

Healius Limited 2020 AGM

CEO's Address

Thank you, Rob.

Let me add my welcome to the Chairman's to all of you on the airwaves.

It is an honour to be talking to you today at my 4th AGM as CEO of this great company.

I do echo Rob's sentiments about how wonderfully our people have responded to the COVID pandemic this calendar year.

Many of our people are on the front line of care every day, never really knowing whether the next patient they see will have COVID or not.

For our staff and doctors, this pandemic is the medical equivalent of a battle with all the risks that this entails.

I, and my executive team, are honoured and humbled to lead a group of people who have so selflessly put themselves in harm's way for the good of all Australians.

As Rob has mentioned, we responded to the battle-cry by:

- setting up pathology drive-through testing centres,
- reworking our laboratories to expand COVID-19 capabilities,
- running COVID-19 testing 24/7 at times to ensure short turnaround of results, and
- creating GP isolation rooms and telehealth services.

As an executive team and as a company, we have worked hard to ensure our people are as safe as humanly possible. This has resulted in a very low infection rate of just over 1 for every thousand of our staff and doctor group.

All have now recovered except for one GP who unfortunately remains quite unwell several weeks after the onset of infection. Our thoughts are with him and his family and we wish him a full and speedy recovery.

Turning to the executive team, I must say it is great to introduce the same team as last year!

This team has done an extraordinary job in the face of huge challenges this year and I would like to thank them all for the wonderful way we pulled together and led the response to COVID-19.

They are all online and more than happy to answer questions when we get to that part of the meeting.

Firstly, in Queensland we have:

- **John McKechnie** who is CEO of the Pathology division
- **Ben Korst**, who is CEO of our Day Hospitals division

In NSW we have:

- **Dean Lewsam** CEO of Imaging
- **Scott Beattie**, CEO of Medical Centres
- **Maxine Jaquet**, our CFO
- **Peter Wilson**, our Group Executive People and Shared Services
- **Janet Payne**, our Group Executive Corporate Affairs
- We also have **Mark Neeham**, our Group Executive Government Affairs. Mark has done a fantastic job liaising with Government on our behalf during COVID-19 and has re-joined the executive team this year.

Let's now turn to how we have been trading in the first quarter. In summary, it's been a very good start to FY 2021.

Looking at our continuing operations (after the impact of AASB 16):

- Unaudited group revenue was \$493 million, compared to \$419 million in the prior comparable period.
- Unaudited group EBIT was \$81 million compared to \$32 million in the prior comparable period.
- Every business has contributed, while the learnings from the March-April national lock-down and the cost savings from the Sustainable Improvement Program, have underpinned a very strong result.

In terms of our trading trends:

- **Pathology** revenues have been strong in the first quarter of the year and continue so in October:
 - Non-COVID revenues are now ahead of the prior comparable period.
 - Community COVID testing is currently plateauing around 7,000-10,000 per working day, but these numbers can ramp up quickly again with local outbreaks, and
 - commercial COVID testing is growing rapidly.
- **Imaging** revenues have fluctuated due to the Victorian lockdown and outbreak clusters in other states:
 - Revenues are currently up in all states other than Victoria; and

- In Victoria, activity is starting to grow in line with the easing of restrictions.
- Our **Day Hospitals** division performed very strongly in the first quarter, with revenue up 34%, and it made a positive contribution to the Group's results. This is continuing in October.

There is a backlog of essential services coming through in all the divisions at present. We also believe COVID testing is likely to continue until such time as a vaccine is widely in use.

However, the impact of the COVID-19 pandemic remains dynamic. Both our business-as-usual revenues and COVID revenues may be affected, positively and negatively, by:

- Any further outbreaks of COVID,
- Federal and State government responses to these outbreaks including further lock-downs, restrictions on clinical activity, and increases or decreases in the community COVID testing regimes, and
- Clinical advances in other testing capabilities and in the production of a vaccine.

With this high level of uncertainty, we will continue to undertake periodic trading updates rather than providing guidance for FY21.

As a caveat, we would caution against extrapolating from quarter one's trading to the remainder of the financial year as we do not expect this level of performance to continue.

Turning to our strategic initiatives, with the sale of Medical Centres, we will become a simpler and more streamlined business with a stronger balance sheet and greater cash flow generation.

