

PRIMARY HEALTH CARE LIMITED

ANNUAL GENERAL MEETING 2018

22 NOVEMBER 2018

MD & CEO'S ADDRESS

[SLIDE: MALCOLM PARMENTER]

Thank you Chairman, ladies and gentlemen. It gives me pleasure to address you as Primary's Managing Director and CEO at my 2nd AGM.

I am very fortunate to have been entrusted with the stewardship of this great company; a company which delivers accessible and affordable frontline care through a unique footprint of pathology laboratories, medical centres, imaging facilities and now also day hospitals throughout Australia.

Our businesses are underpinned by strong demand for healthcare in this country, with a growing and ageing population and an ever increasing number of people who are living with chronic conditions and complex health needs.

As I explained when we met last year, this company had built a solid foundation but we needed to embark on a journey that incorporates investments in people, technology and facilities to get to a destination where healthcare professionals and patients are provided with modern, efficient and convenient facilities and services.

We have achieved much since then.

So, with Rob having covered off on last year's financials and various topical matters, let me spend some time reflecting on our achievements over the

year and our strategies for the future. I'll also update you on our current trading.

[SLIDE: EXECUTIVE LEADERSHIP TEAM]

First, and perhaps most importantly, I would like to introduce you to your executive team, a talented and experienced group who collectively provide us with the bench strength required to navigate this journey and deliver a sustainable and profitable future.

In the front row we have:

- **Malcolm Ashcroft**, who is our CFO and well known to many of you. Mal is central to the turnaround that is underway at Primary.
- **Wes Lawrence**. Wes joined Primary around 30 years ago as a laboratory scientist and knows more about pathology than most people. He has worked in many roles in our businesses and now leads our Pathology team.
- **Dr Tim Haggett** heads our Medical Centres and is a proficient GP and entrepreneur, having successfully founded and built two clinical networks. Tim joined us last year and is leading the significant change our medical centres require.
- **Maxine Jaquet**, runs Health & Co and has recently assumed additional responsibility helping to acquire clinics and roll them into our large Medical Centres.
- **Scott Beattie** joined us from Sonic last year and runs Commercial Solutions. Scott is focussed on innovation and the integration of our healthcare services. He is also responsible for the IVF business and overseeing the new Day Hospitals division.

- **Yvette Cachia**, our Head of People and Legal. 2018 brought up 10 years with the company for Yvette. Among other things, she is leading our transformation in culture including our new Purpose, Mission and Values.
- **Janet Payne**, Corporate Affairs. Janet has a background in finance and more than 20 years in the equity markets. Janet, in her Investor Relations role, is well-known to many of you.
- Unfortunately **Dean Lewsam** our CEO of the Imaging Division and **Ryan Fahy** our Chief Information Officer can't be with us today.

Apart from the executive Leadership team there are a number of other Primary representatives in the audience.

[SLIDE: YEAR IN REVIEW]

Since I joined in September last year, I have made it my mission to tour as many of our laboratories, medical centres, imaging centres, IVF clinics and day hospitals as possible and meet as many of our wonderful people as I can. I am continually impressed by our operations and by the dedication, energy and enthusiasm of our people.

Earlier this year, we defined the type of company we aspire to be, when we introduced our new Purpose, Mission and Values. Our fundamental values revolve around the message "WE CARE"; around ensuring we create a culture of care and empathy for the healthcare professionals and staff that mirrors the care and empathy that their patients expect from them.

We also conducted a complete review of our businesses and have a clear vision of where Primary is heading and what it will take to get us there.

The health sector is going through a period of significant change. Increasingly consumers are demanding better ways of accessing healthcare

aided by technology. Both the costs of, and demands for, that care are growing.

Those who can deliver a solution which combines clinical excellence, consumer-friendly services and cost-efficiencies within the community will succeed.

AND Primary intends to do just this, through a seamless, easy-to-access and empathetic experience for all our customers.

To do so requires transitioning from a legacy operating model to one specifically engineered for relevancy today, tomorrow and in 20 years' time.

We are harnessing digital technologies, finding and training the very best people, and connecting our diverse and growing businesses to deliver care when, where and how the consumer wants it.

Critical to achieving this are a number of new and accelerated initiatives across the Group including the repositioning of our Medical Centres and upgrades to our technology platforms in Pathology and Imaging.

