

6 July 2015

ASX Announcement

Takeover bid for Vision Eye Institute

- ▶ **Pulse Health Limited** (“Pulse”; ASX: PHG) is pleased to announce a takeover bid for **Vision Eye Institute Limited** (“Vision”; ASX: VEI) comprising an offer to acquire all of the ordinary voting shares in Vision (“**Vision Shares**”) for consideration of 1.60 fully paid ordinary shares in Pulse (“**Pulse Shares**”) for each Vision Share (“**Offer**”).
- ▶ The Offer implies a value of \$0.88 per Vision Share¹, representing a 31% premium to Vision's last closing price² and a 47% premium to the price at which Vision raised equity in October 2014.
- ▶ The merger will create one of Australia's leading providers of specialist healthcare services through its combined network of niche hospitals, surgery centres and ophthalmic practices (“**Merged Group**”).
- ▶ The Merged Group is estimated to have underlying pro forma FY15 EBITDA of \$32.3 million, pro forma FY15 net debt of \$35.6 million and an implied pro forma FY15 enterprise value (“**EV**”)/EBITDA multiple of 9.0x³.
- ▶ The Merged Group is expected to deliver double digit earnings per share (“**EPS**”) accretion relative to a Pulse stand-alone pro forma FY15 EPS of 3.5 cents⁴.
- ▶ The Merged Group will have significant brownfield, greenfield and acquisitive growth opportunities supported by balance sheet capacity and an attractive capital markets profile.
- ▶ Pulse's surgery centre expertise will be enhanced by a proposed services agreement with an entity controlled by Mr David Manning. Mr Manning was a co-founder of AmSurg Corp. (“**AmSurg**”), operator of the largest eye surgery network and one of the largest surgery centre networks in the United States. The proposed services agreement will provide the Merged Group with access to AmSurg's unique intellectual property and systems.
- ▶ Viburnum Funds, the manager of a 15.9% shareholding in Vision (and a 29.8% shareholding in Pulse), has stated its support for the Offer in the absence of a superior proposal (as determined by Viburnum Funds), but Pulse will need to obtain shareholder approval for Viburnum Funds to accept the Offer.

¹ Based on a valuation of each Pulse Share of \$0.55, the 5-day volume weighted average price (“**VWAP**”) of Pulse Shares to 3 July 2015, being the last trading day prior to the date of this announcement.

² On 3 July 2015.

³ The Merged Group unaudited underlying pro forma FY15 EBITDA is based on the combination of Pulse's earnings guidance release to ASX on 30 June 2015 (with pro forma underlying unaudited FY15F EBITDA of \$10.7 million) and Vision's earnings guidance released to ASX on 13 May 2015 (with underlying unaudited FY15F EBITDA of \$25 - \$26 million), excluding synergies and adjusted for announced asset transactions. The Merged Group pro forma FY15 net debt is based on the combination of pro forma FY15 net debt for Pulse and Vision, including \$9.0 million of anticipated transaction costs relating to the Offer. The pro forma EV of the Merged Group is estimated to be \$291 million and is based on the market capitalisation of Pulse immediately prior to the announcement of the Offer and the implied market capitalisation of Vision at the implied value of the Offer of \$0.88 per Vision Share plus the pro forma FY15 net debt of the Merged Group. Refer Bidder's Statement for more details.

⁴ EPS accretion calculated on a pro forma unaudited basis. The pro forma FY15 EPS of the Merged Group includes full year contributions from Pulse and Vision, and pre-tax cost-synergies realised in the first twelve months of \$1.5 million (of the total \$2 million of identified synergies), as though the transaction was effected and fully integrated on 1 July 2014. The Merged Group pro forma FY15 EPS includes anticipated interest expense associated with the Offer, and interest and earnings effects from asset transactions announced to ASX. It does not include direct transaction or integration costs. Pulse stand-alone unaudited pro forma FY15 EPS estimate has been calculated as 3.5 cents. Acquisition accounting adjustments have not yet been undertaken and pro forma EPS accretion is before any amortisation on intangibles identified as part of this process. Australian Accounting Standards allow for twelve months from completion to finalise accounting and purchase price allocation.



