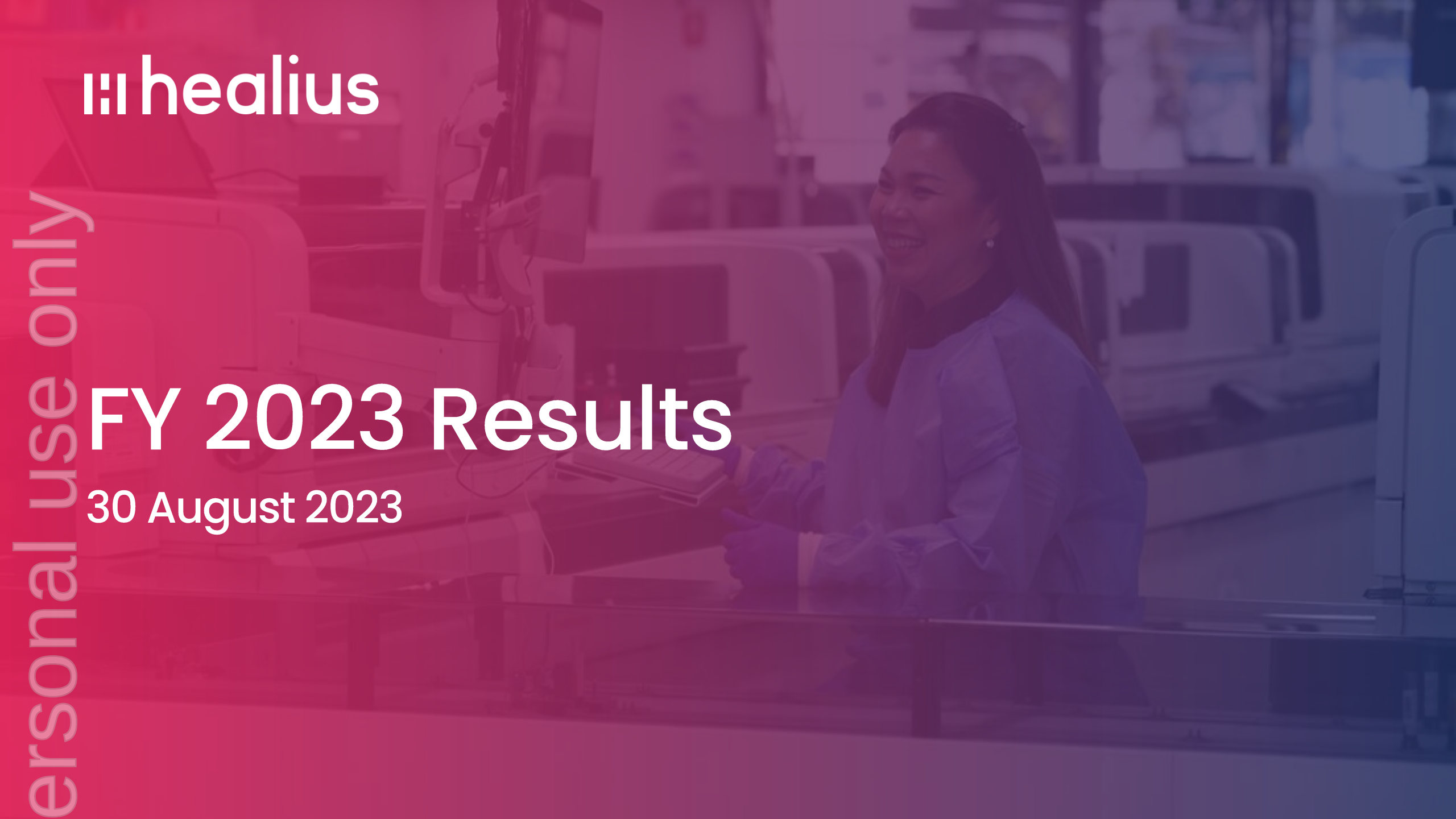


A woman with long dark hair, wearing a white lab coat over a dark top, is smiling and looking towards the left. She is standing in a laboratory or medical setting, with various pieces of equipment and monitors visible in the background. The image is overlaid with a semi-transparent red and blue gradient.

healius

FY 2023 Results

30 August 2023

ersonal use only

Forward-looking Statements

This presentation may include forward-looking statements about our financial results, guidance and business prospects that may involve risks and uncertainties, many of which are outside the control of Healius Limited. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made, and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the company include, but are not limited to, adverse decisions by Governments and healthcare regulators, changes in the competitive environment and billing policies, lawsuits, loss of contracts or unexpected growth in costs. The statements being made in this presentation do not constitute an offer to sell, or solicitation of an offer to buy, any securities of Healius Limited. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Healius Limited). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward-looking statement will be achieved. Actual future events may vary materially from the forward-looking statements and the assumptions on which the forward-looking statements are based. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements. The information provided in this presentation is based on and should be read in conjunction with the Appendix 4E released to the ASX on 30 August 2023.

Group overview

Maxine Jaquet, CEO & Managing Director

FY23 results: Underlying EBIT in line with guidance

Revenue BAU

\$1.6b

\$1.53b in pcp

Underlying EBIT

\$99m

\$487m in pcp

Underlying NPAT

\$26m

\$307m in pcp

Reported net loss after tax

(\$368m)

*Includes impairment (\$389m)
\$308m in pcp*

Pathology Revenue

\$1.3b

BAU revenue growth 3.6%

Imaging Revenue

\$431m

Gross revenue growth 9.5%

Performance highlights

- Group revenue BAU up 6.3%.
 - Imaging revenue ahead of market
 - Pathology revenue recovering
- H2 v H1 UEBIT margin: Growth of 240bps
- Substantial cost reset:
 - Labour productivity up v pre-covid: 8% for Pathology (panels/FTE); 9% for Imaging (exams/FTE)
 - Group consumables cost/revenue contained at 13%
- Material progress on sustainability agenda
- 108% cash conversion and gearing at 3.48x

Underlying results are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. For a reconciliation between Underlying and Reported refer Appendix.

