

Healthia Ltd Newsletter

June 2021



Company Update

BY WES COOTE
CEO, HEALTHIA LTD

In what has been Healthia's busiest year since listing in 2018, the efforts of our clinicians and business operators across the country have to be commended for overcoming the difficulties brought about by the COVID-19 pandemic and subsequent lockdowns in various cities.

Despite these hurdles, it fills me with great pride to see our teams tackle these challenges while ensuring patients have been provided world-class health services in a year that has seen Australians prioritise their health more than ever before.

The release of our H1 results were highlighted by 14.5% organic growth across the Group, a 39% increase in underlying revenue to \$61.5m and a 91% increase in underlying EBIT-DA to \$11m. This included just one month of business from Healthia's newest Eyes & Ears division which was settled on November 30, 2020.

Since expanding Healthia's allied health services into optometry and audiology, it has been fantastic meeting all the new team members that joined via our \$43m acquisition of The Optical Company, providing Healthia with access to a \$3.3 billion addressable market in Australia. Like our other divisions, the Eyes & Ears sector is hugely fragmented where Healthia has significant headroom to move with less than 1.5% of the market.

While we have been integrating the 41 acquired clinics onto Healthia's national platform and support system, we have had keen interest from external optometry businesses enquiring about joining the Healthia network. The process of evaluating clinics is a fluid one with a variety of factors our acquisitions team must consider but it was pleasing to acquire our first new optometry clinics in May.

As part of Healthia's expansion into optometry where service demand is driven by the 13.2 million Australians that suffer from long-term eye problems, we were pleased to partner with NAB to increase Healthia's finance facility to \$70m, joining long-term financiers ANZ and Bank of Queensland.

With the help of our financiers, we have increased Healthia's annual commitment to acquisition growth from \$15m to \$20m. This enables us to capitalise on more opportunities



IN THIS ISSUE:

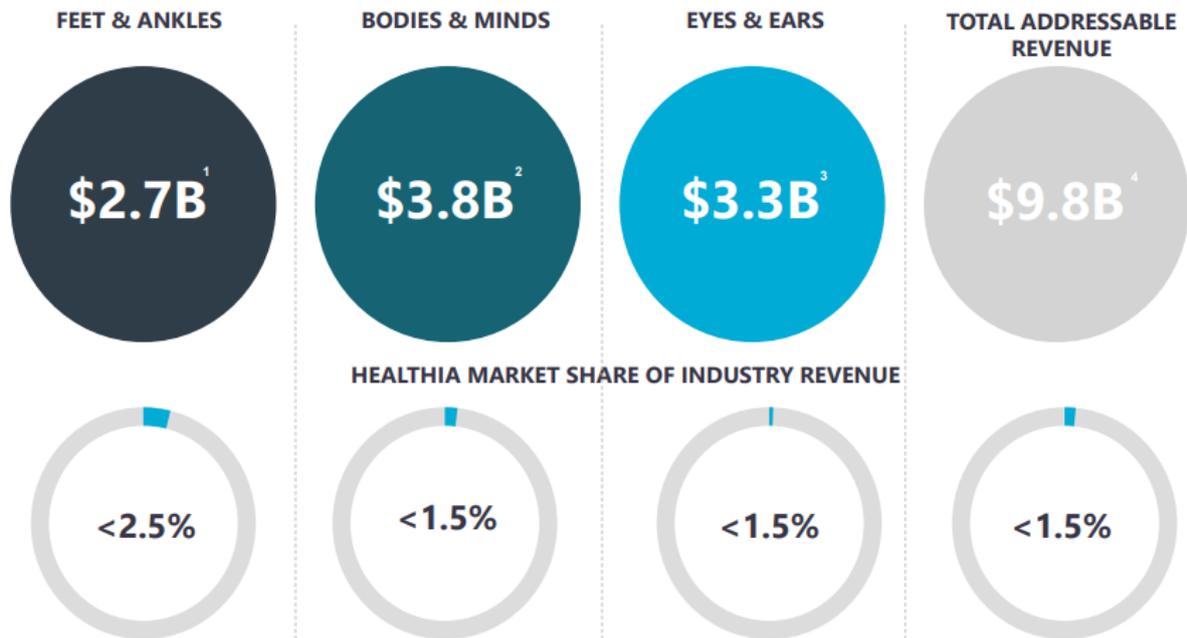
4 Riding for Smiddy, Sam Wood raises \$7,247 for cancer research