Pulse has announced an off-market takeover bid for Vision with the aim of creating one of Australia's leading providers of specialist healthcare services through its combined network of niche hospitals, surgery centres and ophthalmic practices.

The takeover bid comprises an offer by Pulse for all Vision Shares. Under the Offer, Vision Shareholders will receive 1.60 Pulse Shares for each Vision Share, implying a value of \$0.88 per Vision Share, based on a valuation of each Pulse Share of \$0.55, reflecting the 5-day VWAP⁵ of Pulse Shares.

The implied value of the Offer consideration provides a significant premium for Vision Shareholders representing a:

- ▶ 31% premium to the last closing price⁵ of Vision Shares of \$0.68;
- ▶ 33% premium to the 5-day VWAP⁵ of Vision Shares of \$0.66;
- ▶ 31% premium to the 30-day VWAP⁵ of Vision Shares of \$0.67; and
- ▶ 47% premium to the price at which Vision raised equity in October 2014 of \$0.60 per Vision Share.

The Offer is subject to a number of conditions which are contained in the Bidder's Statement accompanying this announcement.

Strategic rationale

Pulse is a private hospital and surgery centre operator growing via development and acquisition. In collaboration with specialist doctors and in locations in which they wish to live and work, Pulse is developing and acquiring specialist surgical, rehabilitation and mental health hospitals as well as surgery centres. Pulse believes that the merger presents an attractive opportunity for both Vision and Pulse Shareholders for the following reasons:

- ▶ **Strategic alignment of Pulse and Vision:** The combination of the two companies will create one of Australia's leading providers of specialist healthcare services, through its network of niche hospitals, surgery centres and ophthalmic practices. The two businesses operate complementary networks of niche specialist hospitals, surgery centres and ophthalmic practices, and partner with high quality healthcare professionals to deliver best-in-class outcomes for doctors and patients. Both companies have a stated and overlapping growth strategy of expanding their facilities footprint and diversifying their network into complementary specialties. The Merged Group will be a leader in the surgery centre market and will be well positioned to consolidate this attractive and fragmented market.
- ▶ **Proven management capability:** Pulse's proven management team have successfully executed an organic and acquisition-based growth strategy. With the recent departure of Vision's previous Managing Director, Mr Brett Coverdale, the Offer provides Vision Shareholders with a proven management capability at a time when it is searching for new senior leadership.
- ▶ **Pulse's surgery centre expertise enhanced by proposed appointment of Mr David Manning to the Board should the Offer be successful:** Mr Manning has over 35 years of surgery centre experience including having co-founded NASDAQ listed AmSurg. AmSurg operates the largest eye surgery network and one of the largest surgery centre networks in the United States, with a market capitalisation of approximately US\$3.4 billion. Mr Manning's strategic relationship with AmSurg will provide the Merged Group with access to global best practice in surgery centre development and operation via AmSurg's unique IP and systems.

⁵ As at 3 July 2015 the last trading day prior to the announcement of the Offer on ASX.



- ▶ **Synergies:** Pulse estimates conservative annual pre-tax cost synergies of \$2 million. Synergies are expected to be realised from various operational efficiencies, including a reduction in public company costs as well as head office and administrative functions. There are potential revenue synergies available from improved optimisation of the Merged Group's facilities network.
- ▶ **Greater scale and financial strength to capitalise on growth opportunities in the healthcare market:** The Merged Group is estimated to have underlying pro forma FY15 EBITDA of \$32.3 million³, pro forma market capitalisation of approximately \$255 million⁶ and pro forma FY15 EV of approximately \$291 million³. The Merged Group will have greater balance sheet capacity with a FY15 pro forma net debt of \$35.6 million³. Shareholders of the Merged Group should benefit from owning shares in a company with greater liquidity and improved access to capital markets to fund growth opportunities.
- ▶ **EPS accretion:** The Merged Group is expected to deliver double digit EPS accretion relative to a Pulse stand-alone pro forma FY15 EPS of 3.5 cents⁴.

