



**Fourth Quarter 2013  
Financial Results Conference Call & Webcast  
April 1, 2014**

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# David Cutler

President & CEO

 **Centric Health**

# Agenda

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1. Operational Review

2. Financial Review

3. Outlook

4. Questions

# Steady Progress on Strategic Priorities

## 1 Strengthen Senior Management Team

- Daniel Gagnon, CFO
- Chris Dennis, COO
- Jim Black, CIO

## 2 Drive Integration

- Improved communications
- New systems
- Centralization of services

## 3 Develop New Revenue Streams

- Multiple Surgical Centre initiatives
- Acquisition of 75% of SWLC
- Growth in Bundled Services

## 4 Improve Balance Sheet

- \$200M “high yield” offering
- Amended, restated \$50M credit facility
- Greater financial flexibility

# Recent Challenges

## Seniors Wellness

### Changes to seniors' physiotherapy funding in Ontario

- Estimated annual impact on Adjusted EBITDA of \$6.5M
- Moved immediately to reduce cost structure, add new revenue streams

## Seniors Wellness/ Retail & HME

### Perceived conflict of interest

- Took decisive action
- Agreement to sell Home Care
- Pursuing sale of Seniors Wellness
- Lower ADP related referrals in Q4 in Retail/HME

## Retail & HME

### \$7.8M non-recurring, non-cash inventory adjustment

- Accelerated major systems implementation, including perpetual inventory system
- Expected to be in place for ~50% of inventory value this year

# Q4-13 Financial Results

		Excluding Non-Cash, Non-Recurring Inventory Adjustment
Revenue	<b>\$109.8M</b>	
Adjusted EBITDA	<b>\$ 6.2M</b>	<b>\$ 8.1M</b>
EBITDA margin	<b>5.6%</b>	<b>7.4%</b>
Cash Flow from Ops	<b>\$ 8.6M</b>	

- 7th consecutive quarter of positive cash flow from ops
- Total cash flow from ops for 2013 of \$20.2M