5 Kevin Paisley Hearing

6 Working from home, low back pain and treatment myths: 1 on 1 with Dr Kerrie Evans

8 Hearing health to be prioritised under Federal Government roadmap

10 Why Environmental, Social and Governance reporting will dictate the future of manufacturing



with more acquisitions now funded on a debt-free basis thanks to increased cash flow. Although we eclipsed that figure in FY21, we have still been assessing prospective business opportunities in regions ripe for allied health services.

The ‘Ears’ side of the Eyes & Ears division is also an exciting new market for Healthia which we have been working on behind the scenes as we focus on integrating the division first. We were pleased to welcome Healthia’s first audiometrist as part of plans to open our first co-located audiology clinics in Geelong and Warrnambool soon.

To accommodate the growth Healthia has achieved in the past 2 years, we were delighted to bring on our largest number of graduate clinicians at the start of the year with more than 60 graduates joining the company across physiotherapy, podiatry, optometry, occupational therapy, exercise physiology and speech pathology. This does not include the midyear intake that will be finalised soon.

All will joining more than 300 other Healthia clinicians and business partners on the Gold Coast in October when we host Inspired 2021, our annual conference to collaborate on best practice in a professional development event unlike any other. With last year’s

event cancelled due to the pandemic, this will be an excellent opportunity for our teams from around the country to gather and hear from an impressive lineup of keynote speakers, researchers, academics and practitioners that ensure Healthia is at the forefront of best practice to promote exceptional patient outcomes.

Between new clinic acquisitions, the expansion of our audiology vertical and Inspired 2021, we have a very exciting few months ahead at Healthia and I look forward to bringing you further news soon, as well as our Full Year results once they are finalised.



Healthia

RIDING FOR SMIDDY, SAM WOOD RAISES \$7,247 FOR CANCER RESEARCH

Congratulations to Sam Wood from the Allsports Physiotherapy clinic in Camp Hill for successfully raising \$7,247 as part of the Smiling for Smiddy Challenge.

In May, Sam led a special fundraising initiative to support the work of Mater Research - a world class research institute doing important work to investigate the causes, treatment and prevention of cancer.

The fundraising effort included a trivia night organised by Sam which raised more than \$5,000 before Sam undertook a 680km bike ride through Far North Queensland.

The ride spanned 5 days with Sam's group collectively raising more than \$400,000 for cancer research.

Well done Sam!

Smiling for Smiddy fundraising events honour the memory of Adam Smiddy, a Brisbane physiotherapist who passed away due to an aggressive cancer in 2006 aged just 26.

Since 2006, more than \$5 million has been raised for cancer research and support services. For more information about Smiling for Smiddy, or to donate, please visit www.smiddy.org.au.





KEVIN PAISLEY HEARING

The Eyes & Ears Division of Healthia, is due to open the group's first hearing clinics, Kevin Paisley Hearing, to be co-located within the Kevin Paisley Optometrists stores in Geelong and Warrnambool. The co-location between optometry and hearing is a proven horizontal model both locally and internationally with the disciplines sharing premises, resources and driving incremental revenue opportunities for existing and potential customers.

Whilst hearing loss can affect anyone, prevalence rates for hearing loss are primarily related to the ageing population, being consistent with the optometry offerings.

Work is underway setting up processes and platforms to support the hearing business and to establish the identity for hearing within existing optometry stores. Healthia has employed a registered Audiometrist, with 20 years' experience, to work with the business for the set-up and launch of the hearing clinics. Relationships with leading suppliers across industry specific software, equipment and product have been established with the vision of being a trusted hearing-care provider and aligning with Healthia's existing professional-led approach. These combined

efforts provide the foundation for customers to undertake hearing screenings, book comprehensive hearing tests and receive personalised hearing aid products with cutting edge technology.

Within existing optometry locations a hub and spoke approach will provide scale. The model provides centralised audiology clinics (hubs) that service a nearby network of locations (spokes) each offering initial hearing screening that refer customers to the nearby hub for comprehensive hearing tests as required.

