



26 May 2016

## **Traditional Therapy Clinic's 2016 Annual General Meeting | Chairman's Address & Presentation**

Welcome to the first Annual General Meeting of Traditional Therapy Clinics Limited (ASX: TTC) following the successful completion of our Initial Public Offering and listing on the ASX on 3 September 2015.

TTC has continued the expansion of traditional health and wellness clinics in China under the Fuqiao brand, meeting or exceeding all financial and operational targets outlined in the Company's prospectus. It has been a very busy period for TTC with further expansion of our franchise network and the buy back of existing franchises in line with our strategy to increase our owned clinic portfolio.

Some of the highlights for the 2015 financial year compared to the prior corresponding period include;

- Revenue of A\$44.8m, up 45.1%
- EBITDA of A\$25.86m, up 34%
- NPAT of A\$17.13m, up 31.6%
- Establishing 36 new Franchised Clinics, up 13%
- Buying back 8 established Franchised Clinics, up 73%

The 8 acquisitions were completed in November and December 2015 at an EBITDA multiple of between 2 and 2.3. The profits from these acquisitions are the foundations for continued strong growth for TTC in 2016. In addition, TTC plans to open a minimum of 35 new Franchise Clinics in 2016 and buy back a minimum of 10 existing Franchises.

From the beginning of 2016 until 26 May 2016, 17 new Franchised Clinics have been opened and a further 3 existing Franchises have been acquired at an EBITDA multiple of 2.3. The 2016 financial year has started strongly with March quarter like for like sales growth of 3% for owned clinics.

TTC has commenced a strategic review to consider potential new products and services to bring to market through our clinic network, all such products will be focused on quality and how we can further improve the health of our customers.

Attached to my Chairman's address is a presentation which I intend to go through, that further expands on the financial and operational performance of TTC for the year ended 31 December 2015 and the period to 31 March 2016. The presentation also provides some high level comments on the outlook for the current financial year.

I would like to thank my fellow Directors and Ms Hu for the considerable commitment and dedication they have all brought to the table this year. Equally, to all our shareholders, staff in Australia and China, advisors and customer's thank you for your ongoing support. It is each of you that makes TTC the very special company that it is today, focused on bringing more health products and services to the market to help our customers live a healthier life.

Andrew Sneddon

Chairman

[www.ttc-ltd.com](http://www.ttc-ltd.com)

**Traditional Therapy Clinics Limited**  
Level 36, Gateway  
1 Macquarie Place, Circular Quay  
Sydney NSW Australia 2000  
ACN 603 792 712

**Glen Lees (A/CFO)**  
Phone: +61 414 218 218  
Email: leesglen@gmail.com

**Lisa Dalton (Co Sec):**  
Phone: +61 438 175 905  
Email: lisa.dalton@mac.com

# Traditional Therapy Clinics Limited (TTC)

## 2016 Annual General Meeting





# Traditional Therapy Clinics Limited

## Agenda | Annual General Meeting



- Managing Director's Welcome
- Chairman's Address
- Formal Business



# Traditional Therapy Clinics Limited

## Managing Director's Welcome



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Zhirong Hu  
Managing Director

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# Traditional Therapy Clinics Limited

## Chairman's Address



Andrew Sneddon  
Chairman

- Year in Review
- March Quarter Update
- Growth Strategy
- Outlook 2016

# Traditional Therapy Clinics Limited

## Year in Review



Traditional Therapy Clinics Limited has delivered its most profitable year to date

### Financial Achievements

- ✓ Successful IPO and Listing on the ASX raising \$A15 million
- ✓ Revenue \$A44.8 million up 45.1% compared to the Revenue for the prior corresponding period<sup>1</sup> (pcp)
- ✓ EBITDA A\$25.86 million up 34% compared to the EBITDA for the pcp
- ✓ NPAT A\$17.13 million up 31.6% compared to the NPAT for the pcp
- ✓ Earnings Per Share A 7.7 cents<sup>2</sup> based on shares outstanding at 31 December 2015
- ✓ Final Dividend 2.5 cents per share (unfranked)
- ✓ Full year dividends of 4.2 cents per share being an 8.4% yield on the IPO price

### Operational Progress

- ✓ 36 new franchised stores opened in FY2015, an increase of 13% from pcp
- ✓ 8 stores acquired and operated by TTC (FY2015 total: 19 clinics, 73% higher than the pcp)
- ✓ Every owned clinic opened for the full 2015 year showed growth year on year with like for like sales growth of 6.8% and EBITDA growth of 8.3%
- ✓ 4,215 new therapists trained, 365 more than planned in FY2015
- ✓ Cultural Palace Clinic receives National Advanced Group status, the highest level of recognition in the Chinese service industry

1. TTC was incorporated on 24 February 2015. Comparisons to the previous corresponding period are comparisons to the historical financial information extracted from the financial report of the Fujiao group of companies (now wholly owned subsidiaries of TTC) for the year ended 31 December 2014 which were audited by BDO Audit (WA) Pty Ltd in accordance with the Australian Accounting Standards. BDO Audit (WA) Pty Ltd issued an unmodified audit opinion for the 2014 financial year.

