

## ASX Announcement (ASX: HLS)

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### Healius announces significant growth in results and progress on strategy

- Strong performance in all underlying businesses
- Unceasing commitment of teams underpinned strong COVID-19 testing
- Continued improvement in operating margins
- Meaningful progress in strategic initiatives including Agilix acquisition
- Expected acceleration of routine healthcare services and ongoing baseload COVID testing
- Enhanced COVID-19 investment to improve efficiency should further variants emerge

\$M	31 DECEMBER 2021 UNDERLYING <sup>1</sup>	31 DECEMBER 2020	31 DECEMBER 2021 REPORTED	31 DECEMBER 2020
Revenue	1339.0	936.4	1338.0	927.6
EBIT	376.1	136.0	361.7	140.0
NPAT (Reported incl. discontinued operations)	245.6	75.3	233.2	62.8
Dividends cps 100% franked			10.0	6.5

Healius Limited (Healius) (ASX: HLS) today announced significant growth in revenue, EBIT and NPAT in the six months ended 31 December 2021 (1H 2022) compared to the prior comparable period.

Healius played a pivotal role in Australia's public health response to the Delta and Omicron outbreaks and PCR testing was the main driver of growth.

Importantly, Healius also successfully and safely delivered non-COVID services in all divisions, against the backdrop of state-based lockdowns, elective surgery restrictions and community concern around accessing healthcare. Strong growth in commercial testing in Pathology, in some of Imaging's key states and at Westside Private Hospital in Montserrat were the highlights.

In a more inflationary environment, labour, property and IT expenses were well contained while the rise in consumable costs due to increased COVID-19 volumes masked successful sourcing initiatives under the Sustainable Improvement Program (SIP). Of note, labour costs were held at 36.7% of revenue compared to 44.1% in the prior period, demonstrating good control together with leverage from economies of scale.

<sup>1</sup> Underlying results for continuing operations exclude the impact of discontinued operations (Adora Fertility with three co-located Day Hospitals in 1H 2022 and Adora and Healius Primary Care in 1H 2021), together with non-underlying items relating to corporate transactions and digital transformation.

31 DECEMBER 2021 \$M	PATHOLOGY	IMAGING	DAY HOSPITALS	CORPORATE	TOTAL <sup>2</sup>
Segment Revenue	1,112.3	199.6	24.6	3.4	1,339.0
EBIT	375.8	11.9	3.0	(14.6)	376.1

Trading by division was as follows:

- **Pathology** delivered growth in its core, non-COVID revenues with the commercial segment the standout. Community and commercial COVID-19 testing were exceptionally strong.
- **Imaging** grew above market in Victoria and Queensland with NSW normalised growth on-market, despite the division experiencing industry-wide impacts of COVID.
- **Day Hospitals** grew revenue in its flagship hospital, Westside Private, by 24% while the division experienced similar conditions to Imaging.
- **Group** is well-positioned to meet the expected acceleration in routine healthcare services and baseload COVID testing, with enhanced COVID-19 capability should further variants emerge.

Group gross operating cash flow in the period was strong and, normalised for exceptionally high volumes in the last two weeks of the year, EBITDA conversion was well over 90%. Importantly, the balance sheet remained conservatively geared, positioned to reward shareholders, fund growth and meet the sustaining capital needs of the business.

During the period, Healius finalised the acquisition of Axis Radiology and announced the acquisition of Agilex Biolabs and the development of Murdoch Day Hospital. It also rewarded its shareholders with the completion of its on-market buy-back and payment of the FY 2021 final dividend totalling \$140.8 million.

Taking into consideration the strong performance of the Company, an interim dividend of 10.0 cents per share (cps) fully franked was determined by the Board, compared to 6.5 cps in 1H 2021 and 6.75 cps in 2H 2021

Commenting on the results, Managing Director and Chief Executive Officer, Dr Malcolm Parmenter said: "Our overriding aim through the Delta and Omicron outbreaks was to continue our role in the country's response to controlling the virus. This would simply not have been possible without the on-going selfless efforts of our people and we will be rewarding those who went above and beyond in this six-month period. I can't stress enough how honoured I am to be part of the Healius family.

"Following the huge surge in late December and early January, we have now returned to same-day turnaround times for PCR testing. We are expecting an on-going baseload of PCR testing for some time to come, as the clinical issues around this disease remain of concern, in particular for the more vulnerable within the population.

"Following the science, we are also investing in more efficiency initiatives in preparation for any new variants which may unfortunately coincide with increased influenza next winter. This includes investing to lower our cost per test and to handle a higher number of tests with the same level of staff.

"With the country now opening up, all of our businesses are expecting an acceleration in demand for routine healthcare services, including a period of catch-up for the backlog in diagnosis and surgery. This is likely to be a strong driver for growth over the near-term, in particular our imaging and day hospitals businesses are well-placed to deliver on the return of elective surgery.

<sup>2</sup> Divisional revenue includes inter-segment sales of \$0.9 million, eliminated at a Group level.

“Turning to the achievements in our portfolio in this period, I am particularly enthusiastic about the acquisition of Agilix Biolabs which is a great business with an experienced team in the rapidly-growing clinical trials market. Since the acquisition, I am increasingly confident that we will see Agilix’s revenue growth above the 15% level we mentioned in December. What’s more we are finding opportunities for synergistic savings between our two pathology businesses.

I also want to highlight the following:

- We delivered on our SIP program, including further optimisation of our physical footprint, launch of a pathology e-commerce portal and consumer products, and launch of our Lumus Imaging brand supported by progress in developing automated booking, referral and rostering systems.
- We advanced our sustainability program, with emissions reductions during 1H 2022 and a group-wide series of initiatives under development, to be announced in 2H 2022.
- We targeted our capital spend, including investing in leading-edge pathology digital initiatives, purchase of imaging equipment, and near-finalisation of the pathology Serum Work Area upgrade.

“With reference to inflationary pressures in the supply chain, we are managing our costs well and the financial metrics bear this out. We are also enhancing our people development, recognition and communications initiatives as well as improving our green credentials, which will support the value proposition to our people and assist in response to the current skills shortages in Australia.

“With the deleveraging of our balance sheet from the sale of Healius Primary Care and with the revenue we are receiving from COVID testing, as I have said before we have a real opportunity to invest in digital leading-edge applications to permanently change for the better how consumers access diagnostic healthcare in Australia. We’re already on this path with our COVID digital initiatives and I am excited about what we can and will develop over the next few years.

“We aim to update the market on our portfolio strategy and our sustainability program before the end of the financial year,” Dr Parmenter concluded.

ENDS

The release of this announcement has been authorised by the Board.

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*For over 30 years Healius has been one of Australia’s leading healthcare companies, committed to supporting quality, affordable and accessible healthcare for all Australians. Today, Healius has three businesses, pathology, imaging and day hospitals. Through its unique footprint of centres and its 11,000 employees, Healius provides specialty diagnostic services to consumers and their referring practitioners, as well as enabling independent healthcare professionals to deliver care in its day hospitals.*