

**Preliminary Final Report
Appendix 4E
Results for announcement to the market**

Pulse Health Limited (ACN 104 113 760)

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX listing Rule 4.3A.

Current reporting period: Financial year ended 30 June 2016

Previous corresponding period: Financial year ended 30 June 2015

| Results | | Percentage change % | 30 June 2016 \$'000 | 30 June 2015 \$'000 |
|--------------------------------------------------|------|------------------------------------|--------------------------------|--------------------------------|
| Revenue from continuing operations | UP | 29% | 72,384 | 56,268 |
| Net profit after tax attributable to members | DOWN | >100% | (3,865) | 2,547 |
| Net profit after tax (underlying) * | UP | 14% | 4,645 | 4,092 |
| Earnings per share - basic (cents) | DOWN | >100% | (1.82) | 1.55 |
| Earnings per share (underlying) - basic (cents)* | DOWN | -13% | 2.18 | 2.50 |

| Dividend information | Amount per security (cents) | Franked amount per security (cents) |
|-----------------------------------------------------|----------------------------------------|----------------------------------------------------|
| Interim 2016 dividend per share (paid 1 April 2016) | 0.3 | 0.3 |
| No final dividend for 2016 declared | NIL | NIL |

Key dates

| | | | |
|------------------------------------|----------------|----------------------------------|------------------|
| Annual Report | 31 August 2016 | Annual General Meeting | 30 November 2016 |
| Dividend announcement date | - | Dividend payment & dispatch date | - |
| Ex-dividend date | - | Dividend record date | - |
| Last date for DRP election notices | - | | |

Audit

The results are based on the attached Annual Report which has been audited by BDO East Coast Partnership.

* Underlying earnings excludes non-recurring items and greenfield losses (Non AIFRS financial information, reviewed, not audited)

Overview of Financial Performance

I. Profit Summary

The reported revenue from continuing operations for the full year ended 30 June 2016 has increased by 29% to \$72.4m (FY15:\$56.3m), with underlying EBITDA from established business (being the operating result of the Group before non-recurring items and greenfield losses) increasing 37% to \$9.1m.

| \$'000 | FY16 | FY15 | % |
|-----------------------------------------------------|----------------|--------------|------------|
| Revenue from continuing operations | 72,384 | 56,268 | 29% |
| EBITDA-R (underlying) * | 16,097 | 11,403 | 41% |
| EBITDA (underlying) * | 9,075 | 6,608 | 37% |
| EBIT (underlying)* | 7,757 | 5,608 | |
| Interest expense (net) | (1,136) | (12) | |
| Profit before tax (underlying) | 6,621 | 5,596 | 18% |
| Tax | (1,976) | (1,504) | |
| Net profit after tax (underlying) | 4,645 | 4,092 | 14% |
| Significant non-recurring items (after tax)* | | | |
| Acquisition activity expenses and associated costs | (4,362) | (1,681) | |
| Greenfield NPAT | (4,917) | - | |
| Profit on sale of hospital freehold | - | 1,060 | |
| Deferred consideration adjustment | 1,039 | - | |
| Loss on discontinued business | - | (1,047) | |
| Tax Benefit of losses recognised | - | 123 | |
| Provision for doubtful debt | (280) | - | |
| Net profit after tax as reported | (3,875) | 2,547 | |
| EPS basic - NPAT before significant items | 2.18 | 2.50 | -13% |
| EPS basic - NPAT as reported | (1.82) | 1.55 | |

* Underlying earnings excludes non-recurring items and greenfield losses (Non AIFRS financial information, reviewed, not audited)

2. Balance Sheet

The table below summarises the balance sheet position of the company.

| \$'000 | FY16 | FY15 |
|-----------------------------|--------|---------|
| Total equity | 90,051 | 53,448 |
| Cash ⁽ⁱ⁾ | 16,648 | 3,491 |
| Borrowings | 30,196 | 24,111 |
| Net debt / (cash) | 13,548 | 20,620 |
| NTA | 8,123 | (7,589) |
| Gearing (%) ⁽ⁱⁱ⁾ | 13% | 28% |
| NTA per share (cents) | 3.2 | -4.6 |

(i) 1 July 2016, \$15.4m was used to fund the upfront consideration of Boulcott Hospital, New Zealand.

