

20 November 2023

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**Trading update, equity raising and capital structure initiatives**

- Fully underwritten¹ accelerated non-renounceable entitlement offer to raise ~A\$187 million (Entitlement Offer or Equity Raising).
- Support from Healius' debt providers, with agreement to waive the net debt covenant for 1H24 and temporarily increase covenant headroom for FY24.
- To deliver a reset of the balance sheet with appropriate gearing, in a post-COVID recovery market, with inflationary pressures and higher interest rates.

Today, Healius Limited (ASX:HLS) (**Healius** or **Group**) has announced an approximately \$187 million 1 for 3.65 pro-rata accelerated non-renounceable entitlement offer (**Entitlement Offer**). The proceeds from the Entitlement Offer will be used to reduce Healius' net debt and reset its balance sheet with appropriate gearing.

Healius today also announces that its lending syndicate has agreed to waive Healius' gearing² covenant for 1H 2024 and temporarily increase the covenant from 3.5x to 4.0x at 30 June 2024. This waiver is in conjunction with a commitment from Healius to reduce its total bank facilities from \$1 billion to \$750 million and to reduce its drawn debt by at least \$150 million by 30 June 2024. The Group will also not declare or pay any dividends for FY 2024.

Following the completion of the Entitlement Offer, Healius expects to have sufficient financial flexibility and liquidity to navigate near-term cost pressures in a post-COVID recovery market, as well as undertake disciplined investment in its core businesses as industry volumes recover over time.

¹ Refer to "Shortfall" on slide 24 of the Key Risks section in the investor presentation released to ASX by Healius on 20 November 2023 for a description of the terms and conditions of the underwriting arrangements.

² Gearing is calculated as net debt (including unamortised borrowing costs and parent company guarantees) divided by underlying EBITDA for the last 12 months (before the impact of AASB 16 and AASB 15, share-based payments expense, and profit or loss on sale of fixed assets).

Following the Entitlement Offer:

- Healius' Pro Forma FY 2023 Net Debt would be \$263³ million, resulting in Pro-Forma FY 2023 Gearing of 2.0x³ underlying EBITDA².
- Healius will have undrawn bank facilities of \$372³ million, with the first maturity event due in March 2025.

The announcement of the Entitlement Offer and debt covenant relief follows the implementation of an extensive cost reset program post-COVID that has made Healius a leaner, stronger underlying business today as the sector recovers.

On-going efficiency and revenue reviews continue in light of current trading conditions, including pricing and revenue assurance initiatives, footprint optimisation, together with general cost management programs to offset inflationary pressures.

Healius' CEO Maxine Jaquet said: "Over the past year, the management team has and continues to undertake an extensive reset of the cost base for the post-COVID environment. The Equity Raising announced today will reset Healius' capital structure for the current environment.

"In tandem, we are executing on growth opportunities including our initiatives around digitisation, network and customer optimisation, as well as positioning Healius to take advantage of the recovery in the healthcare sector, which we believe is underpinned by strong drivers including the ageing and growing population in Australia."

Trading Update

Market trading for the first quarter of FY 2024 was as follows:

Pathology:

- Core Pathology volumes grew 6%⁴ on the previous corresponding period (**pcp**) for the quarter, with weekly volumes improving noticeably across October and into the first three weeks of November.
- Healius' share of Medicare Benefits Schedule (**MBS**) benefits paid remained constant on rolling six-month and twelve-month bases⁵, a solid outcome given the on-going lower growth and lower value of GP-referred MBS benefits paid when compared to the growth and value of specialists MBS benefits paid.
- COVID volumes declined over 90% on pcp for the quarter.
- Agilix growth has continued from its strong run-rate in Q4 FY 2023 and remains on track for a much stronger FY 2024 EBIT contribution than pcp.
- Costs and capital are being tightly managed as pathology volumes recover.

³ Net debt, gearing and undrawn bank facilities are presented before transaction costs.

⁴ Since combined Respiratory/ COVID comprises over 80% of all requests linked to the new codes introduced in October 2022, these combined Respiratory/ COVID tests are being recorded in core trading.

