
AVASTRA
SLEEP CENTRES LIMITED
(Code: AVS)



Section 1

Executive Summary

Executive Summary

- ▶ **Avastra Sleep Centres Limited (AVS) is the second largest sleep company in the U.S.**
- ▶ **Only sleep centre company listed on the ASX**
- ▶ **AVS' mission is to be the largest and highest quality sleep services provider**
- ▶ **Lines of Revenue**
 - Diagnostic testing services; Includes Ambulatory testing (In-home testing)
 - Clinical research services
 - Equipment sales services (CPAP and BiPAP)
- ▶ **AVS is currently organizing into four regional headquarters (Hubs)**
- ▶ **All Hubs were acquired with experienced physician leadership**
 - Operated profitable companies for multiple years
 - Stock ownership aligns incentives for growth
 - Experience across all major lines of revenue



Operations

Northwest

Hub: Washington
Spokes: Oregon

Total Beds: 24

Presidents:

Dr. Ralph Pascualy, M.D.

Southwest

Hub: California
Spokes: Utah, Arizona

Total Beds: 70+

President:

Dr. Milt Erman, M.D.

Northeast

Hub: New York
Spokes: Florida

Total Beds: 40+

President:

Dr. Daniel Rifkin, M.D.



Midwest

Hub: Kansas
Spokes: Missouri, Nebraska, Iowa, Minnesota, South Dakota

Total Beds: 40+

President:

Dr. Steven Hull, M.D.



Industry Overview and Opportunity

Market

- ▶ An estimated 50 million Americans, about 1 in every 6, suffer from chronic disorders of sleep and wakefulness
- ▶ Annual direct cost of sleep related problems is \$16 billion
- ▶ Additional \$50-\$100 billion in indirect costs (accidents, litigation, property destruction, hospitalizations, etc.)
- ▶ Insomnia is the largest sleep disorder followed by sleep apnea
 - A growing clinical trial services market that require sleep facilities

Opportunity

- ▶ Sleep disorders diagnostic/treatment services is a profitable but highly fragmented market
- ▶ Significant opportunity for growth by consolidating profitable local businesses while retaining operational leadership
- ▶ Consolidation leads to higher quality through sharing best practices



Section 2

Recent History and AVS Transition

History Timeline / Transition Period

The first 15 months of Avastra Sleep Services

- ▶ **EGM** – Aug 2006 Shareholders approved change in activities to acquisition and operation of established profitable U.S. sleep service companies
- ▶ **Re-Listing** – Dec 2006 Initial Deal – Pacific Sleep Medicine in California
- ▶ **Coast-to-Coast Coverage** – Nov 2007 Latest Deal – SMIM in Washington gives Avastra market presence in all four corners of the country and across the Midwest

Transition Initiated

- ▶ **CEO Appointed** – Jan 2008 Appointed Dr. Steven Hull, M.D. as Chief Executive Officer to lead organization and transition Avastra from acquisition focus to an operationally focused business
- ▶ **CFO Hired** – March 2008 Hired Mr. James Klingler to bring public company CFO experience to AVS management team. Strong background in operational efficiencies and years of public company reporting experience
- ▶ **Announced Profitability** – March 2008 In February, AVS gave guidance of AUD 1.5 cents in adjusted EPS for full year 2008; AVS has already achieved 85% of adjusted EPS guidance in H1 2008 (AUD 1.3 cents)

Run rate of AUD 2.4 cents based on current operations; minimum projected adjusted EPS for FY 2009

The CEO and newly hired CFO will review and update guidance to the Australian Securities Exchange as appropriate



Opportunities for Improvement – Focus of Transition

Issue

- **Management Organization and Leadership**

- **Financial Reporting and Guidance**

- **Capital Market Communication**

Resolution

- Appointed CEO with operational experience
- Reduced role of bankers
- Commit to change current board structure to better serve current business
- Appointed CFO with public operational and healthcare experience

- Hired CFO with 30 years of US public markets experience to enable more accurate projections
- Re-organised business by region rather than by acquisition to more appropriately project profitability

- Commit to appointing Australian Director(s) with capital markets experience and operational knowledge
- Increase frequency of visits of corporate executives and regional Presidents to Australia
- Update retail investors with monthly newsletter
- Analysis of daily trading



Opportunities for Improvement – Focus of Transition

Issue	Resolution
▪ Board of Directors	<ul style="list-style-type: none">▪ Improve the capabilities of the board in public market communications and operational issues▪ Find AUS based directors with public company experience and capital market knowledge▪ Retain and appoint US directors with knowledge of US healthcare market
▪ Corporate Overhead	<ul style="list-style-type: none">▪ Commit to reduce Executive Directorships▪ Eliminated COO salary▪ Restructured consultant contracts▪ Hired CFO to improve operational efficiencies

Upcoming Year – Vision

ORGANIC GROWTH

- ▶ **Integrate existing businesses to realize promise of profit growth**
- ▶ **Revenue Synergies**
 - Expansion of Clinical Trials (invest in internal sales capabilities)
 - Leverage existing trials from Hub-to-Hub and Hub-to-Spoke
 - Utilize Nationwide Call Centre platform to drive growth
 - Patient recruitment for clinical trials
 - Improve occupancy rates
 - CPAP re-supply sales
 - Opening of greenfield centres
- ▶ **Streamlined cost structure**
 - Centralisation of key functions
 - Back Office (Billing, IT, Accounting, HR)
 - Better pricing in DME (CPAP) and supply purchasing
 - Centralize call centre for outbound marketing and patient recruitment
 - Minimize corporate overhead

ACQUISITION

- ▶ Strategic acquisitions to complete the national footprint and create barriers to entry

