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Strategic Acquisition Summary



Strategic Acquisition

Strategic Fit

- Pulse Health operates a portfolio of niche specialist private hospitals and day surgeries
- The acquisition expands the Pulse Health portfolio to 9 facilities and 366 beds
- The Hills Clinic is a beachhead acquisition in the attractive mental health market

High Quality Asset

- The Hills Clinic was established as a purpose built facility in 2011
- Well located in a growth area (North-West Sydney)
- 59 beds (27 bed expansion completed in January 2015) and 7 consulting rooms with potential for further brownfield development
- Highly regarded clinicians (13 admitting psychiatrists, 5 of whom were previous shareholders), who remain committed to have ongoing relationships with The Hills Clinic and Pulse Health post transaction

Attractive Purchase Terms

- Upfront payment of \$27.7m cash, representing 8.5x EBITDA for the 12-month period to 31 March 2015
- Additional capped earn-out payments of up to \$5.9m in aggregate subject to achievement of future revenue targets
- Fully funded by new debt facility and existing cash reserves
- Accretive on the purchase terms with further earnings potential underwritten by capturing the full year benefit of the recent 27 bed expansion and operating synergies
- Key clinicians contracted to facilitate the Hills Clinic's ongoing growth and performance, and to assist Pulse Health with further mental health opportunities
- The transaction is subject to change of control consent from relevant health funds



Pulse Health Portfolio



Pulse Health

Strategy

- To develop and acquire niche specialist private hospitals, including mental health hospitals, surgical hospitals, day surgeries and rehabilitation hospitals
- Leverages Pulse Health's shared services platform to drive cost synergies and efficiencies
- Partners with specialist doctors to provide best-in-class care in locations in which they wish to live and work
- Pulse Health currently owns 9 private hospitals in QLD and NSW

Portfolio Summary

- Hills Clinic: Mental health (NSW – 59 beds)
- Westmead: Rehabilitation (NSW – 65 beds)
- Forster: Acute Care & Rehabilitation (NSW – 74 beds)
- Eden: Rehabilitation (QLD – 48 Beds)
- Gympie: Acute Care (QLD – 40 Beds)
- Mackay: Rehabilitation (QLD – 34 beds)
- South Burnett: Acute Care (Qld -22 Beds)
- Bega: Surgical (NSW – Day Surgery)
- Gold Coast: Surgical (QLD – 6 theatres, 24 beds) (opening in Sep 2015)



Mental Health Overview

Mental Health Is An Attractive Specialty



Strong Underlying Demand Drivers

- The Australian mental health market was worth an estimated \$6.9bn in 2010-11¹
- Demand for and use of mental health services is anticipated to grow by as much as 6% to 7% per year over the next 15 years²

Significant Supply Constraints

- Public non-acute beds declined from 21 to 10 per 100,000 persons, over the period 1992-93 to 2010-11³
- Private bed capacity relatively flat, from 7.2 to 7.9 beds per 100,000 persons over the same period³
- Initial market analysis conducted by Pulse Health has indicated high levels of unmet demand





The Hills Clinic Overview



A Quality Beachhead Mental Health Asset

Private Hospital

- Founded and purpose built in 2011, with 59 beds, 7 consulting rooms, and 60-space carpark
- 27 bed expansion completed in January 2015, bringing total to 59 beds, a 25% increase on 2014 average beds
- On-site consulting suites and two off-site clinics located in Castle Hill and Hornsby

Location

- Located in North-West Sydney with a large catchment of approximately 731,000 people¹
- Located near major highways and next to planned North West Rail Link Kellyville station
- Significant brownfield potential

Services

- Provides inpatient and day patient mental health programs
- Specialises in treating mood and anxiety, addiction and depression related issues
- A focus on the fast-growing young adult market

Clinicians

- Highly regarded team of psychiatrists and psychologists with a range of specialties
- Current team of 13 admitting psychiatrists, 5 of whom were previous shareholders
- Key vendor clinicians to remain in senior leadership roles under service agreements with the hospital



Key Financial Metrics



Accretive Purchase Terms and Growth Potential

The Hills Clinic Financials

- Trailing 12 months to 31 March 2015:
 - Revenue of \$11.4m
 - EBITDA of \$3.2m
- Strong earnings momentum from 27 bed expansion completed in January 2015
- Synergies from shared services platform
- Based on 1H15 Pulse Health results, the transaction increases consolidated assets by 42%, increases revenue by 20% and increases profit before tax and extraordinary items by 44%

Transaction Terms

- Funded by a new debt facility and existing cash reserves
 - New debt facility with National Australia Bank for a \$42m finance facility
 - Agreed debt facility terms are a significant improvement on previously agreed terms, and include acquisition, asset finance and general working capital lines
- Upfront payment of \$27.7m cash, representing 8.5x EBITDA for the 12-month period to 31 March 2015
- Vendors eligible to receive additional capped earn-out payments, subject to achievement of FY15 and FY16 revenue targets:
 - First payment of up to \$2.3m for FY15, if revenue target met, brings consideration to \$30.0m
 - Second payment of up to \$3.6m for FY16, if revenue target met. Maximum consideration of \$33.6m would reflect an EBITDA multiple below 8.5x at FY16
 - Earn-out payments are subject to a roll-forward mechanism such that any unpaid portion of the aggregate of the first earn-out payment and second earn-out payment remain payable through to FY17 (then subject to achievement of the FY17 revenue target)
- Accretive on the purchase terms with further earnings potential underwritten by capturing the full year benefit of the recent 27 bed expansion and operating synergies