⁵ Healius six-months' and twelve-months' rolling share of MBS benefits paid is approximately 24%.

Imaging:

- Lumus Imaging has continued to grow via volume and pricing improvements, modality mix and indexation, supported by the footprint of large-scale comprehensive community sites and a strong hospital portfolio.
- Lumus Imaging gross⁶ revenue was up 9% on pcp for the quarter, with MBS benefits also up 9%.

Outlook

Based on trading conditions experienced in FY 2024 to-date, Healius provides the following guidance:

- Healius expects underlying EBITDA of \$158 million - \$161 million and EBIT of \$14 million – \$17 million for 1H 2024. (Healius recorded \$57 million of COVID-related revenues in H1 2023 which equated to an EBIT impact of approximately \$24 million⁴.)
- Healius expects underlying EBITDA of \$383 million - \$393 million and EBIT of \$95 million – \$105 million for FY 2024 based on the assumptions set out below.

1H v 2H earnings:

- Revenue for the Group is historically weighted towards 2H driven by greater 2H pathology volumes and revenue. This results in a more significant 2H earnings skew given the predominantly fixed cost base (with consumables being the main volume-dependent variable cost).
- Pathology core volumes are assumed to grow in the order of between 6% and 8% in 2H 2024 on pcp, premised on:
 - Q1 2024 pathology volume growth of 6% on pcp,
 - Expected 1H 2024 pathology revenues of approximately \$600 million, and
 - The upward trend observed in the market to-date.
- A 1% movement in Healius' pathology growth for 2H 2024 compared to pcp results in approximately \$5 million of EBIT impact for the business unit. The upper end of the FY 2024 expected underlying EBIT range (\$105 million) assumes volume growth of 8% while the lower end of the range (\$95 million) assumes a volume growth case of 6%. As noted above, Healius' underlying EBIT is highly leveraged to pathology volume growth.

⁶ Gross revenue is before deduction for contract radiologists' share of revenue and amortisation costs under AASB15. Gross revenue growth excludes the Medical Centres channel which continued to be impacted by the market-wide GP shortages, and the Department of Immigration screening contract.

- Included in the FY 2024 guidance range are the aforementioned efficiency and revenue initiatives which are expected to deliver approximately \$15 million EBIT in 2H 2024.
- A combination of the traditional revenue weighting to 2H, higher volume growth expectations in 2H 2024 on pcip, and revenue and efficiency reviews is expected to have a significant impact on earnings for the second half of the FY 2024 financial year.

Entitlement Offer

Healius will undertake a fully underwritten⁷ 1 for 3.65 pro rata accelerated non-renounceable entitlement offer to raise ~A\$187 million.

Healius will issue ~156.1 million fully paid ordinary shares (**New Shares**) under the Entitlement Offer, representing ~27.4% of Healius' existing shares on issue. The New Shares will rank equally with existing fully paid ordinary shares on issue.

ASX has confirmed that, as a result of the off-market takeover bid (**Takeover Offer**) from Australian Clinical Labs Limited (**ACL**), the New Shares will be issued under a separate ticker, expected to be 'HLSNB'. The New Shares will trade separately from the main class of Healius shares (unless the Takeover Offer lapses or ACL obtains relief from ASIC to extend the Takeover Offer to the New Shares). When the Takeover Offer ends or if ACL obtains relief from ASIC to extend the Takeover Offer to the New Shares, ASX will fold the New Shares into the main class of Healius shares. The Takeover Offer is currently scheduled to end on 29 February 2024.

The Entitlement Offer will be conducted at A\$1.20 per New Share (**Offer Price**), representing a:

- 29.3% discount to the theoretical ex-rights price of A\$1.698 (**TERP**)⁸
- 34.6% discount to Healius' last closing price of A\$1.835 on 17 November 2023.

The Entitlement Offer is comprised of two components: the Institutional Entitlement Offer and the Retail Entitlement Offer. Under the Institutional Entitlement Offer, eligible shareholders in certain jurisdictions will be invited to subscribe for 1 New Share for every 3.65 existing Healius fully paid ordinary shares held as at 7:00pm (Sydney time) on Thursday, 23 November 2023.

⁷ See footnote 1.

