

## ASX Announcement (ASX: HLS)



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### Healius announces strong 1H 2021 results, outlook positive

- Underlying NPAT up ~190% supported by revenue up 16%
- Reported EBIT up ~230% (NPAT comparison coloured by \$70 million ATO credit in 1H 2020)
- Sustainable Improvement Program delivering cost savings and targeting margin expansion
- Strong balance sheet and cash flow
- Interim Dividend of 6.5 cents per share, fully franked
- \$1.3 million in JobKeeper received in Day Hospitals in 1H 2021 to be returned
- Return of non-COVID revenue growth across all divisions
- Rebounding Imaging revenue adds to positive momentum in January and February

Healius Limited (ASX: HLS) today announced underlying<sup>1</sup> EBIT of \$136.6 million and underlying<sup>1</sup> NPAT from continuing operations of \$75.6 million, for the six months ended 31 December 2020 ("1H 2021"). Reported EBIT was \$141.9 million and reported NPAT was \$73.8 million.

	31 DECEMBER 2020 \$M UNDERLYING <sup>1</sup>	31 DECEMBER 2019 \$M UNDERLYING	31 DECEMBER 2020 \$M REPORTED	31 DECEMBER 2019 \$M REPORTED
Revenue	953.5	817.4	943.8	815.9
EBIT	136.6	63.3	141.9	43.1
NPAT (continuing operations)	75.6	26.1	73.8	72.9
NPAT (including discontinued operations)			62.8	66.3

Commenting on the results, Managing Director and Chief Executive Officer, Dr Malcolm Parmenter said: "The results delivered for 1H 2021 demonstrate the inherent strength of our simplified portfolio and value proposition centred on our specialist diagnostics businesses, while the performance of Day Hospitals validates our confidence in the medium and long-term prospects of this business.

"The 1H 2021 result reflects buoyant COVID testing and the return of non-COVID revenue growth as well as savings from our ongoing Sustainable Improvement Program (SIP). We have a healthy balance sheet with very low gearing that is supported by strong free cash flow.

<sup>1</sup> Underlying results for continuing operations for the six months ended 31 December 2020 exclude the impact of the loss on sale of Healius Primary Care and items considered to be outside the underlying activities of the Group. For a reconciliation and analysis, refer to the Review of Operations in the Appendix 4D or the Investor Presentation.

“The strong performances of Pathology and Day Hospitals in 1H 2021 have continued while Imaging is experiencing recovery from the backlog of demand built up during lockdown.”

“Put simply, this result would not have been possible without the remarkable efforts of our people through what has been an extraordinary period. Day in, day out many of them face the threat of contagion, selflessly putting themselves potentially in harm’s way. I am grateful for their efforts and proud to be part of this team. As a token of our thanks, the company gifted every full time and part time employee three days of additional leave in December.”

## **1H 2021 DIVISIONAL RESULTS**

### **Pathology**

Revenue rose 22% to \$711.4 million and divisional EBIT rose \$74.3 million to \$126.9 million. This performance was largely driven by robust COVID-19 testing volumes with more than 1.6 million COVID-19 tests conducted during the half, including more than 800,000 in Victoria. This more than offset the impact of lockdowns on traditional areas of pathology demand, including restrictions on elective surgery, particularly in Victoria.

Good growth continued to be achieved in some specialty areas, with veterinary testing revenue up 22.8% and genetics testing (largely driven by chromosomal testing) up 14.6%.

The strong demand for COVID-19 tests and testing locations also resulted in higher collection and consumables expenses, although these were mitigated by a continuing focus on cost control. Optimisation of the collection centre network continued, with a net reduction of approximately 100 sites during the half.

A significant proportion of COVID testing is now provided as part of commercial contracts to governments, sporting organisations and businesses and is funded outside the Medicare payments system. The added revenue from these channels has driven an increase in debtor provisions of \$8 million in the half.

### **Imaging**

Imaging division’s result reflects the impact of Victoria’s extended COVID-19 lockdowns, restrictions on elective surgery, and the costs of opening and ramping up new sites. National revenue was relatively steady year on year at \$200.4 million, with growth achieved in all states other than Victoria. Victoria is historically the division’s strongest earnings contributor with a significant proportion of revenue there coming from hospital sites.

Reduced activity due to lockdowns resulted in divisional EBIT of \$14.2 million, a decline of 39.1%. Easing of restrictions in Victoria towards the end of the half saw revenue progressively improve.