Group goals & actions

1



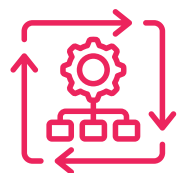
Growth to exceed market recovery

2



Driving a culture of high performance

3



Margin growth (via mix & op performance)

4



Investments to realise higher ROIC

Putting the right people in the right roles

Setting a new level of expectation for the leadership team

Strategic initiatives targeting a higher-margin revenue mix

Data analytics increasingly driving efficiencies and value

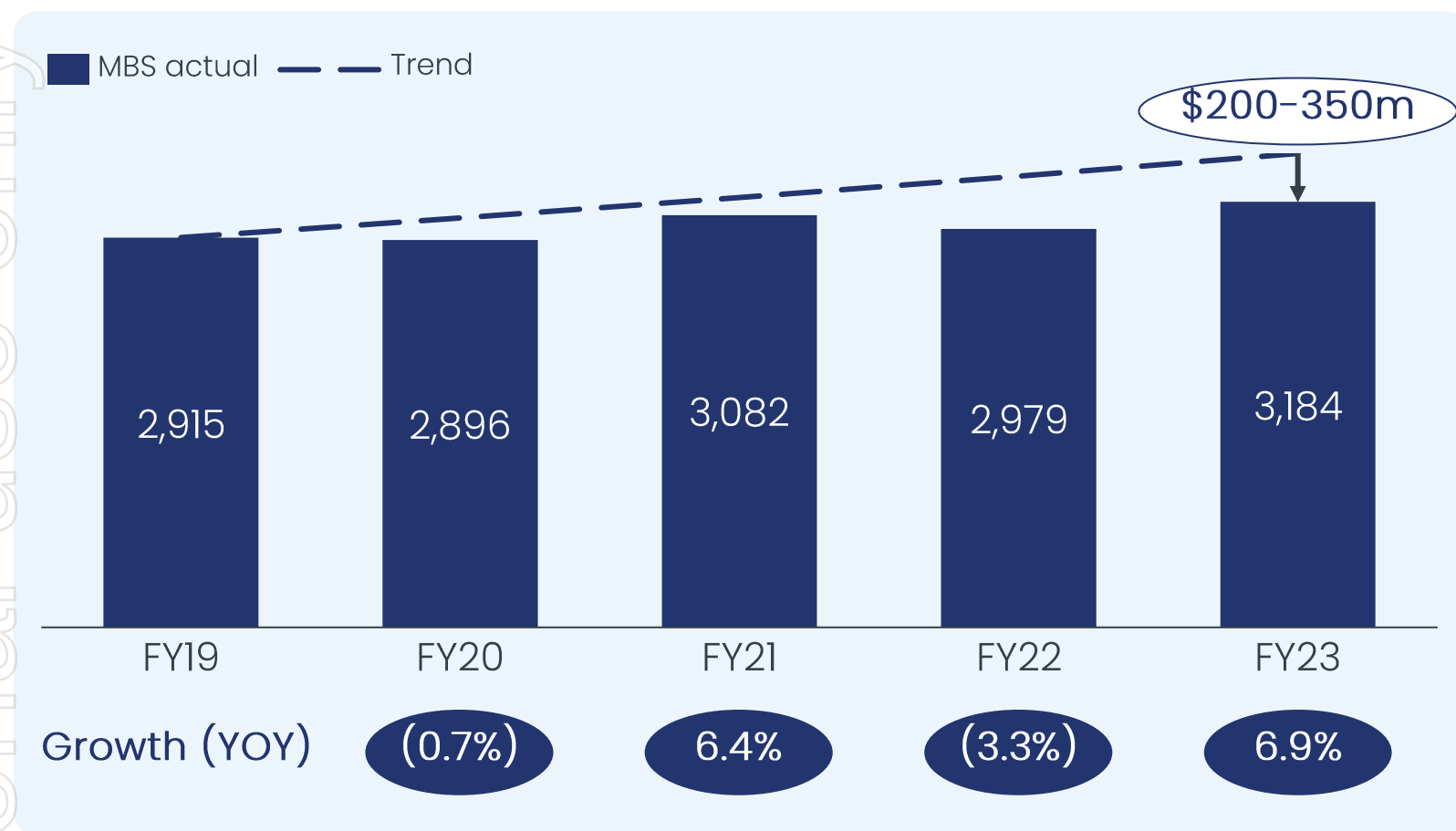
Growing through a capital-light model

Deploying best-in-class technology to improve our service proposition and operating performance