2. EPS of 15 cents disclosed in the financial statements was calculated using the weighted average number of shares as required by the Australian Accounting Standards.

# Traditional Therapy Clinics Limited

## March Quarter Update



Traditional Therapy Clinics Limited is continuing with its strategy of increasing its number of higher margin 'owned clinics' through the acquisition of existing franchised clinics within the network

### 350 Clinics (26 May 2016)

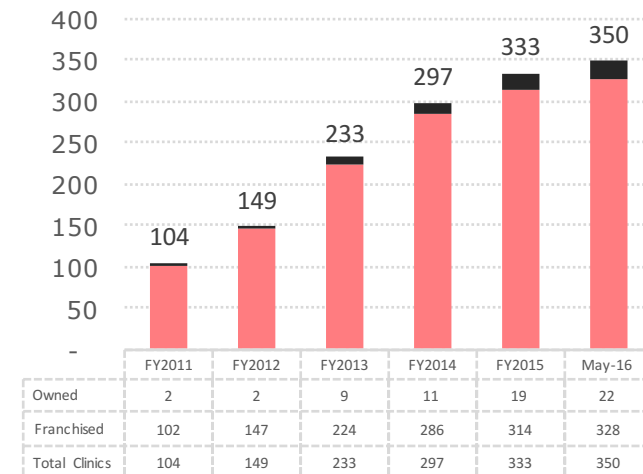
Owned Clinics – 22 (26 May 2016)

- 3 clinics acquired in May 2016
- Owned clinics totalling 22 at May 2016
- March Quarter like for like sales growth of 3% (in local currency terms) for owned clinics

Franchised clinics – 328 (26 May 2016)

- 17 new clinics opened from 1 January to 26 May 2016
- Achieved the planned establishment of new clinics outlined in the prospectus

Operating Clinics





# Traditional Therapy Clinics Limited

## Growth Strategy



Our strategy is to continue to grow market share both organically and through acquisition

Priority	Growth avenue	Location type	Timeframe	Pros	Challenges
1	Expand franchise network	Greenfield	Ongoing	<ul style="list-style-type: none"> <li>• Low capital investment</li> <li>• Maintain control over franchise and brand</li> <li>• Upfront and ongoing fees</li> <li>• Clinic Managers report to Fuqiao head office</li> <li>• Rapid brand expansion in growing consumer market</li> </ul>	<ul style="list-style-type: none"> <li>• Head office commitment due to management of the franchise clinics</li> <li>• Lower absolute return than owned clinic</li> <li>• Training enough skilled clinic managers</li> </ul>
2	Expand owned clinics	Acquire from franchise network	Ongoing	<ul style="list-style-type: none"> <li>• High visibility over operations of franchised stores</li> <li>• Higher absolute returns than franchised clinics</li> <li>• Higher return on invested capital</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion slower than franchise clinics due to capital requirements and potential lack of ready sellers</li> </ul>
3		Greenfield	Ongoing	<ul style="list-style-type: none"> <li>• Less capital investment required than acquiring franchised clinic</li> </ul>	<ul style="list-style-type: none"> <li>• Investment of time and resources in selecting, securing and building clinic locations</li> <li>• New locations will require ramp-up periods</li> <li>• New property skillset required by the Fuqiao</li> </ul>
4	Industry acquisitions	Acquire other market participants	Opportunistic - Longer Term	<ul style="list-style-type: none"> <li>• Add additional scale and presence in the market</li> <li>• Introduction of 'Fuqiao' practices and training</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional Therapy Clinic's 'Fuqiao' brand is already the market leader</li> <li>• Less visibility over clinic performance than franchise network</li> <li>• Likely to require significant capital investment and re branding</li> </ul>



# Traditional Therapy Clinics Limited

## Growth Strategy | Metrics



Traditional Therapy Clinics Limited has three main growth platforms, all with attractive returns on funds employed and will enable the profitable expansion of the brand

Priority	Growth avenue	Location type	Establishment / Acquisition Costs  (SA '000)	Upfront revenue  (SA '000)	Ongoing annual revenue  (SA '000)	Ongoing annual Profit  (SA '000)	Years to maturity	2014 Clinics	2015 Clinics	2016f Clinics
1	Franchise Model	Greenfield	Paid by Franchisee	A\$102	A\$47	N/A	1-2 years	286	314	339+
2	Expand owned clinics	Acquire from franchise network	2 - 2.5x EBITDA	N/A	A\$2,150 <sup>1</sup>	A\$899 <sup>1</sup>	0	11	19	29+
3		Greenfield	A\$600	N/A	A\$2,150 <sup>1</sup>	A\$899 <sup>1</sup>	1-2 years	0	0	0 <sup>2</sup>