⁸ TERP is the theoretical ex-rights price. TERP is calculated by reference to Healius' closing price of A\$1.835 on 17 November 2023, being the last trading day prior to the announcement of the Equity Raising. TERP is a theoretical calculation only and the actual price at which Healius shares trade immediately after the ex-date of the Equity Raising will depend on many factors and may not be equal to TERP.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will open today, Monday, 20 November 2023. Eligible institutional shareholders can choose to take up all, part or none of their entitlement as part of the Institutional Entitlement Offer.

Institutional entitlements not taken up, and those of ineligible institutional shareholders, will be placed into an institutional shortfall bookbuild and offered to certain institutional shareholders and investors. This will be conducted at the Offer Price and will occur concurrently with the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand as at 7:00pm Sydney time on Thursday, 23 November 2023 (**Record Date**) will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer.

The Retail Entitlement Offer will open on Tuesday, 28 November 2023 and close at 5:00pm (Sydney time) on Thursday, 7 December 2023. Further details about the Retail Entitlement Offer will be set out in a retail offer booklet (**Retail Offer Booklet**) which Healius expects to lodge with the ASX on Tuesday, 28 November 2023. Eligible retail shareholders are encouraged to read the Retail Offer Booklet in its entirety, in particular, the risk factors, and should seek financial advice if they are uncertain of whether or not to participate. Eligible retail shareholders can choose to take up all, part or none of their entitlement.

Eligible retail shareholders that take up their full entitlement may also apply for additional New Shares in excess of their entitlement (up to 25% of their entitlement and subject to scale-back, at Healius' discretion).

All Directors who are existing shareholders on the Record Date have committed to take up their pro rata entitlements under the Retail Entitlement Offer.

Entitlement Offer timetable⁹

Event	Date (Sydney time)
Trading Halt, Announcement of Equity Raising	Monday, 20 November 2023
Institutional Entitlement Offer bookbuild	Monday, 20 November 2023 – Tuesday, 21 November 2023
Announcement of results of the Institutional Entitlement Offer	Wednesday, 22 November 2023
HLS shares recommence trading	Wednesday, 22 November 2023
Entitlement Offer Record Date (7:00pm AEDT)	Thursday, 23 November 2023
Retail Entitlement Offer opens	Tuesday, 28 November 2023
Settlement of New Shares issued under the Institutional Entitlement Offer	Thursday, 30 November 2023
Allotment and trading of New Shares issued under the Institutional Entitlement Offer	Friday, 1 December 2023
Retail Entitlement Offer closes (5:00pm AEDT)	Thursday, 7 December 2023
Announcement of results of the Retail Entitlement Offer	Tuesday, 12 December 2023
Settlement of New Shares issued under the Retail Entitlement Offer	Wednesday, 13 December 2023
Allotment of New Shares issued under the Retail Entitlement Offer	Thursday, 14 December 2023
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Friday, 15 December 2023

ACL takeover offer

Healius is still subject to a highly conditional scrip off-market takeover bid from ACL. For the reasons set out in the Target's Statement issued by Healius in response to the Takeover Offer, the Healius Board has unanimously recommended that Healius shareholders reject the Takeover Offer.

The Entitlement Offer will enliven the 'Prescribed Occurrences Condition' of the Takeover Offer which is triggered upon new issues of new shares by Healius during the offer period.¹⁰ Unless the triggered condition is waived by ACL, this may cause the Takeover Offer to lapse.

The Healius Board has carefully considered the potential impact of the Entitlement Offer on the Takeover Offer. Ultimately, notwithstanding the potential for the Takeover Offer to lapse,

⁹ These dates are indicative only and are subject to change. Healius, reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable. In particular, Healius reserves the right to extend the Equity Raising timetable and to withdraw or vary the Entitlement Offer without prior notice. Any extension of the Equity Raising timetable will have a consequential effect on the date for the allotment and issue of New Shares. Healius will consult with the underwriter in relation to any proposed change to this indicative timetable and any such change will require the consent of the underwriter.

