

Vision Eye Institute Limited

Results for half-year ended 31 December 2014

24 February 2015

Our Business



- Vision Eye Institute Limited is Australia's largest provider of ophthalmic care, diagnosing and treating people with eye disorders and diseases.
- The Group currently provides services to 78 doctors, including 33 Doctor Partners, 21 Associates, and 24 visiting Surgeons offering a broad range of services including specialist eye care in the areas of corneal surgery, refractive surgery, cataract surgery, ocular plastics, glaucoma treatment and surgery, vitreo-retinal surgery and treatment for macular degeneration.

QLD

- 6 consulting clinics
- 3 day surgeries (6 operating theatres)
- 3 laser refractive suites

NSW

- 5 consulting clinics
- 2 day surgeries
- 3 laser refractive suites

VIC

- 6 consulting clinics
- 3 day surgeries
- 1 laser refractive suite

HY15 Financial Highlights

- Revenue consistent with HY14 at \$54.9 million
- EBITDA increased 2.6% to \$12.8 million*
- Profit after tax increased 8.5% to \$6.7 million*
- EPS of 3.9 cents per share
- Bank debt \$34.5 million reduced by \$4.0 million from June 2014
- Net debt at December 2014 \$13.0 million
- Net finance costs \$0.7 million (a \$0.3 million reduction on HY14)
- Capital raising in October 2014 raised \$9.8 million (net of costs)

* After excluding one off other income of \$1.9 million HY14 (\$1.4 million after tax)

HY15 Financial Overview

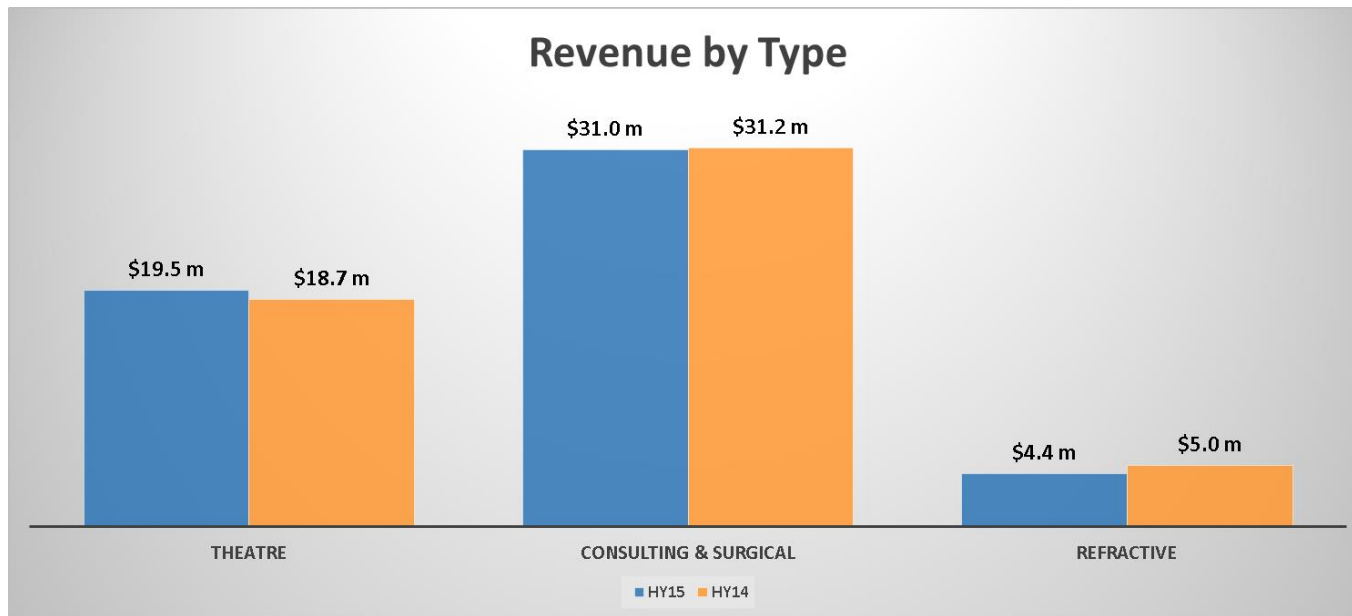
		HY15	HY14	% change
Revenue	\$m	54.9	54.9	(0.0%)
Gross profit	\$m	23.6	23.7	(0.4%)
Gross profit margin	%	43%	43%	
Indirect Costs	\$m	(10.8)	(11.2)	(3.8%)
EBITDA excluding other income ¹	\$m	12.8	12.5	2.6%
Reported EBITDA	\$m	12.8	14.4	(11.2%)
EBIT excluding other income ¹	\$m	10.3	9.9	4.3%
Reported EBIT	\$m	10.3	11.8	(12.7%)
Net finance costs	\$m	(0.7)	(1.0)	(30.8%)
Reported Profit before tax	\$m	9.6	10.8	(11.1%)
Reported Profit after tax	\$m	6.7	7.5	(11.1%)
Earnings per Share	cents	3.9	4.5	(14.2%)
ROCE ²	%	18.0%	18.5%	(2.5%)

