings contribution in H122.
- Back In Motion expanded Healthia's geographical spread of physiotherapy clinics and positioned Healthia as the number 1 physiotherapy group in Australia and New Zealand.
- Same Clinic Growth impacted by:
    - Comparison against a strong comparable prior period (H121) which was positively impacted by Government stimulus;
    - Government imposed lockdowns and restrictions

*Note: the numbers above are unaudited and reflects the underlying results of the Group, pre-AASB16.*

# EYES & EARS

OUR BRANDS

| Revenue | EBITDA(u) |
|---|---|
| **$18.2m** <br> +340.2% vs H121 | **$4.2m** <br> +235.8% vs H121 |

| EBITDA(u) Margin | Total Clinics |
|---|---|
| **22.8%** <br> Q1 FY22 9.7% <br> Q2 FY22 31.9% | 46 <br> +3 |

| Same Clinic Growth | Clinician Retention |
|---|---|
| **-14.7%** <br> -33.2% Q1 FY22 vs Q1 FY21 <br> +2.2% Q2 FY22 vs Q2 FY21 | 90% <br> no change |

- Note: Eyes & Ears divisions added to Healthia on 1 December 2020 (via acquisition of The Optical Company).
- Revenue for H122 is impacted by:
  - COVID lockdowns and restrictions impacting 2,155 clinic trading days in the period;
  - Optical services being restricted to emergency care only during lockdowns and restriction period;
  - Reduced recall and reminder marketing activity during lockdown periods affect patient volumes;
  - Trading in prior comparable period for one month only.
- EBITDA(u) margin impacted in Q1 FY22 by:
  - Reduced patient volumes and revenue due to lockdowns and restrictions;
  - Fixed costs incurred to continue to support and pay team members during lockdown.
- EBITDA(u) margins in Q2 FY22 of 31.9% in line with expectations for the division.
- Expansion of vertically integrated AED eyewear products, including:
  - Increase from 50% of group sales;
  - Key integration steps for newly acquired stores to introduce AED product.
- Entered into an agreement with BUPA to be an "BUPA Optical Partner" to service their membership base.

*Note: the numbers above are unaudited and reflects the underlying results of the Group, pre-AASB16.*

# TEAM MEMBERS FIRST

- Keeping our team members safe remains a major priority for Healthia. This includes:
  - Providing the necessary PPE (personal protective equipment) for use in clinic;
  - Implementing COVID vaccination tracking and compliance protocols;
  - Ensuring team members take home pay was not affected during COVID lockdowns and restrictions.
- Graduate recruitment saw 154 new clinicians commence with Healthia in the last 3 months, up from 64 in the prior corresponding period.
- Healthia continues its commitment to the education and professional development of all staff with over 13,000 hours delivered to team members. Education programs included the following:
  - The Recent Graduate Training Program;
  - The Clinic Leadership Program;
  - The Business Leadership Program;
  - Various practical workshops;
  - Weekly "MESH" training sessions.
- Growth in our Clinician Retention Program with 5,214 Clinic Class Shareholders, up from 2,984 at 30 June 2021.
- Clinic retention rates for the period of 90% (H121: 92%) with retention increasing in all divisions expect the Feet & Ankles division

