



**pulsehealth**

Investor Presentation

February 2015

Presented by  
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Mark Hays CFO



# Highlights 1H15

- Development of **Gold Coast Surgical Hospital**
- 1H15 Revenue **up 12% to \$29.7m** and underlying EBITDA-R **up 14% to \$5.2m**
- **Underlying EBITDA-R up 22%** after excluding ramp up losses at Mackay
- NPAT **\$1.3m up 36%**
- Interim **fully franked dividend** 0.3cps
- Confirmed FY15 Guidance - EBITDA growth from existing assets in excess of **20% above FY14**



# Pulse Corporate Overview

## Overview

- Niche focus on specialist hospitals including rehabilitation hospitals and regional acute
- Currently 7 private hospitals and a community care business
- Currently operating in QLD and NSW
- Listed on the Australian Stock Exchange (ASX:PHG)

## Hospital Assets

- 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)

## Share Price - 1yr



## Enterprise Value

EV Breakdown	Current
<b>Share Price \$</b>	<b>0.45</b>
Shares on Issue (m)	163.9
Mkt Cap (\$m)	73.7
Net Cash (\$m)	(6.8)
<b>EV \$m</b>	<b>67.0</b>

## Share Register

Ownership	
<b>Wyllie Group</b>	<b>29.73%</b>
Tom Wenkart (Throvena)	6.69%
LHC Partners	5.99%
Board and Management	2.59%
Other	55.00%
<b>Total</b>	<b>100.00%</b>



# NSW Hospital Assets

## Westmead Rehabilitation Hospital

Specialist rehabilitation

65 beds, hydrotherapy pool, gymnasium

Attractive location 3km west of Parramatta. 5 bed brownfield expansion completed in April 2014. Operates near capacity.

Plans well progressed for further brownfield expansion.



## Forster Private Hospital

Acute surgical, medical and rehabilitation

74 beds, 2 theatres, hydrotherapy pool, gymnasium

Only hospital in the Great Lakes local government area. Scope for improvement in utilisation.

Site has brownfield potential as demand grows.



## Bega Valley Private Hospital

Day surgery centre

Single theatre

Only private surgical facility in region. Procedures requiring an overnight stay are currently referred to Canberra and elsewhere.

Local demand for development of a private inpatient surgical facility.





# QLD Hospital Assets

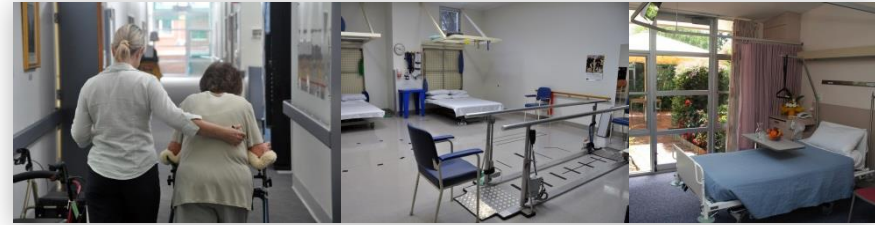
## Eden Rehabilitation Hospital (Cooroy)

Specialist rehabilitation

48 beds, extensive gymnasium

Located 20 minutes from Noosa and 45 minutes from Gympie. The area is under-serviced for rehab. Operates at high utilisation.

Extensive brownfield capacity for further expansion



## Gympie Private Hospital

Acute surgical and medical

40 beds, 2 theatres

Surgical based hospital. Operates at low bed utilisation. Currently delivering large public surgery contract

Scope to add further services (freehold held by Pulse)



## South Burnett Private Hospital (Kingaroy)

Acute surgical and medical

22 beds, single theatre

Surgical hospital with bed utilisation fluctuating with seasonal demand.



## Mackay Rehabilitation Hospital

Specialist rehabilitation

34 beds, gymnasium

Only specialist rehabilitation hospital in greater region. Facility fully refurbished and commissioned in February 2014 and acquired by Pulse in June 2014.

Site has substantial brownfield potential as demand grows

Hydrotherapy pool being recommissioned.





# Greenfield

## Gold Coast

### Surgical Hospital

#### Investment Rationale

- Capital investment of \$6.5m for furniture, fixtures and equipment (FF&E), and \$3.2m for fit-out contribution
- Long-term lease options for the hospital property of up to 35 years.
- 24 month 50% rent holiday.

#### Financial Metrics

- Forecast to be profitable within 12 months of commissioning
- Forecast earnings before interest, taxes, depreciation, and amortization (EBITDA) at Year 3 of \$2m.

