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ASX Announcement (ASX: HLS)

ASX Limited
Market Announcements Office
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

HEALIUS LIMITED
ACN 064 530 516
REGISTERED OFFICE:
LEVEL 6
203 PACIFIC HIGHWAY
ST LEONARDS NSW 2065
TEL: +61 2 9432 9400
FAX: +61 2 9432 9447

5 May 2021

Macquarie conference and trading update

Healius Limited ("Healius") will deliver a presentation at the Macquarie Australia conference in Sydney today, which is attached. The presentation contains a trading update which is extracted below.

Healius delivered a strong trading performance in Quarter 3 FY 2021 ("Q3"), albeit cycling weaker comparative data late in the period.

Pathology

- COVID testing continuing:
  - Healius recently reached 3 million COVID tests in total with over 800,000 undertaken in Q3, on par with 1H21 levels; and
  - Includes a growing amount of commercial COVID testing
- Non-COVID revenue:
  - 5% ahead of the prior comparative period in Q3 and growing on 1H21 levels; and
  - Positive test mix supporting higher average fees

Imaging

- Good revenue growth in Q3, up 8% on the prior comparative period, with different rates in different states
- Victoria showing progressive recovery

Day Hospitals

- Continued growth in Q3, up over 25% on the prior comparative period, driven by Montserrat
- Westside Private Hospital performed nearly 1,000 procedures in March, its best month to-date, and successfully completed its first hip and knee replacements
- Adora Fertility continued to trade profitably

In addition, Healius announced it is exploring potential sale options for its IVF business, Adora Fertility. These options are in the preliminary stages and no decision has yet been made.

ENDS

The release of this announcement has been authorised by the Managing Director & CEO.

For further information contact:

Janet Payne
Group Executive, Corporate Affairs
Phone: +61 2 9432 9512
Mobile: +61 409 995 517

Charlene Jaw
Manager, Corporate Affairs
Phone: +61 2 9432 9733
Mobile: +61 403 222 810

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 main businesses – pathology, imaging, and day hospitals/IVF. Through its unique footprint of centres and 10,500 employees, Healius provides diagnostic services to consumers and their referring practitioners, as well as enabling a range of independent healthcare professionals to deliver patient care in partnership with Healius' nurses and support staff.

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Healius Update

Dr Malcolm Parmenter,
Managing Director & CEO

Macquarie Australia Conference

5 May 2021

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The COVID story

COVID expected to remain part of the testing landscape for some time

- **Community testing**
  - Current response based on gold standard PCR testing
  - Government supporting this regime, including the rapid deployment of drive-through collection sites and daily turn-around times
  - On-going spot outbreaks, such as recently in WA, continue to support volumes
- **Commercial testing**
  - Commercial COVID testing has been growing, ensuring a safe operating environment e.g. for sports, remote mine sites and filming
- **Testing levels likely to remain in foreseeable future**
  - While COVID remains a threat, everyone who gets a cold or sore throat needs a test
  - In tandem with the roll-out of vaccinations
  - MBS fee at current levels at least until December 2021
  - When borders do open, there may be increasing incidents of COVID in Australia requiring further community testing



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A specialist diagnostic and day hospitals business

With the successful sale of Medical Centres in 1H21, we are focused on leveraging established market positions, management capability and scalability in Pathology, Imaging and Day Hospitals

Pathology



- Scale player in mature market (#2)
- 1 in 3 pathology samples tested in Healius laboratories
- Established state-based brands
- Strong response to COVID-19 pandemic with 3m+ tests to-date
- Clinical leadership in growth areas including genetics and dermatology
- State-of-the-art, automated Serum Work Area
- Scalable platform with LIS upgrade to unlock further margin growth

Imaging



- Scale player in growing market (#3)
- 3m+ radiology examinations p.a.
- Strong position in attractive hospital sector
- Comprehensive, multi-disciplined community sites
- Single, unified and leading IT platform successfully delivered to unlock further margin growth

Day Hospitals



- Market with economic, technological and regulatory tailwinds
- Major player in a fragmented industry
- Westside Private - the prototype for the Short Stay surgery in Australia with large theatres, overnight beds and advanced sterilization facilities
- Strong growth since acquisition
- Successful funding model including established Hospital Purchaser Provider Agreements

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Continued strong trading in Q3

Group delivered a strong trading performance in Q3, albeit cycling weaker comparatives late in the period