Kevin Paisley Hearing will open in Victoria, extending the Kevin Paisley name into a new field of allied health care. Established in 1975, Kevin Paisley Optometrists is a well-known name in optometry with 13 stores across regional Victoria and South Australia. The customer profile and reputation in the market place it well to offer hearing services. The co-location between optometry and hearing is a proven horizontal model both locally and internationally with the disciplines sharing premises and resources while driving standards of care for existing and potential patients.

WORKING FROM HOME, LOW BACK PAIN AND TREATMENT MYTHS - 1 ON 1 WITH DR KERRIE EVANS



As Australians have become adept at working from home, the opportunity to 'go to work' by just trundling down the hallway has led rise to a growing cohort of people benefitting from physiotherapy. Attending meetings with just the click of a button, often just in last night's pajamas, the trend has resulted in many workers going hours on end at their desks, unmoved from the front of their screens.

With the rising number of home office workers not prone to physical distractions of water cooler chatter or coffee dates, Healthia Chief Education and Research Officer Dr Kerrie Evans shared some advice now more commonly offered

to patients entering Healthia clinics since the pandemic commenced.

"Everyone thinks that there's a perfect posture. It's common to think that if I just sit up like a soldier, walk really tall or be careful how I set up my workstation, then I'm not going to have back pain. That's a myth," said Dr Evans.

"We treat a lot of people with beautiful posture, beautiful ways of moving and beautiful lifting techniques but who still experience low back pain. Despite the convenience of home offices which can leave us prone to sitting still for a long period of time, as physios, we encourage people to move

frequently, even if you think your posture is perfect."

Although the onset of a pandemic and resultant lockdowns have impacted the number of Australians reporting low back pain, Dr Evans attributes much of it to a wider trend.

"80% of the Western population will have an episode of back pain at some stage in their life. Of those people, around 90% will have recurring episodes".

"What tends to happen is that many people recover from an acute episode within a couple of weeks and that's obviously a good outcome, but episodes of low back pain tend to recur. And recur again. That is, back pain becomes recurrent or persistent.

"But potentially what's happening is that the factors that are contributing to the flare ups are not being addressed. And so if a physio or a health professional can identify at the contributing factors, and start to help the person address those most often with comprehensive advice and a tailored exercise program, not only will people recover from acute episodes