#### Profile

- Specialist surgical hospital
- 6 theatres
- 24 beds
- Most technically advanced theatres in QLD
- Opening in September 2015
- Full range of surgical specialties

#### Demand Characteristics

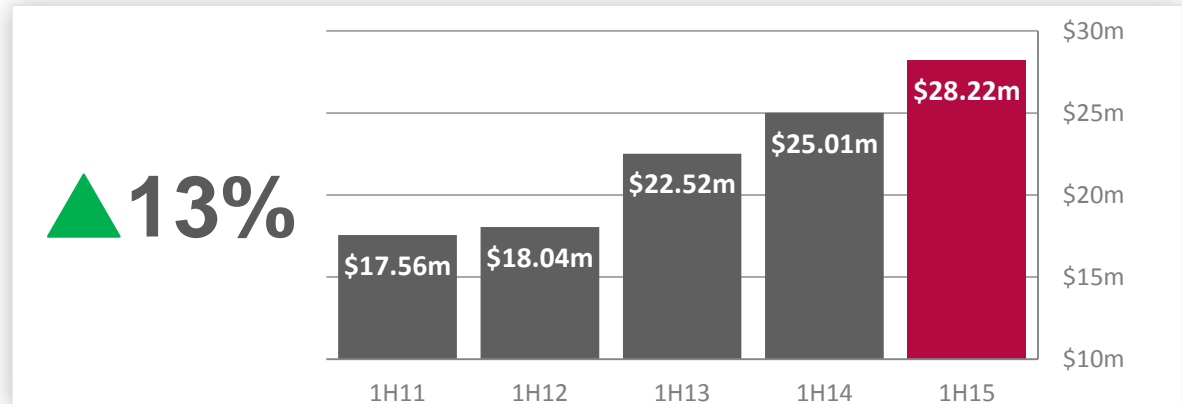
- Only private hospital on mid-Gold Coast
- Gold Coast population is expected to grow by 50% by 2030 particularly in mid-Gold Coast area
- Strong demand from surgeons for operating time



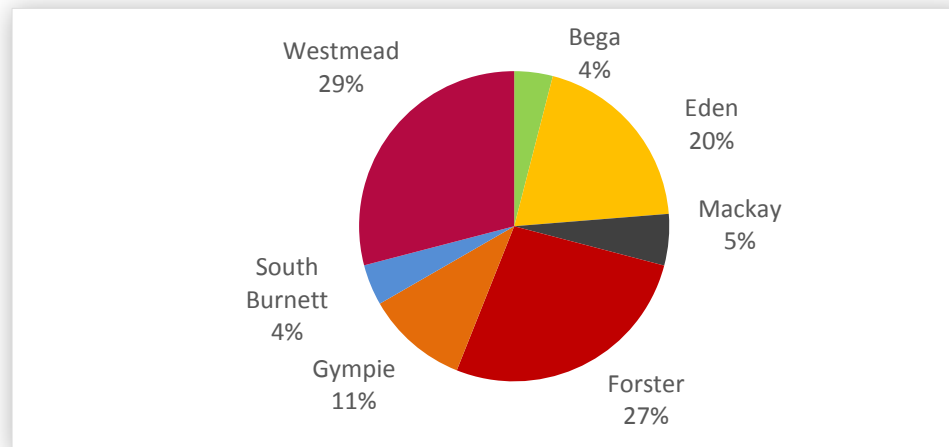


# Hospital Performance 1H15

## Hospital Revenue Growth (4YR CAGR)



## Hospital Revenue Contribution







# Growth Strategy

## *Niche Specialist Operator*

**Growth as a niche operator of specialist private hospitals. Acquisition and/or development of:**

- Specialist surgical hospitals
- Specialist rehabilitation hospitals
- Specialist mental health hospitals,

**in collaboration with specialist doctors, in locations where they want to live and work.**

**Smaller single service-line centres of excellence, rather than large multi service-line hospitals with large bed numbers**

- Demand for beds reducing with technology improvements and increased community services
- Demand for surgery , rehabilitation and mental health care growing
- Medical admissions required to fill beds in large hospitals and public sector competing for medical admissions





# FY15+ Outlook

## Growth outlook

### Operating Environment

- Negotiations with Health Funds proving more difficult – currently less significant for surgical services
- Aging population driving strong demand growth

### FY15 Growth

- Organic growth via improved utilisation
- Full year effect from brownfields – 17 beds
- Aiming for one or more strongly EBITDA positive acquisitions interposed with greenfield and start up hospitals
- Margin improvement from staffing and procurement efficiencies

*FY15 Guidance confirmed - EBITDA growth from existing assets in excess of 20% above FY14*



# Financial Overview 1H15

- Revenue **\$29.7m up 12%**
- Underlying EBITDA-R **\$5.2 up 14%**
- Underlying EBITDA **\$2.9m up 11%**
- NPAT **\$1.3m up 36%**
- Interim fully franked **dividend** 0.3cps



# MD & Executive



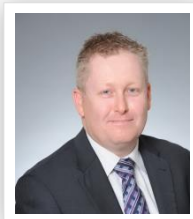
## *Phillipa Blakey (Managing Director & CEO)*

Phillipa is an experienced healthcare executive with a track record in strategy and performance improvement. She has held COO roles in NSW Health (10 hospitals across North Sydney and Central Coast) and the Amity Group (48 for-profit nursing homes, CVC owned and then sold to BUPA). Most recently Phillipa was CEO of Think Education, the higher education provider then owned by the Seek Group.



