

Healthia Ltd Newsletter

December 2020



Company Update

BY WES COOTE
CEO, HEALTHIA LTD

As we come to the end of what has been one of the most remarkable years in living history, I feel privileged to be part of a dedicated team that has emerged from this once-in-a-lifetime pandemic stronger than ever.

In a year that commenced on shaky ground where so many unknowns surrounded COVID-19 and its spread around the world, I would like to express my gratitude to our exemplary clinicians and support staff for putting the well-being of our patients first and keeping all of our clinics open through the difficult period.

While COVID-19 had an impact on our business through April and May, the foundations we built through our national support systems were able to minimise these impacts for Healthia to deliver a strong FY20 result, highlighted by like-for-like organic growth of 5.3%.

Underlying Revenue and NPATA for FY20 was \$92.5M and \$4.6M respectively, leading to Healthia's inaugural dividend of 2.0 cents per share in September 2020, representing 27% of underlying NPATA, and a Dividend Reinvestment Plan was put in place to preserve cash reserves for future expansion.

Since the release of Healthia's FY20 results, it has been an extremely busy few months for us where business has not only returned to pre-COVID levels, but exceeded them.

Since 1 July 2020, we have seen strong organic revenue growth for the 4 months to 31 October 2020 of approximately 14%. Also, as Victoria has come out of their Stage 4 lockdowns, our Victorian clinics have returned to their pre-COVID trading levels. The organic growth achieved during this period demonstrates the resilient, repeatable nature of the income of our allied health businesses, and the essential nature of the services provided by Healthia.

It is also a result of the operational initiatives driven by our senior management team and the hard work and commitment of our clinicians and support staff that have gone the extra mile, including our iOrthotics team that applied their 3D printers to manufacture face shields for local hospitals.



IN THIS ISSUE:

4 Co-Bot Research and Development in Partnership with UQ

6 Access Ortho Tour de Cure

7 Never Been Healthia: COVID-19 Spurs a New Breed of Patient

9 Mo' Bros Raise Funds and Awareness for Men's Health

9 Is there More than Meets the Eye to Healthia's Expansion Into Optometry?

The year has culminated in Healthia's expansion into the optometry market with our \$43m acquisition of The Optical Company. As our most significant expansion activity since listing on the ASX in September 2018, it was terrific to hear from so many Healthia shareholders that assisted us to raise \$13.2m from our Entitlement Offer with the expansion to drive Healthia forward.

With our healthy cash position, positive cash flow and assistance from our partners at Bank of Queensland and ANZ, we are excited to increase our annual acquisition spend from >\$15.0 million to >\$20.0 million, utilising a combination of future operating cash flow, clinic class shares, and debt finance to fund these acquisitions.

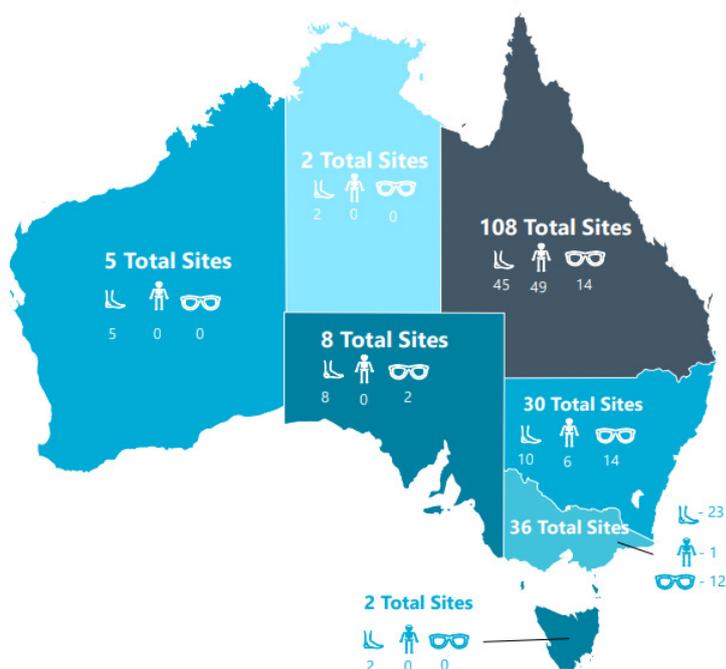
As the allied health industries emerge from the COVID-19 pandemic, we are seeing increased acquisition enquiries as industry participants place greater value on the support and stability that a larger group such as Healthia can offer.