# Financial Review

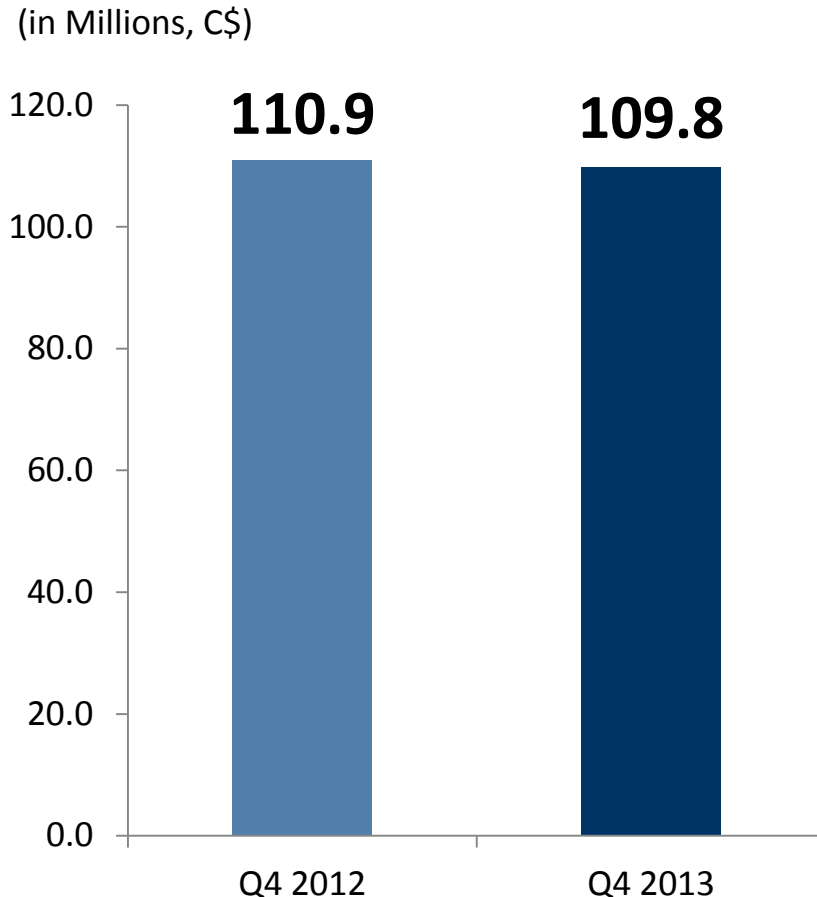
**Daniel Gagnon**

Chief Financial Officer





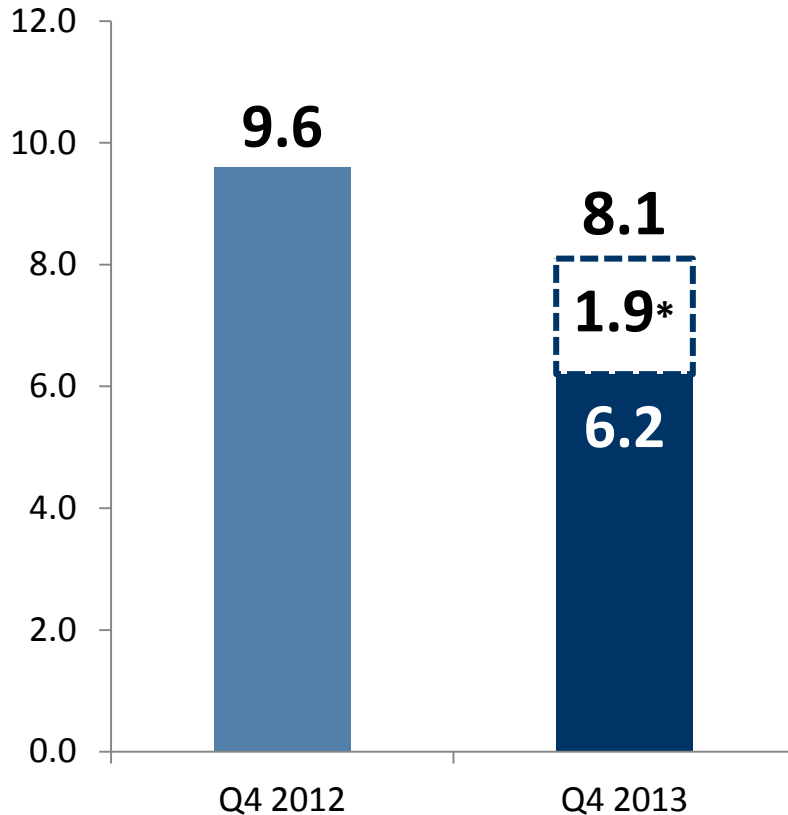
# Q4/13 Revenue



- Same-store revenue growth in the Physiotherapy Clinic business and Pharmacy and Assessments segments of 6%
- Offset by decreases in Seniors Wellness due to Ontario seniors' physio funding changes and the impact of fewer ADP referrals in Retail & HME

# Q4/13 Adjusted EBITDA

(in Millions, C\$)