We went to the market in August this year with a \$250 million capital raising to help fund these initiatives and to fund the acquisition of a growing day hospital business which will become the cornerstone of a fourth arm of Primary's activities.

I am confident these initiatives will deliver substantial benefits, clinically and operationally, and lead to value creation for our shareholders.

Let me highlight the strategies by division

[SLIDE: PATHOLOGY]

Pathology is our largest business. In Australia the Pathology market is a mature one, where fees per test are lower in real terms than they were 20 years ago. Despite this, we have delivered consistent profitable growth over a long period of time.

In terms of future growth, the division is looking to optimise its portfolio of collection centres and laboratories with a number of tactical initiatives underway in FY 2019.

Pathology is upgrading its core testing instruments, known as the Serum Work Area, to give us better testing capabilities and to reduce costs.

We are also in the final stages of negotiating a new Laboratory Information System or LIS. This will replace four state-based versions of a 25 year-old system with a single-integrated system, one that is already used by a range of quality operators both overseas and in Australia.

LIS is a long-term project which combines stay-in-business essentials with real transformational growth. Over the next five years we expect to invest around \$100 million to deliver this platform.

It will have significantly better clinical and referrer outcomes, give us operating efficiencies, and support the continued growth of the pathology division.

The capabilities of the new LIS will lift us above the field in Australia with a best-in-class global system, at the forefront of innovation, genetics and big data analytics.

It will bring lasting and significant benefits in terms of brand, reputation and willingness of clinicians to refer to us.

Overall we expect \$20 million in net benefits once the system is fully-embedded into the business. These benefits are tangible and quantifiable, and come from automation, standardisation and other efficiencies.

As part of a proactive and successful Government relations program, we have now helped to establish a new pathology industry body to negotiate with one voice with the Government. This is a change from the past and should put us on a stronger footing.

[SLIDE: MEDICAL CENTRES]

Turning to our **Medical Centres division**, we have a unique portfolio of large-scale clinics of remarkable size, location, accessibility and range of services.

The foresight that went into building these centres was truly innovative at the time. However, we can't assume that the model that worked in the 1990s will continue to work into 2020 and beyond.

Our centres need to evolve new ways to deliver care **when, where and how patients want it**. This must be supported by technology that makes accessing care simple, easy and affordable.

We have a comprehensive program called Project Leapfrog which will change the Medical Centres' model and transform our value proposition to healthcare professionals and consumers alike. We plan to invest approximately \$140 million in people, processes and property initiatives over the next three years. The roll-out of these initiatives, in particular the property component, will be a staged and gated process to ensure the necessary discipline in capital spend.

We believe this will realise the potential of our unique footprint of large-scale clinics, enabling us to recruit significantly more GPs, modernise the centres, and deliver vastly improved facilities and services to become the go-to medical centre operator of the future.

Benefits will include:

- Redeveloping our existing medical centres to deliver the equivalent of four large-scale centres at no additional rental cost.
- Significantly enhancing our ability to attract and retain healthcare professionals.
- Acquiring smaller clinics close to our existing large Medical Centres and merging them in.
- Creating a step-change in efficiency.

- Offering consumers the latest in online technology including appointments and digital recalls.

Phase one will be the creation of more consulting space at Medical Centres where we are at capacity, where we know we can recruit GPs, and where we have unmet consumer demand.

We set out several targets in the capital raise presentation which will be delivered by the combination of all the initiatives under Leapfrog in the next three years. Overall we are aiming for an EBIT contribution of \$1 million per Medical Centre which represents broadly double the current performance of this division.

The M&A team in Health & Co will assist with acquisitions of existing GP practices in the catchment areas of our large-scale medical centres under the Leapfrog program.

[SLIDE: IMAGING]

Diagnostic imaging has been a good story for Primary over the last 2 years under the leadership of Dean Lewsam. This success was underpinned by our focus on imaging in hospitals and our own Medical Centres, and on MRI and CT growth.

We are now looking to enhance the positioning of our community sites, the imaging centres located in main shopping areas and on major roads, in what is an increasingly consumer-savvy environment.

We are also in the middle of the roll-out of our new radiology information system and picture archiving and communication platform, the iCAR system, with 21 sites now live.

This is in response to feedback from our radiologists, who told us that the way our old technology delivered images meant we missed out on a significant number of referrals.

iCAR should improve this by delivering substantial efficiencies and enhancing the way the division interacts with referrers and their patients.