Culture directed towards customer service with ownership and accountability

Pathology market growth

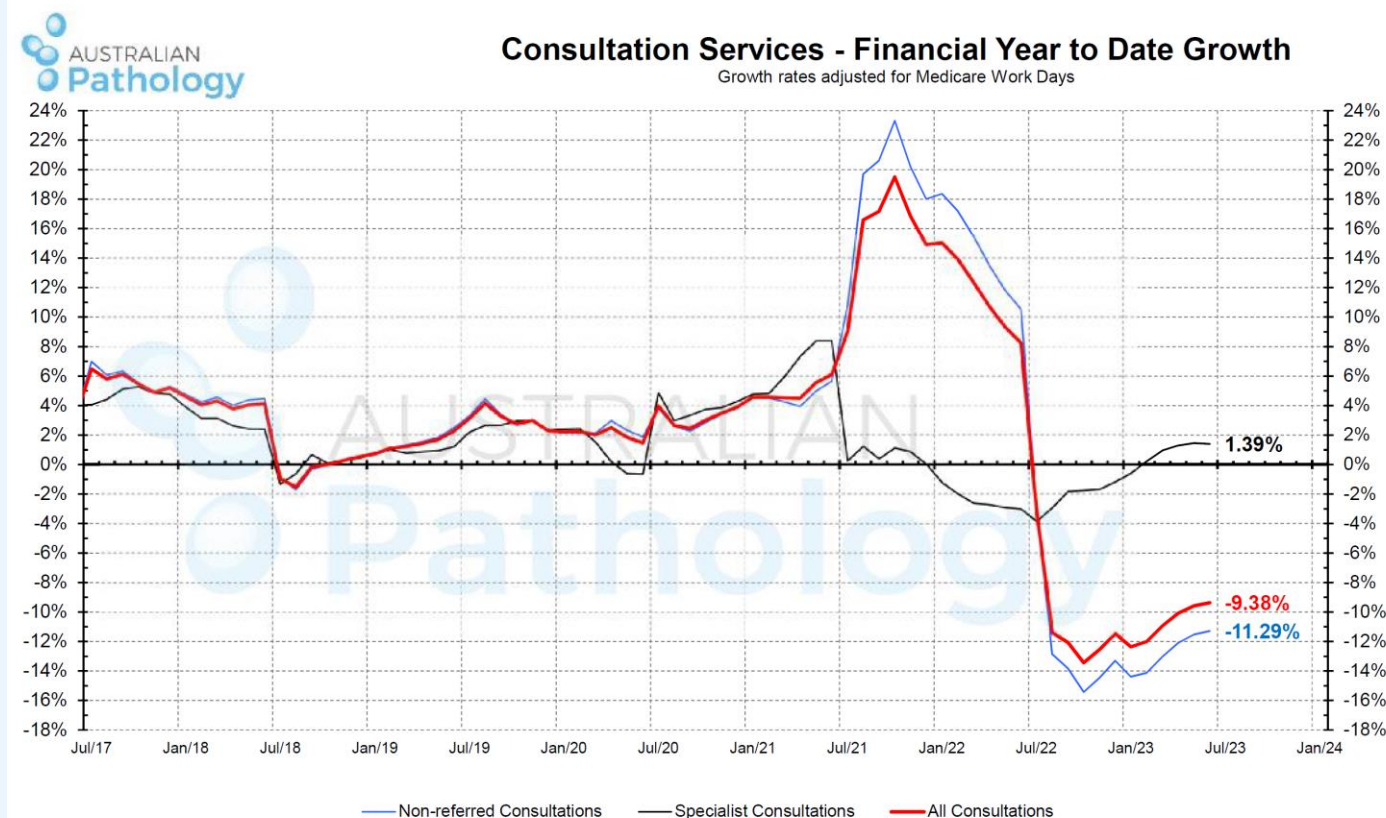
Pathology benefits paid ex COVID (actual versus long-term growth trend of 4-5%), \$m



Source: Healius analysis of Australian Pathology data (excluding COVID, respiratory items and an estimate of the associated BBI and PEI)

Specialist segment is driving market growth

GP and Specialist attendances, rolling 12-mths – GP attendances down 11% last 12 months



GP attendances continue to trail Specialist attendances, with market growth driven by Specialists (in volume and revenue)

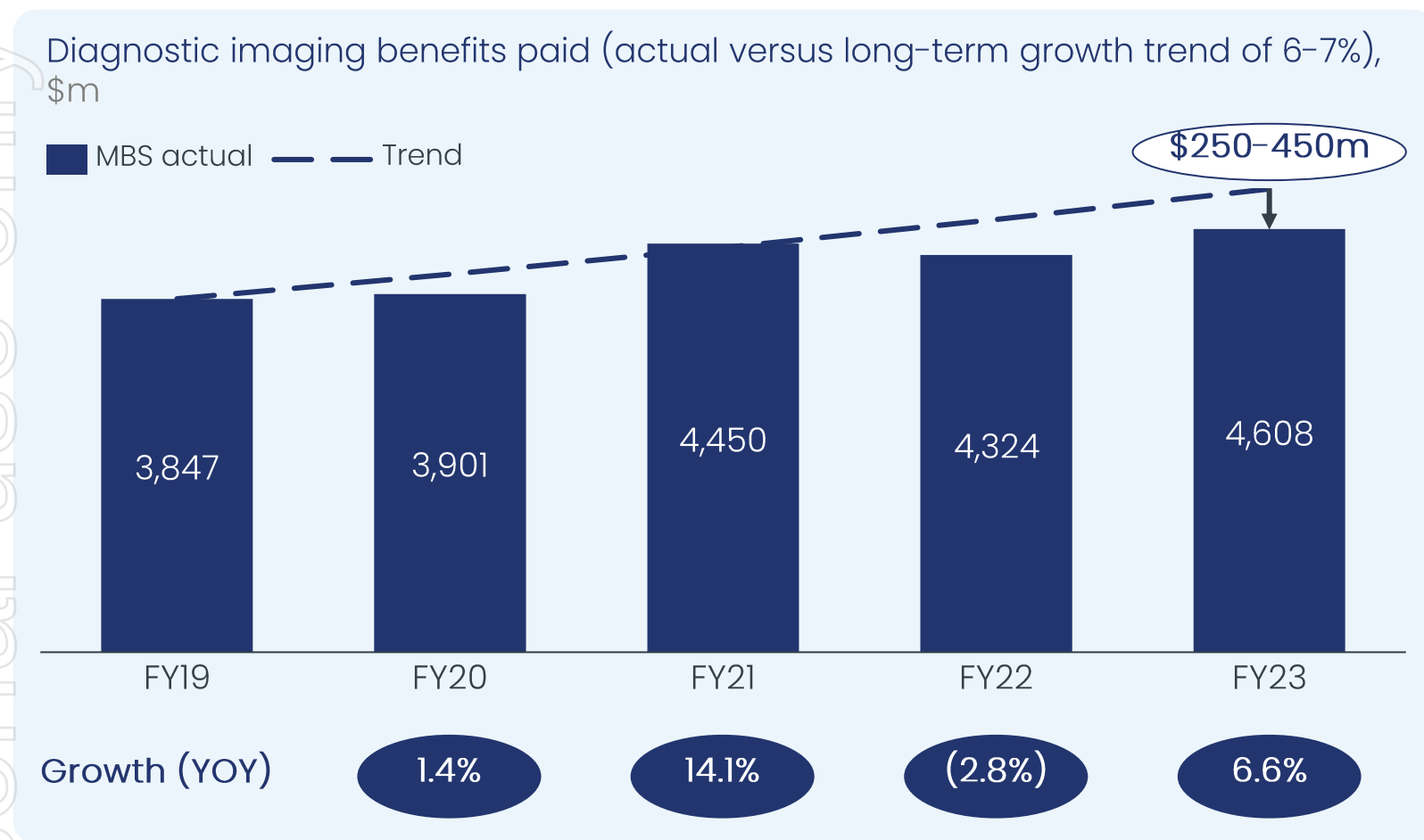
HLS Pathology FY23 growth rate for Specialist v GPs MBS benefits reflects attendances

