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MESSAGE TO SHAREHOLDERS

TAKE NO ACTION ON PULSE'S INADEQUATE AND OPPORTUNISTIC OFFER

As Vision Eye Institute Limited's (**Vision**) shareholders you will have seen the news that Pulse Health Limited (**Pulse**) made an unsolicited and highly conditional, hostile takeover offer on July 6 to acquire all of your shares in Vision in exchange for shares in Pulse.

A more detailed analysis of the Offer by the Directors of Vision and a formal recommendation will be set out in the Target's Statement which will be sent to all shareholders shortly after Pulse's Bidder Statement is received.

As Pulse is offering its shares in exchange for your Vision shares you should be concerned about Pulse's financial position and prospects.

The Offer does not comprise any cash component, which indicates Pulse's inability to fund a cash bid and its high gearing ratio following recent acquisitions.

In contrast, Vision has an advanced growth strategy and has low gearing with net debt of less than \$10 million.

Vision's Directors advise shareholders to **TAKE NO ACTION** and make the following further observations in relation to Pulse and its Offer:

- **The Offer values Vision shares at a low multiple**

The Offer materially undervalues Vision and its future prospects. Vision refers to its previous earnings guidance of \$25 to \$26 million EBITDA for the year ended 30 June 2015 (FY15). As such, the Offer values Vision shares at a multiple of approximately 7 times FY15 EV/EBITDA.

Vision notes that, as per slide 18 of Pulse's own investor presentation, this is lower than any other similar ASX-listed healthcare company, excluding any premium for control.

- **The Offer does not give sufficient detail regarding Pulse's financial performance and position**

Pulse has utilised a pro-forma underlying EBITDA figure of \$10.2 million for FY15 throughout its Bidder's Statement, equating to a forecast multiple of earnings of approximately 11 times.

Pulse's ASX announcement on 30 June 2015 reveals a number of adjustments have been made to their forecast EBITDA for FY15 of \$5.65 million increasing this figure to a pro-forma underlying EBITDA figure of \$10.7 million. This has been further adjusted in the Bidder's Statement to \$10.2 million. This adjusted figure of \$10.2 million is essentially what Pulse is forecasting for FY16 EBITDA.

In reality Pulse's forecast EV/EBITDA for FY15 (based on \$5.7 million) is approximately 20 times EV/EBITDA.

Vision Directors' strong view is that further transparency is required on the part of Pulse to give Vision shareholders the opportunity to properly assess the merits of the Offer.

- **Vision is implementing its growth strategy**

The Directors anticipate that 2016 will be a growth year for Vision and its shareholders. Vision's primary strategic intention is to continue to increase its exposure to day surgeries.

- **The Offer is opportunistic**

The implied price of the Offer has been opportunistically timed to coincide with rises in Pulse's share price of around 40 per cent since December 2014, and utilises a five day volume weighted average price (VWAP) which is 7 per cent and 15 per cent greater than Pulse's 30 day and 6 month VWAP respectively. Shareholders should note that due to the low volume of shares traded, the Pulse share price is sensitive to small volumes of trade.

This lack of liquidity in Pulse shares undermines confidence in the sustainability of its share price valuation. As such, shareholders choosing to accept Pulse's Offer may be unable to realise their investment at these premiums and at the time of their choosing.

- **The Offer is highly conditional**

The Offer is subject to a raft of conditions, many of which are outside standard market practice. There is a risk that the Offer conditions will not be satisfied, further detracting from the value of the Offer.

In contrast Vision is in a strong financial position, has low gearing and significant growth prospects compared to the Offer from Pulse which is uncertain, speculative and highly conditional.

The Vision Board will keep its shareholders, employees and partner doctors informed of all material developments in relation to the Pulse Offer.

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