Our key focus over the next six months will be the integration of The Optical Company and Natural Fit Footwear, the retail footwear business that will optimise our Feet & Ankles division supply chain. We will also focus on continuing to build on the momentum created from our organic growth activities, including further enhancing our centralised support to

our clinical teams, finding additional opportunities to co-locate services and introduce additional services into existing locations.

We expect to maintain Healthia's targeted 50% of UNPATA (attributed to shareholders) dividend payout policy, which will be supported by a DRP to preserve cash reserves for growth opportunities across all three of our divisions which we have now grown from 104 businesses at time of ASX listing, to 194.

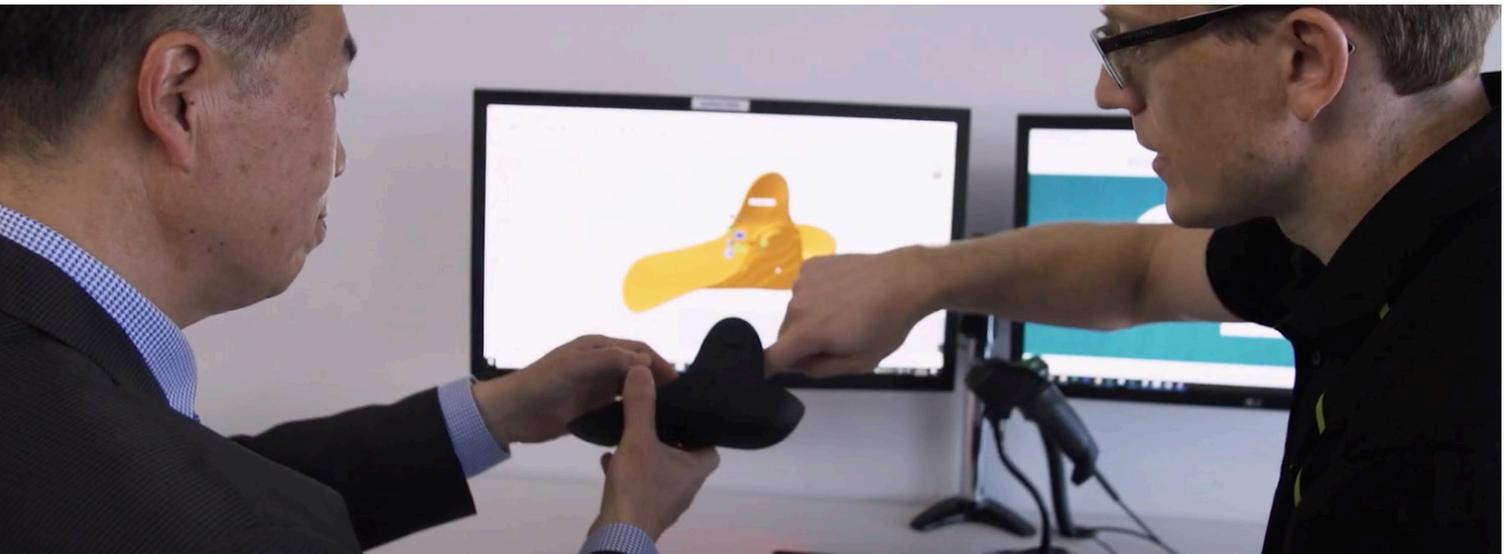
Finally, I would like to thank shareholders for their continued support of Healthia and we look forward to providing further progress updates in the New Year.



