

Healthia Ltd Newsletter > June 2022



Company Update

BY WES COOTE
 CEO, HEALTHIA LTD

As we near the end of another financial year, it gives me great pride to see Healthia's team members coming through some of the most difficult years on record while continuously delivering outstanding patient outcomes which has enabled Healthia to execute its growth strategy to become the fastest growing allied health group in Australia.

Despite the challenges since December from the lingering effects of COVID and isolated flooding events, Healthia has maintained its earning guidance where we expect FY22 EBITDA(u) to fall between \$22.5 - \$25.0 million. This includes just six months of trading from the acquired Back In Motion (BIM) business based on settlement dates for each of the 63 acquired clinics.

Overcoming the challenges brought upon by lockdowns and headwinds in the labour market, the integration process of all acquired clinics in FY22 (including the BIM business) has continued to progress as anticipated, and inline with, trading conditions. This included the circa 6,869 clinic trading days being impacted during H122 as a result of Government imposed lockdowns and restrictions and ongoing impacts from staff absenteeism and patient cancellations due to COVID.

With improving trade conditions and Healthia's position in the labour market strengthening, including progress from the largest ever intake of Graduates at the start of 2022 (intake of 164 up from 63 in 2021), we have confirmed that we are still on track to start FY23 with an annualised portfolio of more than \$40 million EBITDA(u).

Having supported our team members throughout the financial year despite the challenging market conditions, Healthia is well positioned to capitalise on improving conditions in FY23 and start ahead of our peers. Difficulties in sourcing adequate staff has been one of the more common themes amongst prospective clinics with vendors identifying the need for help and by partnering with Healthia they can leverage the



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Table 1: Forecast Financial Performance for FY22 (unaudited)

\$ million	FY22 Forecast Range	FY21 Actual
Revenue	\$195.0 - \$200.0	\$140.4
EBITDA(s)	\$30.0 - \$32.5	\$30.4
EBITDA(u) (pre-AASB16)	\$22.5 - \$25.0	\$21.5
EBITDA(u) (pre-AASB16) margin (%)	11.5% - 12.5%	15.3%

network's professional training and development programs to support retention, as well as utilise our HR and recruitment support services.

For the fourth consecutive year since listing on the ASX, Healthia has again exceeded its annual acquisitions target having deployed \$20.8 million towards acquisitions in FY22. This was separate to the \$91.7m deployed on the Back In Motion acquisition - the largest in Healthia's short history.

Those funds deployed have secured an additional \$87.1m revenue on an annualised pro rata basis, stated to deliver \$16.8m in underlying EBITDA(u).

Table 2: Summary of acquisitions settled and/or announced during FY22

Revenue	EBITDA(u)	Total Consideration	EBITDA Multiple
\$ million	\$ million	\$ million	x Multiple
Back In Motion	\$62.3	\$12.2	7.5x
Settled H122	\$13.4	\$2.4	4.5x
Settled or announced in H222	\$11.4	\$2.2	4.6x
Total	\$87.1	\$16.8	6.7x

As Healthia has continued to grow, having emerged as one of the largest providers of physiotherapy services in Australia, we continue discussions with prospective vendors interested in joining the Healthia network as part of our plans to deploy a further \$20m towards acquisitive growth in FY23.

Utilising the same model as in previous years, acquisitions are expected to be funded by a mix of existing cash reserves, our \$100m debt facility with NAB, ANZ and BOQ, and Healthia's Clinic Class Shares, meaning we will continue to grow the Healthia network via non-dilutive means and focus on maximising shareholder returns.

With a focus on becoming Australia's leading diversified allied health company, Healthia will continue to focus on growth through earnings accretive acquisitions while also focusing on integrating its acquired businesses and executing on organic growth activities. Kicking off FY23 with an annualised portfolio of more than \$40m EBITDA(u), I look forward to bringing you news of new acquisitions as we reset our \$20m target for FY23.

Thank you to all shareholders for their ongoing support throughout the year.



¹EBITDA(u) includes the approximate 25% economic interest continued to be owned by Clinic Class Shareholders.