¹⁰ See condition set out at section 11.9(o)(iv) of ACL's Bidder's Statement.

the Healius Board strongly believes that undertaking the Entitlement Offer at this time is in the best interests of Healius shareholders in order to reset the balance sheet with appropriate gearing. In coming to this view, the Healius Board has had particular regard to the following factors:

- There is a strong possibility that the Takeover Offer may lapse in any event and not ultimately be available to Healius shareholders given that:
 - the Takeover Offer is conditional on ACCC approval and Healius continues to believe that it is unlikely that approval will be granted, based on the ACCC highlighting three 'red lights' (issues of concern) and one 'amber light' (issues that may raise concerns) in relation to the Takeover Offer and forming the preliminary view that the proposed acquisition would be likely to substantially lessen competition in multiple areas;
 - the Takeover Offer has a 90% minimum acceptance condition, but it is apparent that fewer than 1% of Healius shareholders have accepted the Takeover Offer in the 7 months it has been open and two of Healius' largest shareholders (Perpetual and Tanarra, who together own approximately 23% of Healius) indicated that they did not support the Takeover Offer; and
 - 6 of the other conditions to the Takeover Offer have already been triggered and ACL has so far not elected to waive those conditions.
- It remains open to ACL, if it wishes, to submit a revised offer for Healius at an exchange ratio that takes into account the expanded capital base, such that there will be no prejudice to ACL from the Entitlement Offer proceeding¹¹.

Healius notes that, in its current form, the Takeover Offer will not extend to New Shares issued under the Entitlement Offer. As noted above, ASX intends to establish a separate quoted class of securities for those New Shares (**HLSNB**) so that they are not intermingled with existing Healius shares that are subject to the Takeover Offer. However, if ACL wishes to proceed with its Takeover Offer, it may apply for relief from ASIC to extend the Takeover Offer to those New Shares issued under the Entitlement Offer.

Further information

Further details of the Equity Raising are set out in the investor presentation lodged with the ASX today. The investor presentation also contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

ENDS

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

¹¹ Healius is willing to consent to, and support, any application for relief made by ACL to enable the Offer to remain on foot (with adjustments to take account of the Entitlement Offer).

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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 two core diagnostics businesses, pathology and imaging. Through its unique footprint of centres and its 10,500 employees, Healius provides Australia-wide specialty diagnostic services to consumers and their referring practitioners.

Important Information

This announcement does not constitute financial product advice and does not take into account the investment objectives, financial situation or needs of any particular investor. Investors are encouraged to seek independent financial advice before making any investment decision.

Not for Release or Distribution in the United States

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any jurisdiction in which such an offer would be unlawful. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of a person in the United States (to the extent that the person holds shares for the account or benefit of a person in the United States).

Forward-looking Statements

This notice contains forward-looking statements, including but not limited to statements of opinion and expectation and statements about Healius' plans, future developments, strategy and the outcome and effects of the Entitlement Offer and the use of proceeds. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

These statements assume the success of Healius' business strategies. The words "expect", "anticipate", "estimate", "intend", "believe", "should", "may", "will" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates are based on certain assumptions and contingencies that may be affected by various factors, which are subject to change without notice, and known and unknown risks and uncertainties, including matters that are outside the control of Healius and its directors and management, and may differ from results actually achieved. Investors are cautioned against

placing undue reliance upon such statements. Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and geopolitical tensions (including the conflicts involving Russia and Ukraine, and Israel and Palestine).

Financial information

This announcement contains recent trading information for 1Q FY 2024 for Healius that has been derived from monthly management accounts and has not been subject to audit or review.

Investors should also be aware that certain financial measures included in this announcement are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under AAS and International Financial Reporting Standards (IFRS). Those non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS and may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Non-IFRS measures and has not been subject to audit or review. Investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this announcement.

In addition, certain of these non-IFRS/non-GAAP measures are presented on a pro forma basis to show the impact of the Entitlement Offer. The pro forma financial metrics provided in this announcement are for illustrative purposes only and are not represented as being indicative of the Company's views on its future net debt, gearing levels or future financial performance. Investors should note that such pro forma financial information has not been prepared in accordance with, and does not purport to comply with, Article 11 of Regulation S-X under the U.S. Securities Act.