

Green Cross Health

Investor Presentation
June 2015



Unichem⁺

life
Pharmacy

the doctors
care for you 


Access
Homehealth

 **total care health services** ltd
for quality care



Strategy



To be an integrated primary health care provider

- Capitalise on current pharmacy, medical centre and community care business to extend the offerings to patients and payors
- Optimise services across all business units
- Extend into other areas of the primary care sector

Pursue profitable growth with the patient at the centre of our focus

Invest in acquisitions in each business unit to grow scale and market share

Primary Health Care Provider Rationale

Significant strategic and financial benefits:

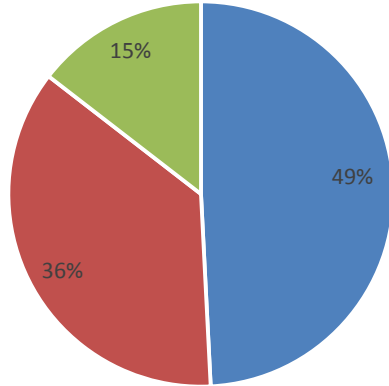
- Greater control of destiny by development of unique, more effective and convenient healthcare offerings
- The use of “big data” is requiring more targeted and outcomes based solutions to healthcare issues
- Higher long-term growth potential - population aging and health spend increasing
- Occupying a unique position in the market: low capital costs, expanded contract base, capitalising on efficient delivery of services to an increasing market

Large scale synergistic benefits:

- Increased utilisation of infrastructure and clinical personnel
- Bundling of services secures significant revenues (integrated care)

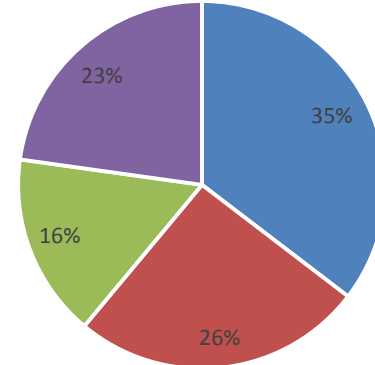
Group Business Split

FY14 Revenue (including associates)



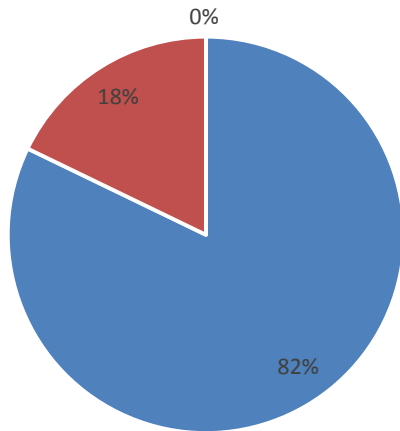
■ Retail ■ Dispensary ■ Medical ■ Community Care

FY17 Revenue (including associates)



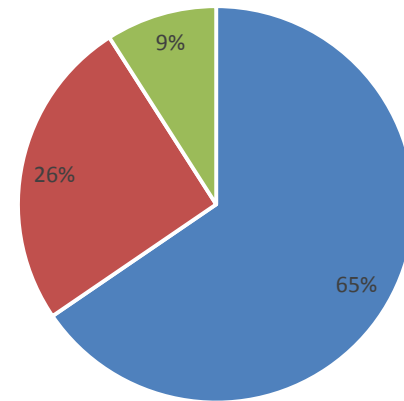
■ Retail ■ Dispensary ■ Medical ■ Community Care

FY14 - EBIT (including Associates)



■ Pharmacy ■ Medical ■ Community Care

FY17 - EBIT (including Associates)



■ Pharmacy ■ Medical ■ Community Care

Group Financial Overview

	FY14	FY15			FY15 - assuming Peak & Access full year				
	\$000	Pharmacy \$000	Medical \$000	Communi- ty care \$000	GXH Group \$000	Pharmacy \$000	Medical \$000	Communi- ty care \$000	GXH Group \$000
Revenue	257,949	265,268	24,722	32,488	322,478	265,268	40,324	98,855	404,447
Gross Margin	111,826	98,603	23,895	32,373	154,871	98,603	38,811	89,192	226,606
Salaries and Wages	54,395	46,656	17,355	30,332	94,343	46,656	29,786	83,010	159,452
EBIT	26,614	22,934	2,424	338	25,696	22,934	2,020	705	25,659
NPAT	18,832	17,193	1,508	189	18,890	17,193	994	451	18,638
Minorities	3,798	4,465	0	0	4,465	4,465	0	0	4,465
NPAT - after minorities	15,034	12,728	1,508	189	14,425	12,728	994	451	14,173

