

Healthia Ltd Newsletter

January 2022



Company Update

BY WES COOTE

CEO, HEALTHIA LTD

As we kick off 2022, I would like to thank the team members of Healthia for their resilience and continued dedication towards providing outstanding patient outcomes throughout 2021, while overcoming the challenges presented with respect to the COVID-19 pandemic and associated 'lockdowns' experienced.

Our strong financial and operational performance during FY21 is a reflection of the professionalism and hard work of the teams we have brought together under the Healthia banner which continues to grow each year.

This was highlighted in Financial Year 2021, with the Group achieving organic revenue growth of 9.1% while demonstrating the resilient, repeatable nature of the income of allied health businesses, and the essential nature of the services provided by Healthia.

Now in our fourth year as an ASX-listed company, we have overcome lockdowns enforced from the beginning of FY22 while growing our allied health network via new acquisitions, highlighted by our \$88.4m acquisition of Back In Motion announced in September.

With that acquisition, Healthia significantly expanded its footprint in the Southern States (most notably in Victoria) while expanding to New Zealand which not only expands the network, but creates new organic growth opportunities in those regions through the introduction of new allied health services.



IN THIS ISSUE:

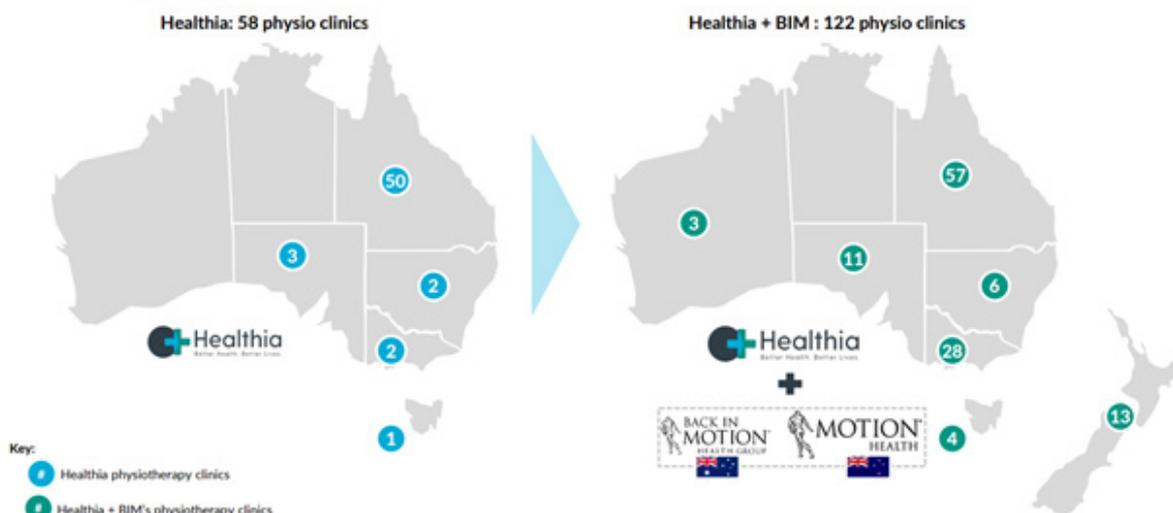
5 JoJo's Glitter Gala raises \$51,000 for MND Queensland

6 Clinical Pilates: The value add clinical exercise service at physiotherapy clinics growing in popularity

8 Why healthcare and acquisitions have been the place to be during a pandemic

MARKET LEADERSHIP

SOLIDIFYING MARKET LEADERSHIP IN PHYSIO



Given the fragmented nature of the targeted allied health industries, acquisitions will continue to be a central pillar of our growth strategy, allowing us to grow our share (~2.5%) of the \$9.8 billion addressable market for our services. This will include deploying the stated target of \$20.0 million of capital in FY22 on new acquisitions, this being in addition to the \$88.4 million deployed for BIM, of which \$16.1 million of the target has been deployed to date.