1. Based on average of all owned clinics as at end of 2015

2. Fuqiao is in the planning phase for a greenfield clinic and head office which is currently expected to be delivered in 2017

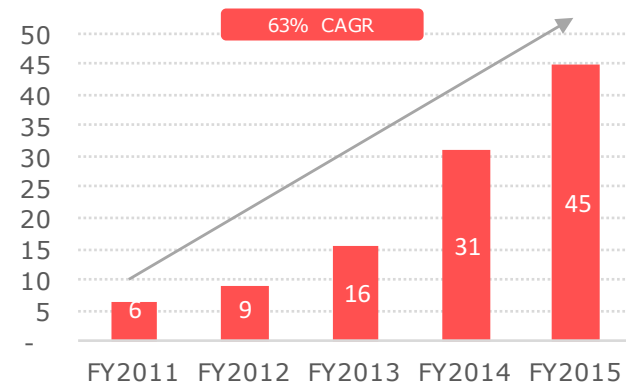
# Traditional Therapy Clinics Limited

## Growth Strategy | History of strong growth – FY2011 to FY2015

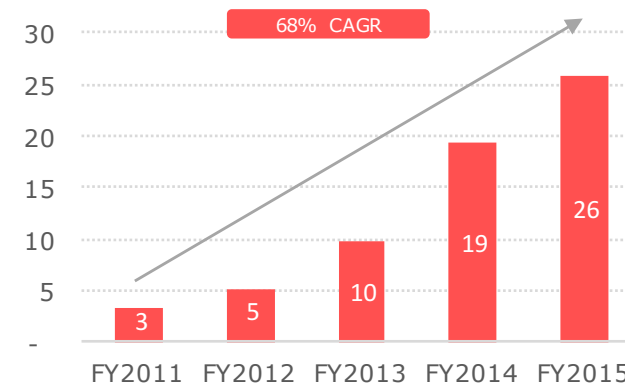


Profit improving ahead of clinic growth as proportion of owned clinics increases

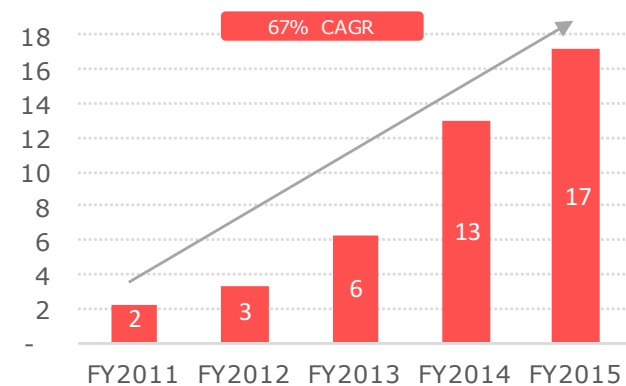
Revenue (\$A million)



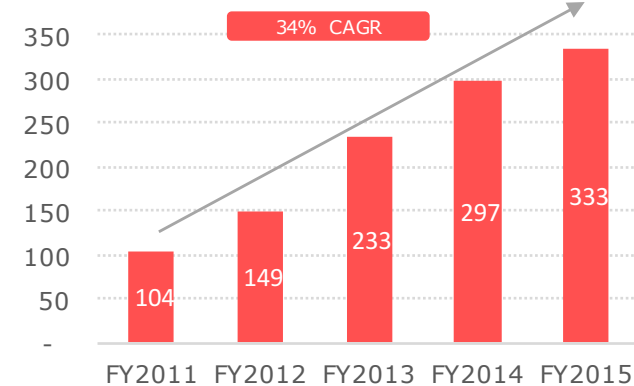
EBITDA (\$A million)



NPAT (\$A million)



Total Clinics





- Highly motivated to execute strategy and deliver strong earnings growth to shareholders
- Budgeting to set up a minimum of 35 new franchises in 2016 and buyback a minimum of 10 existing
- Commence set up a new greenfield clinic and new head office in 2016/2017
- Overall EBITDA growth in 2016 is budgeted to increase by between 25 and 30%

## Formal Business





# Traditional Therapy Clinics Limited



## Formal Business

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### Ordinary Business

#### *Resolution 1:*

Annual Financial Report, Directors' and Auditor's Report

#### *Resolution 2:*

Remuneration Report

#### *Resolution 3:*

Re-Election of Directors

#### *Resolution 4:*

Appointment of Auditor

### Special Business

#### *Resolution 5:*

Approval of Issue of Shares

**THANK YOU FOR ATTENDING  
TTC'S INAUGURAL AGM**

Please join us for light refreshments.

- This presentation may contain certain unaudited financial information in relation to Traditional Therapy Clinics Limited (TTC). As such, it has not been subject to an audit or an audit process or otherwise independently verified.
- This presentation may contain certain forward looking statements. Such statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. TTC gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.
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