



Better Health. Better Lives.



Healthia Limited
ACN 626 087 223

**Annual General Meeting
2021**



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Chair's Address

Dr Glen Richards



HEALTHIA 2021 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS – GLEN RICHARDS

Dear fellow shareholders, I would like to welcome you to the 2021 Annual General Meeting for Healthia Limited.

The financial year presented challenges with the ongoing COVID-19 pandemic and the associated 'lockdowns' experienced. I would like to thank the team members of Healthia for their resilience and continued dedication during these challenging times. Providing a safe environment for our patients and team members is a priority, and Healthia continues to follow the recommendations of the Australian and State Governments.

Within this context, the strong performance delivered during the year demonstrates the robust and essential nature of the allied health services which Healthia provides.

FY2021 Financial Performance

Healthia's underlying Revenue and Net Profit After Tax plus Amortisation (NPATA) attributable to the owners of Healthia Limited for FY21 was \$140.4 million and \$8.9 million respectively. Statutory Income and Net Profit After Tax (NPAT) attributable to the owners of Healthia Limited for the period was \$146.0 million and \$5.2 million respectively.

Key financial highlights for the period include:

- Underlying revenue growth over prior year of 51.8%;
- Strong organic revenue growth of 9.1%¹;
- Underlying EBITDA (removing the impact of AASB16) growth over prior year of 62.3%²;
- Underlying NPATA (attributable to owners) growth over prior year of 91.4%³;
- Underlying Basic EPS growth of 51.6% over prior year⁴.

Healthia paid an interim and final dividend of 2.0 cents and 2.5 cents per share respectively, equating to a payout ratio of 46% of underlying NPATA for FY21. A Dividend Reinvestment Plan was put in place for both dividends to preserve cash reserves.

1 Organic revenue growth has been calculated by excluding any closed businesses and businesses not held during the prior corresponding period. Organic revenue growth has been adjusted to remove the impact of COVID related lockdowns in the current and prior financial years. Organic revenue growth has not been presented for the acquired Eyes & Ears Division as Healthia did not hold the Eyes & Ears businesses for a whole 12 months.

2 Underlying EBITDA is a non-IFRS measure and equals earnings before interest, tax, depreciation and amortization and has been adjusted for the impacts of AASB16. Underlying EBITDA has been adjusted to remove the impact of COVID related lockdowns.

3 Underlying NPATA is a non-IFRS measure and equals net profit after income tax expense plus amortisation of customer list intangibles. Underlying NPATA has been adjusted to remove the impact of COVID related lockdowns.

4 Underlying EPS or earnings per share is calculated as Underlying NPATA attributable to the owners of Healthia Limited divided by the weighted average number of ordinary shares on issue for the period (FY21: 79.63M, FY20: 63.04M).

Impact of COVID-19

Healthia is a provider of a number of essential community health care services and as such, the Directors made the decision to continue trading from its allied health clinics through the various lockdowns encountered. The largest impact on trading was felt during the months of April 2020 and May 2020, which in turn, qualified Healthia for JobKeeper payments from April through September 2020.

JobKeeper payments allowed us to make minimal changes to clinic trading hours which ensured:

- continuity of patient care was maintained;
- essential health care services remained accessible, allowing pressure to be taken off hospitals and other primary care and front-line health workers; and
- the livelihoods of Healthia's employees were not materially affected, with minimal changes to clinic rosters as a result of the COVID-19 pandemic.

Healthia's businesses did not re-qualify under the revised eligibility criteria after 30 September 2020 and the receipt of JobKeeper payments ended in September 2020.

From the period January through October 2021, an increasing number of lockdown restrictions were experienced throughout key regions of Australia. The impact, quantified by clinic trading days¹, is estimated as follows:

- 1,533 clinic trading days impacted from January 2021 through June 2021, representing ~5% of the total trading days during this period;
- 6,869 clinic trading days impacted from July through October 2021, representing ~37% of the total trading days during this period.

With States and Territories around Australia now reaching vaccination targets, we have seen a gradual easing of restrictions and a return to normal trading levels. The experience of prior lockdowns has shown that any short-term reduction in patient volumes is typically recovered with the pent-up demand experienced after such restrictions ease or end.