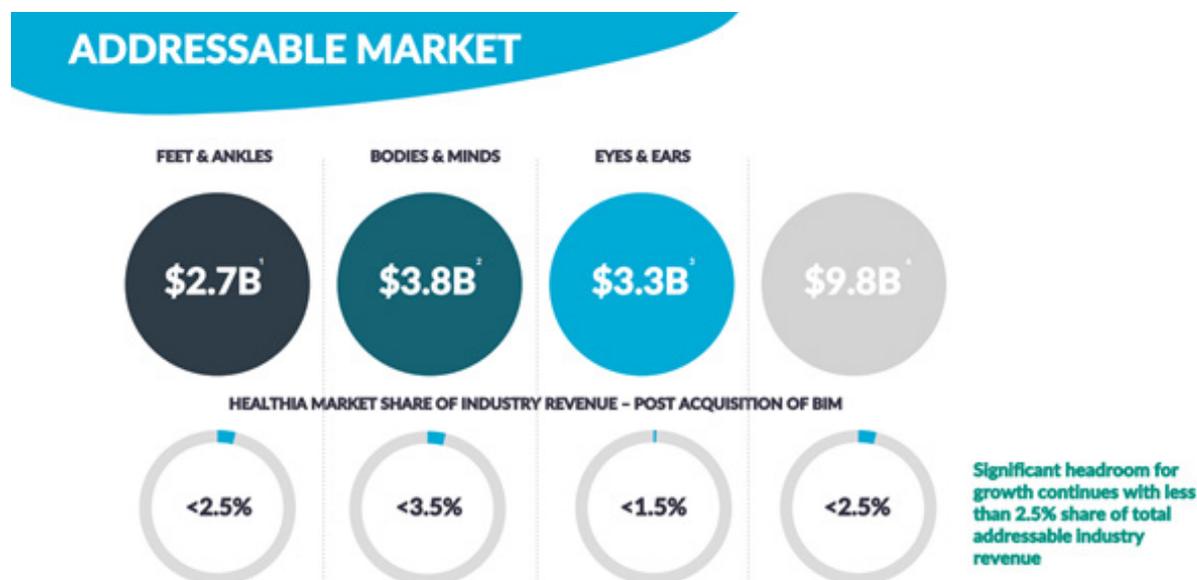


Table 1: Summary of acquisitions announced between 1 July 2021 and 31 December 2021

	Underlying Financials (FY21)		Consideration	Multiple
	Underlying revenue ⁶	Underlying EBITDA ⁷	Total Consideration	EBITDA ⁷ Multiple
	\$ million	\$ million	\$ million	
Back In Motion	\$62.3	\$12.2	\$88.1	7.2x
Other acquisitions	\$20.6	\$3.7	\$16.1	4.4x
Total	\$82.9	\$15.9	\$104.2	6.6x

Total acquisitions announced during FY22, including Back In Motion, are expected to contribute Revenue and EBITDA of \$82.9 million and \$15.9 million respectively on a pro-forma underlying basis.

As we continue to move through FY22, we will continue to focus on the delivery of our vision of becoming Australia’s largest and leading allied health company. This vision will be supported through the following four focused strategies:



In terms of key growth initiatives, I am pleased to provide the following updates for the year:

People & Culture

We have continued to build on the structured learning and education programs in place which has helped position Healthia as an employer of choice in the allied health industries. Continuing to develop our clinician retention programs, Healthia engaged Best Practice Australia to do a follow up on its previous survey which was last conducted in 2019. Engagement of the Healthia team has improved, now categorising Healthia as a “culture of success”.

We are now in the process of finalising Healthia’s FY22 Graduate Program which will look to build on the 60 graduates that commenced with Healthia in February 2021. These new graduates are important to the continued organic growth of the group, as well as being our future leaders and clinic partners.

New Services - Audiology

When acquiring The Optical Company in November 2020, Healthia identified an opportunity to expand the division into audiology services once we had set the foundations from

the optometry business. 12 months on from that acquisition, the Eyes & Ears division is now aligned with Healthia’s marketing strategies and customer retention programs while consolidation of the acquired entities has improved accounting and support efficiencies.

With those foundations set and contributing to Healthia’s organic growth, it was exciting to launch our first audiology clinic in Geelong operating via a hub and spoke model with surrounding clinics referring patients as we start expanding the ‘Ears’ element of the Eyes & Ears division.

Back In Motion

The \$88.4m acquisition of Back In Motion was our biggest acquisition to date, in which it expanded Healthia’s network by 63 clinics across Australia and New Zealand. The integration of systems, policies and procedures and the clinical teams is well underway. Major milestones achieved to date include integration of all staff into Healthia’s HR and payroll systems and all settled BIM clinics automatically centralised into Healthia’s accounting and finance programs.