- **Pathology**
  - COVID continuing:
    - HLS recently reached 3m COVID tests with over 800k done in Q3, on par with 1H21 levels
    - Includes a growing amount of commercial COVID testing
  - Non-COVID revenue:
    - 5% ahead of pcp in Q3 and growing on 1H21 levels
    - Positive test mix supporting higher average fees
- **Imaging**
  - Good revenue growth in Q3, up 8% on pcp, with different rates in different states
  - VIC showing progressive recovery
- **Day Hospitals**
  - Continued strong growth in Q3, up over 25% on pcp, driven by Montserrat
  - Westside Private Hospital performed nearly 1,000 procedures in March, its best month to-date, and successfully completed its first hip and knee replacements
  - Adora Fertility continued to trade profitably







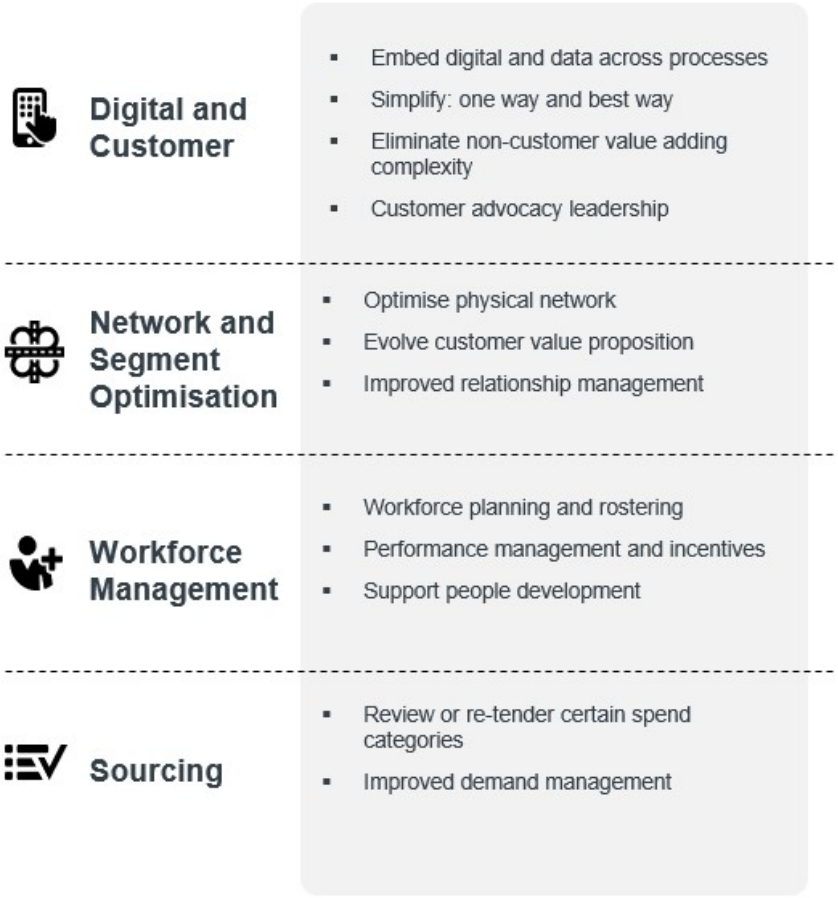
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Margin growth

Organic margin growth from business simplification and efficiency, technology adoptions and evolving customer offerings

- **SIP Phase I**
  - Completed by 1H21 ahead of plan with $58m savings pa ($70m incl MC)
  - Offsetting cost inflation (labour expenses flat in 1H21 with revenue up 17%)
- **SIP Phase II**
  - 300+ bps EBIT margin growth in Pathology and Imaging by FY23 (pre-AASB16 impact)
  - **Pathology** includes ACCs and courier network optimisation, rostering and workforce management, supply chain management and commercial revenue growth
  - **Imaging** includes workforce management, digitisation of patient journey and revenue growth targeting the specialist market
- **LIS**
  - FY22-24 timeframe with ~$90m of investment and additional ~$15-20m benefit targeted from FY24



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Capital management

Significant Balance Sheet flexibility exists to support portfolio agenda and strategic initiatives

- **Cash flows and net debt**
  - Operating cash flows very strong in Q3 and current net debt at ~$200m after interim dividend
  - 1H21 dividend more than doubled 1H20
- **Buy back**
  - Undertaken ~25% of targeted $200m CY21 buy back with ~12m shares (~2% of isc) acquired
- **Investment in growth**
  - Pathology - small histopathology business acquired and new laboratory opened in Perth, WA
  - Imaging - comprehensive new imaging centre opened in Orange, NSW and small radiology acquisition in Queensland to complete later this year
  - Day Hospitals - identified a series of sites for potential development of new short stay hospitals
  - Exploring potential sale options for Adora Fertility, currently in the preliminary stages
  - Larger M&As under continual review



New Imaging centre in Orange, NSW



New WDP laboratory in Perth, WA

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