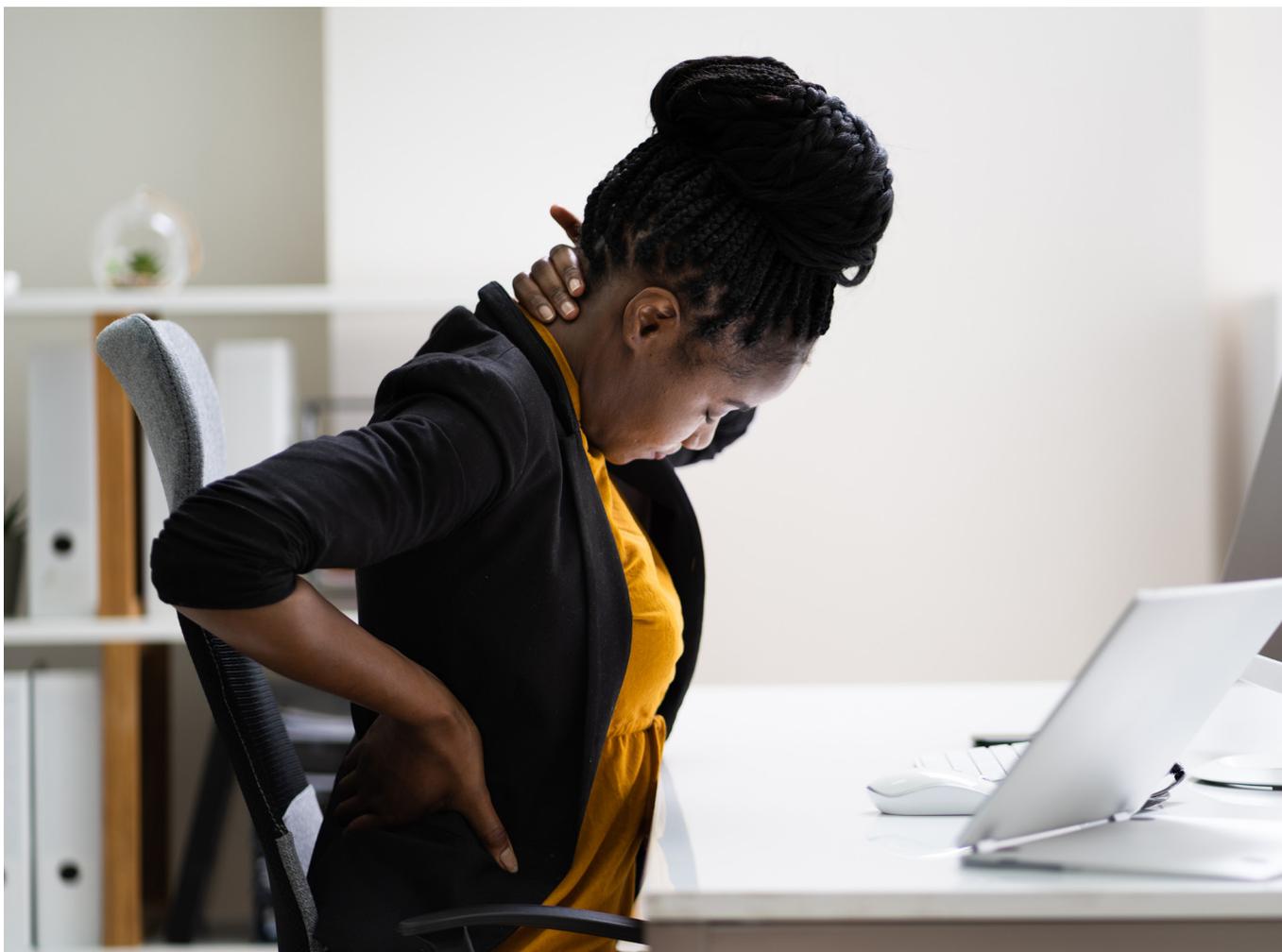
but potentially the number and severity of back pain episodes will be less.

“Physiotherapists and allied health professionals have a very important part to play in the prevention and management of low back pain and are well-placed to help people learn how to best manage their own low back pain story.”

For many, it was the first time they actually considered the set-up of their work station. “The message around work stations is a bit similar to the message around posture – you can have the perfect work station – desk at the right height, a comfortable, fully adjustable chair, the monitor at the right distance and at the right height and perfect lighting conditions but if you sit for too long, irrespective of your work station set up, your back, or neck for that matter, won’t thank you.”

Working from home also disrupted people’s regular routines, their daily structure. Not just around work routines but also their exercise routines. “Many people are finding it hard to get back into their regular exercise regimes.” Dr. Evans said “We know that exercise is a really important strategy for managing low back pain. There are many different methods, or approaches, of exercising that have been found to be helpful for people with back pain – the trick is finding the right one that works for you and one which you enjoy”

Dr Kerrie Evans is a Specialist Musculoskeletal Physiotherapist, as awarded by the Australian College of Physiotherapists (2007), Healthia’s Chief Education and Research Officer and a Senior Research Fellow at The University of Sydney.



HEARING HEALTH TO BE PRIORITISED UNDER FEDERAL GOVERNMENT ROADMAP

Samantha Freidin, The Sentiment

The gaping dental shaped hole in the Australian healthcare system is a frequent point of contention and the more you look into it, the scope of Medicare coverage seems to narrow. Audiology is an essential service not entirely covered by Medicare, but that may soon change.

Hearing health is a chronically overlooked aspect of our healthcare here in Australia but the Federal Government is wanting to include hearing health as part of general health and screening programs by 2024 due to growing concern around the prevalence of hearing issues.

In Australia 3.6 million people, or 14.5% of the population suffer from hearing loss*. This is expected to increase by more than double to 7.8 million by 2060. More than 1.3 million people live with a preventable hearing condition. These are commonly age related or from exposure to loud noise. 37% of our total population have noise related ear damage.

There is an increasing incidence of hearing loss due to our ageing population however, other causes include congenital causes, use of particular drugs, physical trauma, ear wax accumulation and diseases such as meningitis, chronic ear infections, measles and mumps.