Pulse Chairman Stuart James said: "We believe the merger creates a compelling opportunity for both Vision and Pulse Shareholders through the creation of one of Australia's leading providers of specialist healthcare services, with a broad network of niche hospitals, surgery centres and ophthalmic practices."

Pulse Managing Director and CEO, Phillipa Blakey added: "We look forward to combining Pulse's and Vision's strengths into one of Australia's leading healthcare services providers. Vision's strong ophthalmic service and surgery centre network, combined with Pulse's hospital network and expertise in providing doctors with the service, environment and support they need to fully focus on treating their patients will create a first-class healthcare organisation. We look forward to engaging with Vision's highly regarded doctor partners, associates and visiting surgeons."

Support of major Vision Shareholder

Viburnum Funds, the manager of a 15.9% shareholding in Vision (and a 29.8% shareholding in Pulse), has stated its support for the Offer in the absence of a superior proposal, but Pulse will need to obtain shareholder approval for Viburnum to accept the Offer.

Indicative timetable

Pulse expects the Offer timetable will be as follows:

Date of lodgement of Bidder's Statement	6 July 2015
Currently expected dispatch of Bidder's Statement and opening date of the Offer	20 July 2015
Currently expected Closing date, unless extended or withdrawn	21 August 2015

⁶ Market capitalisation based on Pulse's market capitalisation immediately prior to making this announcement and the implied market capitalisation of Vision at the value of the Offer of \$0.88 per Vision Share.



Further information

The Offer consideration is 100% Pulse Shares.

Pulse will fund transaction related costs with cash and available debt facilities.

The Offer consideration is subject to a number of conditions, full details of which are set out in section 15.7 of the Bidder's Statement that accompanies this announcement.

Pulse's Bidder's Statement was sent to Vision and lodged with The Australian Securities and Investments Commission today, 6 July 2015.

Pulse attaches, pursuant to subsection 633(4) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a notice confirming the people to whom information is to be sent under items 6 and 12 of subsection 633(1) of the *Corporations Act* in relation to Pulse's off-market takeover bid for Vision Shares.

Allier Capital is acting as financial adviser and Norton Rose Fulbright as legal adviser to Pulse in relation to the Offer consideration.

More detailed information about the Offer is contained in the Bidder's Statement accompanying this announcement. An investor presentation about the Offer will also be lodged with the ASX and available on Pulse's website at www.pulsehealth.net.au.

For further enquiries, please contact:

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About Pulse

Pulse is an ASX-listed private hospital operator with a niche focus on specialist hospitals, including rehabilitation, surgery, and mental health. This enables Pulse to provide individualised service to patients and doctors, adapting in accordance with their needs to ensure high-quality patient care with efficient, effective models of care enhanced by technology.

Pulse currently operates a network of eight hospitals and surgery centres across New South Wales and Queensland, and aims to grow the portfolio in the communities where leading doctors and surgeons want to live and work.

For more information, please visit www.pulsehealth.net.au.

About Vision

Vision is Australia's largest provider of ophthalmic care, diagnosing and treating people with eye disorders and diseases.

Vision provides services to doctor partners, associates, and visiting surgeons, offering a broad range of services including specialist eye care in the areas of corneal surgery, refractive surgery, cataract surgery, ocular plastics, glaucoma treatment and surgery, vitreo-retinal surgery, and treatment for macular degeneration.

For more information, please visit www.visioneyeinstitute.com.au.



Important notice

This announcement includes forward-looking statements regarding Pulse Health's expectations of its financial performance and the financial performance of Merged Group. Although Pulse Health believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected. No assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development and execution, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in interest rates and business and operational risk management. Accordingly you should not place undue reliance on any forward looking statement.

The information set out in this announcement in relation to Vision has been prepared by Pulse using publicly available information, which has not been independently verified. Accordingly, Pulse does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.