Acquisition of Back In Motion Physiotherapy

On the 20th September 2021, it was announced that Healthia had entered into a binding agreement to acquire the Back In Motion Health Group (BIM) for a purchase price of \$88.4 million. The acquisition of BIM, which generated Underlying Revenue² of \$62.9 million and Underlying EBITDA³ and \$12.3 million in FY21, is expected to be approximately 12.7% earnings per share accretive⁴.

¹ Calculated as working days impacted by COVID-19 related lockdowns multiplied by the number of clinics owned by Healthia (for each respective lockdown).

² Underlying Revenue reflects reported revenue as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of BIM which include adjustments for the impact of COVID-19.

³ Underlying EBITDA is a non-IFRS measure and equals earnings before interest, tax, depreciation and amortization and has been adjusted for the impacts of AASB16. Underlying EBITDA has been adjusted to remove the impact of COVID related lockdowns.

⁴ Underlying earnings per share reflects the Directors' assessment of the result for the ongoing business activities of a combined Healthia and BIM, in accordance with AICD/Finsia principles of recording underlying earnings per share.

Acquisition of Back In Motion Physiotherapy (continued)

Established in 1999, BIM is one of the largest and fastest growing physiotherapy businesses in Australia and New Zealand (**ANZ**), with a portfolio of 64 physiotherapy clinics supported by their associated satellite physiotherapy clinics across ANZ. The acquisition has positioned Healthia as the number one provider of physiotherapy services in Australia with a total of 122 physiotherapy clinics in its Bodies & Minds division and offers further geographic diversification including a 'step change' presence in Victoria and entry into Western Australian and New Zealand markets.

The acquisition and related transaction costs were funded as follows:

Entitlement Offer	\$ 60.0 million (\$7.0m of which was raised for future growth opportunities and working capital)
Vendor equity	\$ 5.8 million
Debt draw down	\$ 16.0 million
Clinic Class Shares	\$ 16.1 million

The Entitlement Offer was to existing shareholders for \$60.0 million and was undertaken via a non-renounceable pro-rata entitlement offer at \$1.80 per share. The offer was split into two components, the Institutional Entitlement Offer and the Retail Entitlement Offer, which raised \$44.5 million and \$15.5 million respectively.

The Entitlement Offer saw strong support from existing shareholders and also welcomed a number of new institutional shareholders to Healthia's share register. Directors and Key Management Personnel of Healthia contributed approximately \$3.3 million of the \$60 million Entitlement Offer, representing approximately 5.5% of the total raising.

We are pleased to announce that 43 of 64 Back in Motion clinics have now settled, representing 84% of FY21 underlying revenue of the BIM Group being acquired, and we expect the remaining 21 clinics to settle before 30 November 2021 as we continue to work through obtaining landlord consents and other conditions precedent are satisfied. Therefore, we expect the first full month of trading from the BIM Group to be December 2021, resulting in approximately 7 months of earnings to be recognised by Healthia in FY22.

I will now hand over to the Group CEO and MD, Wes Coote, for further updates.



Group MD & CEO's Address

Wes Coote



HEALTHIA 2021 ANNUAL GENERAL MEETING GROUP MD & CEO ADDRESS – WES COOTE

Good morning fellow shareholders, guests, ladies and gentlemen.

As mentioned by Glen, the year has presented ongoing challenges with respect to the COVID-19 pandemic and associated ‘lockdowns’ experienced. I would again like to thank the team members of Healthia for their resilience and continued dedication during these challenging times. Our strong financial and operational performance during FY21 is a reflection of the professionalism and hard work of the teams we have brought together under the Healthia banner.

Despite the COVID-19 related disruptions, I am pleased to reiterate the strong organic performance of the group for Financial Year 2021, with the group achieving organic revenue growth of 9.1%¹ (adjusted for the impacts of COVID-19 lockdowns).

The organic growth achieved during this period demonstrates the resilient, repeatable nature of the income of allied health businesses, and the essential nature of the services provided by Healthia. It is also a result of the operational initiatives driven by our senior management team and the hard work and commitment of our clinicians and support staff.

FY22 started with major lockdowns being experienced throughout NSW and VIC, as well as other minor lockdowns in other States and Territories of Australia. We have seen some negative impacts on trading during the first quarter of FY22 due to these lockdowns. While the majority of our clinics remained open as essential services, the major impacts on trading were felt in our Eyes & Ears and Feet & Ankles divisions. However, post the end of the NSW and VIC lockdowns, we have seen strong trading across the group.