²Completion adjustments are agreed on a deal-by-deal basis and can include adjustments for the value of inventory held at completion and the value of employee liabilities transferring to Healthia as the acquiree

HEALTHIA - CONNECT, SUPPORT & INSPIRE

We are two years into the global pandemic, and we have all heard the words “the new norm” too many times. The one thing that has been an obvious “new norm” at Healthia is the lack of inner clinic connections the pandemic has created. Therefore, moving into financial year 2023, Healthia is placing a greater emphasis on building these connections.

Our focus as a company is to CONNECT, SUPPORT and INSPIRE our teams and the communities we operate in. There are two key events that will support this focus in the next 6 months, being the CCS Event and the Healthia Conference.

CLINIC CLASS SHAREHOLDER (CSS) EVENT

On the weekend of 17-18 June, Healthia was proud to welcome the Clinic Class Shareholder (CCS) group to the Hilton in Brisbane to participate in two days of training and celebration. Healthia’s model is one of

partnership, where we strive to SUPPORT career aspirations, and INSPIRE business ownership, for exceptional team members.

With over 160 clinic class shareholders across Australia and New Zealand, the opportunity to CONNECT, and to come together to collaborate was full of energy, and a very significant moment for Healthia. The CCS Event will become a highlight in the calendar, and moving forward, will be held in the month of October every alternate year to the Healthia Conference.

Two days of training for our CCS partners and our management teams provided the opportunity to consolidate a busy 12 months for the group following the acquisition of the Back in Motion and Motion Health groups, as well as 15 additional physiotherapy and hand therapy businesses. Key focus areas were Healthia values, strategy, communication, technology roadmap and leadership training.

Healthia would also like to thank external presenters Peter Munckton (BOQ Chief Economist) and Bhupesh Kaphele (BDO Business Services Partner) for making time on their Saturday to present at the CCS Event.

A cocktail event on the pool deck at the Hilton on the Saturday evening was a great opportunity for the teams to get together in a relaxed social setting, and to mingle in person after many months online.

Chairman Dr Glen Richards joined for the evening to address the CCS cohort and to formally acknowledge and welcome 16 new clinic class shareholders to business ownership alongside





Healthia. We were thrilled to celebrate this exciting milestone in the careers of our newest CCS partners, and we very much look forward to SUPPORTing them in their partnership journeys ahead.

INSPIRED 2022

The next key education and training event on the Healthia calendar is the highly anticipated Healthia Conference "Inspired 2022". Inspired 2022 will be held at Sea World Resort on the Gold Coast on October 14-15, 2022. Planning for the conference is well underway, with our registration portal now open and finalisation of the program to include of a quality line up of inspirational presenters.

Keynote speakers include Healthia Chairman Dr Glen Richards, 2020 Australian of the Year Ophthalmologist Dr James Muecke, futurist Michael McQueen, and many well-respected professionals from allied health, medical and business fields. With well over 1000 attendees expected to converge on the Gold Coast, the Inspired 2022 conference is bound to be another wonderful, festive celebration of CONNECTION and professional development for the Healthia family.



HEALTHIA DEVELOPING SMART ORTHOTICS TO TACKLE DIABETES WITH BETTER PATIENT MONITORING

Alfred Chan, The Sentiment

Diabetes – it's the silent killer which affects 5% of the Australian population directly and many more indirectly, often as an underlying condition behind heart disease. Unfortunately for those 1.2 million Australians living with diabetes, the risk of foot ulcers and vision loss are a regular threat without adequate management of the disease which in too many cases lead to amputation and blindness respectively.

For many Australians, adequate disease management is significantly more difficult due to limited access to healthcare in remote areas and the need for timely access to specialised care. Addressing these issues, researchers from the University of Queensland and Queensland University of Technology have teamed up with Aussie manufacturing company iOrthotics and the MyFootDr network of podiatry clinics to tackle the growing chronic health conditions in rural Australia.

As pioneers and global leaders in the manufacturing of 3D printed orthotics, iOrthotics has developed advanced technology in the world of orthotic manufacturing where their products are distributed across Australasia and North America.