# H122 FINANCIAL PERFORMANCE

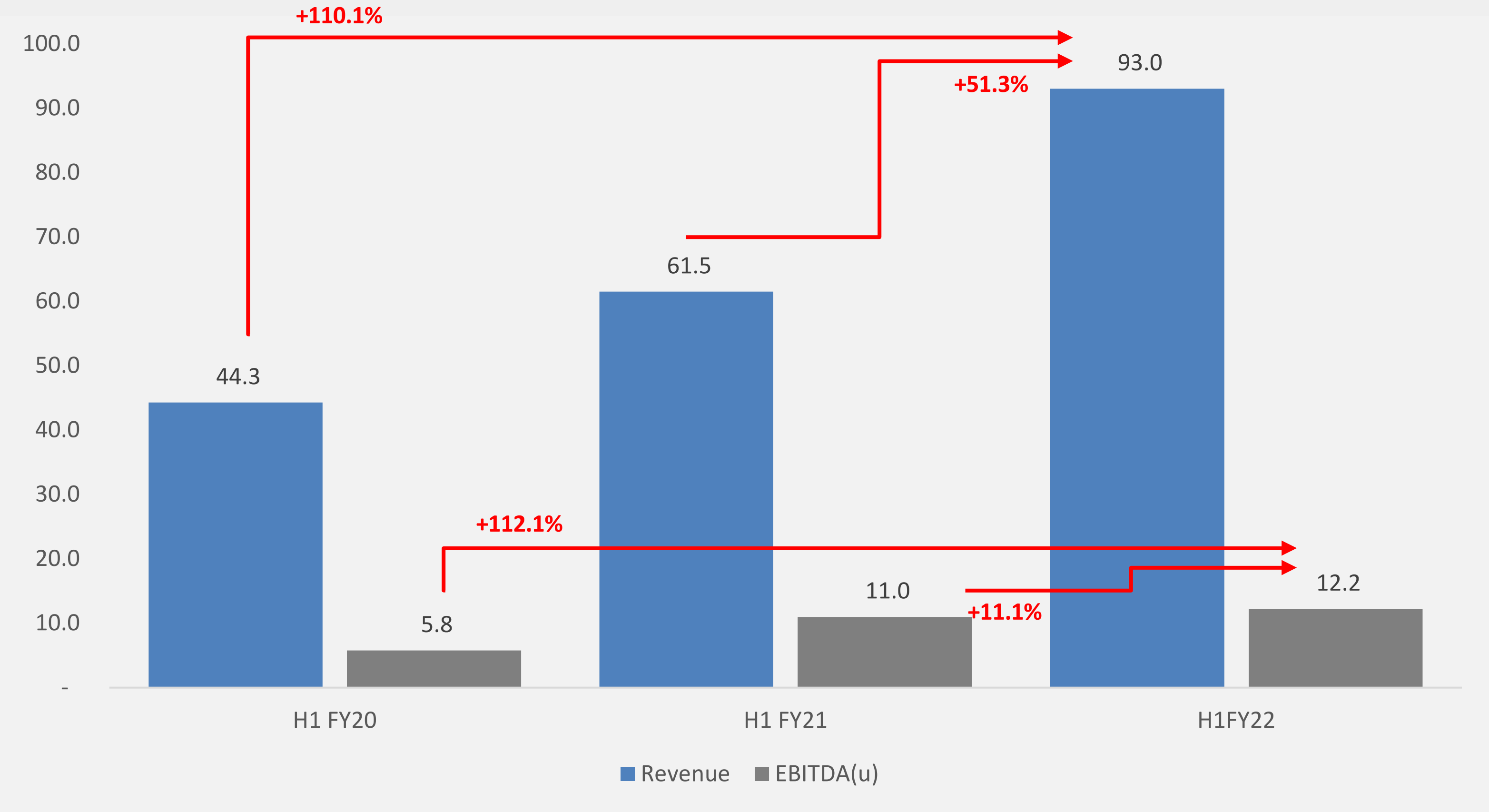
# SUMMARY INCOME STATEMENT

| $million | H122 | H121 | % Change |
|---|---|---|---|
| **Revenue** | **93.0** | **61.5** | **51.3%** |
| **EBITDA(u)** | **12.2** | **11.0** | **11.1%** |
| Depreciation (pre-AASB16) | (1.6) | (1.0) | 61.6% |
| **EBIT(u)** | **10.6** | **10.0** | **6.1%** |
| Finance costs (pre-AASB16) | (1.2) | (0.7) | 66.2% |
| **NPBTA(u)** | **9.4** | **9.3** | **1.4%** |
| Tax(u) | (2.8) | (2.8) | 2.5% |
| Non-controlling interest | (1.9) | (1.7) | 10.1% |
| **NPATA(u) - attributed to shareholders** | **4.6** | **4.7** | **(2.5%)** |
| ***Key stats*** | | | |
| *EBITDA Margin %* | 13.1% | 17.8% | (475 bps) |
| *NCI / Underlying NPATA* | 29.3% | 26.8% | 244 bps |
| *Basic EPS(u) (cents)* | 4.27 | 6.86 | (37.8%) |