While it appears lockdowns are behind us, the new challenge facing most businesses across the country is the requirement for their workers to be vaccinated. As a healthcare company, we support the vaccination program but we also respect the right of our people to choose whether or not they wish to be vaccinated. We have strongly encouraged all team members to consider getting vaccinated, however, we also know a small number of team members will choose not to do so. This may have some impacts on trading if team members are unable to attend work due to public health orders requiring them to be vaccinated. Any impacts from mandatory vaccinations by the Federal, State and Territory governments is yet to be seen by Healthia.

As we continue to move through FY22, we will continue to focus on the delivery of our vision of becoming Australia’s largest and leading allied health company. This vision will be supported through the following four focused strategies:



**ORGANIC
GROWTH**



**ROLL
OUT**



**VERTICAL
INTEGRATION**



**NEW
ACQUISITIONS**

¹ Organic revenue growth has been calculated by excluding any closed businesses and businesses not held during the prior corresponding period. Organic revenue growth has been adjusted to remove the impact of COVID related lockdowns in the current and prior financial years. Organic revenue growth has not been presented for the acquired Eyes & Ears Division as Healthia did not hold the Eyes & Ears businesses for a whole 12 months.

FY22 Organic Growth, Roll Outs and Other Initiatives

In terms of key growth initiatives, I am pleased to provide the following updates for the year:

- We have continued to build on the structured learning and education programs in place which has helped position Healthia as an employer of choice in the allied health industries. 60 new graduate clinicians commenced with Healthia in February 2021, to help support continued organic growth, and undertook the Healthia’s graduate induction and training program;
- Validation of the various clinician and staff retention programs put in place has come via Healthia’s strong clinician retention rate of 85% (FY20: 85%) and through its recently conducted culture survey. Healthia engaged Best Practice Australia to do a follow up on its previous survey which was last conducted in 2019. Engagement of the Healthia team has improved, now categorising Healthia as a “culture of success”¹;
- Clinic Class Share ownership grew to a total of 2,984 Clinic Class Shares on issue for the period ended 30 June 2021, from 2,505 in FY20. Clinic Class Shares are designed to create alignment between the interests of clinicians and the ordinary shareholders of Healthia by allowing clinicians to acquire an ownership interest in clinics;
- Audiology services were launched during the year with a first clinic in Geelong. The business will operate via a hub and spoke model with surrounding clinics referring patients;
- Integration of The Optical Company, including incorporation into Healthia’s Clinician Retention Program, which encompasses both a comprehensive education program and the Clinic Class Share model, alignment of marketing strategies and customer retention programs and consolidation of the acquired entities to improve accounting/support efficiencies;
- In addition to the stated acquisition strategy of deploying a minimum of \$20.0 million of capital on new acquisitions per annum, the key focus for the remainder of the financial year will be integrating the acquired Back In Motion businesses. The integration of systems, policies and procedures and the clinical teams is well underway, and major milestones achieved to date include integration of all staff into Healthia’s HR and payroll systems and all settled BIM clinics automatically centralised into Healthia’s accounting and finance programs;
- We will also focus on continuing the roll-out of additional clinical services into existing locations, including co-location opportunities within the newly acquired Back in Motion network. On this note, we are currently expanding audiology services to a second clinic owned by the group and the audiology roll-out will continue in FY22;
- Healthia is currently finalizing its graduate recruitment for 2022 with new graduates to start their structured education and training with Healthia at the start of February 2022. These new graduates are important to the continued organic growth of the group, as well as being our future leaders and clinic partners.

¹ Healthia “Flex Your Voice” staff survey undertaken by independent consultants, BPA Analytics, in the calendar year 2021.

Acquisitive Growth

Given the fragmented nature of the targeted allied health industries, acquisitions will continue to be a central pillar of our growth strategy. Through Healthia's vertically integrated business model¹, there is also the opportunity to capture significant scale benefits and cost savings from newly acquired clinics. We will continue to assess opportunities on a case-by-case basis with reference to our existing network of clinics, strategic objectives and our disciplined acquisition criteria.

With an addressable market in excess of \$9.8 billion and a current market share of less than 2.5%², we are confident of deploying the stated target of \$20.0 million of capital in the FY22 on new acquisitions, this being in addition to the \$88.4 million deployed for BIM.

