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ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

ASX Announcement

Pulse Health Limited – Investor Update

Pulse Health Limited (ASX Code: PHG) provides an update on FY16 earnings guidance, Gold Coast Surgical Hospital ramp-up and acquisition completion timing.

FY16 Earnings Guidance

Pulse Health expects FY16 underlying EBITDA¹ of between \$8.0 - 9.2 million from existing assets, down from \$10.2 million². The revised guidance excludes any FY16 contributions from recently announced acquisitions³, which are expected to deliver an incremental FY17 EBITDA of \$6.4 million⁴.

The reduction in earnings is primarily attributable to a recent downturn in activity in our three rehabilitation hospitals. The lower end of guidance acknowledges that strategies to improve activity may not be sufficiently advanced to impact this financial year..

We remain confident in the demand outlook for rehabilitation care and our ability to improve utilisation in each of our hospitals over the short to medium term, despite evidence of increased competitive pressures especially in rehabilitation. Utilisation is expected to be supported by the addition of non-rehabilitation services where appropriate.

We note also that Pulse Health's growth strategy of acquisition and development of specialist surgical and mental health hospitals has improved revenue diversification by service and by site. Following the completion of recently announced acquisitions⁵, Pulse Health expects rehabilitation revenue to comprise less than 30% of group revenue in FY17, down from 57% in FY15.

Gold Coast Surgical Hospital Ramp-up

Pulse Health commissioned the Gold Coast Surgical Hospital on 1 September 2015. The hospital was commissioned with five out of a total six theatres and all 24 beds opened, instead of the planned gradual commissioning of theatres and ward beds. The decision to commission the enlarged capacity was made to attract and service the needs of surgeons keen to refer a wider range surgical specialities and patients to the hospital. As a consequence of increasing fixed costs earlier, total ramp-up losses (EBITDA level) are expected to be \$6.0 million for FY16 (IFRS accounting basis).

We remain encouraged by the positive feedback and enthusiasm from all surgeons involved in the hospital, and strong ongoing interest from many more surgeons seeking

¹ Excludes ramp-up costs associated with the Gold Coast Surgical Hospital, one-off costs associated with execution of our acquisition pipeline and contributions from assets acquired in FY16

² As announced to the ASX on 25 February 2016

³ As announced to the ASX on 7 December 2015

⁴ Pro-forma basis assuming all acquisition complete by 1 July 2016, as announced to the ASX on 7 December 2015

⁵ As announced to the ASX on 7 December 2015



accreditation at the hospital, although the on-boarding of new surgeons and surgeon utilisation of their operating sessions is taking a longer than expected , thereby, delaying the time to break-even and profit. Break-even is now forecast to be achieved up to six months later than anticipated, by the start of 2HFY17.

Hospital profitability will be supported by three new high volume specialties which have been added in the past few weeks as well as continued growth across all other specialties. Further, the recent addition of a high dependency unit and additional business development and marketing activity are expected to support profitability. Activity is forecast to grow by an average of 15% per month over the next 12 months.

Acquisition Completion

In December 2015 Pulse Health announced the acquisition of six Australian facilities and one New Zealand hospital. As previously communicated, four of the Australian acquisitions have been completed⁶. The remaining three acquisitions are expected to complete progressively over the next two to three months due to an elongation of regulatory approval processes. The FY16 EBITDA contribution from completed acquisitions will be \$0.7 million.

Outlook

Pulse Health will provide a further update with its full year results in August 2016.

Phillipa Blakey

Chief Executive Officer & Managing Director

For more information contact:

Phillipa Blakey
Managing Director & CEO
Pulse Health Limited
Tel: +61 2 8262 6300

Mark Hays
Chief Financial Officer
Pulse Health Limited
Tel: +61 2 8262 6300

For more information on **Pulse Health** please visit www.pulsehealth.net.au

⁶ As announced to the ASX on 15 January and 26 February 2016