According to the World Health Organisation hearing loss is the most common disability in new born children worldwide. Access Economics estimates that the prevalence of hearing impairment in children is likely to increase by 7.5% from 2005-2050. Almost half of all child hearing loss is preventable.

Hearing loss is more prevalent in men than in women due to higher exposure to workplace

noise. The National Hazard Exposure Worker Surveillance Survey found that “28-32% of Australian workers are likely to work in an environment where they are exposed to non-trivial loud noise.” Except, not all employees make WorkCover claims for hearing related issues from work as they are difficult to prove.

The average age of people with hearing loss who access hearing services via the Commonwealth Government is 79. This is concerning considering that half Australians with hearing loss are younger than 65.

The government is all too aware of these issues. The Australian Government Hearing Services Program works to reduce the incidence of avoidable hearing loss by providing access to devices and services for eligible people. The Program provides established clinical care guidelines for a variety of ear health issues for clinicians to follow.

The Federal Government’s Roadmap for Hearing Health published in 2019 includes key prevention measures for hearing health on a national level such as:

- Researching and aligning codes of practice across the country to develop a national mechanism to monitor hearing loss prevention
- Incorporating noise reduction and control measures into urban planning
- Developing a national regulatory framework to regulate occupational noise exposure levels

Anticipating the Government's increased emphasis on the importance of hearing health, Healthia is exploring adding audiology services to the already holistic suite of clinics they run.

The incorporation of audiology services not only supports communities with their hearing

health but opens Healthia up to increased revenue opportunities and cross referrals. Hearing checks are quick, easy and minimally invasive. Hearing aids are commonly required and need yearly maintenance and therefore represent ongoing revenue.

PRIVATE MARKET HEARING AIDS

- **200,000** hearing aids in circulation for people between ages of 25-64 who had hearing loss and a hearing aids in 2017
- People usually upgrade every 5 years, about **40,000** new hearing aids entered the private market in 2017
- Average cost of an aid: **\$3,000+**
Estimated total private market expenditure on hearing aids was \$121 million in 2017.
(ONLY cost of aid, does not include cost of maintenance or hearing assessment)
- Cost of hearing assessment: **\$16.1 million**
- Cost of hearing aid fittings: **\$10.5 million**



WHY ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING WILL DICTATE THE FUTURE OF MANUFACTURING

Jarryd Russell, Emerald Financial

ESG - it's the three letters that business leaders around the world foresee as the most important trend for business success in the immediate future. The 2020 World Economic Forum's push for standardised reporting has catalysed this, bringing environmental and social governance to the forefront of people's attention.

The project, which was a collaboration between the World Economic Forum, International Business Council and Big Four accounting firms, focuses on stakeholder capitalism metrics organised under four sustainability pillars: People, Planet, Prosperity and Principles of Governance.

While the 21 reporting metrics cover an array of sustainability and humanitarian advancements, the adoption and reporting of these metrics has drawn interest from the investor community and are likely to impact investment decisions, both directly and indirectly. Transparent reporting of these metrics is likely to impact investment decisions made at Emerald Financial within the resources and manufacturing industries. Indirectly, sharing of such information around waste emissions, pay equality and diversity may have an impact on the War on Talent which has been accentuated during the pandemic due to border restrictions. Good talent is

in high demand and securing such talent has downstream impacts on operations.

As the largest manufacturer of orthotics in Australia, we recently caught up with Healthia CEO – Bodies & Minds and Feet & Ankle, Dean Hartley for a chat about iOrthotics' manufacturing processes within an industry he describes as traditionally "really wasteful".

"We saw what waste we were producing and thought there's just gotta be a better way to do this."

Traditional orthotics were manufactured from large sheets of plastic with orthotics then cut out, creating wastage from the leftovers. 3D printing however starts with nothing, and builds up layer by layer.

"And the waste generated from that is minuscule. It doesn't compare essentially to the old school way. So when we moved to 3D printing, we saw a 95%



reduction in plastic waste,” said Hartley.