Pharmacy Opportunity



Customers

- ~950 community pharmacies
- 314 in group: 264 Unichem, 50 Life - and growing

Market Size & Growth Rates

- Pharmaceuticals \$795m
- Fee for services \$377m
- Retail spend \$1,000m +
- Market growth 1.5%
- Dispensary market share 44%
- Retail market share 65%

Opportunity

- Investing with partners to grow pharmacy equity network
- Increased licensees
- Value added services e.g. vaccinations, health checks
- Medicine re-classifications
- Linking loyalty program with Medical & Community Care divisions
- Medicine management in conjunction with Community Care division
- Valued added services in Life Pharmacies e.g. appearance medicine, beauty services

Medical Opportunity



Customers

- GPs & Medical Centres - 1,028 sites
- Allied Health
- Day Surgeries
- Radiology
- Corporate still only make up 10% of market - Nirvana (East Tamaki Health and White Cross), Green Cross Health (43 sites), Southlink, Better Health, and others

Market Size & Growth Rates

- \$918m (government funding)
- \$1,035m Co-payments
- Market growth 2% (estimate)

Opportunity

- Expand MSA via a refined version
- Continue to invest with partners to grow equity sites
- Engage with customers; shift the focus from provider to patient
- Lift performance & quality of service through changing models of care at practice level

Community Care Opportunity



Customers

- 110,000 patients/clients
- Funded by DHB's, ACC & MOH
- Four large providers Healthcare NZ, Access, Geneva & Presbyterian Support. Plus 120 smaller providers.
- ACC have four main contractors: Access, Healthcare NZ, Medibank & Geneva.

