PRIMARY HEALTH CARE LIMITED

Results for Year Ended 30 June 2013

Investor Presentation 14 August 2013

Highlights

Strong result – Primary delivering on its business model

FY2013 result highlights

- EBITDA up 9.7% to $385.1m
- EBITA up 11.4% to $323.2m
- Significant margin gains in Medical Centres (80bps), Pathology (80bps), and Imaging (400bps)
- NPAT up 29% to $150.1m
- EPS up 28% to 29.9 cents per share

Improving cash flows

- 18% improvement in cash flows from operating activities to $269m
- Final dividend up to 11.0 cents per share from 6.0 cents per share

Outlook

- FY2014 EBITDA of $395m to $410m (1)
- FY2014 EPS growth of 7% to 13%

(1) Adoption of Joint Ventures Accounting Standard from 1 July 2013 will reduce forecast FY2014 EBITDA by approximately $4m but has nil effect on forecast FY2014 EPS

Financial Summary

PRIMARY HEALTH CARE LIMITED

$m	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue	1,456.3	1,392.1	1,312.9
EBITDA (1)	385.1	351.1	318.6
EBITDA margin	26.4%	25.2%	24.3%
Depreciation & Amortisation	(90.7)	(85.9)	(82.2)
Finance costs (2)	(76.5)	(96.8)	(97.1)
Income tax	(65.9)	(49.5)	(34.2)
Non-Recurring Item	-	-	(34.7)
Net profit before minorities	**152.0**	**118.9**	**79.8**
Minorities	(1.9)	(2.3)	(1.5)
Net profit after tax	**150.1**	**116.6**	**78.3**
EPS (cps)	29.9	23.3	15.8
Final dividend - fully franked	11.0 cents	6.0 cents	5.0 cents

(1) FY2011 Reported EBITDA was $328.0m which included $9.4m net proceeds from litigation.
(2) FY2012 Includes $8.5m charge of unexpired fees upon refinancing of debt facility October 2011.

Segment Analysis

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$m	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue			
Medical Centres	300.8	290.0	274.6
Pathology	836.3	785.4	740.1
Imaging	309.6	307.9	285.0
Health Technology	37.0	35.9	36.0
Corporate	1.6	1.2	3.0
Intersegment	(29.0)	(28.3)	(25.8)
TOTAL	**1,456.3**	**1,392.1**	**1,312.9**

EBITDA			
Medical Centres	168.4	160.0	150.4
Pathology	147.8	132.4	118.6
Imaging	72.0	59.4	43.4
Health Technology	20.2	19.9	19.5
Corporate	(23.3)	(20.6)	(13.3)
TOTAL	**385.1**	**351.1**	**318.6**

Cash Flow

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Continued improvement in cash from operating activities

$m	Year Ended 30 June 2013	Year Ended 30 June 2012
Cash flow from operating activities	**269.4**	**228.7**
Add back		
- Interest and other finance costs paid	71.9	91.5
- Net income tax paid	45.8	26.1
- Restructure provisions paid	0.3	7.4
Gross operating cash flow	**387.4**	**353.7**
EBITDA	**385.1**	**351.1**
Ratio of gross operating cash flow to EBITDA	**101%**	**101%**

Medical Centres

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Margin growth and non-GP service growth as centre profile matures

	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue ($m)	300.8	290.0	274.6
EBITDA ($m)	168.4	160.0	150.4
EBITDA margin	56.0%	55.2%	54.7%

- Revenue growth of 3.7% across all medical centres and 6.3% in large-scale centres
- EBITDA growth of 8.5% in large-scale centres
- Margin improvement of 80 bps
- GPs and others continue to consistently join the Group, with acquisition price trending down 2HFY2013
- Good growth in non-GP revenues as centres mature
- GP patient numbers variable month to month, consistent with the cautious economic environment
- Dental revenues dampened 2HFY2013 revenue following government funding changes December 2012

Medical Centres

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Large-scale medical centre model continues to deliver sustained growth

$m	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue			
Large-scale centres	278.5	262.1	234.4
Small scale (ex-Symbion) centres	20.0	24.3	30.0
Clinical Trials	2.3	3.6	10.2
TOTAL	**300.8**	**290.0**	**274.6**

EBITDA			
Large-scale centres	174.8	161.1	139.6
Small scale (ex-Symbion) centres	8.8	10.7	12.7
Clinical Trials / Head Office (1)	(15.2)	(11.8)	(1.9)
TOTAL	**168.4**	**160.0**	**150.4**

