



18 November 2015

Company Announcements Office  
Australian Stock Exchange  
20 Bridge Street  
Sydney NSW 2000

## ASX Release

### Managing Director's Address, 2015 Annual General Meeting

Good Afternoon Ladies & Gentlemen,

I have pleasure in providing this annual report to the shareholders of Pulse Health Limited. The year ended June 2015 (FY15) was a year of strong growth and further strengthening of the company's foundations through the addition of two beachhead assets, disposal of non-core assets and the establishment of a new debt facility on attractive terms.

Revenue grew 20% to \$56.3m and underlying EBITDA-R grew 32% to \$11.4m.

Revenue growth was largely driven by the ramp-up to profitability of Mackay Rehabilitation Hospital, solid performances at Westmead and Eden Rehabilitation Hospitals - with the full year effect of the additional 17 beds, and a 34% increase in surgical activity, including the public ophthalmology contract at Gympie Private Hospital.

The full year effect of the implementation of the Shared Services platform together with efficiencies from improved skill mix and rostering supported the improved hospital EBITDA margin from 16.4% in FY14 to 16.7% in FY15.

#### **Asset Portfolio: exit of non-core assets and addition of core assets**

Our focus in FY15 was on execution of our growth strategy while further improving the efficiency of our hospitals, along with freeing up capital and shared services resources by exiting all non-core assets.

Our strategy of growth via acquisition or development of niche specialist private hospitals or day surgeries has a dual track focus on surgical hospitals or day surgeries and mental health hospitals.

For personal use only



## *Mental health*

The public health system increasingly struggles to meet demand for inpatient mental health care, while mental health issues grow and there is a bed undersupply in most markets. We therefore see this sector as having strong growth prospects.

We entered the mental health market with our beachhead acquisition of The Hills Clinic. This purpose designed, 59 bed specialist mental health hospital in North West Sydney is regarded as one of the best of its kind. With high utilization since acquisition in May, and performance well ahead of business case, plans are already underway for brownfield expansion.

The Hills Clinic was established by visionary psychiatrists, with whom we are now partnering to develop further similar facilities. We continue to evaluate suitable acquisition opportunities.

## *Surgery*

As the population ages, people stay healthier into advanced old age, technology enables a broader range of surgery for a wider group of people and the demand for surgical intervention grows. Much of this demand can be met on a day surgery basis, but there will always be procedures and patients that require an in-patient hospital stay, albeit for increasingly fewer days. We believe that surgeons' and patients' needs can best be met at a facility that focusses purely on surgery, where purpose designed facilities and processes are optimized by the latest technology and where staff and managers are surgically expert.

The other new addition to the Pulse portfolio fits this description. The new Gold Coast Surgical Hospital has a 24 bed surgical ward, a High Dependency Unit, a 16 chair Day Surgery Unit and six operating theatres. The inclusion of Australia's most advanced technology has ensured that a large number of the Gold Coast's leading surgeons have taken up operating time.

Our growth pipeline includes similar greenfield development and acquisition opportunities.

## *Exit of non-core assets*

Confirmation of our strategy of growth as an operator of niche specialist private hospitals located in places in which specialist doctors wish to live and work resulted in the exit of three assets, releasing shared services resources and capital. North Coast Community Care was sold, we closed the unprofitable South Burnett Private Hospital and we entered a sale and lease back of the Gympie Private Hospital freehold, releasing \$6.3m of capital.

## **Industry dynamics**

For personal use only



Strong demand fundamentals for mental health and surgical intervention are balancing growth in exclusionary health insurance policies and downward pricing pressure from health funds

Health insurers are increasingly keen to bring quality measures and reporting into contract negotiations, which we, along with most providers support, depending on the approach taken by the insurer.

Attempts by certain insurers to exclude a wide range of adverse events from being eligible for payment are unreasonable and not evidence based, but pose little risk for us because our patient mix includes very few medical patients.

### **Outlook for FY16**

We expect underlying EBITDA of more than \$10.2m, excluding ramp-up costs associated with the Gold Coast Surgical Hospital and costs associated with the Group's unsuccessful bid for Vision Eye Institute Limited. Key drivers will be The Hills Clinic, the ongoing ramp-up of Mackay Rehabilitation Hospital, further growth in activity at other sites and ongoing staffing and procurement efficiencies.

### **Thank you to a great team**

I am very proud of what the Pulse Health team has achieved in FY15, particularly the care we gave our patients and the service we provided to our doctors. I am very proud to partner with the great doctors that work in our hospitals.

I thank everyone for their efforts this year.

Phillipa Blakey  
Managing Director and Chief Executive Officer  
18 November 2015

For personal use only