- Strong revenue growth during the financial year attributable to the deployment of $102 million of capital on 80 new acquisitions during the period and the timing of acquisitions made in prior periods.
- Healthia was unable to fully utilise its fixed cost base which resulted in the EBITDA(u) margin decreasing to 13.12% (H121: 17.87%). The decrease in margin can be attributed to the impacts of COVID during H122. This included:
  - Lost revenue resulting from 6,869 clinic trading days impacted by Government imposed lockdowns and restrictions;
  - Lost revenue from the Omicron variant as a result of staff absenteeism, isolations and illness, and increased patient appointment cancellations;
  - A conscious decision to continue trading through the various COVID impacted periods to ensure the livelihood of Healthia's team members were not impacted and to ensure its community members and patients continued to receive essential health services.
- Group EBITDA(u) margin in Q2 FY22 was 16.0% or $8.6 million and in-line with expectations. Margins are expected to stabilise at this level when business conditions return to normal.
- Back In Motion (BIM) clinic acquisitions settled between 5 October 2021 and 23 December 2021. H122 period includes $11.3 million revenue and $2.4 million EBITDA(u) from BIM (excluding support costs).

*Note: the numbers above are unaudited and reflects the underlying results of the Group, pre-AASB16. For a reconciliation between underlying and statutory results, please see the Appendices of this presentation*

# HISTORICAL H1 PERFORMANCE




- Healthia has demonstrated consistent growth in revenue and EBITDA(u) over the last 3 years despite the challenges of COVID.
- Lower than expected revenues due to lockdowns and restrictions from COVID, while maintaining normal staffing levels during H122, with minimal benefits of any stimulus, resulted in lower EBITDA(u) margins Q1 FY22 (9.1%). EBITDA(u) margins improved in Q2 FY22 (16.0%) and are expected to stabilise at around this level when business conditions return to normal.

# CASH FLOW

| | H122 | H121 |
|---|---|---|
| **EBITDA(u) (pre-AASB16)** | **12.2** | **11.0** |
| Add: Property lease payments (AASB16) | 7.9 | 4.6 |
| **EBITDA (post-AASB16)** | **20.1** | **15.6** |
| **Operating cash flow before finance, acquisition and tax costs** | **20.1** | **14.3** |
| *Cash Conversion %* | 100% | 91% |
| | | |
| Financing costs | (2.6) | (1.6) |
| Acquisition and integration costs | (4.7) | (2.2) |
| Government grants (Covid-19) | 0.6 | 10.8 |
| Tax paid | (5.2) | (2.2) |
| **Operating cash flows** | **8.3** | **19.1** |
| Capex | (1.5) | (1.2) |
| **Cash generated pre-acquisitions, deferred payments** | **6.8** | **17.9** |

- Strong operating cash conversion of 100% for H122 (H121: 91%).
- Acquisition and integration costs represent related costs of approximately 4.6%[1] (H121: 3.7%).
- Low capital intensity with capex/revenue representing 1.6% (H121: 2.0%).

*(1) Calculated as acquisition and integration costs of $4.7 million divided by capital deployed of $102.2m*

# BANK FINANCE

- During H122, Healthia increased its total finance facility from $70.00 million to $100.00 million with its financiers, ANZ, NAB and BOQ.
- The increased facility size and tenor provides further capacity to continue the stated strategy of deploying at least $20.0m of new capital on acquisitions per annum.
- Leverage ratio of 1.89x provides headroom for growth (bank covenant of less than 2.50x)

| $70 million | $30 million | 2.75 years | 1.89x |
|---|---|---|---|
| Debt drawn at 31 December 2021 | Undrawn debt at 31 December 2021 | Remaining term | Leverage ratio |

# STRATEGIC GROWTH

# VISION AND GROUP OPERATING STRUCTURE

Healthia
Better Health. Better Lives.

Healthia's vision is to be Australia's leading diversified healthcare provider

## Bodies & Minds

- **Physiothera py Services**: ALLSPORTS, sportsmed nq, Coral Coast Physiotherapy & Allied Health Clinic, Physioactive partnering the Allsports Group, Entirely Health, Back in Motion Health Group
- **Hand Therap y**: extend Rehabilitation, hand therapy group
- **Occupation al Therapy**: O.C.C. Therapy
- **Other Allied Health Services 2**: Q Pilates Clinical - Reformer - Mat