For HLS, 8% growth (2H23 v pcip) reflects 2H23 upward trend in the GP segment

Source: Healius analysis of Australian Pathology data

Diagnostic imaging market

Lumus Imaging revenue is up 7.3% v pcp, 9.0% ex Medical Centres (compared to 6.6% for the MBS market)



Source: Healius analysis of ADIA data

DI market coming out of a COVID-affected period of volatility; last 12 months back on trend

FY23 market growth (MBS benefits) +6.6% v FY22

MBS 4.6% CAGR (FY23 v FY19)

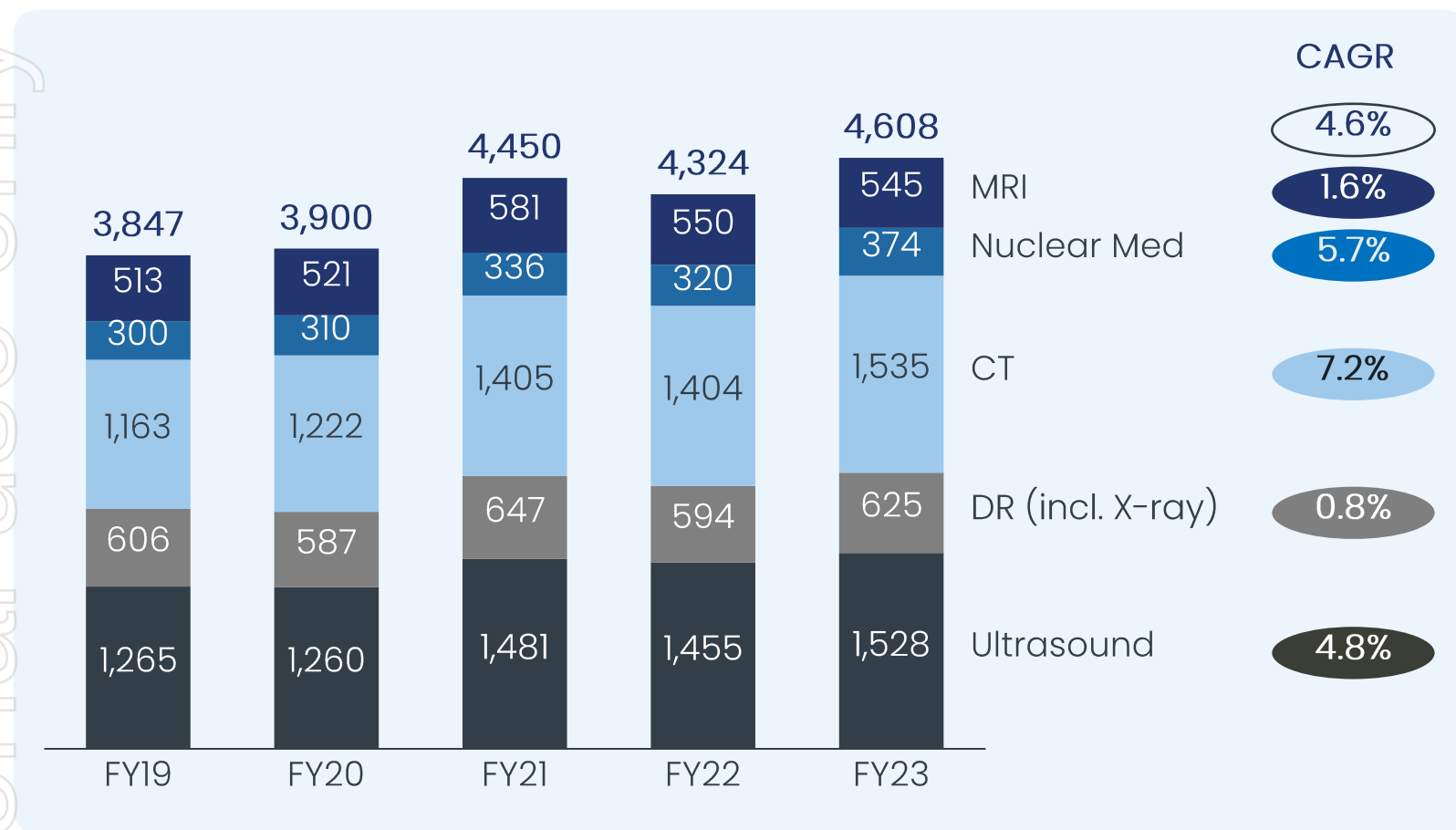
Historical market growth 6-7% CAGR

COVID-affected volatility has cost the market \$250-450m

DI market recovering at faster rate than Pathology from FY19 (pre-COVID)

Imaging trending towards higher-end modalities

MBS annual benefits for imaging modalities, \$m



Increasing complexity of referrals driving higher-end modalities / mix benefit

FY19-FY23 CAGR driven by fee growth 2.9% and volume growth of 1.7%

MRI growth subdued due to co-claiming restrictions and reduction in bulk bill incentive

Nuclear Med growth driven by PET

CT growth driven by shift from X-ray (utility benefits: lower radiation, better clinical insights)

Source: Healius analysis of ADIA data

Digitisation of diagnostic processes well progressed

Delivery is 50% complete with sequencing and prioritisation determined by business value