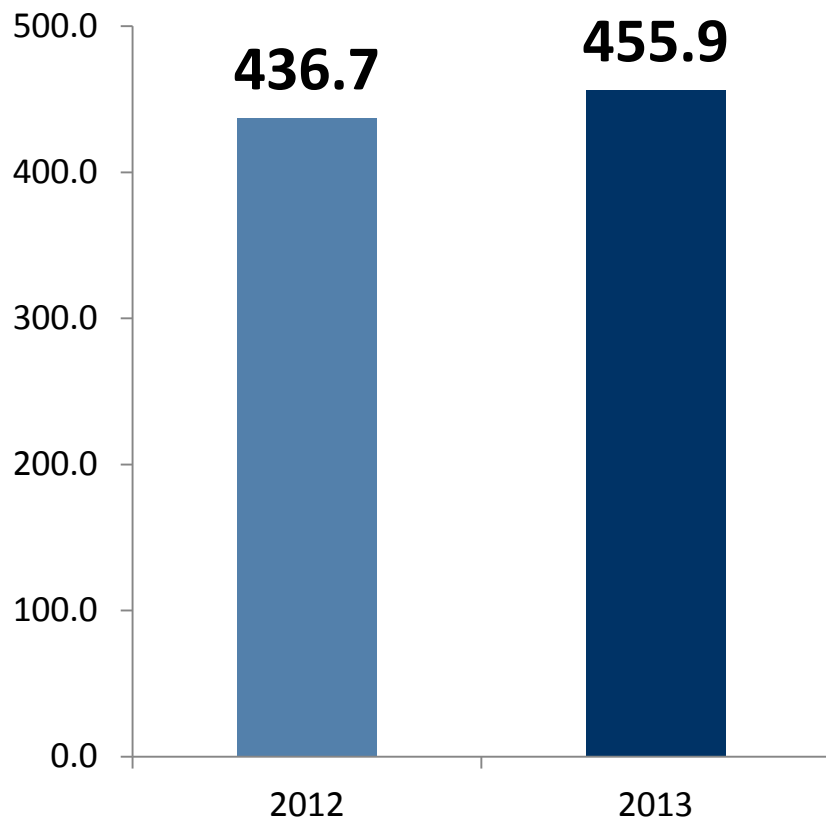
- \$1.9M non-cash, non-recurring inventory adjustment (Retail & HME)
- Adjusted EBITDA of \$8.1m and adjusted EBITDA margin of 7.4% excluding inventory adjustment

Margin	Q4 2012	Q4 2013
	8.6%	5.6%

# 2013 Full Year Results

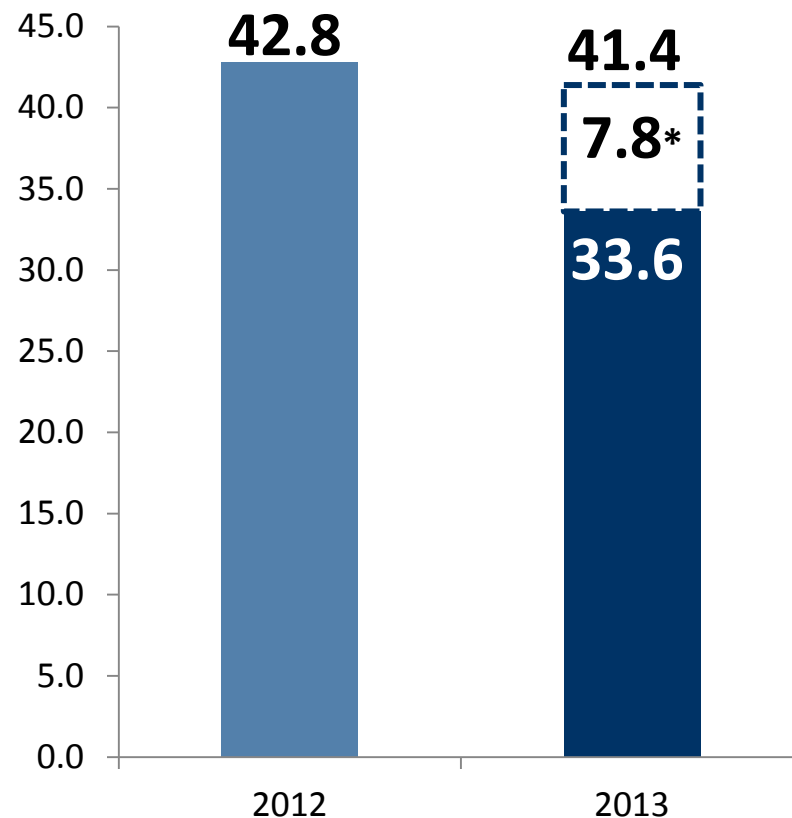
## Revenue

(in Millions, C\$)



## Adjusted EBITDA

(in Millions, C\$)