The \$20.0 million of capital for new acquisitions is expected to be funded through a combination of future operating cash flow, Clinic Class Shares, and debt finance. As previously announced, Healthia has received approval from its financiers to increase its total finance facility from \$70.0 million to \$100.0 million. I am very pleased to announce that Healthia has successfully negotiated these variations to its facility agreement with the documentation being signed today. Once the finance facility is settled, Healthia will have undrawn facilities of approximately \$34.0 million available.

Table 1: Summary of acquisitions announced between 1 July 2021 and 17 November 2021

	Underlying Financials (FY21)		Consideration	Multiple
	Revenue	EBITDA ^{3,4}	Total Consideration	EBITDA ^{3,4} Multiple
	\$ million	\$ million	\$ million	
Back in Motion	\$62.9	\$12.3	\$88.4	7.2x
Other acquisitions	\$11.0	\$1.8	\$7.5	4.1x
Total	\$73.9	\$14.2	\$95.9	6.8x

Since the commencement of FY22, and outside of the \$88.4 million deployed for the Back In Motion acquisition, we have deployed 37.5% of the \$20.0 million target at an average EBITDA multiple of 4.1 times towards new acquisitions (see Table 1).

This means total acquisitions announced during FY22, including Back In Motion, are expected to contribute Revenue and EBITDA of \$73.9 million and \$14.2 million respectively on a pro-forma underlying basis. Note: the first full month of trading from Back In Motion will be December 2021, meaning only a small contribution of earnings will be received from FY22 year to date acquisitions in the first half of FY22.

¹ Healthia owns and operates the following scalable businesses:

- iOrthotics, which manufactures and 3D prints orthotics;
- D.B.S Medical, which sources and distributes medical consumables and capital equipment specializing in podiatry supplies;
- Australian Eyewear Distributors (AED), which sources and distributes a diverse range of eyewear frames including private label brands.

² Refer to page 22 of Healthia's ASX announcement "Investor Presentation - Acquisition and Equity Raising" dated 20 September 2021.

³ Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of Healthia, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit has not been audited or reviewed

⁴ Underlying EBITDA excludes the impact from the adoption of AASB16 on lease payments.

Key Management Changes

The Back In Motion transaction has created significant additional scale for the business and as such, we have taken the opportunity to reassess the executive team structure to ensure it meets the ongoing needs for Healthia. Key changes to this structure include:

1. Katherine Baker has been promoted to the divisional CEO of the Bodies & Minds, Feet & Ankles Divisions. Katherine worked with myself and Glen at Greencross before becoming the founding CFO of National Veterinary Care Limited. Before joining Healthia in October 2019 she held the role of interim CEO of Smart Clinics GP practices;
2. Lisa Roach has been promoted to Chief Operations and People Officer of the Bodies & Minds, Feet & Ankles Divisions. Lisa is a physiotherapist and a founder of Allsports Physiotherapy. Lisa has been an active executive of Healthia since its Initial Public Offering in 2018;
3. Tony Ganter continues on as the Group Chief Business Development and Strategy Officer remaining in charge of the groups continued growth via its acquisitions and co-location strategies; and
4. Darren Stewart remains as a Healthia director and will provide podiatry services and mentoring across the group.

Conclusion

As discussed, there are a lot of exciting initiatives underway within Healthia in FY22. However, our key focuses remain on integrating Back In Motion and the other acquisitions made during the start of FY22, which represents additional pro-forma annualised revenue and EBITDA for Healthia shareholders of \$73.9 million and \$14.2 million respectively, and on delivering strong organic revenue growth now COVID lockdowns appear to be behind us.

I would now like to take this opportunity to thank the brokers, Canaccord and Shaw and Partners, and our key advisors, Clayton Utz, BDO, Ernst and Young and Monash Advisory for their assistance on the Back In Motion transaction.

Furthermore, I would like to thank our financiers, BOQ, ANZ and NAB for their continued support of Healthia.

Finally, thank you to all of those shareholders that supported the recent equity raising, both new and continuing shareholders, and also for their continued support and belief in Healthia as we quickly move towards realising our vision of becoming Australia's largest and leading allied health company.

Thank you for your time and we look forward to providing further updates throughout the course of the FY22 financial year.

Thank you.

Thank you

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