What we are building	How it creates value	● Complete ○ Incomplete	Build	Rollout
 Referrals Hub – Better integration with doctor workflows and enabling a direct mobile patient experience.	- Capture telehealth referral flows and increasing market demand for e-referrals. - Reduce paper-based data entry processes downstream.		●	◐
 Appointment Booking – Self-service online appointment booking for select Radiology and Pathology exams.	- Increase referral-to-test conversion. - Reduce frontline clerical labour effort.		●	◐
 Collections Portal – Digitising workflows in ACCs for registering patients, protocoling tests, collecting specimens, and processing payments.	- Improve service experience. - Improve collector efficiency and minimise errors - Enable increased lab automation downstream with less manual specimen handling.		●	◐
 Courier Portal – Automating and optimising courier runs.	Minimise courier kilometres while improving service levels.		◐	◐
 Lab Portal – Digitising workflows in labs with nationally standardised tests catalogues, resulting rules, and instrument configurations.	- Improve lab staff efficiencies and minimise errors. - Reduce clinical and operational maintenance effort across lab processes. - Retire legacy systems and eliminate business continuity risks.		Histo, Cyto ●	●
			Micro, Haem, Biochem ◐	○
 Billing System – Platform for pricing, invoicing, payments processing, and automated reconciliation.	- Improve revenue assurance. - Reduce bad debt levels.		◐	○
 Results Portal – Modern results-viewing experience for Specialists, GPs and Hospitals.	- Grow referrers with better user experience and clinical insights functionality. - Reduce back-office queries and paper handling.		●	◐

Enabled by



Data Platform – Cloud-based state-of-the-art data platform with 14 years of historical patient, referrer, and results data migrated.



Advanced Analytics – Data-driven real-time advanced analytics to support referrer growth and operational efficiencies.

Deploying and accelerating AI & digital pathology



Artificial Intelligence

Value-Based Use: Focus on areas with material productivity or clinical benefits

Aggregator Model: Leveraging unprecedented growth in proven vendors worldwide

Data and Workflow: Invest in data infrastructure and digital workflows



Digital pathology

Vet Histo workflows 100% digitised

First tranche of scanner infrastructure for human anatomical pathology (AP) in all labs

Pilot studies covering broad range of human tissue types completed

Work underway on national use for select AP cases



Dr Jan van Rooyen

Pathologist and business leader
CEO of AMPATH for two decades
Experienced in pathology business
consolidation and operational
transformation



Dr Phil Lucas

Radiologist and business leader
Director of PRP Imaging for 15 years
Experienced in operating and scaling
up imaging businesses in Australia

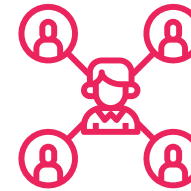
Key priorities: Pathology



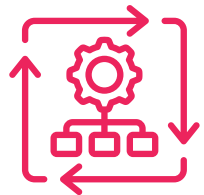
Continued
network
optimisation



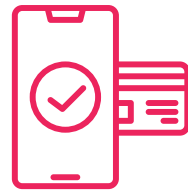
Driving
higher yield across
all segments



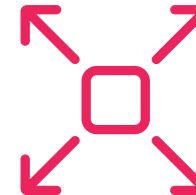
E-referral
rollout



Continued evolution of cost
base (digitisation,
automation of workflows)



Digitised
collection and
service experience



Expanding
the clinical
offering

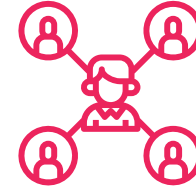
Key priorities: Imaging



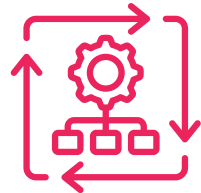
Comprehensive
community sites with
higher-end modalities



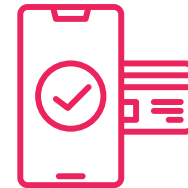
Driving
higher revenue
per site



Radiologist
engagement



Enhancing strong
position in hospital
segment



AI-enabled
workflows &
digital products

Key financials

Paul Anderson,
Chief Financial Officer

Group Results

	FY23	FY22	
	\$m	\$m	Chg %
BAU revenue	1,623.2	1,526.8	6.3%
COVID-19 revenue	83.8	763.5	(89.0%)
Total revenue (Underlying)	1,707.0	2,290.3	(25.5%)
EBITDA (Underlying)	376.2	758.2	(50.4%)
D&A	(277.2)	(271.2)	2.2%
EBIT (Underlying)	99.0	487.0	(79.7%)
Non-underlying items	(45.1)	(23.4)	92.7%
Impairment charges	(388.9)	-	-
EBIT (Reported)	(335.0)	463.6	na
Interest	(62.3)	(49.0)	27.1%
Tax	17.3	(122.2)	na
Profit from disc. operations	12.2	15.5	(21.3%)
NPAT (Reported)	(367.8)	307.9	na

Underlying EBIT in line with guidance

- Group BAU revenues up 6.3% / COVID-19 reduced 89%
- Pathology experiencing continued GP referral softness
- Lumus Imaging growing ahead of market
- Cost reset program complete
- BAU cost program on-going
- D&A increases 2.2% due to ACC expansion
- Non-underlying items of \$45.1m - consistent allocation
- Impairment charges
 - Pathology \$349.8m
 - Imaging \$39.1m (taken in 1H23)
- Discontinued operations primarily Day Hospitals

Underlying results are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. For a reconciliation between Underlying and Reported refer Appendix.