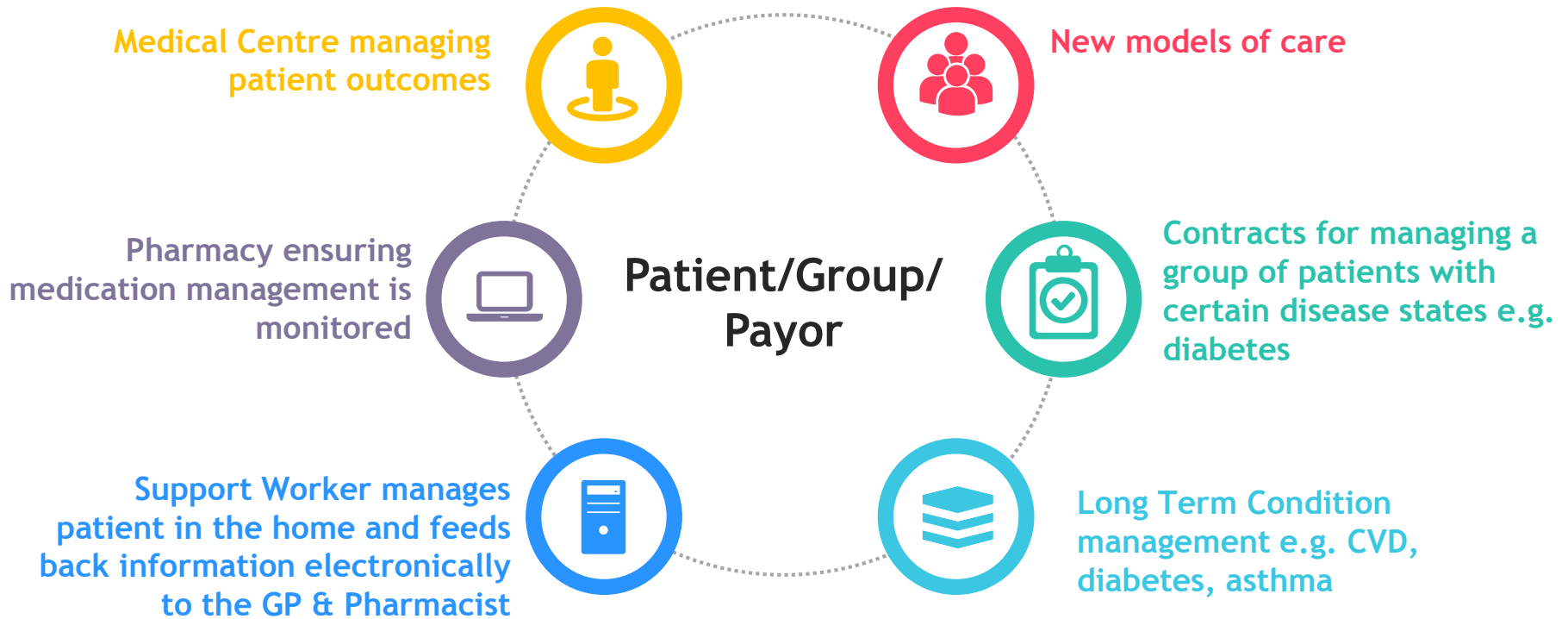
Market Size & Growth Rates

- 2010 market \$591m and estimated to be \$693m in 2015
- Expected market growth: to \$900m by 2026
- Current underlying market growth 3.25%
- Market share 23%

Opportunity

- Investment in IT solution to automate manual transactions and claim processing
- Medication management in conjunction with the pharmacy and medical division
- Bulk funded contracts with DHB's
- Package of Care contracts with DHB's/ACC
- District nursing outsourcing
- Auckland market growth
- Residential care contracted nursing

Integrated Care Offer



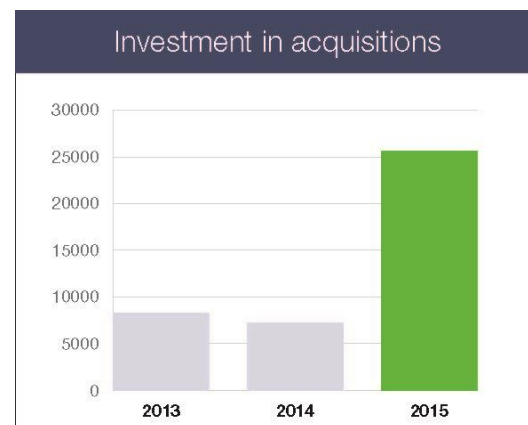
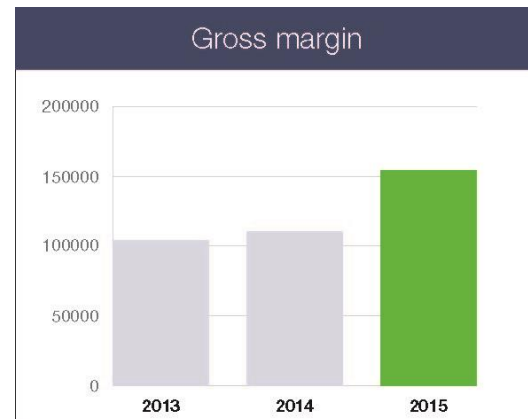
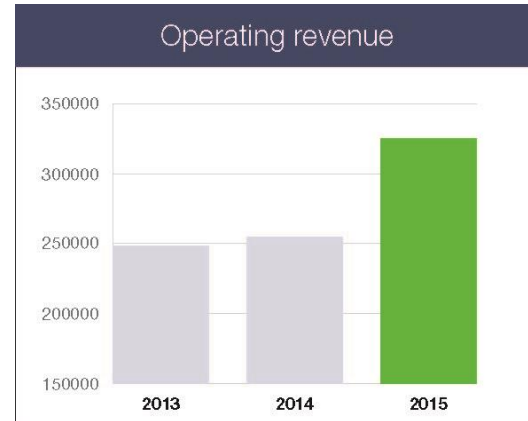


Integrated Care Offer Opportunities

- Keeping patients from A&E or hospital beds DHB's will have a lower cost
- Patients want to stay in their homes for longer. It costs the DHBs \$3,500 per patient per year, rising to \$30,000 pa for an Aged Care facility, and even higher in hospital
- 2005 to 2013: Aged Care beds only increased 3.1%
- Blanket approach to healthcare will no longer work - with our "big data" opportunity we can tailor new Models of Care for DBHs for better health outcomes and therefore lower costs

Group Highlights

- Significant progress towards realising our vision to become a leading provider of primary healthcare
- **Peak Primary acquisition** - 12 sites, 83,000 patients
- Access Homehealth acquisition - 18,000 clients, 3,500+ employees completing 2.8 million visits per annum
- Pharmacy **same stores sales increase of 5.1%** vs -1.3% the previous year
- Pharmacy brand rationalisation from 5 to 2 - Unichem and Life
- Rejuvenated focus on delivering a unique customer experience based on **care + advice** philosophy
- **900,000+ Living Rewards** card holders
- Dame Margaret Millard appointed to GXH board
- NAP - \$14.4m (FY14 \$15m)