## Feet & Ankles

- **Podiatr y Service s**: MyFootDr. Healthy feet. Better lives., The Foot & Ankle Clinic Podiatry and Footwear, Advanced Foot Care, Allsports Podiatry, Advanced Podiatry Clinics
- **Retail Footwea r**: MyFootDr. Healthy feet. Better lives., NaturalFit Footwear
- **Orthotics & Prosthetic s**
- **Orthotics Laborator y**: iOrthotics, iOrthotics USA 3D Printing for Orthotic Labs
- **Allied Health Wholesale Supplies**: DBS medical supplies

## Eyes and Ears

- **Optical Service s**: The Optical Co, kevin paisley Optometrists, Stacey & Stacey Optometrists, nib eyecare centre, opticalwarehouse
- **Audiolog y Services**: kevin paisley Optometrists
- **Optical Eyewea r Supplier**: AED Australian Eyewear Distributors Pty Ltd

# DELIVERING ON STRATEGY DESPITE CHALLENGES FROM COVID

## Acquisitive

- ✓ Growth continues via strategic acquisitions with 1 clinic growth since 31 December 2021.
- ✓ Continue to target the deployment of $20 million of capital per annum on acquisitions.
- ✓ Excluding the acquisition of Back In Motion, Healthia has announced the capital deployment of $19.0 million at an average EBITDA multiple of 4.65x FY22 year to date.
- ✓ Pipeline for acquisitions remains robust with Healthia holding less than 2.0% of the addressable industry revenue in its targeted allied health industries.

## Organic

- ✓ Healthia has developed several key systems, process and support to assist organic growth, including:
  - Patient focused model;
  - Clinical Advisory Committees;
  - Centralised support including benchmarking and coaching;
  - Centralised web-based practice software system;
  - Targeted marketing and patient retention strategies;
  - Cross referrals and patient engagement strategies.
- ✓ Healthia to continue to focus on co-location of its services and expansion of service offering in each of its clinics.

## Vertical

- ✓ Healthia operates a vertically integrated business model which is scalable and provides benefits and cost savings to the group.
- ✓ AED distributes a diverse range of premium, fashionable eyewear to Healthia stores only. Aim to move overall sales of AED products in optical stores (currently: 50%).
- ✓ iOrthotics currently produces foam rubber EVA and 3D printed orthotic devices, for Healthia podiatry clinics and external customers.
- ✓ DBS provides podiatry and foot care for podiatrists, hospitals, medical centres, nursing homes and allied health professionals in Australian & New Zealand.

## Education

- ✓ Established industry leading education programs, including:
  - Recent Graduate Program;
  - Clinic Leadership Program;
  - Business Leadership Program;
  - Practice Management Program;
  - Biennial conference.
- ✓ Programs intended to support clinicians, from new graduates to experienced staff members.

## Clinic Class Shares

- ✓ Key focus to retain and incentivise clinicians – have developed a Clinician Retention Program which allows clinicians to have an ownership interest in clinics.
- ✓ Under the Program, the clinicians are given the opportunity to acquire Clinic Class Shares in the clinic they work in.
- ✓ The Clinic Class Shares are designed to create alignment between the interests of clinicians and shareholders.