SUMMARY OF ACQUISITIONS ANNOUNCED BETWEEN 1 JUL 2020 & 31 DEC 2020

	Revenue	EBITDA (pre support)	Consideration			Effective EBITDA Multiple* (pre support)	
			Cash	Clinic Class Shares	Deferred Consideration		Total Consideration
Podiatry	5,870	897	2,752	48	1,350	4,150	4.6x
Physiotherapy	9,907	1,825	6,206	1,675	724	8,605	4.7x
Optometry	35,810	8,355	40,000	0	3,000	43,000	5.1x
TOTAL	51,587	11,078	48,958	1,723	5,074	55,755	5.0x

Notes: All EBITDA figures shown removing the impact of AASB16.



CO-BOT RESEARCH & DEVELOPMENT IN PARTNERSHIP WITH UQ

With the requirement for constant development and implementation within the technology space, iOrthotics has retained its leadership in the field in part through the years of partnership and collaboration with the University of Queensland (UQ).

Together, the union has resulted in the ongoing research and development of 3D printing materials specific to the creation of orthotic devices, and it's this cutting-edge science which is currently being utilised to provide iOrthotic's customers with precise, high-quality, and fully-customisable products.

“Without research & development at the core of what we do at iOrthotics, we wouldn't have been able

to deliver what we've done to this day.” says iOrthotics founder and director, Dean Hartley.

Beyond this progression, UQ's Advanced Manufacturing of Medical Devices hub (AMMD) specialises in bringing together research and industry partners, and has provided iOrthotics with the opportunity to access additional divisions, such as the engineering and advanced manufacturing skill sets from its students; this gives them the opportunity to develop and apply their research to real-world outcomes.

Currently the AMMD team is working to expand iOrthotics into the automation and robotics field with collaborative

robots, or as they've been endearingly named, 'Co-bots'. Most renowned for being cost-effective and safe automation machines, they are made to work along-side humans. The use of Co-bots in the workspace can increase productivity and quality, as well as reduce injuries. With the support and funding from the AMGC (Advanced Manufacturing Growth Centre) the iOrthotics team have adapted their workflow to welcome the implementation of these automated and assistive technologies. Hartley comments, “For us, it's all about improving accuracy, productivity, reducing error and reducing lead times.”, and with the introduction of 'Co-bots' to their workspace, iOrthotics looks to continue their progression forward as the

competitive leaders in their niche market.

Currently the iOrthotics lab has one Co-bot onsite in the testing phase with several automated tasks being worked on, including sorting, picking parts for each job, gluing and finishing. With the help of UQ's research and development team, iOrthotics are planning to have at least one Co-bot in full operation with additional automated tasks occurring within the next six months.

With the goal of minimising production times for high quality devices, iOrthotics strive towards developing and implementing new technologies to increase efficiencies and output within their orthotics labs. The use of automation and robotics will be sure to take iOrthotics even further into the future and allow them to supersede their current standards as a concrete support network for clinicians in the field.



iOrthotics





ACCESS ORTHO TOUR DE CURE

Community spirit, fundraising and good people doing incredible things is what makes us proud to be the Healthia family. One key example of this is Sally and Mick from Access Ortho's recent triumph of riding with Tour de Cure this October.

Originally set to commence in March, the Tour de Cure signature event was cancelled, and then rescheduled to October. Following all COVID-19 safety protocols, a small tour of just 15 cyclists led by Mark Berretta from Channel 7 was approved to go ahead and joined by an additional support crew of 5.

To Sally and Mick's surprise,

they were among the 15 riders who were offered the opportunity to ride in Tour de Cure 2020.

For those who are unaware, Sally & Mick lost their second child, Conor, to cancer when he was 3 years old in 2006. Riding with Tour de Cure this year was particularly special for Sally and Mick, as it is the year that Conor should have been graduating from Year 12. Sally's brother-in-law is also fighting stage 4 melanoma, understandably their drive and willingness to help with finding a cure is full of heart.