Seeking to advance the capabilities of orthotics further, iOrthotics was granted a \$2.1 million Cooperative Research Centres Grant to evaluate whether using advanced scanning and smart orthotic technology could improve health service delivery and patient health outcomes.

Foot ulcers remain one of the biggest complications for diabetes patients that result in more than 4,400 amputations every year. Australians spend \$14.6 Billion annually on diabetes management and treatment.



In many cases, foot ulcers can be prevented according to iOrthotics Founder, Dean Hartley.

"Working closely with researchers from QUT and UQ, we are seeking to refine the ability to take 3D images of a person's foot using commercially available devices, and then manufacture a 3D printed smart orthotic that aims to prevent foot ulcers from developing," said Hartley.

"Simultaneously, the smart orthotic will be used to measure variables known to be associated with foot ulcers. For example, the device will be able to measure pressure, temperature, walking speed and other variables known to be associated with foot ulcers and provide the research team real-time data via a custom designed app."

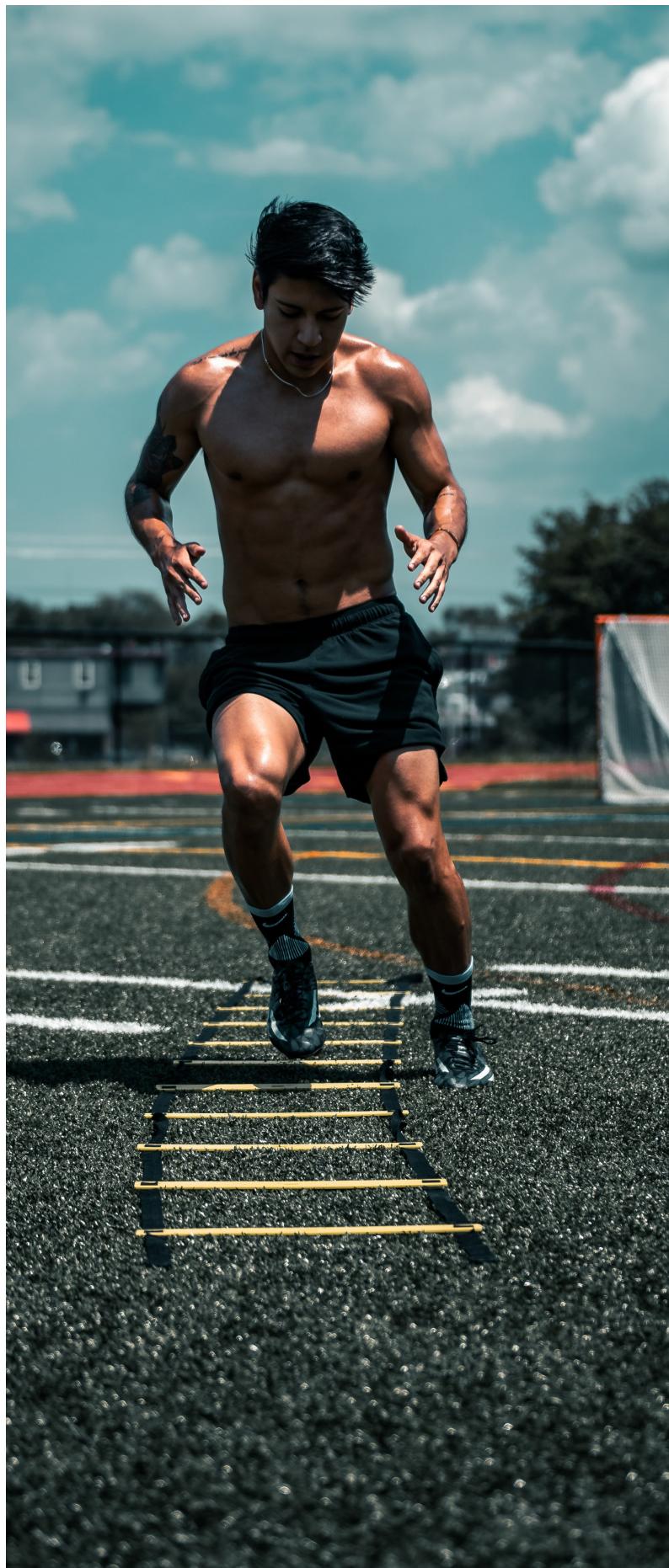
"This will allow the team to monitor and measure the effectiveness of the interventions and provide clinicians on the ground access to real-time information so they can make data driven decisions for individual patients presenting for care."