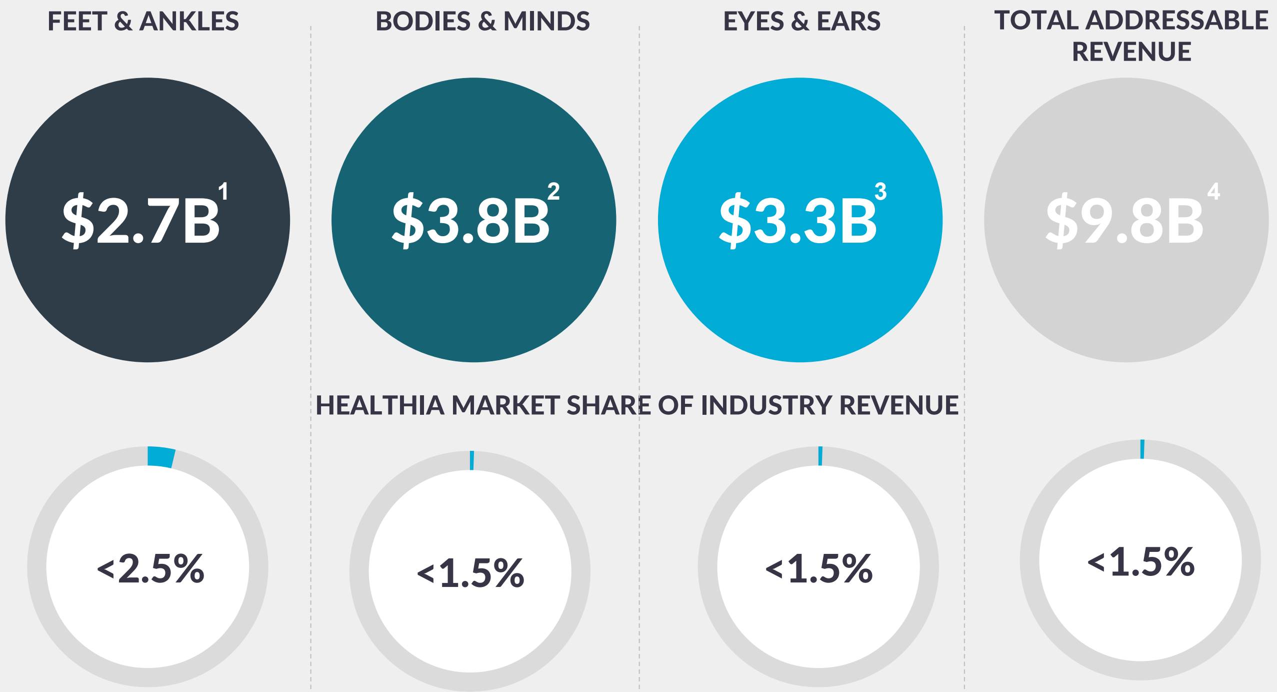
# ACQUISITION GROWTH

**Summary of acquisitions announced between 1 July 2021 and 28 February 2022**

| | Pro-forma Financials | | Consideration | Multiple |
|---|---|---|---|---|
| | Revenue | EBITDA(u) | Total Consideration | EBITDA Multiple |
| | $ million | $ million | $ million | Multiple |
| Back In Motion | $62.3 | $12.2 | $91.7 | 7.5x |
| Settled H122 | $13.4 | $2.35 | $10.5 | 4.5x |
| Settled or announced after H122 | $9.2 | $1.7 | $8.4 | 4.9x |
| Total | $84.9 | $16.3 | $110.6 | 6.8x |

- Healthia holds less than 1.5% of total addressable industry revenue in its targeted industries. Significant room for continued growth exists.
- Healthia expects to continue to deploy a minimum of $20.0 million of capital per annum on new acquisitions.
- Healthia has a range of funding sources which can be utilized to fund acquisitive growth, including headroom in Healthia's finance facility ($30 million at 31 December 2021), operating cash flow and Clinic Class Shares.

**Addressable industry revenue by operating segment**




*Notes: (1) Australian Podiatry Industry Revenue of $864m (Source: IBISWorld Industry Report Q8539 dated December 2016) + Insole United States Industry Revenue of $1.8bn (Source: Transparency Market Research, "Foot Orthotic Insoles Market - Global Industry Analysis, Size, Share, Growth, Trends, and Forecast, 2018–2026"). The author has not provided their consent for the statement to be included. (2) Australian Physiotherapy Industry Revenue of $2.5bn (Source: IBISWorld Industry Report Q8533 dated September 2020) + Other Allied Health Services in Australia Industry Revenue of $1.3bn (Source: IBISWorld AU Industry (ANZSIC) Report Q8533 dated September 2020). Information excludes the addressable industry revenue for physiotherapy in New Zealand as accurate information was not available. The author has not provided their consent for the statement to be included. (3) Australian Optometry Industry Revenue of $2.2bn which is equal to the industry revenue of $3.8bn less the market share held by Luxottica and Specsavers (Source: IBISWorld Industry Report Q8532 dated February 2020) + Audiology AUD Industry Revenue of $1.1bn (Source: IBISWorld Industry Report Q8539 dated December 2016). The author has not provided their consent for the statement to be included. (4) Total addressable revenue has only been included for industries where information was available or reliable. Addressable industries revenue excludes address industry revenue from Australian insole market, Australian allied health wholesale supplies, Australian optical eyewear supplies and Australian retail footwear.*