Group Results: 2H23 v 1H23

	2H23 \$m	1H23 \$m	Chg %
BAU revenue	823.5	799.7	3.0%
COVID-19 revenue	19.4	64.4	(69.9%)
Total revenue (Underlying)	842.9	864.1	(2.5%)
EBITDA (Underlying)	199.4	176.8	12.8%
EBITDA margin %	23.7%	20.5%	15.6%
D&A	(140.4)	(136.8)	2.6%
EBIT (Underlying)	59.0	40.0	47.5%
EBIT margin %	7.0%	4.6%	51.2%

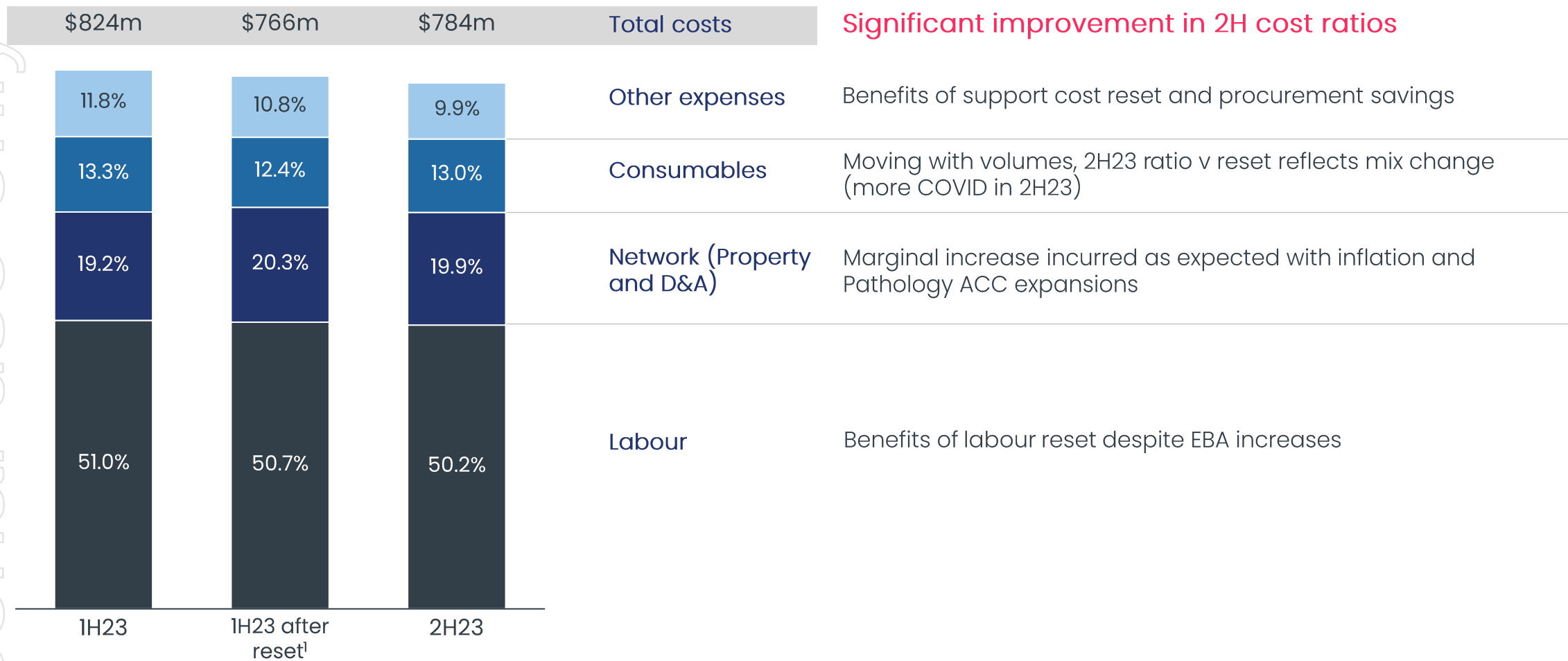
Responded to market conditions by lowering our cost base ... with growth in 2H margins

- Despite 70% drop in COVID revenue, margins expanded 240 bps in 2H23 with benefits of cost reset program
- Removed majority of Covid direct costs
- Reduced labour costs especially pathology laboratory labour and group-wide support costs
- Cost reset complete - ongoing efficiencies will continue as part of BAU
- Next step change will come from market trend reversion, supplemented by further automation and digitisation

Underlying results are defined as Reported results adjusted for non-underlying items. The Directors believe that presentation of Underlying financial information is useful for investors to understand the entity's core results from operations, without the impact of non-underlying items. For a reconciliation between Underlying and Reported refer Appendix.

Group Costs: 1H23 v reset v 2H23

Costs (underlying) as a % of Revenue



¹Reset % margins based on pro forma 1H23 BAU revenue of \$800m and \$17m of assumed COVID revenue (1.5k pwd). Higher actual revenue in 2H23 led to actual higher costs.

Pathology

	FY23	FY22	
	\$m	\$m	Chg %
BAU revenue	1,155.8	1,115.7	3.6%
COVID-19 revenue	83.8	763.5	(89.0%)
Agilex revenue	32.7	11.2	192.0%
EBITDA ¹	293.5	702.6	(58.2%)
EBITDA margin	23.1%	37.2%	(37.9%)
EBIT	78.7	498.4	(84.2%)
EBIT margin	6.2%	26.4%	(76.5%)

	2H23	1H23	
	\$m	\$m	Chg %
EBIT margin	7.5%	4.9%	52.2%

BAU revenues grow but remain volume constrained by GP referrals / Agilex Biolabs growing

- BAU revenue up 3.6% v pcp , up 7.9% 2H23 v 2H22
- Short term performance v FY22 impacted by COVID revenue drop in a high fixed cost business
- Reset of costs:
 - Domestic FTEs 11% lower than pcp
 - BAU labour costs flat, with reset offsetting rate and legislated increases
 - EBIT margin grew ~260 bps in 2H
- Well-placed for volume growth with cost base reset and focused strategy

¹FY22 reclassification of \$4.2m from operating expenses to D&A

Agilex Biolabs

	FY23	FY22	
	\$m	\$m	Chg %
Revenue	32.7	11.2	192.0%
EBITDA	4.4	0.4	1000.0%
EBIT	1.3	(0.3)	na
EBIT margin	4.0%	(2.7%)	na

Management transition complete, scale issues addressed, Q4 run rate strong into FY24

- Q4 strong exit run-rate for FY24

Major improvements made in last six months

- Operational issues addressed
- Investment in people, laboratory in Adelaide, toxicology facility in Brisbane
- Commercial relationships with overseas labs to enable a global proposition from Phase 1-3

Market fundamentals, strategic rationale, competitive position remains

- Phase 1 clinical trials remains an uncapped global market
- Australia is a highly attractive destination for Phase 1 clinical trials

Note: Healius ownership effective from Jan 2022.

