



pulsehealth

FY16 Investor Presentation

August 2016

Presented by
Phillipa Blakey, MD & CEO
Mark Hays, CFO



Pulse Overview

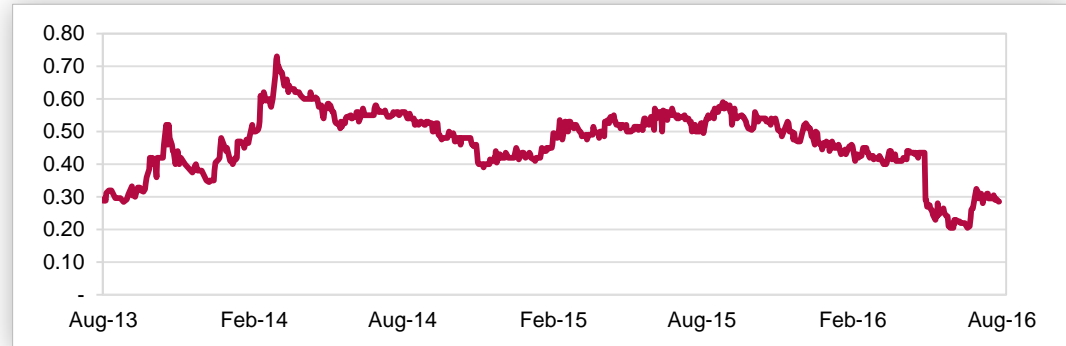
*- An emerging
healthcare
growth
company*

- Niche operator of **specialist private hospitals** and **day surgeries**
 - Specialist surgical hospitals
 - Mental health hospitals
 - Rehabilitation hospitals
- Operating in NSW, QLD, VIC and NZ
- Eight **hospitals** and five **day surgeries**
- Completed the acquisition of four **day surgeries** in 2H16 and one **specialist surgical hospital** in 1H17
- **Gold Coast Surgical Hospital** greenfield ramp-up continuing
 - Strong medium and long term growth asset



Pulse Corporate Overview

Share Price - 3yr



Snapshot at 23 August 2016

ASX:PHG	
Sector	Health Care
Listed	Nov 2003
Dividend yield	1.7%
Dividend franking	100%
52 week high	\$0.590
52 week low	\$0.205

Enterprise Value at 30 June 2016

EV Breakdown	Current
Share Price \$	0.285
Shares on Issue (m)	257.1
Mkt Cap (\$m)	73.3
Net Debt (\$m) ⁽¹⁾	(13.8)
EV \$m	59.5

Share Register at 26 July 2016

Ownership	
Viburnum Funds	19.29%
Sante Capital Investments	10.91%
Perennial Value Management	10.51%
Colonial First State	8.86%
Other	50.43%
Total	100.00%

1. Before Boulcott Hospital settlement on 1 July 2016



FY16 Achievements

- Acquisition of **Healthwoods Day Surgery**, Sydney – specialist endoscopy centre in January 2016
- Acquisition of **three day surgeries** in Melbourne – specialist endoscopy centres in February 2016
- Acquisition of **Boulcott Hospital**, Wellington in July 2016
- Completed fully underwritten **\$44m equity raise**
- Commissioned greenfield **Gold Coast Surgical Hospital** on 31 August 2015
 - Ramp-up continuing
 - Progress accelerating month on month
 - Exploring partnerships with doctors, additional revenue from contracted sources and business development/marketing initiatives



FY16 Highlights

- Group **revenue up** 29% to \$72.4m
 - Established hospitals revenue increased by 23% to \$68.9m
 - Greenfield hospital revenue contribution \$3.2m
- Underlying **EBITDA⁽¹⁾ growth of 37%**, to \$9.1m
 - Established hospitals EBITDA increased by 33% to \$12.1m
- **NPAT (before significant items⁽¹⁾) up 14%** to \$4.6m

1. Underlying EBITDA and NPAT (before significant items) excludes ramp up costs associated with the Gold Coast Surgical Hospital and one-off items and acquisition costs – Refer appendix 1

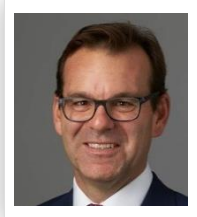


Board & Executive



Stuart James (Chairman)

Chairman of Greencross Ltd. Former non-executive directorships include Prime Financial Group Limited and Affinity Education Group Ltd.



Craig Coleman (Non Executive Director)

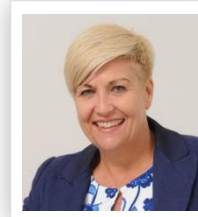
Executive Chairman Viburnum Funds Pty Ltd. Public company directorships: Bell Financial Ltd, Keybridge Capital Ltd, Universal Biosensors Inc. and Chairman of Rubik Financial Ltd.