This year's Tour de Cure commenced in Newcastle on

the 12th of October, through to Hunter Valley, Tamworth, Armidale and onto South West Rocks. The 6 grueling days covered roughly 900km of varying terrain, traffic, crosswinds... and plenty of hills. When asked about the ride, Sally and Mick said that their experience was physically challenging for not only the course of the ride, but also the lead up to the ride as well.

"It was an amazing experience that was well worth the effort. The people we met on tour, the other riders, support crew and those in the communities were all very special," says Sally.

"To hear why others were riding helped confirm the need we have to raise more funds for cancer research. And to be able to share Conor's story, and what a beautiful little boy he was with others was very meaningful."

Through tired legs, blood, sweat and tears, Sally and Mick raised \$48,000 for cancer research collectively, and achieved what many may only dream of accomplishing.





MO' BROS RAISE FUNDS AND AWARENESS FOR MEN'S HEALTH

AllSports Physiotherapy put a small team together to participate in Movember to raise funds and awareness for men's health.

Since 2003, Movember has been funding men's health projects around the world and transforming the way health services reach and support men, covering a range of conditions including prostate cancer, testicular cancer, mental health and suicide prevention.

Alongside their participation which raised \$1,670 for a wonderful cause, the AllSports team happily shared pre-mo photos across the AllSports socials as well as some spectacular mo's throughout the month.

Well done to everyone who has raised money so far, including our current top fundraisers from XPhysiotherapy!



NEVER BEEN HEALTHIA: COVID-19 SPURS A NEW BREED OF PATIENT

BY TIM BOREHAM, THE SENTIMENT

Is the notion of the typical Australian stacking on the 'isobars' and indulging in a few too many 'lockdown lagers' during their in-house detention just another case of fake news?

In reality, says Healthia CEO Wesley Coote, incarcerated citizens were more likely to be exercising more often and assiduously holding to their appointments with health professionals such as podiatrists and physiotherapists.

"In Brisbane, where I live, people were walking as a family and exercising more than ever," Mr Coote says.

"They couldn't spend money on overseas holidays, so they spent more time looking after themselves and making sure they got to their appointments."

As deemed essential services, Healthia's clinics largely kept their doors open during the pandemic, with minimum tweaking of rostering and hours.

Mr Coote says the company was also in the right place at the right time because the working-from-home requirement created a new breed of client: those with stiff necks and sore backs from ergonomically poor, makeshift desks and chairs.

In addition, podiatry clinics benefited from folk injuring their feet after exercising more vigorously than usual.

With their rhythm of life returning to some semblance of normality, Mr Coote reflects that Australians "were acting less affected" as the lockdowns wore on.

So while Healthia's business declined up to

30% during the initial national lockdowns in April, it was only 16% off the pace during Victoria's second wave (where 24 of Healthia's then 150 clinics were located).

"When one of our Victorian clinics started cancelling and rescheduling appointments, patients rang us to express their frustrations and disappointment that they could not be seen," he says. "We worked out pretty quickly that they wanted a business as usual approach."

This 'keep calm and carry on' message is also resonating at Healthia's top corporate echelons. At the company's (virtual) AGM held on November 30, shareholders were told that organic revenue growth gained 14% in the 2020-21 financial year to date (July 1 to October 31).



The company recorded 1.8% revenue growth for the year to June 30 2020 – or 5.3% excluding the impact of the COVID-hit months of April and May.

“With restrictions now easing in Victoria, we are pleased to report that from November these clinics are also trading at pre COVID-19 levels,” Mr Coote told investors.

Elsewhere in the health sector telehealth played a key role in maintaining consumer engagement during the pandemic with many patients using the tool for the first time.

Healthia also offered the service, but, interestingly, the take-up was small.

“People preferred to come into the clinic for our services as most of our services are delivered with better clinical outcomes face to face,” Mr Coote says.

“We used it mainly to let the patient know we had safety measures in place for them. It then gave them comfort to come back into the clinic.”

Post-pandemic, Healthia has now broadened its reach into optometry with the \$43 million purchase of The Optical Company (TOC).

Mr Coote notes that optometrists were hard hit in the national lockdown, as they closed for all but urgent or critical work (less arduous rules were implemented during the later Victorian lockdown).

