PRIMARY HEALTH CARE LIMITED

Interim FY2014 Results
Six Months Ended 31 December 2013

Investor Presentation 12 February 2014

Highlights

PRIMARY HEALTH CARE LIMITED

First half result in line with expectations and dividend increase

First half result key highlights

- EBITDA $192.1m up 4.4% on prior period
- Incremental margin gains in all operating business units
- NPAT up 8.6% to $75.5m (up 13.0% to $78.5m excluding refinancing charge of $3.0m)
- EPS up 8.7% to 15.0 cents per share (up 13.0% to 15.6 cps excluding refinancing charge of $3.0m)
- Interim dividend up 38% to 9.0 cents per share
- Successful refinance of bank debt in period

Reconfirm FY2014 earnings guidance

- EPS growth expected to be in the range of 7% - 13%
- EBITDA expected to be in the range of $395m - $410m
- FY2014 expected to show usual half-on-half split for EBITDA of 47.5%/52.5%

Financial Summary

PRIMARY HEALTH CARE LIMITED

$m	Six months 31 Dec 2013	Six months[1] 31 Dec 2012
Revenue	751.0	712.5
EBITDA	192.1	184.0
Depreciation & Amortisation	(46.6)	(43.9)
Finance costs [2]	(38.7)	(39.8)
Income tax	(31.2)	(30.8)
Net profit before minorities	**75.6**	**69.6**
Minorities	(0.1)	(0.1)
Net profit after tax	**75.5**	**69.5**
EPS (cps)	15.0	13.8
EPS (cps) exc. $3.0m non-cash after tax refinancing charge	15.6	13.8
Interim dividend - fully franked	9.0 cents	6.5 cents

(1) Comparatives adjusted for adoption of AASB11 Joint Arrangements as at 1 July 2013
(2) 1H FY2014 Includes $4.2m pre-tax charge ($3m post tax) of unexpired fees re refinancing of debt facility November 2013

Segment Analysis

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$m	Six months 31 Dec 2013	Six months 31 Dec 2012
Revenue		
Medical Centres	151.7	151.6
Pathology	436.2	409.5
Imaging	156.3	146.7
Health Technology	18.3	18.8
Corporate	3.7	0.5
Intersegment	(15.2)	(14.6)
TOTAL	**751.0**	**712.5**

EBITDA		
Medical Centres	84.7	84.0
Pathology	74.9	69.5
Imaging	35.5	32.9
Health Technology	9.8	9.7
Corporate	(12.8)	(12.1)
TOTAL	**192.1**	**184.0**

Medical Centres

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Core Medical Centre business showing consistent growth

	Six months 31 Dec 2013	Six months 31 Dec 2012
Revenue ($m)	151.7	151.6
EBITDA ($m)	84.7	84.0
EBITDA margin (%)	55.8%	55.4%

- Revenue growth of 5.2% in Medical Centres, excluding dental revenues
- Dental revenues decreased from $19.8m prior period to $13.0m current period
- Margin improvement of 40 bps
- No annual Medicare increase for GPs 1 November 2013 – delayed until 1 July 2014
- GP acquisition price has continued a downward trend
- GP Retention levels in line with expected/historic levels

Pathology

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Pathology business continues to perform strongly with stable market position

	Six months 31 Dec 2013	Six months 31 Dec 2012
Revenue ($m)	436.2	409.5
EBITDA ($m)	74.9	69.5
EBITDA margin (%)	17.2%	17.0%

- Revenue growth of $26.7m (6.5%) over 1H FY2013
- Market share stable
- EBITDA growth of $5.4m (7.8%) over 1H FY2013
- 20 bps improvement in EBITDA margins over 1H FY2013 despite 1.3% fee cut 1 January 2013
- Small “bolt-on” acquisitions in period amounted to approximately $3m capital spend

Imaging

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Imaging business improvement continues

	Six months 31 Dec 2013	Six months 31 Dec 2012
Revenue ($m)	156.3	146.7
EBITDA ($m)	35.5	32.9
EBITDA margin (%)	22.7%	22.4%

- Organic revenue growth of $9.6m (6.5%) over 1HFY2013
  - Reported revenue growth now less impacted by move to fee for service model
  - MRI showing good growth in period
- EBITDA growth of $2.6m (7.9%) to $35.5m over 1HFY2013
- 30 bps improvement in EBITDA margin on 1HFY2013
- Wage/productivity gains are slow and long term

Medical Director product improvements made

	Six months 31 Dec 2013	Six months 31 Dec 2012
Revenue ($m)	18.3	18.8
EBITDA ($m)	9.8	9.7
EBITDA margin (%)	53.5%	51.6%

- Software renewals and revenue have increased year on year for GPs and specialists
- Lower margin hospital applications business continues to show small decline
- Major product enhancements in six months include:
    - New web-based medicine information resource (AusDI) for pc,tablet and mobile
    - Delivered MD/Pracsoft 3.15 with significant enhancements
    - Launched MD sidebar providing GP's with new ways to improve patient care

Corporate

Net corporate EBITDA in line with expectations

$m	Six months 31 Dec 2013	Six months 31 Dec 2012
Revenue	3.7	0.5
Expenses	(16.5)	(12.6)
EBITDA	(12.8)	(12.1)

- Revenue this period includes $3m profit on sale of Vision shares
- Expenses this period includes $2m non-recurring settlement of legal matters
- Other expense increases mainly salary related

Capital Investment

PP&E expenditure moderate and practice acquisitions continuing

$m	Six months 31 Dec 2013	Six months 31 Dec 2012
Property,Plant and Equipment	28.6	35.9
Warringah Medical Centre	14.1	1.0
Business acquisitions	34.8	42.6
Intangibles	19.2	14.9
TOTAL	**96.7**	**94.4**

- PP&E replacement expenditure well controlled
- Business acquisitions include GPs, radiologists, dental and allied health and pathology
- Average cost of GP practice continues to trend down
- Intangible spend includes $3.5m on extension of GP contracts (prior corresponding period $7m)

Debt Position

Bank refinance extends maturity profile and reduces margins payable

$m	31 Dec 2013
Bank and finance debt	941
Cash	(10)
Retail Bonds	152
Net debt per balance sheet at 31 Dec 2013	**1,083**

- $1.25bn bank debt facility out to January 2017 ($625m) and November 2018 ($625m)
- Margin improvements with refinance
- $4.2m pre tax charge in period on amortisation of unexpired borrowing costs on previous facility
- Primary has two bank facility covenants:

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

  – Actual ratio at 31 December 2013 is 2.41 (bank covenant < 3.25 times) (1)

  Interest Cover = EBITDA / Net Interest Expense

  – Actual ratio at 31 December 2013 is 5.93 (bank covenant > 3.0 times) (1)

(1) Formulas as per bank facility definitions

Summary and Outlook

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