# TRADING UPDATE & OUTLOOK

# FY22 TRADING UPDATE AND OUTLOOK

- Healthia expects to deliver revenue and EBITDA(u) growth in FY22 over FY21 – while H222 is expected to be stronger than H221, some impacts have been felt during calendar year 2022 due to the Omicron outbreak. Trading conditions have been improving week-on-week and February 2022 month to date is trading approximately 4% below February 2021 on a Same Clinic Growth basis.
- Healthia will continue to manage and monitor the impacts from COVID outbreaks and provide a further update for full year FY22 when business conditions stabilise.
- Given the impacts from COVID, and the timing of settlements of the $110.6 million in acquisitions announced during FY22 year to date, Healthia wishes to provide clarity on its current annualised portfolio and expectations during normal trading conditions. Healthia expects to commence FY23 with an annualised portfolio of greater than $40.0 million[1] of EBITDA(u) (assuming no material impacts from COVID).
- Healthia's focused strategy continues to be:
    - Future acquisitive growth;
    - Executing on organic growth activities; and
    - Driving value from our vertically integrated business units.
- Training and induction for the 154 new graduate clinicians (FY21: 64 graduates) will continue, with all graduates expected to be at acceptable operating capacity levels by April 2022.
- With an addressable market in excess of $9.8 billion, Healthia is confident of deploying the stated acquisition target of $20.0 million per annum. During FY22, $10.53 million was deployed in H122 (excluding the acquisition of Back In Motion) and a further $8.43 million in binding agreements has since been announced.
- In addition to new acquisitions, there is a continued focus on integrating the 63 acquired Back In Motion clinics for the remainder of the financial year .

1. Referred to in this document as EBITDA(x)). Presented on pre-AASB16 basis and assuming no impacts from COVID.

# APPENDIX

# STATUTORY RESULTS

**Statutory Financial Performance**

| $million | H122 | H121 | % Change |
|---|---|---|---|
| **Revenue** | **91.7** | **60.8** | **50.8%** |
| Other income | 1.3 | 8.3 | (83.8%) |
| NPAT | 1.9 | 7.7 | (75.8%) |
| Non-controlling interest | 1.9 | 2.7 | (29.8%) |
| **NPAT - attributed to shareholders** | **(0.0)** | **4.9** | **(101.8%)** |

- Strong revenue growth during the period can be attributed to the deployment of $102 million of capital on 80 new acquisitions during the period and the timing of acquisitions made in prior periods ($63 million deployed during FY21).
- Other Income decreased by $7.0 million attributable to the $7.6 million of JobKeeper payments recognised in the prior period which ceased being received in September 2020.
- The Consolidated Entity's non-controlling interest in H122 of $1.9 million (H121: $2.7 million) represents a decrease over the prior period of 29.83%. The decrease in non-controlling interest can be attributed to:
    - Lower than expected revenue due to ongoing impacts from COVID related Government imposed restrictions and lockdowns as well as other unavoidable fixed costs incurred during H122, and
    - The one-off impact of JobKeeper payments in the prior period, the benefits of which were proportionally passed to the minority shareholders of the Consolidated Entity.
- Both periods have been affected by significant non-recurring income and costs. In particular, acquisition and integration costs of $4.7 million (H121: $2.2 million) were recorded.

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# RECONCILIATION TO STATUTORY

**Reconciliation of NPATA(u) to Statutory NPAT**

| $million | H122 | H121 | % Change |
|---|---|---|---|
| **NPATA(u) - attributed to shareholders** | **4.6** | **4.7** | (2.5%) |
| Less: acquisition & integration costs | (4.7) | (2.2) | 112.8% |
| Less: share-based payments expense | (0.8) | (0.3) | 198.7% |
| Add/Less: net COVID-19 related income/expense | (0.6) | 4.6 | - |
| Less: Amortisation | (0.8) | (0.4) | 100.6% |
| Less: Net impacts of AASB16 | (0.3) | (0.2) | 42.7% |
| Less: Bad debt expense | 0.0 | (0.1) | - |
| Add: Fair value movements in contingent liabilities | 1.6 | 0.0 | - |
| Add: Net tax impacts | 1.0 | (1.2) | - |
| **NPAT - attributed to shareholders** | **(0.0)** | **4.9** | **(101.8%)** |

- A reconciliation of NPATA(u) and Statutory NPAT is presented to the left.
- Further commentary on the reconciliation is located in Healthia's Half Year Report (at Table 3).
- Further commentary on the adjustments can also be found in the Review of Operations section contained within Healthia's Half Year Report.

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