The manufacturing of orthotics has taken significant strides over the past decade with iOrthotics, a wholly-owned subsidiary of allied health company Healthia (ASX: HLA), having established its position as the largest orthotics manufacturer in Australia. Utilising 3D printing technology, the orthotics are custom made from digital scans of a patient's feet and then printed in a way that reduces landfill waste by more than 95% compared to traditional manufacturing methods.

By integrating smart technology into 3D printed orthotics for the purpose of data collection and health alerts, proactive management could soon go a long way to reducing the 1,700 deaths recorded each year as a direct result of foot ulcers and lower limb wounds.

REFERENCE:

Australian National Diabetes Strategy 2021-2030



PANDEMIC SCREEN TIME AND THE LOOMING EYE HEALTH CRISIS

Conor Murphy, Emerald Financial

"A looming eye health crisis" - these are the words used to describe the situation many Aussies will face if adequate investment is not made over the next five years, according to the peak professional body for optometrists in Australia.

Optometry Australia is calling on the nation's major political parties to take vision problems more seriously and improve access to optometry care for elderly Australians. It's one of the reasons why OA is lobbying for \$22.6m over five years to encourage more optometrists to provide safe domiciliary eyecare services to vulnerable elderly and immobile Australians. Without it, a looming eye health crisis is on the cards. 93% of Australians over the age of 65 reported vision disorders according to the 2018 National Health Survey and in many instances, this has put added pressure on the public health system and aged care.

According to the Department of Health, around 90% of all blindness and vision impairment in

Australia is preventable or treatable if detected early. In addition to preventative measures that target vision loss, early detection has a flow-on effect in preventing other physical injuries which was one reason 90% of Australians say that sight is their most valued sense in the National Health Survey.

The additional funding would assist optometrists to service more Australians via domiciliary eyecare services which will see increased demand as Australia's ageing population and longer life expectancy grow the size of that cohort each passing year.

As of 2018*, there were more than 13 million people in Australia suffering from one or more chronic eye conditions. Since then, we have lived through a pandemic where the global impact was minimised, courtesy of technology and populations shifted their entire lives online, in front of screens which can be a double-edged sword for eye health according to Healthia CEO, Wesley Coote.

"Screen time has in the past been best consumed in moderation but with the onset of a pandemic, we have seen time spent in front of computers skyrocket where face-to-face meetings were replaced with Zoom calls,"

"In some instances, patients were spending several hours on end in front of their screens without adequate techniques to manage their eye health. It's why we recommend a regular eye check up to all patients just to keep tabs on any potential eye health problems arising that might have a long-term impact on overall wellbeing."

- Wesley Coote

Alas, screen time amongst professionals in addition to our ageing population are not the only cohorts at risk of healthcare pressure without adequate eye health investment.



Look around at any playground and you'd be hard pressed to find a child that doesn't actively use a tablet for either entertainment or education. Advances in smart technology have filtered down to expose children to screens right from birth with apps to help settle babies that become fixated on moving objects.

That same National Health Survey that self-reported prevalence of chronic eye conditions in children aged 0-14 in Australia increased from 9.2% in 2008 to 12% in 2018. Sure, it may be coincidental that the steep increase coincided with the emergence of tablets but it also shouldn't be ignored.

Rising awareness around eye health and children should likely see more undiagnosed vision impairments be addressed at younger ages while preventative measures will be at the forefront of parents' minds in the post-pandemic world to ensure minimal impact to the sense deemed most valuable by 90% of Australians.