[SLIDE: MONTSERRAT]

Finally let me talk about the exciting opportunity we now have in **day hospitals**. Funded by the capital raise, we recently acquired Montserrat, a leading operator of day hospitals and haematology/oncology clinics across a number of sites.

This is a profitable and high quality business, in a sector where improving technology is enabling strong growth and momentum away from high-cost overnight hospitals into day hospitals. International experience indicates this trend will continue.

Montserrat is run by an experienced management team led by Ben Korst who will continue under the Primary umbrella. The acquisition provides us with a platform to grow in an aligned market with diversification away from bulk-billed MBS revenue.

I believe we are the natural owner because:

- There are synergies between the Montserrat business, especially in haematology and oncology, and other parts of Primary.
- It complements our existing five day hospitals which will benefit from being run by Montserrat's quality team.
- We will have the ability to further expand our IVF business in tandem with the day hospitals.
- There is an opportunity for significant growth in what is a fragmented market place.

The pricing structure we put in place on acquisition substantially de-risks the transaction.

[SLIDE: YEAR IN REVIEW]

Turning now to this financial year:

- We completed the acquisition of Monserrat in October.
- We successfully opened our imaging centre at the Northern Beaches Hospital in Sydney in October, a large and important contract for us. This includes a new MRI licence provided by the Federal Government.
- We have prepared for a change of name and branding for the group to Healius Limited. You will have an opportunity to vote on this later today.

Our new brand represents the future of Primary. It acknowledges the journey we are on and speaks to the notion of every-day health and healing.

The re-brand is an important signal, in particular to GPs, of the changes that are underway in the group.

It is an integral element in establishing a modern and inspirational identity that reflects our vision and strategy.

We are also looking at a refresh of brand in our Imaging division in recognition of the greater consumer choice in this sector. Pathology will retain its existing strong state-based operating brands, while all those businesses with the Primary name, such as Primary IVF and Primary Dental, will undergo a change of name.

We are keeping the costs to a minimum, with the group rebrand mainly involving online collateral. We only have four Medical Centres that carry the Primary brand and the names there will be changed progressively.

We're also ensuring the colour palette for the new branding can blend with the existing colours at our sites and will not necessitate any wholesale changes.

We have a short branding video which we want to show you at the after you've had a chance to vote on the resolution.

Turning to our recent trading, results to-date have been in line with expectations, with the low incidence of flu during the winter season resulting in soft first quarter volumes. We are starting to see volumes moving back up towards more normal levels, which we anticipated in our forecast.

In our Medical Centres:

- GP recruitment was over 30% ahead of last year in quarter one with a strong pipeline. Importantly the age of GPs we are recruiting is significantly lower than our existing cohort.
- We are keeping our eye on retention, as we lost a few more GPs than we budgeted in quarter 1, many of whom retired. Pleasingly the October figures have bounced back.
- We have acquired 3 clinics for roll-in into our large Medical Centres and we have a strong pipeline of interest. A further 2 clinics have also joined the Health & Co network since July 2018 bringing its total clinics to 13.
- We are in the process of completing the property conversion to our first centre at Maroubra in Sydney with a number of others about to start. In total we expect to work on 17 sites this financial year.
- All 41 centres on the Medical Director 3 practice management platform now have appointment capabilities. We have also completed the conversion of our first two MedTech sites to MD3, with appointments coming in as well. Completion is expected this financial year.
- Pleasingly, we are seeing an overall increase in gross billings per hour for the centres that have gone through the Leapfrog process efficiency and online appointment programs.

The Montserrat acquisition was completed slightly ahead of schedule and its performance to-date is ahead of budget. Two of the three identified developments are complete.

Overall we continue to expect our underlying net profit after tax for the year to be at or above \$100 million, assuming a normalisation of industry growth in the second half of 2019 to long-term growth rates. Trading in the second half is expected to be stronger than the first half in all divisions.

As I mentioned at the start, we are on a journey to a new place with a clear vision of where Primary is heading and a clear plan of what it will take to get us there.

It's something I've overseen before, especially the turn-around of GP culture and recruitment, with the help of many people who are here today. My experience suggests it will deliver substantial benefits.

In closing I would like to thank all the wonderful people at Primary Health Care for the amazing things you do every single day. I also want to thank our shareholders for your continuing support.

The journey we are on will take us to a better place with sustainable growth and the highest quality healthcare. Thank you all for giving me the opportunity to lead this journey.