1 Other Income FY14 \$1.9 m

2 Annualised EBIT adjusted for other income and goodwill impairment / (Total equity + net debt)

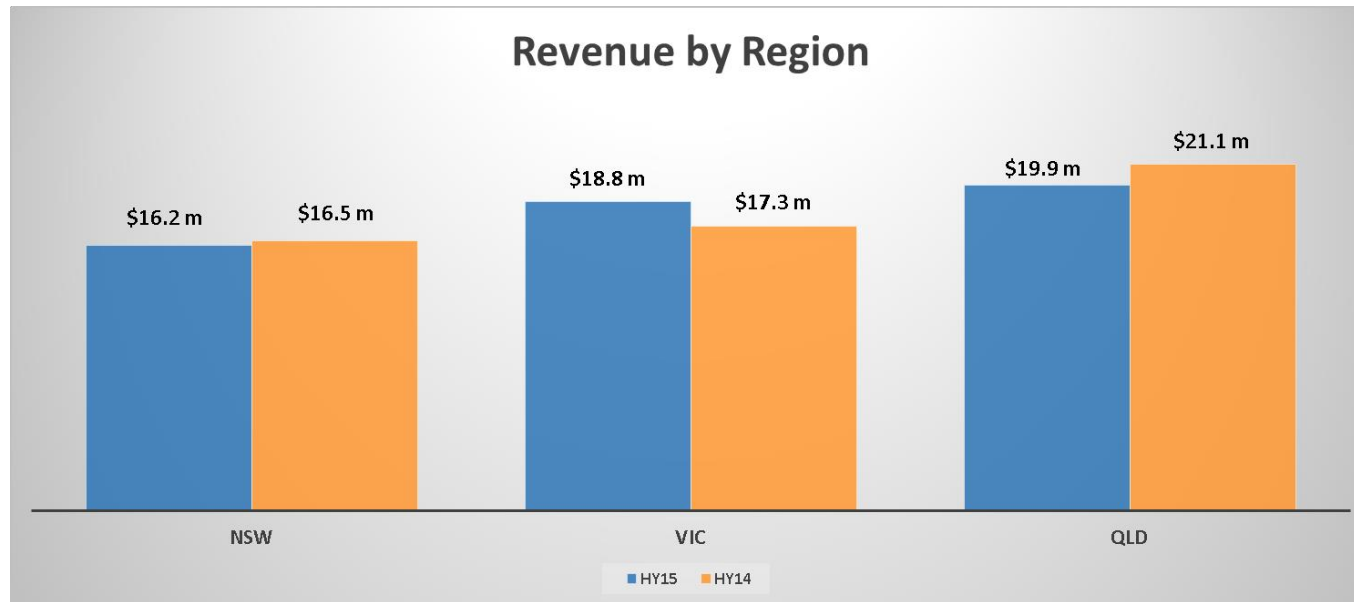
- Revenue flat with significant variations across the regions.
- Gross profit margin maintained at 43%
- EBITDA increased due to lower legal fees
- Excluding HY14 one off other income, EBIT increased \$0.4 million (4.3%)