We will also focus on continuing the roll-out of additional clinical services into existing locations, including co-location opportunities within the Back in Motion network.

As we enter the back half of FY22, our key focus will be continuing the integration of Back In Motion and the other acquisitions made during the start of FY22, which represents an additional \$82.9 million revenue and \$15.9 million EBITDA on a pro-forma underlying basis. Upon integration, the building blocks will be in place to accelerate organic revenue growth. The start of calendar year 2022 has seen a new wave of COVID cases hit Australia. This has presented a new challenge for Healthia, its team members and its patients. Patient bookings cancellations and clinician absenteeism have increased and we continue to manage the situation closely; the ongoing financial impact of which is not yet able to be quantified.

Thank you to all of those shareholders that supported Healthia throughout the year, both new and continuing shareholders, and also for their continued belief in Healthia as we quickly move towards realising our vision of becoming Australia’s largest and leading allied health company.



JOJO'S GLITTER GALA RAISES \$51,000 FOR MND QUEENSLAND

Meet Jo Boon, a long-time friend of Allsports Physio in Camp Hill. She's a trained nurse and worked alongside Allsports Physio founder Tony Ganter as a massage therapist on the football sidelines over a decade ago.

Jo was diagnosed with Bulbar Motor Neuron Disease (MND) in late 2019, but in the months before had begun to notice many of the symptoms. Bulbar MND attacks the vocal and breathing apparatus, primarily causing problems with the ability to breathe, speak, and swallow and affects strength, balance, and coordination of the limbs.

Suffering from constant muscle aches and cramps, Jo can't walk long distances without the aid of a walker or electric wheelchair but says the effects of the disease on her mental health is hard to grapple with.

"The thought of not being there till the end for them and seeing my grandkids grow into gorgeous humans is heartbreaking and frightens the hell out of me. The thought of leaving my gorgeous husband behind is so overwhelming, and I worry about him being lonely as we are childhood sweethearts and have been together for over 38 years. He is my world and my rock, and my true soulmate. He is the one who does all those little things no one sees," said Jo.

Every week, she visits the Camp Hill physio as part of an allied-health treatment plan, including speech therapists, occupational therapists, and dieticians. She says she considers herself fortunate to be eligible for the National Disability Insurance Scheme. Jonathon and the Allsports Physio Camp Hill team

are one small part of a multidisciplinary team working together to help provide Jo with the best clinical care possible to help manage her pain and maintain her mobility with hands-on treatment and exercise prescriptions.

Since her diagnosis, Jo has been getting involved in raising awareness for MND. Along with her family, she has organised a gala dinner to raise funds for MND Queensland – JoJo's Glitter Gala. The event was held in November where ticket sales, a live auction and donations raised much-needed funds for MND Queensland and families like Jo's, affected by MND.

The team at Allsports sends a big congratulations to the Boon family who successfully raised \$51,000 for MND Queensland from JoJo's Glitter Gala!

MND is a life-limiting, progressive neurodegenerative disorder that affects a person's ability to move, speak, swallow and eventually



breathe. There is no known cause and no cure or effective treatments to halt the progress of the symptoms. Around 2,000 Australians are living with MND. On average, two people are diagnosed daily and tragically, two people die every day from MND. The average life expectancy from diagnosis is just 2.5 years.

MND Queensland provides quality support and services to families impacted by MND, including information, referrals and support groups through their Advisory Service and important medical equipment and assistive technology through their equipment service to help people with MND stay independent and at home as long as possible where they belong. Donations to MND Queensland can be made at: www.mndaq.org.au

CLINICAL PILATES: THE VALUE ADD CLINICAL EXERCISE SERVICE AT PHYSIOTHERAPY CLINICS GROWING IN POPULARITY

Samantha Freidin, The Sentiment

It's no secret that movement is the key to being a healthy individual.

Clinical Pilates is one of the more productive ways of moving that might not get your heart rate up as much as that hardcore HIIT class but will deliver countless benefits when it comes to posture, movement, strength and flexibility.

The original Pilates method was developed by Joseph Pilates in the early 20th century as a form

of low impact exercise to improve core stability, posture and balance. Since then the body of evidence speaking to the method's benefits has grown considerably.