Lumus Imaging

	FY23	FY22	
	\$m	\$m	Chg %
Gross revenue ¹	491.1	457.7	7.3%
Statutory revenue	431.2	393.9	9.5%
EBITDA ²	96.2	81.8	17.6%
EBITDA margin ³	22.3%	20.8%	7.4%
EBIT	37.8	19.1	97.9%
EBIT margin ³	8.8%	4.8%	80.8%

	2H23	1H23	
	\$m	\$m	Chg %
EBIT margin	9.8%	7.8%	25.8%

FY23 revenue growth above market – EBIT margin nearly doubling with greater efficiency

- Gross revenue¹ up 9.0% (ex MCs) with growth in volumes supported by modality mix and indexation; up 11.6% 2H23 v 2H22
- Compared to pre-COVID (ex MCs) we have:
 - Improved revenue per FTE = CAGR of 4.2%
 - Improved efficiency measured in exams per FTE = CAGR of 3.1%
- Radiologist recruitment supported by new engagement model
- Increasing revenue per clinic through brownfield expansion of large-scale comprehensive sites
- Greenfield pipeline, committed to 3, with 3 advanced business cases
- Well-placed for on-going growth with strong hospital / community presence and focused strategy

¹ Gross revenue is before and statutory revenue is after deduction for contract radiologists' share of revenue and costs under AASB 15

² FY22 reclassification of \$2.1m from operating expenses to D&A

³ Margins calculated based on statutory revenue.

Cashflow and capex

Cashflow aligned to revenue recognition; targeted capex for sustainable growth

FY23 Gross Operating Cashflow

\$404m

Cash conversion

108%

FY23 maintenance capex

\$37m

FY23 growth capex

\$36m

FY24 maintenance capex

\$40–50m

Strong cashflow conversion

- 108% conversion of underlying EBITDA to gross operating cash flow
- Maintenance capex \$37m (plus \$3m in Discontinued Operations)
- Growth capex \$36m with targeted spend on technology, modalities & infrastructure
- Capex in line with global peers
- Sale of Day Hospitals delivering \$127m
- Maintenance capex in FY24 expected to be \$40–50m for sustainable investment
- Growth capex oriented to organic growth, with focus on ROICs (ACC's, Greenfield & Brownfield imaging sites, technology)

Balance sheet: non-cash impairment of goodwill

- Healius carries significant goodwill relating to historic acquisitions (Symbion)
- A non-cash impairment charge of \$349.8m has been made to goodwill in the Pathology cash generating unit (CGU)
- This impairment relates primarily to Agilex, lower forecast cashflows post Covid, and an increase in the Weighted Average Cost of Capital (WACC)

Debt management

Disciplined capital and cost management to minimise net debt as trading conditions improve

FY23

- Net debt reduced to \$447m (\$525m FY22)
- Gearing¹ at 3.48x – covenant² of <4.0x
- Interest cover at 4.81x – covenant of >3.0x
- 4.8% WACD³ reflecting increases in BBSY during FY23
- 72% of debt hedged

FY24

- Capital management a major focus
- Disciplined investment with defined hurdles for growth
- Gearing to remain within bank covenants

Debt Facilities

- \$1bn in two tranches
 - \$500m March 2025
 - \$500m March 2027
- Flexibility to introduce sustainability-linked facilities going forward
- Refinance strategy consideration

¹ Bank gearing ratio is calculated on EBITDA of \$129.3m (underlying EBITDA of \$376.2m before \$247.9m for AASB 16 and \$1.0m for AASB 15 / gain on sale of assets) and net debt of \$449.9m (net debt of \$446.8m plus unamortised borrowing costs of \$2.9m and parent company guarantees of \$0.2m).

² Debt covenant raised from 3.5x to 4.0x for FY23 and 1H24

³ Weighted Average Cost of Debt pre-tax

FY24 outlook

- HLS entering FY24 with momentum delivered in 2H23
- We expect to see volumes trending higher in 2H24
- Imaging market to continue current momentum through FY24
- Agilex to continue revenue and EBIT growth after a strong Q4
- Digital program to drive further operational efficiency and set a basis for higher-yielding referrer mix
- Gearing to remain within bank covenant
- A return to normal market volumes would support the Board's intention to resume payment of dividends

Q & A

ersonal use only

Appendix

Reconciliations



Underlying v Reported Reconciliation

	FY23	FY22
	\$m	\$m
Underlying EBIT	99.0	487.0
Digital transformation costs	(21.7)	(10.5)
Transaction costs	(3.2)	(10.3)
Takeover costs	(5.4)	-
Impairment of leased assets	(39.1)	-
Impairment of goodwill	(349.8)	-
Restructuring and terminations costs	(13.9)	-
Transactions with discontinued operations	(0.9)	(2.6)
Reported EBIT	(335.0)	463.6

	FY23	FY22
	\$m	\$m
Underlying NPAT	25.7	306.6
After-tax adjustments to underlying EBIT	(303.8)	(16.4)
Tax differential for non-deductible items	(101.9)	2.2
Profit/(Loss) from discontinued operations	12.2	15.5
Reported NPAT incl. discontinued operations	(367.8)	307.9

Divisional reconciliation – underlying

		Pathology \$m	Imaging \$m	Corporate \$m	Group ¹ \$m
FY23	Revenue	1,272.3	431.2	3.9	1,707.0
	EBITDA	293.5	96.2	(13.5)	376.2
	EBIT	78.7	37.8	(17.5)	99.0
FY22	Revenue	1,890.4	393.9	6.5	2,290.3
	EBITDA ²	702.6	81.8	(26.2)	758.2
	EBIT	498.4	19.1	(30.5)	487.0