Revenue Composition



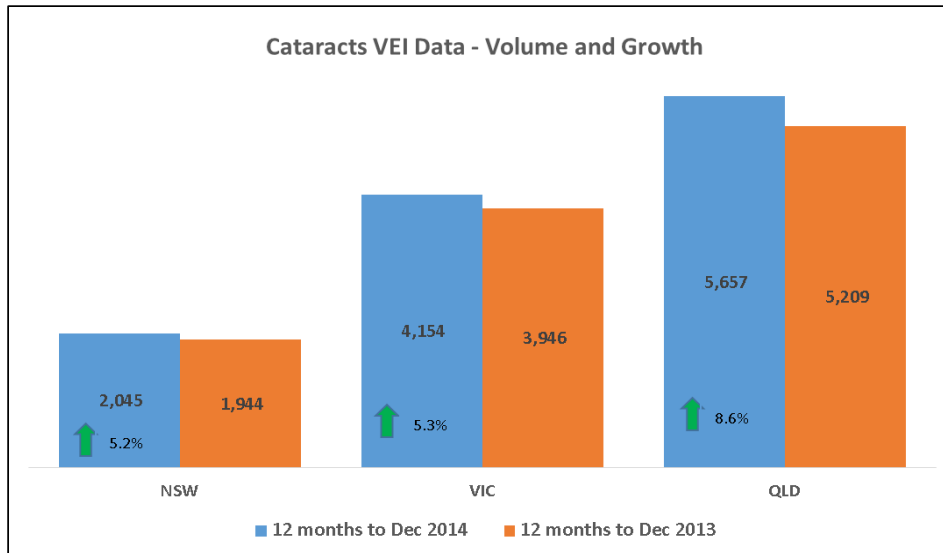
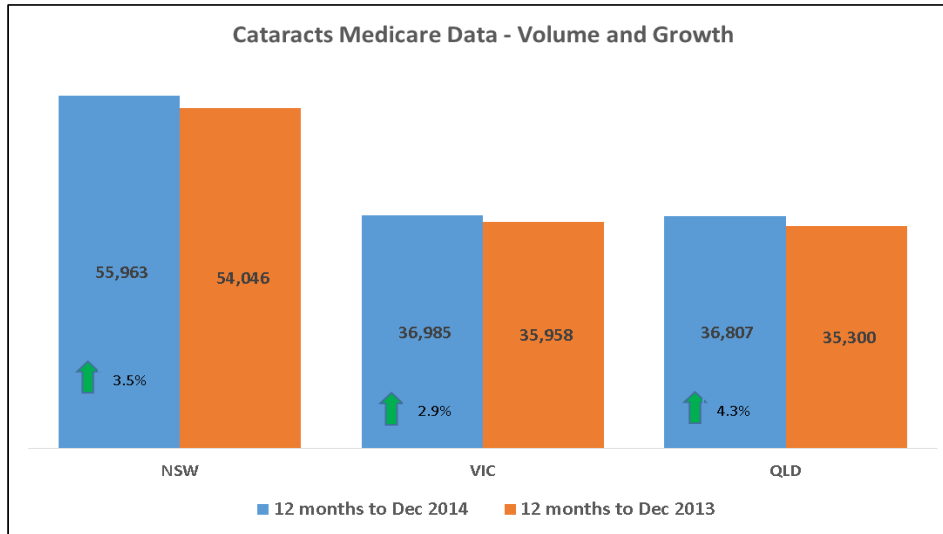
- Theatre revenue increase due to small volume growth across each of the regions.
- Consulting and surgical revenue was steady with variations across the regions.
- While refractive volumes were stable during FY14, there was a decline in volumes experienced at the Chatswood practice particularly in the September quarter, with feedback from referrers that level of interest in laser vision correction is generally lower than in previous years and that the market is extremely price sensitive.

Revenue Composition



- NSW revenue was impacted by a significant reduction in refractive volumes particularly in the September quarter. Cataract and IVI volumes increased slightly, and did not have an impact on revenue due to patient mix.
- Revenue for Victoria increased \$1.5 million due to new partner doctors and a significant increase in IVI volumes from greater doctor capacity.
- Queensland revenue decrease was due to 3 less partner doctors (these doctors continue to perform surgical procedures at our day surgeries). The impact of these doctor departures of \$1.9m was reduced by an increase in revenue from existing doctors.

