

ASX ANNOUNCEMENT

29 October 2020

SETTLEMENT OF 4 CLINICS AND NEW ACQUISITIONS

Settlement of 4 clinics

Healthia Limited (ASX: HLA) (Healthia or the Company) announced on 26 August 2020 that it had entered into agreements to acquire one podiatry clinic in South Australia, and CQ Physio Group, comprising of three physiotherapy clinics in Queensland, with customary conditions precedent.

The Company is pleased to announce that it has reached settlement for all four clinics.

As previously noted, the clinics are expected to contribute the following¹:

Revenue	\$5.580m
EBITDA ²	\$1.160m

Total consideration for the acquisitions are as follows:

Cash consideration	\$4.010m
Issue of Clinic Class Shares ³	<u>\$1.040m</u>
Total consideration	\$5.050m

New acquisition – 3 physiotherapy clinics in North Queensland

Healthia is pleased to announce that it has entered into a binding agreement to acquire three physiotherapy clinics in North QLD, being North Queensland Physiotherapy Centre (NQPC).

Total consideration for the acquisition, plus stock, less employee entitlements, is as follows:

Upfront cash consideration	\$0.904m
Issue Clinic Class Shares ⁴	<u>\$0.400m</u>
Total upfront consideration	\$1.304m

In addition to the upfront consideration, contingent consideration of \$0.350m will become payable in cash within 36 months after completion, subject to achieving EBITDA of greater than \$0.380m.

Settlement of NQPC is conditional upon assignment of property leases to Healthia and other customary conditions precedent. It is expected that all conditions will be met, and the acquisition is expected to be completed before 31 December 2020.

¹ Revenue and EBITDA numbers are based on a historical 12 months of trading in FY20, normalised in accordance with Healthia's acquisition and accounting policies, removing the impacts of AASB16.

² EBITDA means earnings before interest, tax, depreciation and amortisation, removing the impacts of AASB16. EBITDA includes the approximate 20.0% economic interest continued to be owned by Clinic Class Shareholders..

³ Clinic Class Shares are non-voting shares issuable by certain subsidiaries of Healthia Limited. These shares enable the holder to participate in dividends 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 shareholders.

⁴ Clinic Class Shares are non-voting shares issuable by certain subsidiaries of Healthia Limited. These shares enable the holder to participate in dividends 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 shareholders.

About North Queensland Physiotherapy Centre

Under the Directorship of experienced sports physiotherapist Steve Sartori, NQPC has been operating in Townsville for over 25 years. The team of ten physiotherapists pride themselves in offering a combination of hands-on therapy as well as specific exercise, advice and education.

The clinics are expected to contribute the following earnings⁵ to Healthia:

Revenue	\$1.970m
EBITDA ⁶	\$0.275m

New acquisition – Natural Fit Footwear

Healthia is pleased to announce that it has entered into a binding agreement to acquire Natural Fit Footwear, a specialty footwear retailer offering comfort and support footwear. Natural Fit Footwear consists of six stores, five located in New South Wales and one in Victoria, and an e-commerce footwear site.

The Natural Fit Footwear business is strategically aligned to Healthia's podiatry division, with Healthia currently owning and operating ten retail footwear stores which it co-locates podiatry services within.

After completion of the Acquisition, Healthia will extend the offering inside of the Natural Fit Footwear stores to include podiatry services (where practical). In addition, Healthia will use the established e-commerce platform created by Natural Fit Footwear to extend an online retail footwear offering to the patients of its 94 podiatry clinics.

Total upfront consideration for the acquisition, plus stock, less employee entitlements, is as follows:

Upfront cash consideration	\$1.012m
Issue of Healthia shares	<u>\$1.013m</u>
Total upfront consideration	\$2.025m

The issue of the Healthia shares will be contingent on the following:

- Healthia receiving shareholder approval at its 2020 Annual General Meeting for the issue of the shares to the vendors of the Acquisition, and
- The vendors of the Acquisition entering into voluntary escrow for up to 22 months.

In addition to the upfront consideration, contingent consideration of \$2.025m is payable upon the following conditions being met:

1. Contingent consideration of \$0.675m, payable after completion subject to the acquisition recording two consecutive months of annualised EBITDA greater than or equal to \$0.600m
2. Contingent consideration of up to \$1.350m, payable after completion subject to the acquisition recording twelve consecutive months of EBITDA greater than or equal to \$0.900m at any time between the period 1 October 2020 and 30 September 2023.

Settlement of the acquisition is conditional upon board and financier approval, assignment of property leases to Healthia and other customary conditions precedent. It is expected that all conditions will be met, and the acquisition is expected to be completed before 30 November 2020.

⁵ Revenue and EBITDA numbers are based on a historical 12 months of trading in FY20, normalised in accordance with Healthia's acquisition and accounting policies, removing the impacts of AASB16.

⁶ EBITDA means earnings before interest, tax, depreciation and amortisation, removing the impacts of AASB16. EBITDA includes the approximate 30.0% economic interest continued to be owned by Clinic Class Shareholders.

About Natural Fit Footwear

Natural Fit Footwear was established in June 2017 by Daniel Simone and his wife Jessica with a vision to provide brands that offer true comfort and support with extensive functionality such as removable innersoles, extendable straps and in a depth of sizes. Natural Fit Footwear retails brands such as Ecco, Klouds, Frankie4, Revere, Vionic, Skechers, Saucony and Birkenstock.

Upon completion of the acquisition, Daniel Simone will become General Manager of Retail Footwear and will be in charge of retail footwear across the Healthia group. Daniel brings a wealth of experience in retail having experience in Foot Locker, where he held the role of District Manager across multiple states in Australia and Guam, and Travelex, where he held a number of Regional and National retail roles including Head of Retail for the Asia Pacific region.

The Natural Fit Footwear stores, and e-commerce platform, are expected to contribute the following earnings⁷ to Healthia:

Revenue	\$6.108m
EBITDA ⁸	\$0.850m

Contact

If you have any further questions, please contact:

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⁷ Revenue and EBITDA are based on Healthia's assessment of an annualised 12 months of trading of the acquisition, normalised in accordance with Healthia's acquisition and accounting policies, removing the impacts of AASB 16 and COVID 19.

⁸ EBITDA means earnings before interest, tax, depreciation and amortisation, removing the impacts of AASB16. EBITDA includes the approximate 30.0% economic interest continued to be owned by Clinic Class Shareholders.