**New eye health data from the 2022 National Health Survey is expected to be released before the end of the year*



HEALTHIA GRADUATE PROGRAM INITIATIVES

Dr Kerrie Evans

It is well recognised that the transition from student to working in a busy professional practice setting can be challenging. Embracing full-time work with a new professional identity, busy caseloads, increasing client complexity and exponential on-the-job learning can, at first, be overwhelming for many new graduates. The transition to working in private practice, rather than to working in the public system, is perhaps even more challenging given a substantial amount of clinical learning at university takes place in the government sector.¹ This lack of private practice clinical experience at university means that supporting new graduates throughout their first year is imperative.

Healthia's 10-month structured new/recent graduate program was designed to help support new graduates in their first year of professional practice. The program involves two 3-day face-to-face weekends (one in February and one in July) with fortnightly, online case-based learning sessions in between. The second half of the year is designed around peer-learning, where the graduates share key learnings, also through online, case-based learning strategies. In addition to the structured program, at least weekly informal or in-clinic support is provided by senior clinicians in their local clinic.

We are continually evaluating the effectiveness and impact of our professional development programs. Led by Professor Lucy Chipchase from Flinders University, we conducted a one-year mixed methods study that sought to evaluate our new graduate physiotherapists' perceptions of Healthia's recent grad program and their expectations and concerns prior to commencing work. We asked the graduates to complete a series of questionnaires and conducted a total of 72 interviews over the 12-month period. The study has been published in the scientific journal, *Musculoskeletal Science and Practice*, with the key findings being that the new graduates value being in a clinic that fosters a positive culture with support and education and that the new graduate program helped them gain confidence, self-efficacy, and grow as practitioners. This was the first study of its kind and, despite only being published in 2022, has gained international attention. A large Canadian allied health group has reached out to discuss potential collaboration with Healthia. We were invited to speak on the American Academy of Orthopaedic and Manual Therapist's podcast, and we will be presenting the findings at the National Australian Physiotherapy Conference, Focus 2022, in Melbourne in September – all evidence of the value Healthia places on continuing professional development and providing a career pathway for our team members. The second paper from the study is currently under review in *Physiotherapy Theory and Practice*.



REFERENCE:

- ¹Chipchase, L., Papinniemi, A., Dafny, H., Levy, T., & Evans, K. (2022). Supporting new graduate physiotherapists in their first year of private practice with a structured professional development program: a qualitative study. *Musculoskeletal Science and Practice*, 57:102498.

HEALTHIA AND INSPIRING BRIGHTER FUTURES FOUNDATION - TOGETHER CHANGING LIVES FOR THE BETTER

Inspiring Brighter Futures Foundation (IBFF) values the partnership with Healthia (My FootDr) to deliver its wellbeing mentoring programs. It is great to have Wes Coote, Lisa Roach and the Healthia team as IBFF's first Gold Partners. Healthia's sponsorship of programs and onboarding of staff members as volunteer mentors has been life changing for our participants.

Inspiring Brighter Futures Foundation (IBFF) aims to provide support and inspiration for those in our local communities who need it the most.

We work closely with people of all ages and backgrounds, including students and youths at risk and disengaging from school, indigenous teenagers, young adults transitioning to work and from hospital care, victims of domestic violence, mental health sufferers, and ex-offenders.

For over a decade, IBFF's team of 300+ dedicated volunteers have been delivering wellbeing mentoring programs, to help people move their lives onwards and upwards. Our

one-on-one wellbeing mentoring program make a positive impact and change lives. We help the participants develop the strategies and skills to understand their personal values, maintain a positive self-image and build resilience, create their personal mission statement, and set and activate their S.M.A.R.T goals.

IBFF's Significant Return on Social Investment (SROI) proves how the group's commitment has shaped thousands of lives for the better.

This is just one of the many success stories we see each program.

These success stories (of which there are many) are only achieved because of partnerships with communities such as Healthia and My FootDr – thank you." - IBFF Founder John Godwin.

Significant Return on Social Investment (SROI)

Inspiring Brighter Futures changes lives



Through Inspiring Brighter Futures
Onward & Upwards wellbeing
mentoring program.



saves the community
\$121,180 PER YEAR

Average cost of supervising a young person connected with the justice system in some way.



**Inspiring Brighter
Futures Foundation**

has created over
\$8.064 million

In social impact investment, estimated by the Department of Social Services since 2018.

