

7 December 2015

ASX Announcement

Pulse Health Limited acquires six Australian facilities and one New Zealand hospital and provides pro forma FY17 EBITDA guidance of \$18.1m

- ▶ Pulse to acquire beachhead hospital facilities in the attractive New Zealand and Australian day surgery markets:
 - five day surgeries located across New South Wales, Victoria, and Western Australia, and one acute hospital located in Western Australia
 - Boulcott Hospital, a specialist surgical hospital located in Hutt Valley, New Zealand
- ▶ Upfront consideration of \$48.3 million and potential earn outs subject to FY16 and FY17 performance
- ▶ Fully underwritten \$11.5 million share placement and a 2-for-5 pro rata non-renounceable entitlement offer to raise an additional \$31.0 million at \$0.470 per share
- ▶ Accelerates Pulse's expansion into the Australian day surgery market, represents a beachhead acquisition to expand into the New Zealand healthcare market, and increases Pulse's portfolio to 15 facilities, with 413 beds and 28 theatres
- ▶ Pulse reconfirms FY16 EBITDA guidance of \$10.2m and provides pro forma FY17 EBITDA guidance of \$18.1m

Key Highlights

Pulse Health Limited (**Pulse**) is pleased to announce that it has entered into an agreement to acquire five day surgeries and an acute hospital (**Australian Facilities**) providing a quality platform for expansion in the attractive endoscopy centre market.

Further, Pulse is pleased to announce it has entered into an agreement with Evolution Healthcare to acquire Boulcott Hospital (**Boulcott**) in Wellington, New Zealand.

The purchase price for the Australian Facilities and Boulcott (together, **Acquisitions**) consists of \$48.3 million in upfront consideration and potential earn-outs subject to FY16 and FY17 EBITDA growth.

The Acquisitions enlarge Pulse's portfolio of day surgeries, endoscopy services and geographic presence, particularly into the attractive New Zealand healthcare market. In total, it expands Pulse's portfolio to 15 facilities, and is consistent with its strategy to grow via acquisition or development of niche, specialist private hospitals or day surgeries.

Pulse reconfirms FY16 EBITDA guidance of \$10.2m and provides pro forma FY17 EBITDA guidance of \$18.1m. Pro forma FY17 EBITDA includes a \$6.4m contribution from the acquisitions and growth in FY17 EBITDA from Pulse's existing operations to \$12.4m (before \$0.7m investment in shared services platform).

Australian Facilities

The acquisition of the Australian Facilities represents an accelerated expansion into the attractive day surgery and endoscopy sectors. These facilities comprise five day surgeries and an acute hospital which predominantly specialise in endoscopy, general surgery, orthopaedics and ophthalmology. The Australian Facilities comprise:

- ▶ Healthwoods Specialist Centre (NSW, endoscopy unit): two theatres;



- ▶ Hobson Healthcare Altona (VIC, endoscopy unit): one theatre;
- ▶ Hobson Healthcare Werribee (VIC, endoscopy unit): two theatres;
- ▶ Hobson Healthcare Sydenham (VIC, endoscopy unit): two theatres;
- ▶ Waikiki Private Hospital (WA, acute hospital): three theatres, endoscopy unit and 45 inpatient beds; and
- ▶ Westminster Day Surgery (WA, day surgery): two theatres.

Australian Endoscopy Market

Each of the six Australian facilities focus on endoscopy as a core capability and revenue driver. Four of the facilities operate as specialist endoscopy units, established and run by specialist doctors.

Bowel cancer is the second biggest cause of deaths by cancer. The use of endoscopy for early detection of cancer and treatment of pre-cancerous polyps, particularly for higher risk people, is now recognised by medical experts as the gold standard for care. Ongoing surveillance via regular endoscopy is also recommended. These factors are expected to underpin growth as compliance with recommendations increases. In the ten years since 2005, gastroscopy procedures have grown at a CAGR of 5.1%, while colonoscopy procedures have grown at a CAGR of 4.2%

Boulcott Hospital

Boulcott is located in Hutt Valley, New Zealand, approximately 20 minutes north of Wellington CBD. The hospital's catchment area consists of circa 145,000 people. Boulcott is the only private hospital in Hutt Valley and is co-located with the public, 300-bed Hutt Hospital.

Boulcott has three operating theatres, 29 inpatient beds, a nine bed day-surgery suite and an endoscopy unit. The hospital has benefited from consistent investment in surgical technology and facilities, and has significant brownfield development opportunities.

Approximately 45 specialists provide services from the hospital across a range of surgical specialties including orthopaedic, ophthalmology, urology, plastics and reconstructive surgery, gynaecology, ENT, vascular, cardiology, gastroenterology, rheumatology, oral and maxillofacial, and fertility services. Boulcott maintains long-standing relationships and affiliated provider agreements with major health purchasers, including the Accident Compensation Commission, Southern Cross Healthcare Group and the Hutt Valley District Health Board.

Boulcott operations include a large, modern medical consulting suite building, which provides full service radiology.

The acquisition of Boulcott is subject to approval from the NZ Overseas Investment Office, the Ministry of Commerce and the Ministry of Health.

New Zealand Healthcare Market

Similar to Australia, demand for private hospital care in New Zealand is expected to grow as the population ages and pressure on the public health system grows.

Pulse has identified a number of other very attractive acquisition opportunities in New Zealand that are consistent with Pulse's growth strategy. Boulcott provides Pulse with a high quality, low risk platform to expand into the attractive New Zealand healthcare market.