## *Mark Hays (CFO)*

Mark has held senior finance positions in privately held companies across the hospitality, property and finance sectors. Prior to joining Pulse Health, Mark held a dual CFO/Investment Director role working with investments of Viburnum Funds in Perth, Western Australia. Mark is a chartered accountant and started his professional career at Ernst & Young providing taxation, accounting and business advisory services to large privately owned Western Australian companies.

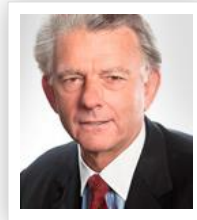


## *Matthew Mackay (COO)*

Matthew Mackay has held senior management positions in public, private and military health facilities / hospitals over the past 17 years. Prior to joining Pulse Health Matthew's most recent executive role was as General Manager / Director of Clinical Services for Surgery Centres of Australia. Matthew has previously held senior management positions within Macquarie Health Services, Healthscope, NSW DOH, and The Sydney Private Hospital. Matthew was also a Captain in the Australian Army and has had multiple operational deployments in command positions to both Afghanistan and Timor.



# Non-Executive Directors



## *Stuart James (Chairman)*

An experienced executive within the financial and healthcare sectors. Stuart's past roles included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly State Bank of N.S.W). His most recent executive role was as CEO of the Mayne Group from January 2002 to November 2005 and prior to that, from July 2000, he was Mayne Group's Chief Operating Officer. Stuart is the Chairman of Prime Financial Group Limited and Greencross Ltd, and a non-executive director of Affinity Education Group Ltd. In the past three years Stuart was also a director of Progen Pharmaceuticals Ltd and Phosphagenics Ltd and a member of the Supervisory Board of Wolters Kluwer NV.



## *Craig Coleman (Non Executive)*

A Non-Executive Director of investment company Wyllie Group Pty Ltd and Executive Chairman of associated fund manager, Viburnum Funds Pty Ltd. Craig's current public company directorships include Bell Financial Ltd, Amcom Telecommunications Ltd, Keybridge Capital Ltd and he is Chairman of Rubik Financial Ltd. He is a former Managing Director of Home Building Society and prior to this Craig held a number of senior executive positions with ANZ Banking Group Ltd and was a Non-Executive Director of E\*Trade Ltd and Lonestar Resources Ltd.

# Appendix – 1H15 Financial Performance



## Profit & Loss (underlying)

(\$'000)	1H15	1H14	Comments
<b>Revenue</b>	29,721	26,513	
...Growth	12%	11%	Growth derived from increase activity at established hospitals and Mackay acquired in June 2014
<b>EBITDA-R</b>	5,215	4,558	
... Margin	17.5%	17.2%	
<b>EBITDA</b>	2,891	2,606	
...Margin	10%	10%	Anticipated ramp up losses at Mackay have impacted margins in 1H15
Depreciation/ Amortisation	(496)	(335)	
<b>EBIT</b>	2,395	2,271	
Finance Costs	70	(967)	No interest bearing debt currently
<b>Profit before tax (underlying)</b>	2,465	1,304	
Tax	(578)	(371)	
<b>NPAT (underlying)</b>	1,887	933	

# Appendix – 1H15 Financial Performance



## Cash flow

(\$'000)	1H15	1H14
<b>Operating Cash flow <sup>(1)</sup></b>	<b>1,271</b>	<b>2,262</b>
Investing cash flows:		
Capex – brownfields	-	(1,182)
Capex - stay in business	(433)	(296)
Interest received	79	10
Dividend Paid	(821)	-
<b>Total investing cash flow:</b>	<b>(1,175)</b>	<b>(1,468)</b>
Financing cash flow:		
Debt	(45)	(684)
<b>Total financing cash flow</b>	<b>(45)</b>	<b>(684)</b>
Change in cash & cash equivalents	51	110
Opening cash balance	7,007	2,020
<b>Closing cash balance</b>	<b>7,058</b>	<b>2,130</b>
<small><sup>(1)</sup> Movement in operating cash flows represents a shift in working capital (increase in debtors and reduction in creditors)</small>		

# Appendix – 1H15 Financial Performance



## Balance Sheet

\$ 000	1H15	FY14
Cash	7,058	7,007
Other current assets	8,561	7,921
PP&E	13,240	13,441
Intangibles	33,906	34,388
Total Assets	62,765	62,757
Borrowings	288	333
Payables, provisions and other	9,953	10,350
Total Liabilities	10,242	10,683
<b>Net Assets</b>	<b>52,523</b>	<b>52,074</b>
<b>Total Equity</b>	<b>52,523</b>	<b>52,074</b>
NTA	21,227	20,439
<b>NTA per share (cents)</b>	<b>13.0</b>	<b>12.5</b>



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