David Manning (Non Executive Director)

35 years of healthcare management experience and co-founded Practice Development Associates that grew to become AmSurg, a NASDAQ listed US\$3.4b company

Executive Vice President and Chief Development Officer at AmSurg until December 2014.



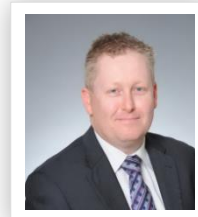
Phillipa Blakey (Managing Director & CEO)

Experienced healthcare executive with COO roles in NSW Health (10 hospitals across North Sydney and Central Coast) and the Amity Group. Previous CEO of Think Education, the higher education provider then owned by the Seek Group.



Mark Hays (CFO)

Chartered Accountant with CFO/Investment Director roles across a breadth of industries. Professional career started at Ernst & Young.



Matthew Mackay (COO)

Senior management positions in public and private hospitals over the past 17 years. Previously General Manager of Surgery Centres of Australia.

Captain in the Australian Army, with multiple operational deployments in command positions to both Afghanistan and Timor.



Rodney Green (Head of Day Surgery)

25 years in executive roles in the private health system. Previous roles include CEO of Healthscope's Allamanda Hospital of Gold Coast, and Commercial Manager for Healthe Care.



FY16 Financial Performance

Profit & Loss (underlying)

(\$'000)	FY16PF ²	FY16 ¹	FY15	
Revenue	72,384	72,384	56,268	▲
Growth	28.6%	28.6%	9.0%	
EBITDA-R	12,277	12,277	11,403	
Growth	41.9%	41.9%	31.8%	
EBITDA (underlying)	9,075	9,075	6,608	▲
Margin	12.5%	12.5%	11.7%	
Full year impact of acquisitions	1,169			
EBITDA (pro forma)	10,244			
Depreciation/Amortisation		(2,268)	(1,000)	
EBIT		6,807	5,608	
Finance Costs		(1,136)	(12)	
Profit before tax (underlying)		5,671	5,596	▲
Tax		(1,026)	(1,504)	
NPAT (underlying)		4,645	4,092	▲

1. Underlying EBITDA and NPAT (underlying) excludes ramp up costs associated with the Gold Coast Surgical Hospital and one-off items and acquisition costs— Refer appendix 1
2. Pro forma EBITDA excludes ramp up costs associated with the Gold Coast Surgical Hospital and one-off items, acquisition costs and adjusted for full year impact of acquisitions in FY16



FY16 Financial Performance

Cash flow

(\$'000)	FY16	FY15	
Operating Cash flow	(4,556)	3,469	
<u>Investing cash flows:</u>			
Acquisitions & deferred consideration	(20,787)	(27,325)	
Capex – greenfield development	(10,790)	(1,452)	
Capex - stay in business	(1,176)	(960)	
Capex – proceeds sale of freehold	6,830	-	
Interest received	238	130	
Total investing cash flow:	(25,685)	(29,607)	
<u>Financing cash flow:</u>			
Equity (net of costs)	41,212	170	
Dividends paid	(1,278)	(1,318)	
Debt (net)	3,464	23,770	
Total financing cash flow	43,398	22,622	▲
Change in cash & cash equivalents	13,157	(3,516)	
Opening cash balance	3,491	7,007	
Closing cash balance	16,648	3,491	▲