¹ In FY23 \$0.4 million (FY22 \$0.5 million) of intercompany revenue/expense was eliminated at a Group level

² FY 2022 reclassification of operating expenses to D&A: Pathology \$4.2m, Imaging \$2.0m, Corporate \$6.3m

Appendix

Supporting slides

Our strategy

Diagnostics for life

Supporting clinical decisions through personalised insights and superior customer experience



Operating leverage

Extracting maximum value & growth from our network



Service

Serving accessible and high-quality healthcare experiences



Insights

Delivering precise & comprehensive diagnostic insights



People

Providing the best culture & a fulfilling career in healthcare

Group digital agenda

Funding envelope \$85-90M from FY21. On track and on budget



FY23 Sustainability highlights

Core to our purpose is the delivery of high-quality, accessible and efficient diagnostic healthcare services



Supporter of local communities through our diagnostic services; CCI¹ national partnership



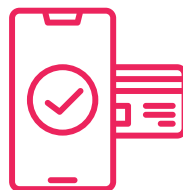
Reduced Scope 1 & 2 emissions to 30.6k t vs 31.7k t in FY22



Driving gender diversity in our leadership teams with female CEO & Chair



Long-term renewable energy agreement from Jan-24



Digital initiatives underpin customer progress



Adopted Australian Cyber Security Centre standards

¹Children's Cancer Institute

Pathology services market in Australia

Medicare benefits paid (MBS) represents a portion of the pathology services market

	Market segment	Payor	Referrer	Avg. fee (indexed to GP)
Non-MBS	Clinical trials	Biopharma sponsors	Biopharma / CROs	n/a
	Animal	Owners (OOP); Insurers	Vets, Trainers	2.0x
	Commercial (B2B)	Corporates	Employers	1.0x
	Private hospitals	PHI, Patients (OOP)	Specialists	1.5x
	Public hospitals	Commonwealth (MBS); State Govts	Specialists	0.75x
MBS \$3.2B	Specialist out-patient	Commonwealth (MBS); PHI; Patients	Specialists	>1.5x
	Primary care	Commonwealth (MBS)	GPs	1.0x

Total pathology services market in Australia is made up of all of these segments

HLS participates in each of these segments

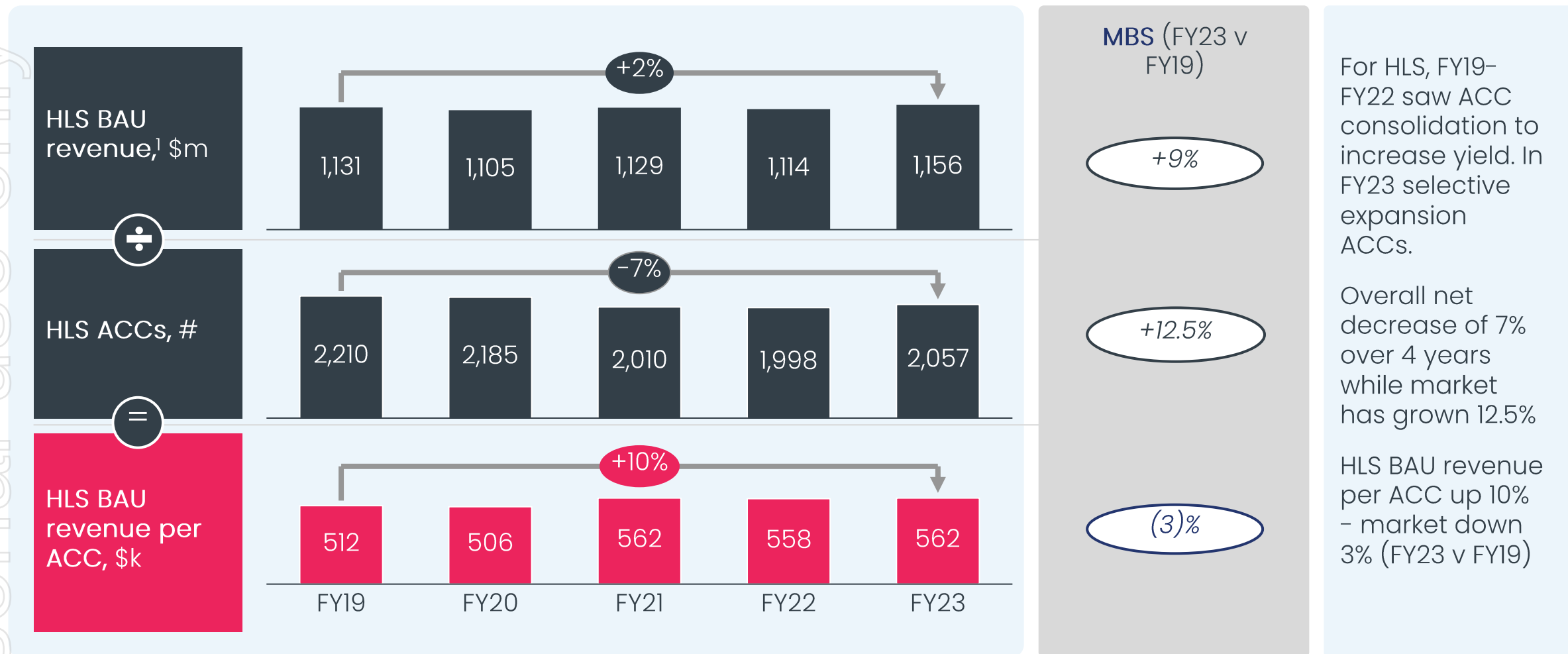
No official market statistics (of the total market) are available

MBS (Medicare paid benefits) comprises Primary Care (GPs), Specialist out-patient and some public hospital services

Consequently, MBS data, while helpful, is not definitive of provider total market share

HLS has increased its ACC network productivity

While the total market productivity (MBS benefits per ACC) has declined over the same 4-yr period



¹ Working days adjusted