(ii) calculated as net debt / (net debt + shareholders equity)

3. Cash Flow

Proceeds of capital raising invested in \$27m of growth assets with \$16m on hand for completion of Boulcott Hospital.

| \$'000 | Operating and Investing Cash Flow | | |
|----------------------------------------------------------|-----------------------------------|--------------|-------------|
| | FY16 | FY15 | % |
| Cash & cash equivalents beginning of the year | 3,491 | 7,007 | |
| Operating cash flow | | | |
| - Established business | 3,315 | 5,150 | -36% |
| - Greenfield activity | (2,723) | - | |
| - Acquisition, development and integration costs | (5,148) | (1,681) | |
| Operating Cash Flow | (4,556) | 3,469 | -231% |
| <u>Capital expenditure</u> | | | |
| - Greenfield/development | (10,790) | (2,412) | |
| - Stay in business | (1,176) | | |
| - Purchase/sale of business | (20,787) | (27,325) | |
| - Sale of freehold | 6,830 | - | |
| Total | (25,923) | (29,737) | |
| <u>Net cash flow from financing activities</u> | | | |
| Equity raising (net) | 41,212 | 170 | |
| Dividends paid | (1,277) | (1,318) | |
| Borrowings (net) | 3,463 | 23,770 | |
| Total | 43,398 | 22,622 | |
| Interest revenue | 238 | 130 | |
| Cash & cash equivalents at end of the year | 16,648 | 3,491 | 377% |

4. Outlook

Pulse Health is pleased to advise that it expects that underlying FY17 EBITDA from established hospitals will be in the range of \$13.5m to \$15.5m. Ramp-up losses associated with the Gold Coast Surgical Hospital are expected to be in the range of \$1.0m to \$3.0m, before the greenfield development turns to profit in FY18.

5. Attachments

Further details including business combinations during the year are included in the attached Directors' Report, audited financial statements and notes contained in the 2016 Annual Financial Report.

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6. Reconciliation of AIFRS and non AIFRS financial information

The directors believe the presentation of non-AIFRS financial information is useful for readers of this document to provide information on the company's profit results that is consistent with equity valuation and investment research methodologies generally adopted in Australia. The following table reconciles the reported AIFRS profit result in the Statement of Comprehensive Income appearing in the attached financial report to underlying operating EBITDA and NPAT.

| | 2016 \$'000 | 2015 \$'000 |
|-----------------------------------------------------------|----------------|----------------|
| Net profit after tax as reported | (3,865) | 2,547 |
| Income tax expense | (1,045) | 1,618 |
| Depreciation and amortisation | 2,268 | 1,000 |
| Finance costs (net) | 1,136 | 12 |
| Rent paid | 9,276 | 4,795 |
| Acquisition activity expenses and associated costs | 5,148 | 1,681 |
| Greenfield EBITDA-R loss | 3,819 | - |
| Profit on sale of hospital freehold | - | (1,297) |
| Deferred consideration adjustment | (1,039) | - |
| Loss on discontinued business | - | 1,047 |
| Provision for impairment of receivable | 399 | - |
| EBITDA-R (Established business)* | 16,097 | 11,403 |
| Rent paid (Established business) | (7,022) | (4,795) |
| EBITDA (Established business)* | 9,075 | 6,608 |
| Depreciation and amortisation (Established business) | (1,318) | (1,000) |
| EBIT (Established business)* | 7,757 | 5,608 |
| Finance costs (net) | (1,136) | (12) |
| Profit before tax (Established business) | 6,621 | 5,596 |
| Income tax expense (Established business) | (1,976) | (1,504) |
| Net profit after tax before significant items from | 4,645 | 4,092 |

* Non AIFRS financial information, not audited

For the financial year ended 30 June 2016 the following significant and non-recurring transactions occurred:

- During the year the Group incurred acquisition, development and integration costs of \$5.1m. Of this amount, \$2.8m related to the acquisition of Zenitas Holdings Pty Ltd (4 day surgeries) and Boulcott Hospital and \$1.1m related to the unsuccessful acquisition of Vision Eye Limited.
- The fair value of contingent consideration payable to the vendors of the The Hills Clinic Pty Ltd was adjusted down by \$1.0m.
- The provision for impaired receivable relates to surgical services performed in 2015 under a subcontract arrangement with a company that subsequently experienced financial difficulty. A repayment plan is in place for the full outstanding amount and interest.
- The Company commissioned the Gold Coast Surgical Hospital on 31 August 2015. The greenfield EBITDA-R disclosed above includes expenses incurred prior to opening, and ramp-up cost as the business moves to profitability.