FY16 Financial Performance

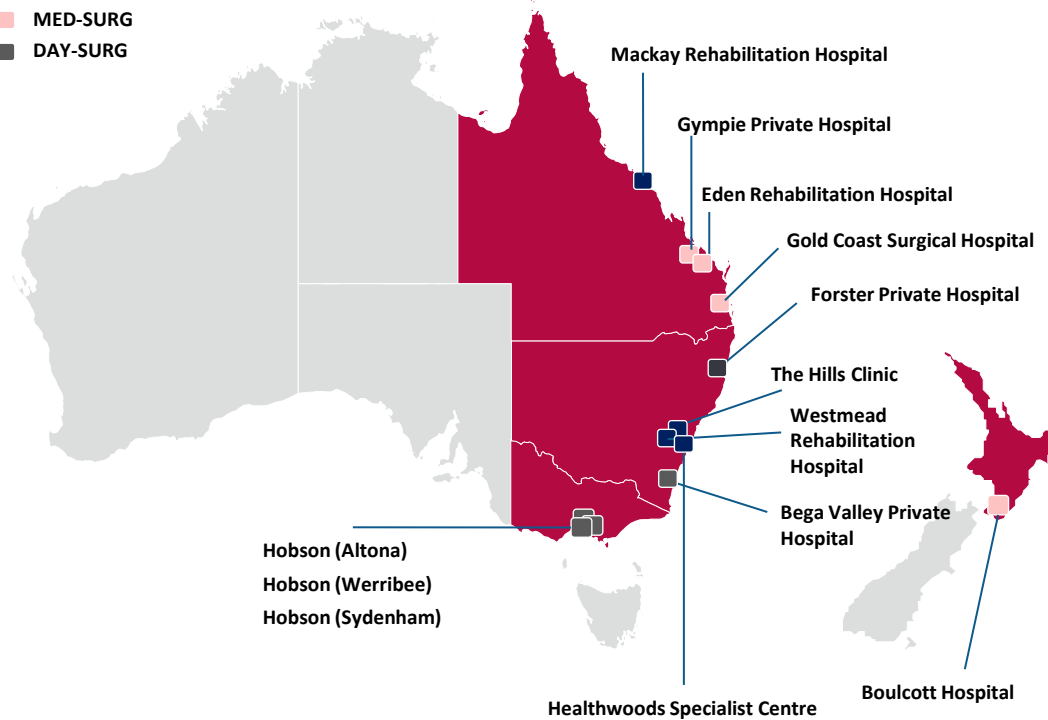
Balance Sheet

(\$'000)	FY16	FY15	
Cash ⁽¹⁾	16,648	3,491	▲
Other current assets	14,654	18,599	
PP&E	23,560	10,824	
Intangibles	81,928	61,037	
Deferred tax assets	3,716	2,148	
Total Assets	140,505	96,099	▲
Borrowings	30,196	24,111	
Payables, provisions and other	20,259	18,540	
Total Liabilities	50,455	42,651	
Net Assets / Total Equity	90,051	53,448	
NTA	8,122	(7,589)	
NTA per share (cents)	3.2	(4.6)	▲



Pulse Facilities

- REHAB-PSYCH
- MED-SURG
- DAY-SURG



Facility	Location	Theatres	Beds
Rehabilitation and Mental Health			
Westmead Rehabilitation Hospital	NSW	-	65
The Hills Clinic	NSW	-	59
Eden Rehabilitation Hospital	QLD	-	48
Mackay Rehabilitation Hospital	QLD	-	34
Medical Surgical			
Forster Private Hospital	NSW	2	69
Gympie Private Hospital	QLD	2	40
Boulcott Hospital	New Zealand	4	29
Gold Coast Surgical Hospital	QLD	6	24
Day Surgery			
Bega Valley Private Hospital	NSW	1	-
Healthwoods Day Surgery	NSW	2	-
Hobson Healthcare (Altona)	VIC	1	-
Hobson Healthcare (Sydenham)	VIC	2	-
Hobson Healthcare (Werribee)	VIC	2	-
Total		22	368



Rehabilitation and Mental Health

Westmead Rehabilitation Hospital

Specialist rehabilitation, 65 beds

Softened demand and increased competition in 2H16.
Expect uplift in FY17 through new revenue streams.
Attractive location 3km west of Parramatta.



The Hills Clinic

Mental Health, 59 beds

High utilisation with some room for further revenue growth
Brownfield expansion plans are being progressed
Attractive location in a growth area (North-West Sydney).



Eden Rehabilitation Hospital (Cooroy/Noosa)

Specialist rehabilitation, 48 beds

Increased competition and some softening in demand causing greater volatility.
Expect uplift in FY17 through new revenue streams.



Mackay Rehabilitation Hospital

Specialist rehabilitation, 34 beds

Only specialist rehabilitation hospital in greater region.
Continues to ramp up, now achieving reasonable margin, with further profit uplift forecast in FY17.





Medical Surgical

Forster Private Hospital

Acute surgical, medical and rehabilitation, 69 beds, 2 theatres

Only hospital in the Great Lakes local government area.

Good revenue and margin growth, expected to continue in FY17 through additional surgeon and rehabilitation physician recruitment.



Gympie Private Hospital

Acute surgical and medical, 40 beds (12 configured as day surgeries), 2 theatres

Surgical based hospital. Operates at low bed utilisation.

Suffered from discontinuation of eye surgery contract, but good surgical growth.



Boulcott Surgical Hospital (acquired 1 July 2016)

Specialist surgical, 29 beds, 4 theatres, 9 bed day-suite

Only private hospital in Hutt Valley, co-located with the 300-bed public Hutt Hospital. Performance in line with business case.