Acquisitions Financial Metrics

Consideration for the Acquisitions comprises:

- ▶ an upfront cash payment of \$48.3 million, representing a 7.5x pro forma FY17 EBITDA multiple; and
- ▶ earn out payment mechanisms constructed around EBITDA growth in FY16 and FY17.

The Acquisitions are expected to contribute pro forma FY17 EBITDA of \$6.4 million. Up to \$0.9 million of annualised business development and cost saving initiatives to be implemented during FY16 and fully realised in FY17 have been identified.

Pulse expects the Acquisitions FY16 earnings impact on Pulse will be minimal due to the timing of acquisition completion and implementation of identified business development and cost saving initiatives.

Settlement of the Acquisitions remains subject to conditions precedent which are expected to occur during the first half of 2016.

Acquisitions Funding

The Acquisitions will be funded via:

- ▶ a placement of approximately 24.5 million fully paid ordinary shares at \$0.470 per share (**Offer Price**) to raise approximately \$11.5 million (**Placement**);
- ▶ a 2-for-5 pro rata accelerated non-renounceable entitlement offer to raise approximately \$31.0 million (**Entitlement Offer**); and
- ▶ incremental debt facilities to fund the balance of the purchase consideration to be arranged in-line with anticipated settlement.

The Offer Price of \$0.470 per share represents a discount of approximately:

- ▶ 6.5% to the 30 day volume weighted average price of Pulse shares on the ASX to 2 December 2015 of \$0.503;
- ▶ 3.1% to the last closing price of Pulse shares on the ASX on 2 December 2015 of \$0.485; and
- ▶ 2.0% to the theoretical ex-rights price.

The Placement and Entitlement Offer will be fully underwritten and managed by Petra Capital Pty Limited. As the Entitlement Offer will be non-renounceable, entitlements will not be tradeable. Further details of the Entitlement Offer are set out in the Attachment to this announcement.

Post completion of the Acquisitions, Placement and Entitlement Offer, Pulse will carry a balance sheet with 1.6x net debt / pro forma FY17 EBITDA. For illustrative purposes, Pulse would have the ability to draw \$15.4 million of additional debt for growth and maintain a 2.5x net debt / pro forma FY17 EBITDA ratio.

Opportunity Pipeline

Pulse continues to review a range of acquisition and development opportunities consistent with its stated growth strategy.

Pulse Chairman, Stuart James said "The acquisition of Boulcott Hospital provides a solid platform for growth into the very attractive New Zealand healthcare market, and opens up this additional growth pipeline. The acquisition of the Australian day surgery facilities further enhances Pulse's capability as a day surgery operator, as well providing a best in class beachhead in specialist endoscopy provision. Pulse is very well positioned to execute its growth strategy and remains committed to delivering the highest standards of service to doctors, and care to patients, while further enhancing our ability to pursue value creating opportunities for shareholders."



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ATTACHMENT – Entitlement Offer

Accelerated Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional entitlement offer, which will take place from 4 to 8 December 2015 (**Institutional Entitlement Offer**). Eligible institutional shareholders can choose to take up all, part or none of their entitlements. Institutional entitlements cannot be traded on market.

Institutional entitlements not taken up by the close of the Institutional Entitlement Offer, and entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on 4, 7 and 8 December 2015.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the retail entitlement offer (**Retail Entitlement Offer**) at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 15 December 2015 and close at 7:00pm (Sydney time) on 24 December 2015, unless extended.

The Retail Entitlement Offer is non-renounceable and therefore shareholders cannot trade their entitlements on market.

Shareholders may apply for shares in addition to their entitlement. The shortfall will be allocated at the discretion of the directors, in consultation with Petra Capital Pty Limited (the underwriter to the Entitlement Offer).

Entitlement Offer And Placement Timetable

The timetable below is indicative only and may be subject to change. Pulse reserves the right to amend any or all of these dates and times without notice subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, Pulse reserves the right to extend the closing date of the Retail Entitlement Offer and to accept late applications under the Retail Entitlement Offer (either generally or in particular cases). Any extension of the closing date will have a consequential effect on the issue of new shares.

Timetable

Event	Date
Institutional Entitlement Offer and Placement opens	7 December 2015
Institutional Entitlement Offer and Placement closes	8 December 2015
Institutional bookbuild conducted	8 December 2015
Announce results of Institutional Entitlement Offer and Placement, existing shares recommence trading	Before 9:30am (Sydney time), 9 December 2015
Record Date for Entitlement Offer	7:00pm (Sydney time), 10 December 2015



Retail Entitlement Offer booklet despatched	15 December 2015
Retail Entitlement Offer opens	15 December 2015
Settlement of Institutional Entitlement Offer and Placement	16 December 2015
Allotment of new shares issued under the Institutional Entitlement Offer and Placement	17 December 2015
Quotation of new shares issued under the Institutional Entitlement Offer and Placement	17 December 2015
Retail Entitlement Offer closes, unless extended	7:00pm (Sydney time), 24 December 2015
Announcement of results of Retail Entitlement Offer	31 December 2015
Allotment of new shares issued under the Retail Entitlement Offer	5 January 2016
Quotation of new shares issued under the Retail Entitlement Offer	6 January 2016
Holding statements despatch to retail shareholders	7 January 2015

Important notice

This announcement includes forward-looking statements regarding Pulse's expectations of its financial performance and the financial performance of the acquired assets. Although Pulse 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, completion risks (including the satisfaction of conditions), integration risks, risks associated with operating a business in a new jurisdiction, negotiations with health funds and health fund membership levels, levels of referrals from doctors and attraction and maintenance of staff, litigation, 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 and exchange rates and business and operational risk management. Accordingly you should not place undue reliance on any forward looking statement.