Industry* v VEI Trends - Cataracts

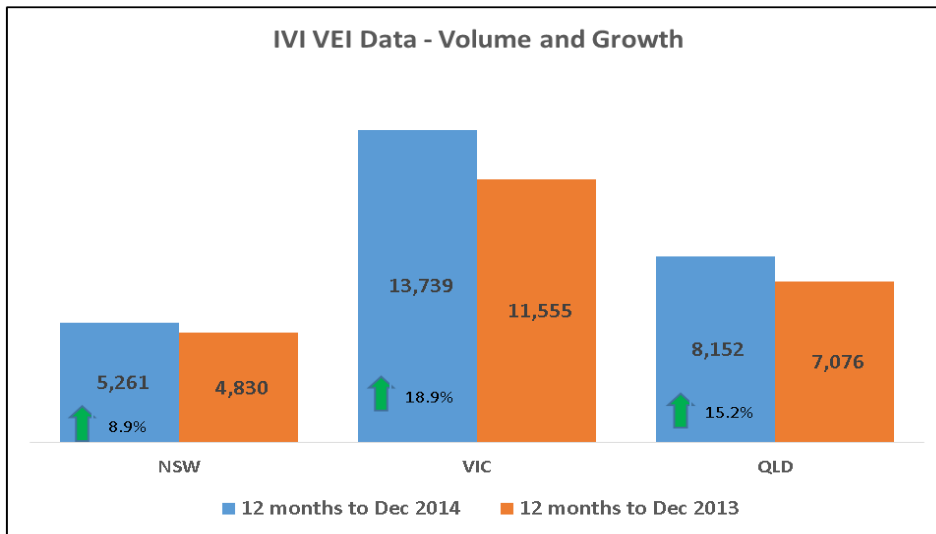
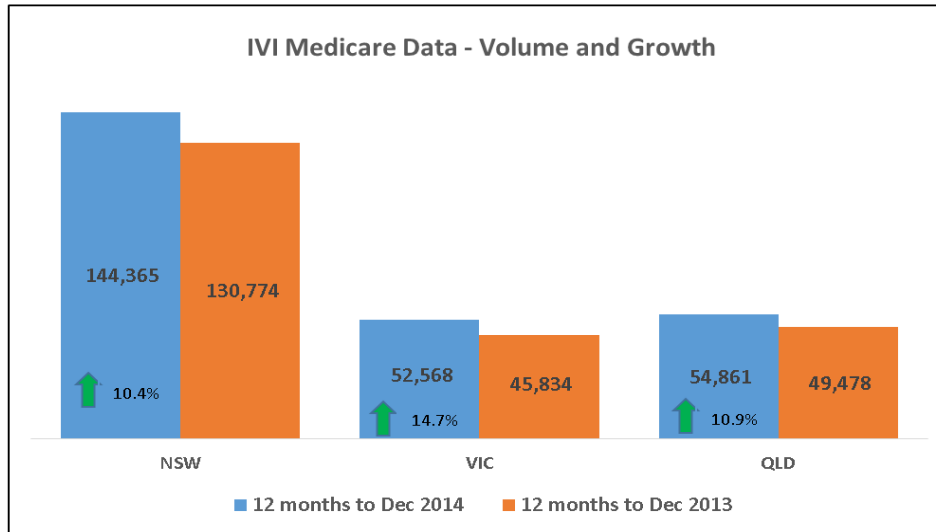


For the 12 months ending December 2014, compared to the corresponding period ending December 2013, the growth in VEI cataract procedures of 6.8% was above the 3.6% growth in the Medicare data

- The NSW increase in cataract volume is related to an increase in doctor availability at the Hurstville clinic and day surgery.
- The cataract volume growth in Victoria is driven by an increase in partner doctor numbers.
- The cataract growth in Queensland is due to an increase in volumes across partner doctors, associates and visiting surgeons. This growth was particularly strong in the six months to June 2014.

* Medicare data provided incorporates privately billed item number 42702, and does not capture procedures performed in public hospitals.

Industry* v VEI Trends – IVIs**



VEI IVI volume growth of 15.7% continued to be well above Medicare growth in the same footprint of 11.4%, due to VEI volumes in Victoria and Queensland.

- IVI volume growth in NSW did not match Medicare growth due to limitations on retinal doctor capacity.
- The volume increases in Victoria are driven by expansion of retinal services at both the Eastern and Footscray clinics, and increases in doctor capacity.
- Volume growth for Queensland is also due to increases in doctor capacity.

* Medicare data provided incorporates *privately billed item* numbers 42738, 42739 & 42740, and does not capture procedures performed in public hospitals.