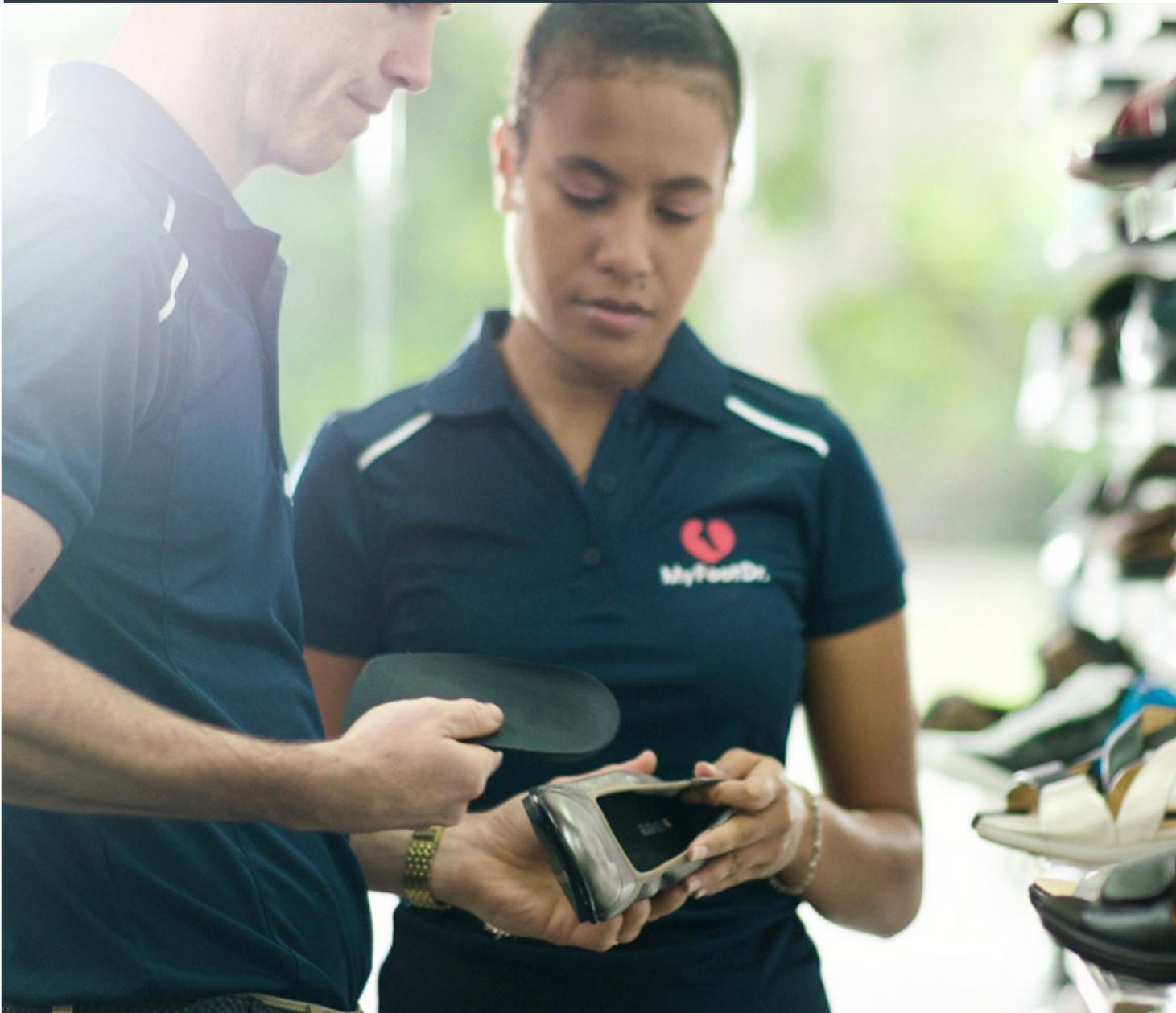
“But sustainability is about more than just reduction in landfill.

“What also needs to be taken into account is the raw materials needed to make that plastic waste, the energy used in that production process, the fuel needed to transport it and

their resulting emissions. So when you look at the overall picture, you begin to realize the true scale of the environmental damage we’re avoiding.

“It’s something that we’re really proud of and I’m personally very proud of here at iOrthotics that last year alone we’ve saved around 60 tons of plastic waste from going to landfill.”

From its manufacturing facilities in Queensland and New York, iOrthotics produces custom 3D printed orthotics for more than 50,000 patients across 10 countries annually.





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