Margin

9.8%

7.4%

\* Non-cash, non-recurring inventory adjustment

# Segment Results - Physiotherapy

Division	Q4 2013			Q4 2012		
	Revenue \$M	Adjusted EBITDA \$M	Margin %	Revenue \$M	Adjusted EBITDA \$M	Margin %
Physiotherapy	37.6	3.2	8.5	43.8	6.0	13.6
Pharmacy	28.1	3.6	12.9	23.7	2.3	9.9
Retail & Home Medical Equipment	26.7	(1.0)	(3.9)	26.8	1.3	4.9
Assessments	9.4	2.3	24.2	8.8	1.7	19.8
Surgical & Medical Centres	7.9	0.5	6.2	7.8	0.6	7.4
Corporate <sup>1</sup>	-	(2.4)	-	-	(2.4)	-
<b>TOTAL</b>	<b>109.8</b>	<b>6.2</b>	<b>5.6%</b>	<b>110.9</b>	<b>9.6</b>	<b>8.6%</b>

1 – Certain corporate costs allocated to operating segments based on extent of corporate management's involvement during the reporting period

# Segment Results - Pharmacy

Division	Q4 2013			Q4 2012		
	Revenue \$M	Adjusted EBITDA \$M	Margin %	Revenue \$M	Adjusted EBITDA \$M	Margin %
Physiotherapy	37.6	3.2	8.5	43.8	6.0	13.6
Pharmacy	28.1	3.6	12.9	23.7	2.3	9.9
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# Segment Results – Retail & HME

Q4 2013

Q4 2012

Division	Revenue	Adjusted EBITDA	Margin	Revenue	Adjusted EBITDA	Margin
	\$M	\$M	%	\$M	\$M	%
Physiotherapy	37.6	3.2	8.5	43.8	6.0	13.6
Pharmacy	28.1	3.6	12.9	23.7	2.3	9.9
<b>Retail &amp; Home Medical Equipment</b>	<b>26.7</b>	<b>(1.0)</b>	<b>(3.9)</b>	26.8	1.3	4.9
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# Segment Results – Assessments

Division	Q4 2013			Q4 2012		
	Revenue \$M	Adjusted EBITDA \$M	Margin %	Revenue \$M	Adjusted EBITDA \$M	Margin %
Physiotherapy	37.6	3.2	8.5	43.8	6.0	13.6
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# Segment Results – Surgical & Medical Centres