** *Intra-vitreous injections*

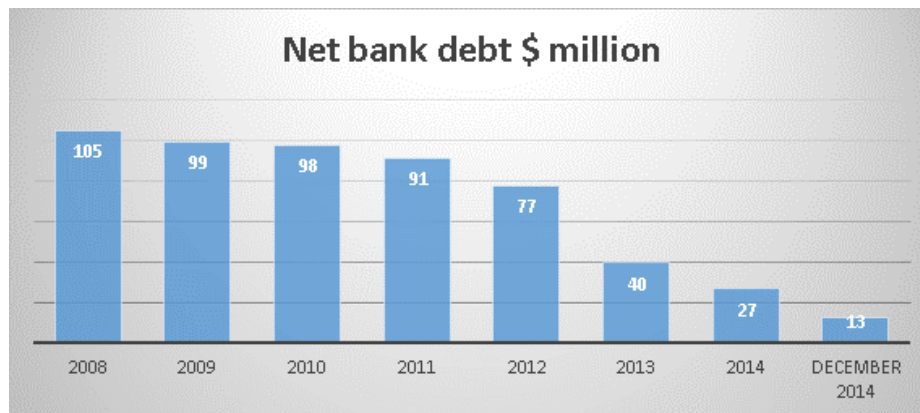
Capital Management

		Dec-14	Dec-13	% change
Gross bank debt	\$m	34.5	38.5	(10%)
Net bank debt ¹	\$m	13.0	27.0	(52%)
Total equity	\$m	94.1	79.7	18%
		HY15	HY14	% change
Net interest expense	\$m	(0.7)	(1.0)	(31%)
Interest cover ²	x	14.7	9.9	48%
Net bank debt to equity	%	14%	34%	(59%)
Net bank debt to EBITDA ³	x	0.5	1.1	(51%)

1 Includes cash and excludes establishment fees

2 HY EBIT adjusted for other income (HY14) / net interest expense

3 Net bank debt / HY EBITDA (adjusted for other income FY14)



- Bank debt has reduced by \$4.0 million since June 14
- Interest expense significantly down due to debt reduction and lower interest rates
- Gross Bank Debt currently \$34.5 million (Net Bank Debt \$13.0 million after \$9.8 million capital raising)

Growth Strategies

PANCH Day Surgery Centre in Victoria

Building works have commenced on the construction of the new PANCH Day Surgery Centre. Located in Preston, this new two theatre facility will serve the needs of doctors and patients in the northern suburbs of Melbourne. VEI is confident that the facility will open in August 2015.

Ophthalmic Growth

In addition to the PANCH Day Surgery Centre, VEI is continuing to look at opportunities to expand its footprint of Ophthalmic day surgeries with co-located or closely located clinics.

Medical Centres

VEI continues to consider a number of prospective medical centres where there is a geographic and operational fit to current facility management services, and current and future day surgery locations.

Dandenong Medical Precinct/Private Hospital Opportunity

The potential development in Dandenong as part of the “Places Victoria’s Revitalising Central Dandenong” initiative continues to be reviewed. VEI is working with Lend Lease Corporation Ltd and Australian Hospital Solutions Pty Ltd and the feasibility and commitment to this project is expected to be determined towards the end of 2015.

These opportunities that are being explored and evaluated are not expected to significantly impact the FY15 results.

Other Developments

Gold Coast Facilities

VEI continues to discuss ongoing arrangements with several of its Gold Coast doctors. The outcome of these discussions, together with the loss of the Southport Day Surgery business effective 1 January 2016, will likely have a significant adverse impact upon FY16 earnings. VEI will update the market when it is in a position to reliably quantify the impact on the FY16 year and beyond.

Kitchen Litigation

In October 2014, judgement was made in favour of VEI in relation to its breach of contract claim, with Dr Kitchen's counterclaim dismissed. Submissions on the amount of damages payable to VEI have been made and assessment is still to be made by the Supreme Court of Queensland. A decision is expected by June 2015.

Guidance

Market earnings guidance for the 2015 financial year has been revised upwards from \$23.5 to \$25 million to \$25 to \$26 million at the EBITDA level.

Net interest expense is expected to be \$1.3 - \$1.4 million

Dividends

The Company paid a dividend for the year ending 30 June 2014 of 1.25 cents per ordinary share (fully franked) on 30 September 2014.

The Company has not declared a dividend for the half-year ending 31 December 2014 (2013: nil).

The Board expect to at least maintain the fully franked dividend of 1.25 cents per ordinary share for the year end 30 June 2015.

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