Pilates is becoming increasingly popular, with more and more Pilates studios popping up, offering everything from merchandise and juice bars to hit after your session.

Unlike regular Pilates though, clinical Pilates is incorporated into your clinical exercise program offering a more individualised approach, targeted to specific muscle groups and areas of concern. Helping to reduce pain and reduce the likelihood of injury, clinical Pilates offers a low impact way to strengthen key muscles correctly and support physical wellbeing.

Overseen by a physiotherapist, clinical Pilates forms part of your clinical exercise plan. These tailored plans always follow an in-depth assessment of your body, movement and concerns. The physiotherapist then formulates a treatment plan that will target and strengthen certain muscles. This form of clinical exercise using specialised Pilates equipment also seeks to improve range of motion, posture and flexibility, building a stronger, more resilient body.



The tools of the trade are vast, from reformer beds to a simple elastic band or even your own body weight. However, the most important element of incorporating clinical Pilates in your tailored clinical exercise plan is your physiotherapist... So how do you know if you've found a good one?

Like any profession, physiotherapists should engage in regular professional development activities to ensure they are keeping abreast (or up to date with) of the latest evidence in the field of sports medicine. Healthia boasts extensive professional development programs for their clinicians, ensuring that the service they are providing is always backed by the most up to date research to ensure ongoing clinical excellence.

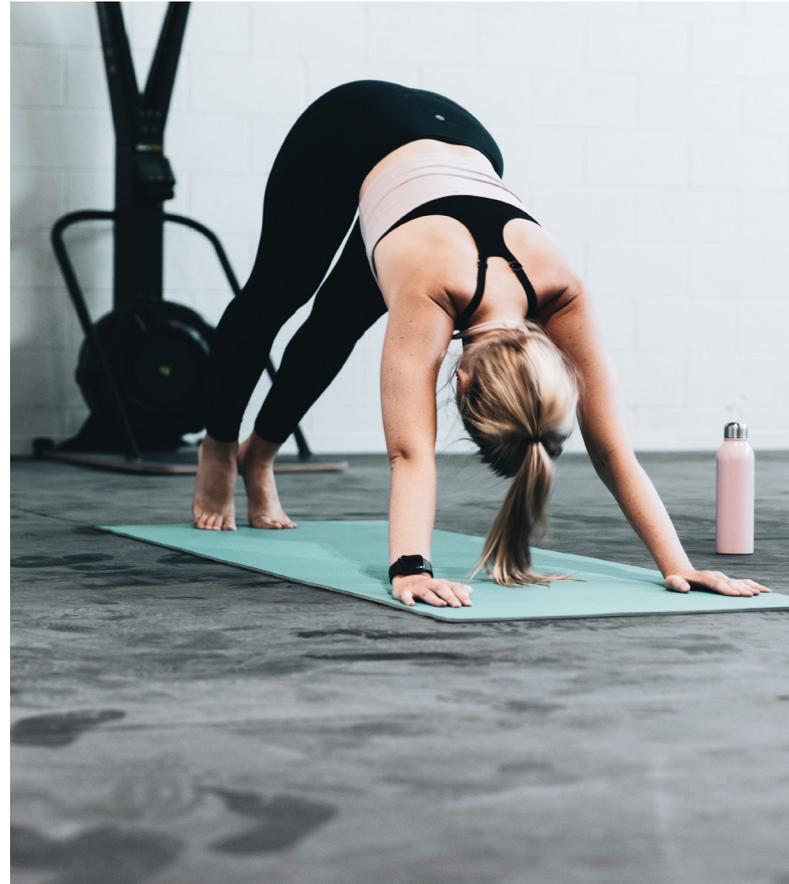
“We've got a number of organic activities as part of what we do here at Healthia, I guess the most important to us, and the most fundamental one is to ensure that our clinical teams are engaged and showing up for their clients every day. To keep that going, we have a number of engagement strategies, the most important one being our industry leading education and professional development programs” said Healthia CEO Wes Coote.

Highly engaged clinicians will ultimately provide a better client experience and higher quality care so it's no surprise that this is becoming an increasingly higher priority for Healthia.

As part of their clinician development programs, Healthia nurtures graduates from numerous allied health professions and unsurprisingly, has become an employer of choice amongst health graduates nationwide.