Division	Q4 2013			Q4 2012		
	Revenue \$M	Adjusted EBITDA \$M	Margin %	Revenue \$M	Adjusted EBITDA \$M	Margin %
Physiotherapy	37.6	3.2	8.5	43.8	6.0	13.6
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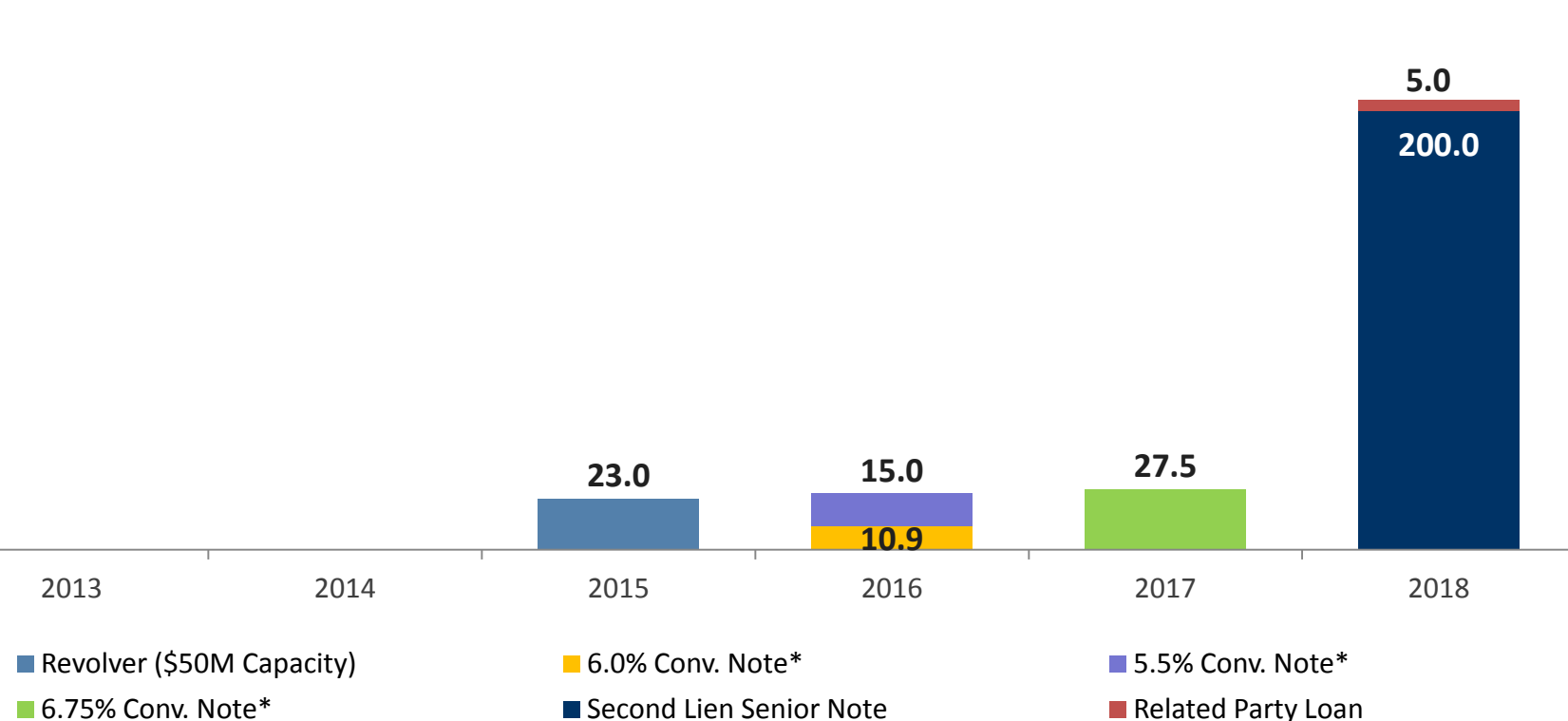
# Segment Results – Corporate

Division	Q4 2013			Q4 2012		
	Revenue \$M	Adjusted EBITDA \$M	Margin %	Revenue \$M	Adjusted EBITDA \$M	Margin %
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# Debt Profile (December 31, 2013)

(in Millions, C\$)

