

## ASX Announcement (ASX: HLS)



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16 August 2019

### Healius announces FY 2019 results, progress on strategic initiatives

Healius Limited (ASX: HLS) today announced underlying NPAT of \$93.2 million, up 6.5%, on revenue growth of 5.9%, for the year ended 30 June 2019 ("FY 2019"). Reported NPAT was \$55.9 million compared to \$4.1 million in FY 2018.

	30 JUNE 2019 \$M UNDERLYING <sup>1</sup>	30 JUNE 2018 \$M	30 JUNE 2019 \$M REPORTED	30 JUNE 2018 \$M
Revenue	1,804.5	1,704.6	1,810.3	1,704.6
EBIT	167.3	160.1	117.4	64.6
NPAT	93.2	87.5	55.9	4.1

Underlying EBIT of \$167.3 million reflected increasingly positive momentum in all three divisions. Imaging and Medical Centres recorded double digit growth for the year, while Pathology rebounded strongly in the second half, up 46% after a subdued first half result.

Commenting on the results, Managing Director and Chief Executive Officer Dr Malcolm Parmenter said: "This is the first full-year result reported as Healius, a brand we adopted to underscore our new value proposition and to signal to healthcare professionals that we are a modern community-focused organisation offering good career opportunities.

"The increasingly positive momentum across all divisions is an encouraging validation of our strategy to refresh and renew our Medical Centres and invest in leading-edge infrastructure and emerging businesses. Pathology delivered a very strong result in the second half and Imaging recorded its third year of strong increases. While still early days, Medical Centres enjoyed record recruitment and growth in gross billings per hour.

"Last month, we announced an organisational redesign to simplify our management structures, improve divisional agility and autonomy, and drive a more efficient group function. It will ensure on-going alignment of resources and capital towards our strategic growth agenda."

The Board has determined to temporarily reduce the dividend to provide an appropriate balance between the current capital investment phase, dividends and prudent gearing levels. Consequently, the

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<sup>1</sup> Underlying results for the year ended 30 June 2019 exclude the impact of non-underlying items relating to strategic initiatives, business set-up costs and restructuring.

Board has declared a final dividend of 3.4 cents per share, fully franked. Together with an interim dividend of 3.8 cents per share, this delivers a full year dividend of 7.2 cents per share.

## **DIVISIONAL RESULTS**

### **Pathology**

Pathology remains Healius' largest division, employing 280 specialist pathologists, 2,300 scientists and assistants, and 3,800 collectors who conduct 1 in every 3 Australian pathology tests in its laboratories.

Pathology grew its revenues by 3.5% in FY 2019 to \$1,128.3 million and increased its market share, when normalised for the loss of the bowel screening contract in FY 2018.

After soft market conditions during the first half, a resumption of volume growth towards the end of the second half and delivery of productivity programs saw the division's second half EBIT improve 46% compared to the first half. Overall EBIT was just below FY 2018 at \$111.1 million. This result has been achieved despite the increase labour costs at Dorevitch and the loss of the bowel screening contract. Normalised for these events, EBIT would have grown on FY 2018.

Momentum has continued into FY 2020 with volume trend in June and July reverting to long-term averages.

### **Medical Centres**

The Healius medical centre network comprises 73 medical centres (with dental practices in 61, day hospitals in five and IVF clinics in four), 13 Health & Co practices and 9 stand-alone day hospitals.

Revenue rose to \$327.4 million for the year, primarily due to the acquisition of Montserrat and increased revenue in Health & Co. EBIT was \$37.6 million, an improvement of 19.0%. Medical Centres recorded consecutive halves of growth as the turnaround gained traction, while Health & Co moved from start-up losses to a profit of \$1.9 million during the year.

Healius has made a substantial investment in greenfield sites and the roll-in of smaller acquired clinics, which bring both GPs and patients, has been accelerated. A strong swing in performance will occur as these start-up costs cease.

Pleasingly, Healius recruited a record 259 GPs in the year, a 63% growth on FY 2018. Departures of GPs normalised from quarter two onwards delivering a strong increase in net GPs thereafter. At the end of the period, Healius Medical Centres had 1,164 GPs, or 992 full time equivalents (FTEs).

Transition to the new flexible contracts continued with only around 10% of GPs left on the old five-year contracts. Flexible contracts are appealing to a wider cohort of GPs and delivering a more capital-efficient process. To balance the value proposition, the revenue sharing arrangements have increased in favour of the GP, with Healius' share currently stabilising at around 32%.