With their recent acquisition of Back In Motion, adding 63 clinics to their portfolio, Healthia has expanded and built on already robust clinical exercise programs across their clinics, offering a unique value add for clients.

Across their incoming clinics, Back In Motion offers highly-individualised clinical exercise programs with their team of highly trained physiotherapy professionals. Their programs go above and beyond, using evidence-based clinical methodology to deliver individually tailored exercises using specialised Pilates equipment



during focused group or individual sessions.

“We identified that our two organisations were very closely aligned with our philosophies about our team members, how we operate and with our outcomes we are looking to achieve for our clients,” added Coote.

With a stellar track record of successful integration and clinician retention, the Back In Motion clinics are bound to continue their performance streak.

As Australia's largest and fastest growing physiotherapy operator, Healthia is already a leader in the space. The expansion of clinical exercise programs in more physiotherapy clinics not only offers excellent value for clients, but for shareholders too by increasing profit margins and delivering better patient outcomes.

WHY HEALTHCARE AND ACQUISITIONS HAVE BEEN THE PLACE TO BE DURING A PANDEMIC

Jarryd Russell, Emerald Financial

When the market crashed in March 2020, the world economy saw its biggest fall since the GFC. Few would have anticipated a recovery within just 12 months, however that's exactly what happened with governments jumping on the front foot with stimulus packages.

For Australia, it enabled the All Ordinaries to recover to its pre-pandemic levels (7200) in 12 months. Since then, it has continued climbing to now be trading around 7600. What made the recovery more impressive was the fact it took 12 years for the All Ordinaries to return to its pre-GFC level of 6500 in May 2019.

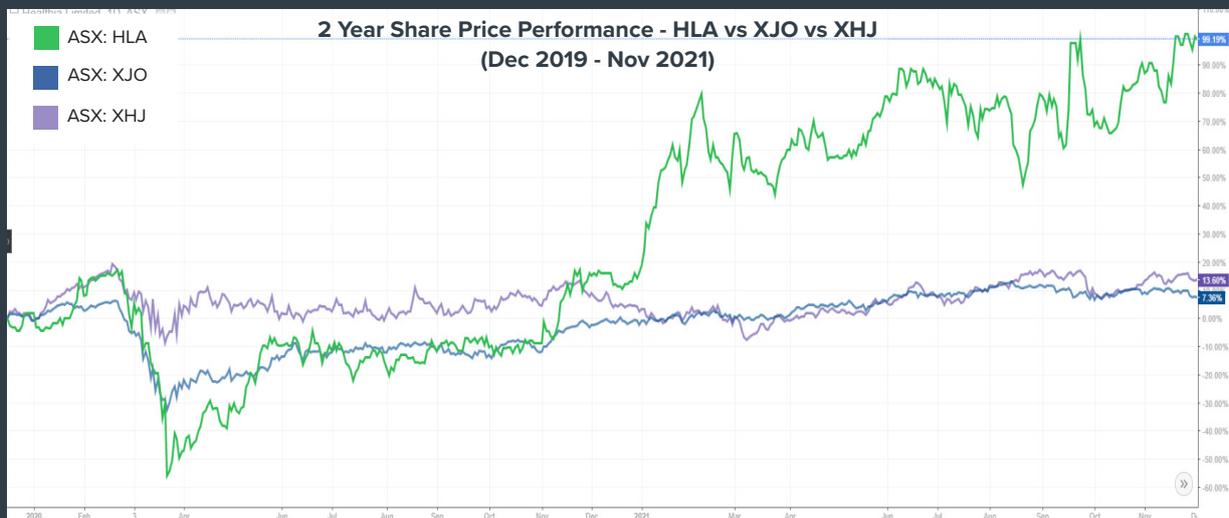
Comparatively, the impact of the pandemic and the majority of the world working from home; was just a blip on the economy. In many instances, COVID-19 strengthened the corporate world where operational expenses were slashed and employees produced more output but with a much healthier work-life balance.

As would be expected in response to a pandemic, the S&P/ASX 200 Healthcare Index (ASX: XHJ, +13.6%) has outperformed the ASX200 (ASX: XJO), +7.36% since the commencement of the pandemic.