(1) Includes acquisition-related costs of GP and related practices expensed (stamp duty, legals, commissions)

Pathology

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Revenue growth robust with incremental margin gains

	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue ($m)	836.3	785.4	740.1
EBITDA ($m)	147.8	132.4	118.6
EBITDA margin	17.7%	16.9%	16.0%

- Organic revenue growth of 6.3% over prior period
- Incremental EBITDA and EBIT margin recovery
- Small industry overspend in excess of MOU cap - mitigated by industry factors:
  - Professional attendances growing above MOU trigger point of 3.5%
  - Cost shifting from State budgets to Medicare – e.g growth in PEI item 73931

Imaging improvement continues

	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue ($m)	309.6	307.9	285.0
EBITDA ($m)	72.0	59.4	43.4
EBITDA margin	23.3%	19.3%	15.2%

- Organic billing growth of 5%
- Reported revenue growth impacted by radiologists moving to fee-for-service model
- EBITDA grew $12.6m (21%) over FY2012 and CAGR 29% over 2 years
- Retention/award of new public sector outsource contracts during FY2013
- Operational and margin gains in all segments (hospitals, community sites and medical centres)
- Radiologists engaged and committed to better care model
- Future divisional EBITDA impacted by Joint Venture Accounting Standard changes ($4m FY2014)

Health Technology

Primary committed to retain and invest in this business

	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue ($m)	37.0	35.9	36.0
EBITDA ($m)	20.2	19.9	19.5
EBITDA margin	54.6%	55.4%	54.2%

- Software products performing in line with expectations
- Senior management changes implemented during the year
- Revenue growth primarily in lower margin products
- Opportunity to grow the business both internally and externally

Corporate

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Corporate costs, management, and infrastructure stable

$m	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Revenue ($m)	1.6	1.2	3.0[1]
Expenses ($m)	(24.9)	(21.8)	(16.3)
EBITDA ($m)	(23.3)	(20.6)	(13.3)

- Increase in expenses mainly salary related
- Primary retains close to 20% shareholding in Vision post rights issue January 2013

- Excludes Pan litigation proceeds of $9.4m

Capital Investment

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PP&E expenditure has moderated and practices continue to join

$m	Year Ended 30 June 2013	Year Ended 30 June 2012	Year Ended 30 June 2011
Property plant & equipment	74.9	79.3	99.1
Business acquisitions	69.8	66.0	84.9
Intangibles	36.7	26.2	20.4
TOTAL	**181.4**	**171.5**	**204.4**

- PP&E decrease driven by reduced new medical centre openings
- Business acquisitions include GPs, radiologists, dental, and allied health
- Acquisition cost of GPs has shown decrease in 2HFY013
- Increased intangible spend during FY2013 includes:

  - $9m on extension of GP contracts post 5 years ($7m 1HFY2013)

  - $15m spend on software development

Debt Position

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Balanced debt maturity profile and reduced margins

$m	30 June 2013
Bank and finance debt	927
Cash	(38)
Retail Bonds	152
Net debt per balance sheet at 30 June 2013	**1,041**

- $1.02bn bank debt facility out to February 2015 and October 2016
- $100m working capital facility undrawn at 30 June 2013
- Margins payable decreased in FY2013 and Primary is now at the bottom of its bank facility pricing grid
- Primary has two bank facility covenants:

  Gearing Ratio = Net Finance Debt (excluding Retail Bond) / EBITDA

  – Actual ratio at 30 June 2013 is 2.35 (bank covenant < 3.25 times) [(1)]

  Interest Cover Ratio = EBITDA/Net Interest Expense

  – Actual ratio at 30 June 2013 is 5.32 (bank covenant > 3.0 times) [(1)]

(1) Formulas as per bank facility definitions

Summary and Outlook

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FY2013 result

- EBITA growth of 11.4%
- NPAT growth of 29%
- EPS growth of 28%
- Margins gains across the group
- Final dividend up 83% to 11.0 cents per share (59% payout ratio for FY2013)

FY2014 earnings guidance

- 7% to 13% EPS growth
- EBITDA $395m to $410m(1)

Focus areas/opportunities

- Continue to drive organic volume growth in all divisions
- Utilise scale and capacity advantages and substantial footprint
- Leverage strong cost control culture
- Consider bolt-on acquisitions if appropriately priced

(1) Adoption of Joint Ventures Accounting Standard from 1 July 2013 will reduce forecast FY2014 EBITDA by approximately $4m ,but have nil effect on forecast FY2014 EPS

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