Our near-term focus is on delivering growth to our shareholders by driving better margins and top-line growth.

Firstly, our Sustainable Improvement Program, or SIP, continues apace in FY21.

We addressed the low hanging-fruit in FY20.

We are now looking at more complex but higher value structural improvements, as we aim to deliver margin growth and bring our businesses up to the levels of the best of our peers.

Our focus for the next three years is as follows:

- **Digitisation and automation.** This aims to do two distinct things:
 - improve the front-end experience for our patients, for example with online bookings, referrals, results, and
 - automate the back-end processes. As an example, about 80% of receptionists time at our Imaging sites is currently spent on making bookings and we can free them up with automation.

- **Network optimisation** in our physical footprint of pathology collection centres and imaging community facilities, and in our courier route network.
 - We have already reduced our collection centre footprint by a net number of over 70 sites.
- **Workforce management.** This is also about two things:
 - workload balance as we seek to improve efficiency, and
 - improvements in our rostering tools to match supply and demand. We are currently looking at a range of useful applications which can roster staff dynamically.
- Reduction in our **external spend**, sitting at \$750 million, as we instigate more direct sourcing and re-tendering of contracts.

In order to lower our support costs as we complete the sale of Medical Centres, we have already reduced our finance support headcount from 192 to 60, with an annual benefit of \$7.2 million.

The SIP program will include all capital investment, including our **Laboratory Information System**. Here we continue to assess the right pathway for investing in a modern IT system which;

- mitigates risks,
- reduces technical debt,
- enables a single Pathology business,
- extends our customer facing capability and
- extends our capacity to capture backend efficiencies.

Specifically, we are looking to make targeted **modular investments** that address each of these business objectives.

Overall our goal remains to have a better spread of benefits and costs over the next 3-5 years.

We will provide a more fulsome update on our solution set and execution timeline and the associated financial profile at the Capital Management Update, which will be undertaken after the Medical Centres sale is completed.

In addition to growing our margins, our goal is to drive top-line growth.

We aim to build a substantial third business in our Day or, more correctly, Short-Stay Hospitals. The sector has strong economic, technological and regulatory tailwinds as a lower-cost and clinically-equivalent alternative to traditional overnight hospital care. The market is starting to appreciate the growth potential here.

Apart from the continuing ramp-up of Montserrat's four newest facilities which we expect to deliver strong growth, we will look to selective greenfield and brownfield sites, and also M&A as we develop a diversified platform for the future.

As the 2nd and 3rd largest players respectively in Pathology and Imaging, we will look to use our balance sheet on selective opportunities to grow.

We aim to become a great customer care organisation in health in Australia where the consumer is at the centre of everything we do.

In the future, it will become a matter of "the patient will see you now" and consumers will expect their healthcare providers to enable them to transact online - from booking appointments, to telehealth consultations to receiving e-results, and to respond to their feedback.

We believe that those providers which can provide healthcare services combining consumer-friendly delivery with clinical excellence and cost-efficiency will be sustainable into the future.

To deliver this, we are currently moving to embed a range of customer experience tools, including the use of AI, to establish data collection at every consumer touchpoint with the aim of driving a best in class customer experience across all our healthcare services.

On the sustainability front, we remain committed to delivering the majority of our healthcare services as bulk-billed services, thereby enabling all Australians to access the care they need, irrespective of their circumstances.

We recognise that our people are at the core of our strategy and that only by having the best people and the best healthcare professionals, are we able to deliver the best healthcare.

To underwrite this, we continue to strive to be a workplace of choice for all healthcare professionals, to live our WE CARE values, and to deliver on diversity, inclusion and equality.

We recognise that climate change is a global issue and that, despite not being a major emitter, we have an opportunity to play our part by developing a pathway to a carbon neutral future through initiatives such as solar panels, LED lighting, electric vehicles, recyclable materials where possible, waste reduction and ensuring ethical supply chains.

Finally, while we already play a key role in society through the delivery of accessible care, we aim to develop a charitable foundation specifically to support healthcare in disadvantaged sectors in Australia, both through financial contributions and through enabling our people and clinical experts to give of their time and expertise.

I encourage you to read our second sustainability report which will be issued soon. I will now return you to your Chairman Rob Hubbard. Thank you for listening.