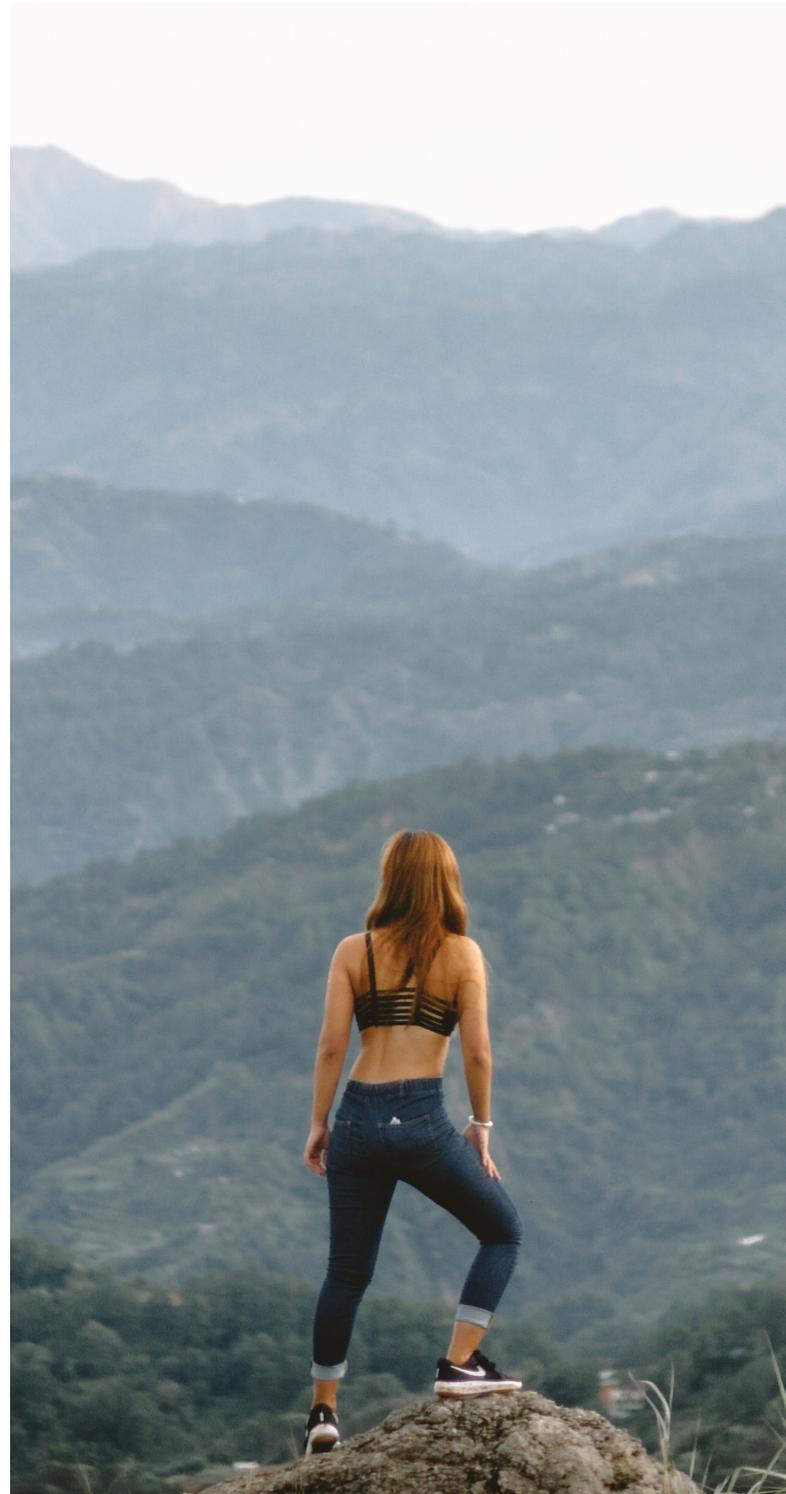
“They [TOC’s 41outlets] are now seeing really good like-for-like sales growth of +5%.”