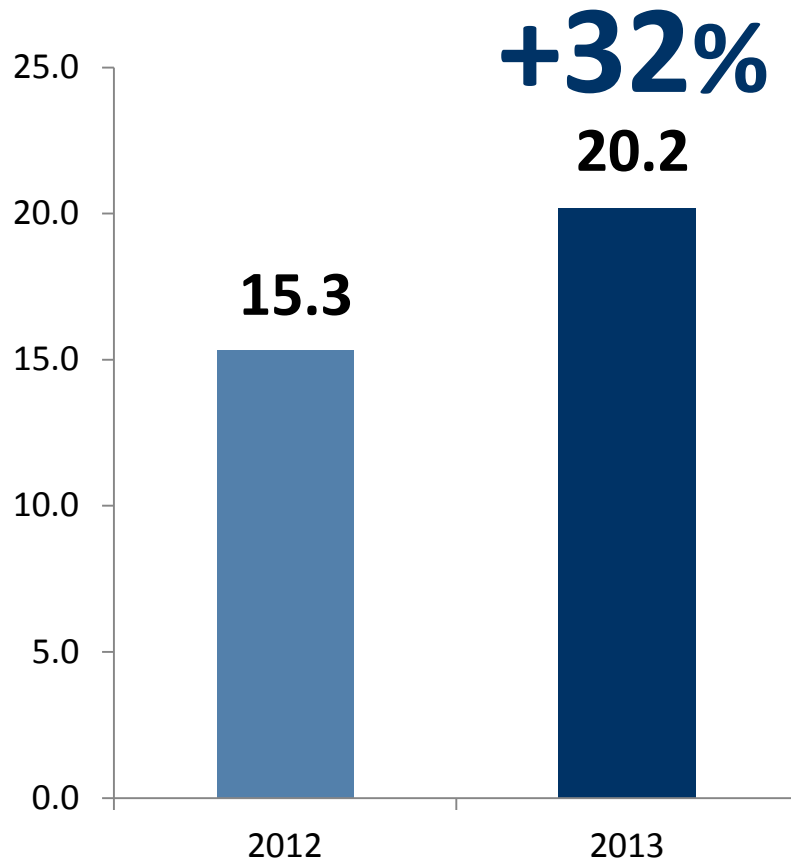


\* Convertible to equity at the Company's discretion

**Favourable debt maturity profile**  
**No required principal repayments until mid-2015**

# Cash Flow from Operations

(in Millions, C\$)



- Q4/13 cash flow from ops of \$8.6M
- 2013 cash flow from ops includes \$5.4M related to transaction and restructuring costs
- 2013 free cash flow improved marginally from 2012

# Financial Outlook

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- 2014 Budget:
  - Impact of Ontario seniors' physio funding changes and ADP conflict on Seniors Wellness and Retail/HME
  - Offset by contribution of planned growth and operational improvement activities
  - Potential additional upside
- Based on 2014 budget, cash flow management initiatives and alternative financing arrangements currently under consideration, expect to be in compliance with new financial covenants for Credit Facility for each quarter



**David Cutler**  
President & CEO

**Centric Health**

# Focus on Core Strengths & Best Opportunities



- Fluid regulatory environment
- Focus on best opportunities
- Limit distractions and risk
- Continue to optimize the platform for:
  - Higher margins
  - Limited regulatory risk
  - Long-term potential

# Physiotherapy Clinic Network

***#2 nationally based  
on number of clinics***

**105**

Owned Clinics

**36**

Additional Clinics

**7**

Provinces

**>1.1M**

Patient Visits Annually

- Solid year-over-year growth
  - 2013 Revenue up 28%
  - 2013 Adjusted EBITDA up 48%
- Low risk due to legislative change
  - ~90% of 2013 revenue from private payers
- One of the largest networks in a fragmented market
- Build and grow business with corporate insurers and employers
- Longer-term synergies with Surgical segment

# Pharmacy

***#3 in Ontario based  
on beds serviced***

**~200**

LTC Facilities With

**>16,000**

Residents

**18**

Pharmacies  
Servicing

**36**

Methadone  
Treatment Centres

- Solid year-over-year revenue growth
- Adjusted EBITDA back to historical levels
- Supported by favourable demographic trends
- Opportunity to expand geographically
- Leverage expertise and infrastructure for the corporate health market



# Surgical and Medical Centres

***#1 nationally based  
on operating rooms***

**8**

Centres

**24**

Operating Rooms

**65**

Beds

**>230**

Surgeons

- Multiple initiatives to drive utilization across the network
- Excellent opportunity as:
  - More procedures are de-listed by government
  - Governments increasingly seeking to partner with independent sector to reduce costs
- Private pay component increasing faster than government pay component

# Assessments

*one of the largest national networks*

**>30**

Preferred Provider  
Agreements

**3,750**

Assessors  
Including

**600**

Physicians

- A strong contributor to the business
- Year-over-year growth in Revenue and Adjusted EBITDA
- National network is a competitive advantage
- Leading position is a platform for growth

# Retail and Home Medical Equipment

**#1 nationally based  
on locations**

**24**

Motion Specialties Stores

**6**

Corporate-Owned  
MEDiChair Stores

**54**

MEDiChair Franchise Stores

**7**

Provinces

- Strong revenue growth
  - 2013 revenue up 16% year-over-year despite Q4 impact of conflict of interest
- New leadership in place
  - Chris Dennis appointed President
  - Implemented multiple cost savings initiatives, new organizational structure
  - Supply chain consultant
  - New segment COO to support franchisees
- Expect return to mid-single digit Adjusted EBITDA margins in 2014 with additional mid- to long-term upside

# 2014 Priorities

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- Expand Bundled Services offering
- Launch of Corporate Health Plan initiative
- Move forward Surgical Centre initiatives
- Continued pursuit of margin expansion
- Evaluate strategic opportunities



# Questions

 **Centric Health**



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