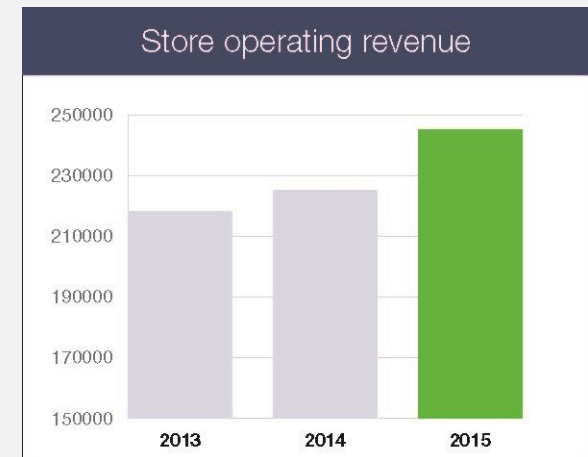
Pharmacy Division Highlights

- Same store sales growth of 5.1%, accelerated in last six months to 11.5%
- Rebranding of 200+ pharmacies
- Living Rewards has attracted 900,000+ members. These customers spend 20% more and visit more often (4.2 vs 3.5)
- Increased the number of vaccinating pharmacists to more than 300
- Dispensed 27.5 million prescription items, 44% of the market, up 4% since last year
- 313 pharmacies, up from 300 last year



Pharmacy Division Financial Overview

- Operating revenue up 8.2% on last year (same store annual sales growth of 5.1%)
- Rebranded 200+ pharmacies
- Investment in customer engagement programme
- Increased investment in marketing expenditure to support underlying sales growth....the marketing expense increase was funded by GXH. Future years will see a more balanced distribution of these costs
- Increase in pharmacy partners share of profit
- Some first half under performance in recent pharmacy acquisitions
- Slight decline in NPAT

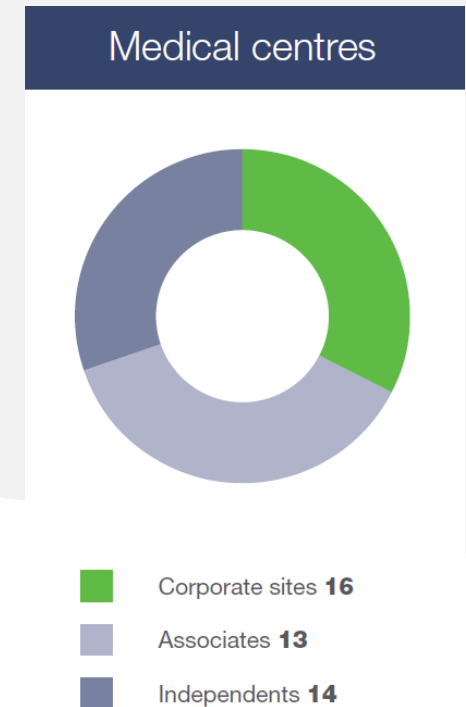


- Commenced rebranding our practices to “The Doctors”
- The acquisitions of Peak Primary and Tucker Consulting increased revenue by 85% and have given this division the critical mass needed
- Appointed Medical Director - Dr Jonathan Simon