### **Emerging Businesses**

Dental revenue rose 4.8% to \$35.2 million during the year while EBIT rose to \$5.7 million. The division is rolling out an innovative fixed-price general dentistry offering to meet a growing need in the community.

Primary IVF was repositioned under the Adora Fertility brand during the year. A new centre in Perth and satellite clinics in WA and Queensland were opened, while Sydney and Melbourne facilities were relocated in response to growing demand. Adora Fertility is the fastest growing IVF provider in Australia with cycles up more than 30% in the year.

Montserrat Day Hospitals, an established operator of day hospitals and haematology/oncology clinics, was acquired in September 2018. Subsequently, Montserrat opened three new day hospital facilities including its flagship Westside Private Hospital in Brisbane. Montserrat provides Healius with a substantial platform to grow and diversify, and synergies into the IVF and Pathology businesses. Montserrat delivered \$19.5 million of revenue. With the ramp-up in its new hospitals, its EBIT contribution was \$0.6 million. This is expected to grow strongly in FY 2020.

### **Imaging**

Healius operates 145 imaging centres, located in medical centres, community centres and hospitals. In FY 2019, Imaging grew revenue by 7.9% to \$391.3 million, notwithstanding softer market conditions. Imaging increased its market share in the year, with the higher revenue reflecting growth from existing and new sites and continued strength in MRI.

EBIT was up by 14.5% to \$38.7 million, the third successive year of double-digit increases. Productivity programs introduced during the second half delivered targeted improvements.

During the year, Imaging commenced operations at the Northern Beaches Hospital in Sydney, opened its new facility in Port Macquarie and redeveloped St Vincent's Private Hospital in Brisbane, all of which have full MRI licences. In July 2019, it commenced the imaging portion of the Australian Defence Force Health Services contract in partnership with BUPA.

### **OUTLOOK**

Underlying NPAT for FY 2020 is expected to be higher than FY 2019, subject to market conditions and any changes occurring from the implementation of AASB 16 on leases.

Longer-term the drivers remain positive. There is strong underlying demand for healthcare in Australia, underpinned by a growing and ageing population, rising patient expectations, increasing number of people living for longer with chronic illness, and expanding wealth per capita.

The Government's healthcare policy settings point to a relatively stable regulatory environment in the near-term. However, with healthcare costs on the increase, funding pressures will remain and it is incumbent upon private sector providers to be agile, diversify revenues, and maintain lean cost structures.

The strategic initiatives and organisational redesign currently being undertaken by Healius aim to deliver a business characterised by clinical excellence, simple consumer-friendly access, and cost-efficiency in a community setting. This will support consumer well-being along with disease prevention and early intervention, core to the future of good healthcare in Australia.

**ENDS**

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*For over 30 years Healius has been one of Australia's leading healthcare companies with a commitment to supporting quality, affordable and accessible healthcare for all Australians. Through an expansive network of multi-disciplinary medical centres, pathology laboratories, diagnostic imaging centres and day hospitals, Healius provides world class facilities and support services to independent GPs, radiologists, specialists and other healthcare professionals, enabling them to deliver quality care to patients in partnership with Healius' pathologists, nurses and other employees. Healius' 'medical home' model makes healthcare services easily accessible and cost efficient, while enabling the coordination and continuity of patient care.*



## FY 2019 Results Conference Call and Webcast

Healium Limited (HLS) will hold an investor and analyst briefing on its 2019 Full Year Results via a conference call and webcast on Friday, 16 August 2019 at 11.30am AEST.

**Date:** Friday, 16 August 2019

**Time:** 11:30am AEST

### Joining via conference call

#### Australia participant dial-in numbers:

1800 558 698 or +61 2 9007 3187

#### International participant dial-in numbers:

Location	Number	Location	Number
Canada	1 855 336 4664	New Zealand	800 480 392
China	4001 200 641	Singapore	800 852 3140
Hong Kong	800 906 986	United Kingdom	0808 168 3761
India	0008 0010 08069	United States	1855 336 4664
Japan	005 3116 1306		

#### **Conference ID: 10001300**

All participants will be required to supply their full name, company/organisation and Conference ID when joining the call.

Investors and analysts will be able to ask a question by dialling “\*1” (star, 1) on their telephone keypad.

Media are welcome to dial in but will not be able to ask questions.

### Joining via Webcast link:

<http://webcast.openbriefing.com/5375/>

The webcast is accessible 15 minutes before the briefing starts.