Expect revenue and margin growth in FY17, through increased theatre utilisation and synergies



Gold Coast Surgical Hospital

Specialist Surgical,

6 theatres, 24 inpatient ward, 16 chair day surgery unit

Opened on 31 August 2015

Advanced technology theatres

Ramp-up continues. Losses reducing month on month throughout FY17.





Day Surgeries

Bega Valley Private Hospital

Day surgery centre

Single theatre

Only private surgical facility in region. Small contribution in FY16, expect minimal contribution in FY17 due to surgeon turn-over.



Healthwoods Specialists Centre

Day surgery centre

2 theatres

Specialised endoscopy centre in rapidly growing Western suburbs of Sydney. Performing well and expected to lift revenue and margin in FY17.



Altona Endoscopy Centre (Hobson Healthcare)

1 theatre

Specialises in endoscopy procedures.

Performing to business case.

Expect revenue and margin growth in FY17.



Sydenham Day Surgery (Hobson Healthcare)

Day surgery centre

2 theatres

Specialises in endoscopy procedures

Second theatre ramping up. Expect robust contribution by 2H17.



Werribee Endoscopy Centre (Hobson Healthcare)

Day surgery centre

2 theatres

Specialises in endoscopy procedures

Performing to business case. Second theatre yet to be commissioned





Pulse

Gold Coast Surgical Hospital

- Commissioned 31 August 2015
- Total investment to date \$16m for building fit-out and equipment, and ramp up costs
- Anticipate total expenditure to grow to between \$17.5m and \$19.5m, as the hospital turns to profit in FY18
- The hospital has been enthusiastically received by local surgeons
- Earnings profile as the hospital matures expected to be similar to Boulcott Hospital



Operating Environment

- Long term growth supported by continued **attractiveness of industry fundamentals**
- **Escalated ageing of population** with **growing chronic** and **degenerative disease burden** and **medical technology developments** making more procedures and interventions possible and desirable
 - Demand growth
 - Increased pressure on public hospitals
 - Government policies continue to incentivise private health insurance coverage



Pulse Outlook

- Underlying EBITDA from established hospitals will be in the range of \$13.5m to \$15.5m supported by
 - **Boulcott Hospital** earnings
 - Ongoing integration of the **day surgeries**
- **Additional revenue generating and efficiency initiatives** currently in execution targeted to deliver on the upside of the above guidance
- Ramp-up losses associated with the Gold Coast Surgical Hospital expected to be in the range of \$1.0m to \$3.0m, before greenfield development turns to profit in FY18.

1. Underlying EBITDA excludes one-off costs of execution of our acquisition pipeline



Appendix 1 – Reconciliation of Net Profit/(loss) after tax to Underlying EBITDA and Net profit after tax before significant items

(\$'000)	FY16	FY15
Net profit after tax from continuing operations as reported	(3,865)	2,547
Income tax (benefit)/expense	(1,045)	1,618
Depreciation and amortisation	2,268	1,000
Finance costs (net)	1,136	12
Rent expense	9,276	4,795
Acquisition activity expenses and associated costs (note 1)	5,148	1,681
Greenfield EBITDA-R loss (note 2)	3,819	-
Profit on sale of hospital free hold	-	(1,297)
Deferred consideration adjustment	(1,038)	-
Loss on discontinued business	-	1,047
Provision for impairment of receivable	399	-
EBITDA-R	16,097	11,403
Rent paid (note 3)	(7,022)	(4,795)
EBITDA	9,075	6,608
Depreciation and amortisation (note 3)	(1,318)	(1,000)
EBIT	7,757	5,608
Finance costs (net)	(1,136)	(12)
Profit before tax	6,621	5,596
Income tax expense (note 3)	(1,976)	(1,504)
Net profit after tax from continuing operations before significant items	4,645	4,092

For the financial year ended 30 June 2016 the following significant and non-recurring transactions occurred:

- During the year the Group incurred acquisition, development and integration costs of \$5.1m. Of this amount, \$2.8m related to the acquisition of Zenitas Holdings Pty Ltd (4 day surgeries) and Boulcott Hospital and \$1.1m related to the unsuccessful acquisition of Vision Eye Limited.
- The fair value of contingent consideration payable to the vendors of the The Hills Clinic Pty Ltd was adjusted down by \$1.0m.
- The provision for impaired receivable relates to surgical services performed in 2015 under a subcontract arrangement with a company that subsequently experienced financial difficulty. A repayment plan is in place for the full outstanding amount and interest.
- The Company commissioned the Gold Coast Surgical Hospital on 31 August 2015. The greenfield EBITDA-R disclosed above includes expenses incurred prior to opening, and ramp-up cost as the business moves to profitability.



Pulse

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