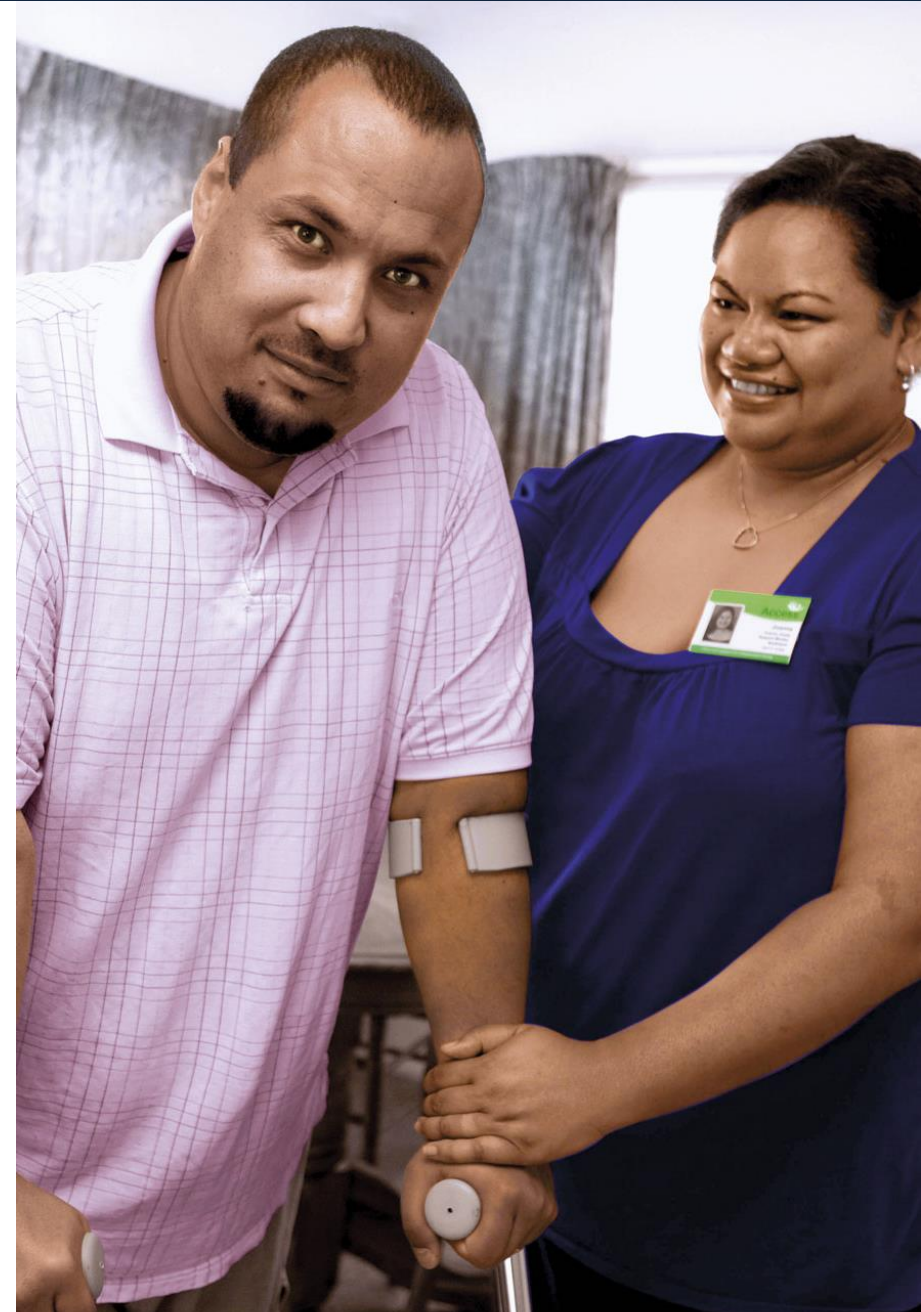
Medical Division Financial Overview

- Reduced profit result despite the top line revenue growth via acquisition
- Equity accounted earnings up on last year
- Closure of Peak support office February 2015 - synergies will flow in FY16
- Higher interest cost due to Peak acquisition
- Patient co-payments under pressure in the second half due to lower activity



Community Care Highlights

- Acquired Access Homehealth Dec 2014
Annualised revenues \$90m
3,500 + employees
18,000 + clients
- Completed roll out of automated client visit recording system
- Settlement agreed for support workers to be paid for time spent travelling at the minimum wage rate, from 1 July 2015. Mileage allowance introduced of at least 50 cents per km from 1 March 2016.
- Total Care Health had a very good year with revenues increasing 19%
- Recruitment underway for Auckland growth



Community Care Financial Overview

- Access Homehealth contributed operating revenue of \$32.5m and NPAT \$189k
- Increased revenues due to Southern and Hawkes Bay District Health Board contracts
- ACC revenue continues to grow due to Access being one of 4 national providers
- Total Care Health's profit was up 126% on their previous year, with our equity accounted profit being \$257,000
- Industry EBIT margins range from zero to 12% depending on the client mix. The average is about 6%
- Minimum wage is a risk due to DHBs not being able to fund the increase each year



Group Focus FY2016

Profitable expansion of **Medical business**, by developing patient centric services that enable practices to grow

Community Care growth: by investing in systems which deliver efficient returns from community service for patients and health care professionals

Pharmacy growth: continued focus on store sales and market leading services

Develop an **integrated care platform** and promote easily accessible health services

Extend care + advice philosophy across the GXH group and use the **green cross symbol** as a trustmark for quality health care.

Provide enhanced care and patient experience through the integration of services in our primary care model.