Planned rationalisation of the community sites network to achieve optimum scale and efficiency continued, together with further development in the higher margin hospital channel. Revenue from hospitals grew strongly in all states except Victoria, with a highlight being the continued ramp up of the Northern Beaches Hospital in Sydney which is exceeding expectations. Several other hospital contracts were successfully renewed during the half, including the Northern NSW Local Health District at Tweed Heads (extended to also cover Lismore and Grafton Base hospitals).

### **Day Hospitals & IVF**

The Day Hospitals division experienced strong growth, with revenue rising 21.5% to \$41.8 million and EBIT improving by \$6.8 million from a loss of \$1.1 million to \$5.7 million. Montserrat’s revenue rose 25.4% to \$22.7 million with EBIT up 84.6% to \$4.8 million. The flagship Westside Private Hospital in Brisbane continues to excel while overall its four new sites are on track to double EBITDA contribution in FY21.

The improved performance of the Healius Day Hospitals continues, with a \$2.5 million turnaround from a loss to a small EBIT contribution.

Adora Fertility's IVF business also recorded EBIT of \$0.7 million, benefitting from price increases and volume growth. Revenue was 17.5% higher with strong fresh cycle growth in NSW and Queensland offsetting a decline in Victoria due to COVID-19 restrictions.

## **SIP**

The Sustainable Improvement Program (SIP) continues to deliver efficiency and margin improvement. To date, phase 1 has achieved its \$70 million annualised target for both continuing and discontinued operations, while we are now focused on phase 2 with the aim of delivering 300 bps of margin growth by FY 2023 in both Pathology and Imaging.

## **2H 2021 Trading Update**

Robust revenue growth continued into January and February across all divisions.

In Pathology, COVID-19 testing volumes have been above 10,000 per working day on average through January and February, although with a high degree of variability. At the same time, non-COVID revenue growth has returned to around 5% since the end of the Victorian lockdown.

Imaging revenue continued its rebound in January being up 8.6% nationally on a working day basis. Revenue for our day hospitals and IVF businesses also remain well ahead of pcp in January and February.

Due to the unpredictability of COVID 19 outbreaks on company performance, the Healius Board has decided not to provide profit guidance at this time and will continue to provide trading updates as necessary during the remainder of this financial year.

## **Strong Balance Sheet and Capital Position**

Operating cash flow of \$251.2 million was 56.2% higher than in 1H 2020 due to a 12.2% increase in customer receipts, cost efficiencies and improved cash management. It also includes absorbing \$63 million of tax payments deferred from FY20 and higher trade creditors at 30 June 2020 when the business tightly controlled its cash.

Capital investment, totalling \$39.0 million, was carefully managed in 1H 2021. It comprised \$18.8 million in maintenance capex and \$20.2 million in growth capex.

The Company's balance sheet at 31 December 2020 reflected an improved net debt position of \$158.3 million, with the bank gearing ratio at 0.7x, comfortably below the covenant ceiling of 3.5x. Gearing (net debt / net debt + equity) of 7.3% and available liquidity of \$641.7 million provide flexibility for strategic M&A and capital management initiatives.

In December 2020, Healius announced its intention to return up to \$200 million to shareholders via an on-market share buyback during CY21 and a revised dividend payout policy of between 50% and 70% of reported NPAT.

The Board has determined that a fully franked interim dividend of 6.5 cents per share is payable, representing a 55% payout ratio. This level was set to preserve flexibility for sustainable dividend growth in future years while more than doubling the dividend paid to our shareholders compared to prior comparable period.

## Completion of the sale of Medical Centres

Healius completed the sale of the Healius Primary Care business, comprising medical centres and dental clinics, in November 2020 for net consideration of \$489.2 million.

## A leader in frontline healthcare

In conclusion, Dr Parmenter stated: "We remain committed to our critical frontline role in the fight against COVID-19 and our unwavering priority is the health and safety of our people, healthcare practitioners and our patients.

"I would like to thank our people and healthcare practitioners for their continued dedication, caring, and professionalism during the COVID-19 pandemic. I am enormously proud of the way they have responded and our success in these results and our current trading is in no small way due to them. I would also like to acknowledge the support for healthcare services provided by the Federal Government as well as the sourcing of equipment and consumables by Andrew and Nicola Forrest and the Minderoo Foundation.

"While uncertainty remains around the extent and timing of the COVID-19 pandemic in Australia, we are encouraged by the continued strong trading levels in Pathology, Day Hospitals and IVF, and the rebound in Imaging as activity begins to return to more normal levels.

"With a strong balance sheet, an established position as a leading nationwide provider of critical and largely non-discretionary diagnostic health services, and a growing and highly scalable Day Hospital business model, we face the future with confidence and optimism."

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/IVF. Through its unique footprint of centres and its 10,500 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 and fertility clinics.*