In that same time, we have seen Healthia (ASX: HLA) blitz both indexes to emerge as Australia's fastest growing allied health portfolio, to deliver a 99% gain in HLA's share price.

Healthia has benefited from industry tailwinds where its services have throughout the pandemic been classified as 'vital community services' ensuring minimal disruption to its operations.

That said, the strong gains have been accentuated via Healthia's growth strategy by acquisition coinciding with low interest rates which have seen the Company make major acquisitions of The Optical



Company (\$43m) and Back in Motion (\$88.4m) during the pandemic.

At an industry level, Healthia appears to be benefiting from its profile as a publicly listed Company, openly disclosing the 9.1% organic growth across the Group in FY21.

Coupled with the difficulties endured by small clinic owners, this has given rise to increased interest in Healthia within the fragmented podiatry, physiotherapy and optometry sectors as vendors seek to alleviate themselves of back-office responsibilities by joining the Healthia network.

This has driven the acceleration of Healthia's network growth through the pandemic where the increase in clinic numbers have seen a similar trend in HLA's share price. This additionally was highlighted over the past 12 months where HLA (+75%) has comfortably outperformed the

Healthcare Index (+8.2%) and ASX 200 (+8.9%).

At what point might we expect Healthia's growth to slow down?

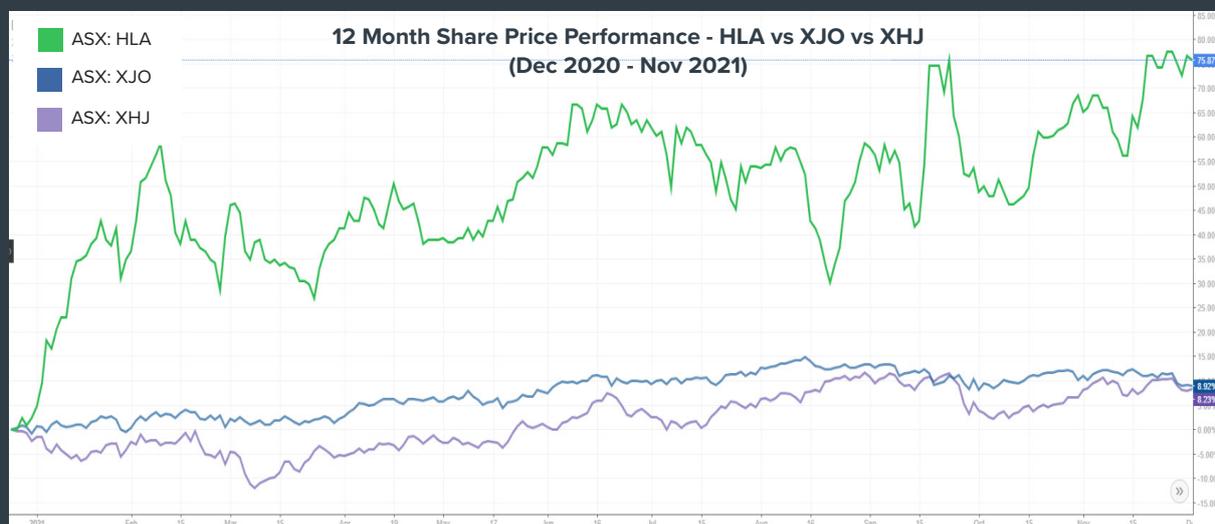
Healthia has continued to re-iterate its commitment to deploying \$20m per annum to acquisition growth which excludes their major acquisitions where they have raised fresh capital in order to fund.

Working in the favour of shareholders, Healthia has at no point since their IPO sought capital to fund this acquisition pipeline, rather capitalising on the low interest rates and increasing their finance facility from \$50m in 2018 to \$100m in 2021.

Following the acquisition of Back in Motion Group, Healthia still had \$33m of headroom in this facility but with their rising revenues and organic earnings growth, more

acquisitions each year are being funded from existing cash flow, whilst still issuing shareholders with a 2.8% dividend yield.

The competitive lending landscape has provided Healthia to twice re-finance their facilities which have been extended to 2024 which, coupled with their free cash flow, should see another three years of acquisition growth at \$20m per annum deployed without the need for fresh capital.



A huge congratulations to University of Queensland Rugby Football Club for taking out the 2021 Allsports Physiotherapy Hospital Challenge Cup!