Despite the TOC purchase, the company’s biggest to date, management has revised its expected spend on practice acquisitions from \$15 million annually, to \$20m.

“We still have a lot of acquisition opportunities on the go and we’re likely to acquire one or two a month into the New Year,” Mr Coote says.

“Inquiries [from potential vendors] have increased since COVID-19 and we believe that’s because they are placing a lot more value on being part of a larger group in these uncertain times.

“After all, it’s been a hell of a time for a small business owner.”



IS THERE MORE THAN MEETS THE EYE TO HEALTHIA'S EXPANSION INTO OPTOMETRY?

ALFRED CHAN, EMERALD FINANCIAL

With 13.2 million Australians suffering from long term eye problems, the rationale behind Healthia's \$43m acquisition of The Optical Company appeared to be a logical opportunity to expand, but investors can take further confidence in the expansion based on what we saw when Healthia previously consolidated the fragmented podiatry and physiotherapy sectors.

FRAMES DISTRIBUTION BUSINESS

The inclusion of Australian Eyewear Distributors (AED), a frames distribution business, has been key to The Optical Company's \$5.6m underlying EBITDA where they have significantly greater ownership over their supply chain than independent operators.

The model follows a similar setup to Healthia's Feet & Ankles division which is supplied 3D-printed orthotics by iOrthotics as a high-margin product that can be easily supplied to their podiatry customers, coupled with their retail footwear business.

AED has both wholesale and online offerings which cover both designer and in-house brands, high-margin products where a single pair of frames will range from \$99 upwards. Further securing recurring revenues for Healthia, frames are commonly purchased by those who wear glasses more regularly than their product lifespan courtesy of private health insurance customers

who have annual rebates that lapse if not used each calendar year.

Given Healthia's industry-leading expertise in 3D-printed healthcare products, 3D-printed frames may be closer to reality than the market realises.

MULTI-PURPOSE CLINICS & AUDIOLOGY

One of the key drivers behind Healthia's organic growth is the optimisation of clinic floor space whereby a physiotherapy clinic can be expanded to include podiatry and other company owned services.

At present, The Optical Company only offers optometry services but wheels are in motion to introduce audiology services which would come at minimal expense to Healthia using the same multi-purpose clinic model.

Although audiology services are less common than optometry, adoption is expected to grow alongside Australia's aging population, notably where there is a



higher population of elderly Australians in Queensland.

Increased screen time due to the rise of smart devices and laptop computers has resulted in greater need for optometry services. Meanwhile, the long-term effects of modern listening devices (headphones and earbuds) are not fully known, and could further the need for audiology care in the future, potentially at a younger age than current hearing device needs.

While audiology will be the initial service integrated into optometry clinics, Superclinics are a common trend in the United States where multiple allied health services are rolled into one location, providing ease-of-access to customers.

The concept of Superclinics is something Healthia is

already exploring with a new clinic in Bundaberg purpose-built to offer physiotherapy, occupational therapy, podiatry, exercise physiology, clinical Pilates, remedial massage and personal training all from one location.

CROSS REFERRAL & LOYALTY INCENTIVE

In our data-driven world, Healthia has harnessed the use of data analytics where marketing support services appear to be one of the key attractors to clinic owners that enquire about joining the Healthia network.

Through the collection of demographic, health insurance and spending data, Healthia is able to promote better patient outcomes with predictive analytics that suggest when it might be a good time to visit the

podiatrist or physiotherapist for a check-up.

Key to realising the full potential of this marketing support will be integration of The Optical Company into Healthia's operating systems. The process endured headwinds when merging their physiotherapy and podiatry clinics into the single national system but once overcome, organic growth jumped from 2% in FY19 to 5.3% in FY20.

With that experience, Healthia has flagged integration of The Optical Company into their Company-wide system over the coming six months which will provide opportunities to cross-refer patients between all three operating divisions where Healthia has also flagged plans to launch a loyalty program.





www.healthia.com.au